MICRO-STAR INTERNATIONAL CO., LTD.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

For the convenience of readers and for information purpose only, the independent accountants' 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 independent accountants' report and financial statements shall prevail.

Representation Letter

In connection with the Consolidated Financial Statements of Affiliated Enterprises of MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES, we confirm to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2016 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES and its subsidiaries in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES do not prepare a separate set of Consolidated FS of Affiliates.

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

Joseph Hsu, Chairman
March 24, 2017

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

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

Opinion

We have audited the accompanying consolidated balance sheets of MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries (the "Group") as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, as described in the *Other matters* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Occurrence of sales revenue from new significant customers

Description

Please refer to Note 4(25) for accounting policies on revenue recognition. Other than international brands, the Group sells its products to customers around the world. With the Group actively developing new products, sales revenue increases progressively every year, and the occurrence of sales revenue is critical to the financial statements. Thus, the occurrence of sales revenue from new significant customers, excluding international brands, was identified as a key audit matter.

How our audit addressed the matter

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

A. Obtained an understanding of and assessed internal controls in relating to sales revenue from new significant customers, and validated the operating effectiveness of those above mentioned internal controls.
B. Obtained detailed listing of sales revenue from new significant customers in the current year, and validated supporting documents, including sales invoices, customer purchase orders and delivery documents.
C. Inspected contents and relevant evidences in relating to sales returns and discounts occurred subsequent to the reporting period and assessed the reasonableness of respective sales revenue recognised.

Estimation of allowance for inventory valuation losses

Description

Please refer to Note 4(11), for accounting policies on inventory valuation, Note 5(2) for the uncertainty of accounting estimates and assumptions applied on inventory valuation, and Note 6(4) for details of inventories. As of December 31, 2016, the balances of inventories and allowance for inventory valuation losses are NT$16,869,239 thousand and NT$348,509 thousand, respectively. The Group is primarily engaged in manufacturing and sales of main board, interface card, notebook computer and other electronic products. Due to the rapid technological innovations, shorten electronic product life cycles, and the fluctuation of market prices within the industry, there is a higher risk of inventory losses due from market value decline or obsolescence. The Group recognises inventories at the lower of cost and net realisable value. As the monetary values of inventories are material, and there are various types of inventories, the estimation and determination of the net realisable value of inventories as at the balance sheet date are subject to management's judgment and contain a high level of uncertainty and have material effects on the financial statements, and therefore, it was identified as a key audit matter.

How our audit addressed the matter

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

A. Assessed the reasonableness and the consistency of policies in relating to the provision of allowance for inventory valuation losses and procedures based on our understanding of the Group's operations and industry.
B. Validated the appropriateness of system logic of the report of individually identified obsolete inventory prepared by management and confirmed the consistency with Group's policies.
C. Validated the appropriateness of estimation basis for net realisable value of inventories and inspected respective supporting documents, including sales prices or purchase prices, reperformed the calculation of the report and assessed the reasonableness of management's determination of net realisable value of inventories.

Other matter – Reference to audits of other independent accountants

We did not audit the financial statements of certain consolidated subsidiaries and investments accounted for under the equity method that are included in the consolidated financial statements. Those financial statements were audited by other independent accountants, whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on reports of the other independent accountants. Total assets of the above mentioned entities (including investments accounted for under the equity method) amounted to NT$8,590,957 thousand and NT$5,726,607 thousand as at December 31, 2016 and 2015, constituting 17% and 12% of consolidated total assets, respectively. Sales revenue of the above mentioned entities amounted to NT$19,393,533 thousand and NT$17,663,086 thousand, for the years ended December 31, 2016 and 2015, constituting 19% and 21% of consolidated total sales revenue, respectively.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of Micro-Star International Co., Ltd. as at and for the years ended December 31, 2016 and 2015.

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

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

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

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

Independent Accountant's responsibilities for the audit of the consolidated financial statements

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

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

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

statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Chou, Hsiao-Tzu   Lai, Chung-Hsi

for and on behalf of PricewaterhouseCoopers, Taiwan

March 24, 2017

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

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 12,267,586	24	$ 11,568,417	25
1110	Financial assets at fair value through profit or loss - current	6(2)	169,229	-	114,905	-
1150	Notes receivable, net		8,330	-	4,040	-
1170	Accounts receivable, net	6(3)	14,104,201	28	12,107,000	26
1200	Other receivables		333,239	1	296,733	1
1220	Current income tax assets		5,502	-	16,931	-
130X	Inventories, net	6(4)	16,520,730	33	14,969,163	32
1410	Prepayments	6(5)	1,147,408	2	1,208,333	3
11XX	**Total current assets**		44,556,225	88	40,285,522	87
	Non-current assets					
1543	Financial assets carried at cost - non-current	13(1)	-	-	-	-
1550	Investments accounted for using equity method	6(6)	-	-	-	-
1600	Property, plant and equipment	6(7) and 8	5,092,392	10	5,432,454	12
1760	Investment property - net	6(8)	344,658	1	368,097	1
1840	Deferred income tax assets	6(22)	343,320	1	286,433	-
1900	Other non-current assets	6(9) and 8	131,189	-	158,363	-
15XX	**Total non-current assets**		5,911,559	12	6,245,347	13
1XXX	**Total assets**		$ 50,467,784	100	$ 46,530,869	100

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MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ -	-	$ 600,000	1
2120	Financial liabilities at fair value through profit or loss - current	6(2)	1,430	-	11,964	-
2150	Notes payable		-	-	995	-
2170	Accounts payable		18,047,826	36	16,129,363	35
2200	Other payables	6(11)	3,750,651	7	2,791,464	6
2230	Current income tax liabilities	6(22)	717,918	1	379,548	1
2250	Provision for liabilities - current	6(14)	310,738	1	230,015	-
2300	Other current liabilities		364,548	1	398,983	1
21XX	**Total current liabilities**		23,193,111	46	20,542,332	44
	Non-current liabilities					
2540	Long-term borrowings	6(12) and 8	19,057	-	13,350	-
2570	Deferred income tax liabilities	6(22)	19,198	-	2,164	-
2640	Net defined benefit liability, non-current	6(13)	171,794	-	156,218	1
2670	Other non-current liabilities, others		174,126	1	74,788	-
25XX	**Total non-current liabilities**		384,175	1	246,520	1
2XXX	**Total liabilities**		23,577,286	47	20,788,852	45
	Equity attributable to owners of parent					
	Share capital	6(15)				
3110	Share capital - common stock		8,448,562	17	8,448,562	18
	Capital surplus	6(16)				
3200	Capital surplus		2,070,471	4	2,920,142	6
	Retained earnings	6(17)				
3310	Legal reserve		3,395,928	7	3,025,283	7
3320	Special reserve		389,482	1	389,482	1
3350	Unappropriated retained earnings	6(22)	12,816,215	25	10,428,595	22
	Other equity interest					
3400	Other equity interest		(230,160)	(1)	529,953	1
31XX	**Equity attributable to owners of the parent**		26,890,498	53	25,742,017	55
3XXX	**Total equity**		26,890,498	53	25,742,017	55
3X2X	**Total liabilities and equity**		$ 50,467,784	100	$ 46,530,869	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 YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

			Year ended December 31			
			2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**		$ 102,190,503	100	$ 85,294,794	100
5000	**Operating costs**	6(4)(20)(21)	(87,238,833)	(85)	(72,453,660)	(85)
5900	**Net operating margin**		14,951,670	15	12,841,134	15
	Operating expenses	6(20)(21)				
6100	Selling expenses		(5,241,898)	(5)	(4,527,224)	(5)
6200	General and administrative expenses		(791,378)	(1)	(1,047,500)	(1)
6300	Research and development expenses		(3,399,455)	(3)	(3,210,602)	(4)
6000	**Total operating expenses**		(9,432,731)	(9)	(8,785,326)	(10)
6900	**Operating profit**		5,518,939	6	4,055,808	5
	Non-operating income and expenses					
7010	Other income	6(8)(18)	378,962	-	448,781	-
7020	Other gains and losses	6(2)(19)	(73,155)	-	(220,656)	-
7050	Finance costs		(2,574)	-	(16,411)	-
7060	Share of (loss)/profit of associates and joint ventures accounted for using equity method	6(6)	-	-	(479)	-
7000	**Total non-operating income and expenses**		303,233	-	211,235	-
7900	**Profit before income tax**		5,822,172	6	4,267,043	5
7950	Income tax expense	6(22)	(934,230)	(1)	(560,587)	(1)
8200	**Profit for the year**		$ 4,887,942	5	$ 3,706,456	4
	Other comprehensive income					
	Components of other comprehensive loss that will not be reclassified to profit or loss					
8311	Actuarial loss on defined benefit plan	6(13)	($ 21,129)	-	($ 25,355)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		3,592	-	4,310	-
8310	**Components of other comprehensive loss that will not be reclassified to profit or loss**		(17,537)	-	(21,045)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations		(760,113)	(1)	58,639	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(760,113)	(1)	58,639	-
8300	**Total other comprehensive (loss) income for the year**		($ 777,650)	(1)	$ 37,594	-
8500	**Total comprehensive income for the year**		$ 4,110,292	4	$ 3,744,050	4
	Profit attributable to:					
8610	Owners of parent		$ 4,887,942	5	$ 3,706,456	4
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 4,110,292	4	$ 3,744,050	4
	Earnings per share (in dollars)	6(23)				
9750	**Basic earnings per share**		$	5.79	$	4.39
9850	**Diluted earnings per share**		$	5.73	$	4.33

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent									
			Capital Reserves				Retained Earnings				
	Notes	Share capital - common stock	Capital surplus, additional paid-in capital	Treasury stock transactions	Difference between the price for acquisition or disposal of subsidiaries and carrying amount	Employee stock warrants	Legal reserve	Special reserve	Unappropriated retained earnings	Cumulative translation differences of foreign operations	Total equity
2015											
Balance at January 1, 2015		$ 8,448,562	$ 2,740,275	$ 130,592	$ 4,815	$ 44,460	$ 2,723,897	$ 389,482	$ 9,579,139	$ 471,314	$ 24,532,536
Appropriations of 2014 earnings :	6(17)										
Legal reserve		-	-	-	-	-	301,386	-	(301,386)	-	-
Cash dividends		-	-	-	-	-	-	-	(2,534,569)	-	(2,534,569)
Profit for the year		-	-	-	-	-	-	-	3,706,456	-	3,706,456
Other comprehensive income for the year		-	-	-	-	-	-	-	(21,045)	58,639	37,594
Balance at December 31, 2015		$ 8,448,562	$ 2,740,275	$ 130,592	$ 4,815	$ 44,460	$ 3,025,283	$ 389,482	$ 10,428,595	$ 529,953	$ 25,742,017
2016											
Balance at January 1, 2016		$ 8,448,562	$ 2,740,275	$ 130,592	$ 4,815	$ 44,460	$ 3,025,283	$ 389,482	$ 10,428,595	$ 529,953	$ 25,742,017
Appropriations of 2015 earnings :	6(17)										
Legal reserve		-	-	-	-	-	370,645	-	(370,645)	-	-
Cash dividends		-	-	-	-	-	-	-	(2,112,140)	-	(2,112,140)
Cash dividends from capital surplus	6(16)	-	(844,856)	-	-	-	-	-	-	-	(844,856)
Disposal of subsidiaries or investments accounted for using equity method		-	-	-	(4,815)	-	-	-	-	-	(4,815)
Profit for the year		-	-	-	-	-	-	-	4,887,942	-	4,887,942
Other comprehensive income for the year		-	-	-	-	-	-	-	(17,537)	(760,113)	(777,650)
Balance at December 31, 2016		$ 8,448,562	$ 1,895,419	$ 130,592	$ -	$ 44,460	$ 3,395,928	$ 389,482	$ 12,816,215	($ 230,160)	$ 26,890,498

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 5,822,172	$ 4,267,043
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation (including investment properties)	6(7)(8)(20)	552,453	549,110
Amortization (including long-term prepaid rents)	6(9)(20)	9,840	9,990
Provision for (reversal of) bad debts	6(3)	(62,026)	239,435
Net losses (gains) on financial assets and liabilities at fair value through profit or loss		(38,960)	20,749
Interest expense		2,574	16,411
Interest income	6(18)	(77,218)	(89,274)
Share of profit (loss) of associates and joint ventures accounted for using equity method	6(6)	-	479
Loss (gain) on disposal of property, plant and equipment	6(19)	1,965	1,526
Gain on disposal of investments		(140,020)	-
(Gain) loss on unrealized foreign currency exchange		(47,319)	(19,407)
Changes in operating assets and liabilities			
Changes in operating assets			
Financial asset held for trading		(29,819)	(87,048)
Notes receivable, net		(4,290)	4,332
Accounts receivable		(1,934,968)	216,004
Other receivables		(38,894)	(1,450)
Inventories, net		(1,551,567)	584,046
Prepayments		60,925	74,524
Other non-current assets		23,620	285
Changes in operating liabilities			
Notes payable		(995)	987
Accounts payable		1,918,463	857,053
Other payables		1,004,446	(94,482)
Provision for liabilities - current		80,723	5,199
Other current liabilities		(31,915)	(240,804)
Net defined benefit liability		(5,553)	(4,456)
Other non-current liabilities		70,225	(46,633)
Cash inflow generated from operations		5,583,862	6,263,619
Interest received		79,099	76,865
Interest paid		(3,040)	(18,615)
Income tax paid		(621,585)	(593,725)
Net cash flows from operating activities		5,038,336	5,728,144

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MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016AND 2015
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of investments accounted for using equity method	6(6)	$ 1,496	$ -
Acquisition of property, plant and equipment	6(7)	(432,909)	(197,188)
Proceeds from disposal of property, plant and equipment		3,556	1,399
Decrease in refundable deposits		2,447	1,421
Acquisition of investment properties	6(8)	(18,039)	-
Decrease in other financial assets		219	-
Net cash flows used in investing activities		(443,230)	(194,368)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		(600,000)	(1,539,056)
Proceeds from long-term debt		5,456	-
Payment of long-term borrowings		(1,971)	(2,876)
Increase(decrease) in guarantee deposits received		29,113	(63,339)
Cash dividends paid	6(17)	(2,112,140)	(2,534,569)
Cash distribution from capital reserve	6(16)	(844,856)	-
Net cash flows used in financing activities		(3,524,398)	(4,139,840)
Effect of exchange rate		(371,539)	172,398
Net increase in cash and cash equivalents		699,169	1,566,334
Cash and cash equivalents at beginning of year	6(1)	11,568,417	10,002,083
Cash and cash equivalents at end of year	6(1)	$ 12,267,586	$ 11,568,417

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

DECEMBER 31, 2016 AND 2015

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

MICRO-STAR INTERNATIOINAL 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 AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 24, 2017.

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")

None.

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

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14,'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments'with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of international financial reporting standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the followings, the above standards and interpretations have no significant impact to the Group’s financial condition and operating result based on the Group’s assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

B. IFRS 15, ‘Revenue from contracts with customers’

IFRS 15, ‘revenue from contracts with customers’ replaces IAS 11 ‘Construction Contracts’, IAS 18 ‘Revenue’ and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

C. Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, 'Leases'

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

E. Amendments to IAS 7, 'Disclosure initiative'

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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 Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of subsidiaries	Main business activities	Ownership(%) 2016/12/31	Ownership(%) 2015/12/31	Note
MICRO-STAR INTERNATIONAL CO., LTD.	MICRO-STAR NETHERLANDS HOLDING B.V. [MSI (HOLDING)]	Investment holding company	100	100	B
〃	MSI PACIFIC INTERNATIONAL HOLDING COMPANY LIMITED [MSI (PACIFIC)]	〃	100	100	A
〃	MSI COMPUTER CORP.[MSI (LA)]	Sales and maintenance of computers, motherboards, and electronic devices	100	100	B
〃	MSI COMPUTER JAPAN COMPANY LIMITED [MSI (JAPAN)]	〃	100	100	〃
〃	MSI COMPUTER (AUSTRALIA) PTY. LIMITED [MSI (AUSTRALIA)]	〃	100	100	A
〃	MICRO-STAR INTERNATIONAL (CAYMAN) HOLDING COMPANY LIMITED [MSI (CAYMAN)]	Investment holding company	-	100	A and E
〃	MSI COMPUTER (CAYMAN) COMPANY LIMITED [MSI COMPUTER (CAYMAN)]	〃	100	100	B and E
〃	MYSTAR INVESTMENT HOLDING COMPANY LIMITED [MYSTAR INVESTMENT]	General investment	100	100	A and F
MSI (HOLDING)	MYSTAR COMPUTER B.V. [MYSTAR]	Sales and maintenance of computers, motherboards, and electronic devices	100	100	B
〃	MSI TECHNOLOGY GMBH [MSI (GMBH)]	〃	100	100	〃
〃	MSI COMPUTER SARL [MSI (SARL)]	〃	100	100	〃

Name of Investor	Name of subsidiaries	Main business activities	Ownership(%) 2016/12/31	Ownership(%) 2015/12/31	Note
MSI (HOLDING)	MSI COMPUTER (UK) LIMITED [MSI (UK)]	Sales and maintenance of computers, motherboards, and electronic devices	100	100	B
〃	MSI POLSKA SP. Z O. O. [MSI (POLSKA)]	〃	99	99	〃
〃	MSI BALKAN LTD. [MSI (BALKAN)]	〃	-	100	B and G
〃	MSI COMPUTER EUROPE B.V. [MSI (EUROPE)]	Logistic	100	100	B
〃	LLC MSI COMPUTER [MSI (RUSSIA)]	Sales and maintenance of computers, motherboards, and electronic devices	99	99	〃
〃	MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)]	〃	99	99	〃
〃	MSI ITALY S.R.L [MSI (ITALY)]	〃	100	100	〃
MSI (EUROPE)	MSI POLSKA SP. Z O. O. [MSI (POLSKA)]	〃	1	1	〃
〃	LLC MSI COMPUTER [MSI (RUSSIA)]	〃	1	1	〃
〃	MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)]	〃	1	1	〃
MSI (CAYMAN)	MSI COMPUTER DO BRASIL LTDA. [MSI (BRASIL)]	〃	-	99	A and H
〃	MSI TECHNOLOGY MEXICO, S.A. DE C.V. [MSI MEXICO)]	〃	-	99	〃
〃	MSI COMPUTER (CAYMAN) COMPANY LIMITED [MSI COMPUTER (CAYMAN)]	Investment holding company	-	100	B and E

Name of Investor	Name of subsidiaries	Main business activities	Ownership(%) 2016/12/31	Ownership(%) 2015/12/31	Note
MSI COMPUTER (CAYMAN)	MSI COMPUTER DO BRASIL LTDA. [MSI (BRASIL)]	Sales and maintenance of computers, motherboards, and electronic devices	-	1	A and H
〃	MSI TECHNOLOGY MEXICO, S.A. DE C.V. [MSI (MEXICO)]	〃	-	1	〃
MSI (PACIFIC)	MSI KOREA COMPANY LIMITED [MSI (KOREA)]	〃	100	100	B
〃	STAR INFORMATION HOLDING COMPANY LIMITED [STAR INFORMATION]	Investment holding company	100	100	A
〃	MEGA INFORMATION HOLDING COMPANY LIMITED [MEGA INFORMATION]	〃	100	100	〃
〃	MICRO-STAR INTERNATIONAL (B.V.I) HOLDING COMPANY LIMITED [MSI (B.V.I.)]	〃	100	100	〃
〃	MICRO ELECTRONICS HOLDING COMPANY LIMITED [MICRO ELECTRONICS]	〃	100	100	〃
〃	MEGA TECHNOLOGY HOLDING COMPANY LIMITED [MEGA TECHNOLOGY]	〃	100	100	〃
〃	MSI ASIA COMPANY LIMITED [MSI ASIA]	〃	-	100	A and C
〃	MEGA COMPUTER COMPANY LIMITED [MEGA COMPUTER]	Sales of computersand electronic devices	100	100	B and C
〃	MHK INTERNATIONAL CO., LTD. [MSI (MHK)]	〃	100	100	〃
〃	MSI COMPUTER INDIA PVT.LTD. [MSI (INDIA)]	Sales and maintenance of computers, motherboards, and electronic devices	-	99	A and D

Name of Investor	Name of subsidiaries	Main business activities	Ownership(%) 2016/12/31	2015/12/31	Note
MEGA INFORMATION	SHENZHEN MEGA INFORMATION CO., LTD. [SHENZHEN MEGA INFORMATION]	Testing and maintenance of computers, and electronic devices	100	100	A
MICRO ELECTRONICS	MSI ELECTRONICS (KUNGSHAN) CO., LTD. [MSI ELECTRONICS (KUNSHAN)]	Sales and manufacture of computers, motherboards, and electronic devices	100	100	〃
STAR INFORMATION	MSI (SHENZHEN) LTD. [MSI SHENZHEN]	Sales and maintenance of computers, and electronic devices	100	100	〃
〃	MSI COMPUTER INDIA PVT.LTD. [MSI (INDIA)]	Sales and maintenance of computers, motherboards, and electronic devices	-	1	A and D
MSI (B.V.I.)	MSI COMPUTER (SHENZHEN) CO., LTD. [MSI COMPUTER (SHENZHEN)]	Sales and manufacture of computers and electronic devices	100	100	A
MEGA TECHNOLOGY	MSI COMPUTER TRADING (SHENZHEN) CO., LTD. [MSI TRADING (SHENZHEN)]	Sales and maintenance of computersand electronic devices	100	100	〃
MSI ASIA	MEGA COMPUTER COMPANY LIMITED [MEGA COMPUTER]	Sales of computersand electronic devices	-	100	B and C
〃	MHK INTERNATIONAL CO., LTD. [MSI (MHK)]	〃	-	100	〃
MYSTAR INVESTMENT	FUNTORO INC. [FUNTORO]	Research & develop,sales and maintenance of automobile electronic devices	-	100	A and D

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

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

Note C: In the fourth quarter of 2016, Subsidiary company, MSI (MSI ASIA), cancelled its registration. Its subsidiaries, MEGA COMPUTER and MSI (MHK), were wholly-owned by MSI(PACIFIC) starting from the fourth quarter of 2016.

Note D: In August 2016, this subsidiary has completed liquidation process.

Note E: In the fourth quarter of 2016, subsidiary company, MSI (CAYMAN), has completed the liquidation process and returned the reinvestment in MSI COMPUTER (CAYMAN) to the Group as residual property.

Note F: In October 2016, this subsidiary company was dissolved and liquidated as resolved by the Board of Directors during their meeting. As of December 31, 2016, the liquidation process has not been completed.

Note G: In November 2016, this subsidiary has completed the liquidation process.

Note H: In the fourth quarter of 2016, the subsidiary company, MSI (CAYMAN), has sold its reinvestment in equity interest of MSI(BRASIL) and MSI (MEXICO) to a third party.

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 still 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) <u>Classification of current and non-current items</u>

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 pay off liabilities more than twelve months after the balance sheet date.

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

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

a. Liabilities that are expected to be paid off within the normal operating cycle;

b. Liabilities arising mainly from trading activities;

c. Liabilities that are to be paid off within twelve months from the balance sheet date;

d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(6) Cash equivalents

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

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

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

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

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount less provision for impairment as effect of discounting is immaterial.

(9) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

a. Significant financial difficulty of the issuer or debtor;

b. A breach of contract, such as a default or delinquency in interest or principal payments;

c. The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

d. It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

e. The disappearance of an active market for that financial asset because of financial difficulties;

f. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

g. Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment may not be recovered; or

h. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there is objective evidence of impairment loss, for financial assets at amortised cost, impairment losses is recognised as profit or loss, based on the difference between carrying amount of assets and present value of expected future cash flow which is discounted at initial effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease is objectively relevant with the event that occurred after recognition of impairment loss, the previously recognised impairment loss is reversed through profit or loss and limited to the carrying amount of the asset net of amortized cost that should be at the date of reversal before recognising impairment loss. The amounts of impairment loss recognised and reversed are used in adjusting the carrying amount of the asset through allowance account.

(10) <u>Lease (lessor)</u>

Based on the terms of a lease contract, a lease is classified as an operating lease if the lessee does not assumes substantially all the risks and rewards incidental to ownership of the leased asset. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) <u>Inventories</u>

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.

(12) <u>Investments accounted for using the equity method / associates</u>

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises in 'capital surplus' in proportion to its ownership.

D. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

E. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

F. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(13) Property, plant and equipment

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

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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	20~55 years
Machinery and equipment	3~10 years
Other properties (include transportation equipment, office equipment, and lease hold improvements)	2~10 years

(14) Lease (lessee)

Based on the terms of a lease contract, a lease is classified as an operating lease if the lessee does not assumes substantially all the risks and rewards incidental to ownership of the leased asset. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(15) 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.

(16) 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. Except for goodwill, 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.

(17) 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.

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. 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. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

   a. Hybrid (combined) contracts; or
   b. They eliminate or significantly reduce a measurement or recognition inconsistency; or
   c. They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(20) Provisions

Provisions (including warranties and contingent liabilities from business combinations, etc.) 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.

(21) <u>Employee benefits</u>

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 before twelve months after the end of the annual reporting period, and should be recognized as expenses in that period when the employees render service.

B. Pensions

a. Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses 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 plan

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

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

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

C. Termination benefits

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

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

Employees’ remuneration and directors’ and supervisors’ remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation 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.

(22) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% 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.

(23) 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.

(24) 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; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

A. The Group manufactures and sells motherboards, graphic cards, a variety of computer hardware, and electronic components. Revenue is measured at the fair value of the consideration received or receivable net of value-added tax, returns and rebates for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The Group offers customers right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised.

(26) 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 comsumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation. As of December 31, 2016, the carrying amount of inventories was $16,520,730.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand and petty cash	$ 5,322	$ 5,533
Checking accounts and demand deposits	7,890,956	8,246,588
Time deposits	4,371,308	3,316,296
	$ 12,267,586	$ 11,568,417

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

B. As of December 31, 2016 and 2015, cash and cash equivalents amounting to $2,308 and $2,527, were pledged to others as collateral and classified as other financial assets, respectively.

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

Financial assets held for trading	December 31, 2016	December 31, 2015
Stock of publicly traded or listed companies	$ 105,212	$ 100,180
Valuation adjustment of financial assets held for trading	331	(9,969)
Non-hedging derivatives -		
Forward exchange contract	63,686	24,694
Total	$ 169,229	$ 114,905

Financial liabilities held for trading	December 31, 2016	December 31, 2015
Non-hedging derivatives -		
Forward exchange contract	$ 1,430	$ 11,964

A. The Group recognised net gain of $128,509 and $41,733 on financial assets held for trading for the years ended December 31, 2016 and 2015, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

	December 31, 2016		
Derivative Financial Assets	Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	JPY	329,039	2016.10.31~2017.02.02
〃	EUR	30,000	2016.10.03~2017.02.24
〃	CAD	4,000	2016.11.09~2017.02.24
〃	GBP	3,000	2016.11.09~2017.02.08
〃	AUD	2,700	2016.10.31~2017.01.17
Derivative Financial Liabilities	Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	EUR	7,000	2016.12.16~2017.02.24
〃	GBP	600	2016.12.27~2017.01.09

	December 31, 2015		
Derivative Financial Assets	Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	EUR	20,000	2015.09.25~2016.04.25
〃	GBP	3,800	2015.11.19~2016.02.16
〃	AUD	100	2015.12.07~2016.01.08
Derivative Financial Liabilities	Contract Amount Notional Principal (In thousands)		Contract period
Forward exchange contracts	JPY	96,208	2015.12.30~2016.03.08
〃	EUR	12,000	2015.11.25~2016.04.18
〃	AUD	6,900	2015.11.12~2016.03.01

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.

(3) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	$ 14,269,940	$ 12,399,406
Less: Allowance for doubtful accounts	(165,739)	(292,406)
	$ 14,104,201	$ 12,107,000

A. Most of the Group’s accounts receivable have been insured, and the Group will be able to obtain insurance claims in case these accounts default.

B. The Group's accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.

C. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2016	December 31, 2015
1 - 75 days	$ 2,244,916	$ 1,568,628

The above ageing analysis was based on past due date.

D. Movement analysis of financial assets that were impaired is as follows:

Group provision	2016	2015
At January 1	$ 292,406	$ 52,684
Provision for (reversal of) impairment	(62,026)	239,435
Write-offs during the period	(64,435)	-
Effects of foreign exchange	(206)	287
At December 31	$ 165,739	$ 292,406

E. The Group does not hold any collateral as security.

(4) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw material	$ 3,508,264	($ 109,495)	$ 3,398,769
Work-in-process	1,177,395	(713)	1,176,682
Finished goods	12,183,580	(238,301)	11,945,279
	$ 16,869,239	($ 348,509)	$ 16,520,730

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw material	$ 3,115,905	($ 121,838)	$ 2,994,067
Work-in-process	969,062	(791)	968,271
Finished goods	11,223,675	(216,850)	11,006,825
	$ 15,308,642	($ 339,479)	$ 14,969,163

The cost of inventories recognised as expense for the period:

	2016	2015
Cost of inventories recognised as expense	$ 87,238,833	$ 72,453,660
(Gains) losses on decline or reversal in market value	9,800	(16,368)

The Group recognised a reduction in costs of sales as a result of reversal of net realizable value from sale of inventories that were provisioned losses in market value decline in 2016.

(5) Prepayments

	December 31, 2016	December 31, 2015
Overpaid tax for offsetting the future tax payble	$ 660,082	$ 689,964
Office supplies	249,370	304,317
Prepayment for goods	38,236	27,007
Others	199,720	187,045
	$ 1,147,408	$ 1,208,333

(6) Investments accounted for using equity method

December 31, 2016 : None.

	December 31, 2015
Associate:	
Spectrum Research & Testing Lab., Inc.	$ -

A. The associate accounted for using equity method, Spectrum Research & Testing Lab., Inc., recognised profit (loss) of associates based on financial statements audited by other independent accountants engaged by its associates.

B. The Group has no significant investments in associates. The share of profit (loss) of individual insignificant associates accounted for using equity method are as follows:

	2015
Associate:	
Spectrum Research & Testing Lab., Inc.	($ 479)

C. In September 2016, the Group disposed all of its common shares of Spectrum Research & Testing Lab., Inc. totaling 1,252 thousand shares and recognised a gain on disposal of $1,496.

(7) Property, plant and equipment

	Land	Buildings	Machineries	Others	Total
At January 1, 2016					
Cost	$ 1,472,784	$ 5,974,148	$ 5,366,483	$ 1,893,215	$ 14,706,630
Accumulated depreciation	-	(3,166,343)	(4,593,747)	(1,514,086)	(9,274,176)
	$ 1,472,784	$ 2,807,805	$ 772,736	$ 379,129	$ 5,432,454
2016					
Opening net book amount	$ 1,472,784	$ 2,807,805	$ 772,736	$ 379,129	$ 5,432,454
Additions	-	24,493	277,410	131,006	432,909
Reclassifications	-	(39,226)	7,059	(9,012)	(41,179)
Disposals	-	(652)	(934)	(3,935)	(5,521)
Depreciation charge	-	(214,638)	(186,286)	(107,848)	(508,772)
Net exchange differences	(5,580)	(142,795)	(46,819)	(22,305)	(217,499)
Closing net book amount	$ 1,467,204	$ 2,434,987	$ 823,166	$ 367,035	$ 5,092,392
At December 31, 2016					
Cost	$ 1,467,204	$ 5,540,609	$ 4,620,658	$ 1,727,107	$ 13,355,578
Accumulated depreciation	-	(3,105,622)	(3,797,492)	(1,360,072)	(8,263,186)
	$ 1,467,204	$ 2,434,987	$ 823,166	$ 367,035	$ 5,092,392

	Land	Buildings	Machineries	Other	Total
At January 1, 2015					
Cost	$ 1,476,062	$ 6,092,477	$ 5,354,729	$ 1,899,948	$ 14,823,216
Accumulated depreciation	-	(2,974,545)	(4,503,370)	(1,496,971)	(8,974,886)
	$ 1,476,062	$ 3,117,932	$ 851,359	$ 402,977	$ 5,848,330
2015					
Opening net book amount	$ 1,476,062	$ 3,117,932	$ 851,359	$ 402,977	$ 5,848,330
Additions	-	4,804	99,604	92,780	197,188
Reclassifications	-	(61,018)	(183)	(4,148)	(65,349)
Disposals	-	-	(894)	(2,031)	(2,925)
Depreciation charge	-	(230,899)	(172,119)	(105,223)	(508,241)
Net exchange differences	(3,278)	(23,014)	(5,031)	(5,226)	(36,549)
Closing net book amount	$ 1,472,784	$ 2,807,805	$ 772,736	$ 379,129	$ 5,432,454
At December 31, 2015					
Cost	$ 1,472,784	$ 5,974,148	$ 5,366,483	$ 1,893,215	$ 14,706,630
Accumulated depreciation	-	(3,166,343)	(4,593,747)	(1,514,086)	(9,274,176)
	$ 1,472,784	$ 2,807,805	$ 772,736	$ 379,129	$ 5,432,454

For the amount of borrowing costs capitalised as part of property, plant and equipment, please refer to Note (8).

(8) Investment property

	Buildings
January 1, 2016	
Cost	$ 873,908
Accumulated depreciation	(505,811)
	$ 368,097
2016	
Opening net book amount	$ 368,097
Additions	18,039
Reclassifications	32,572
Depreciation charge	(43,681)
Net exchange differences	(30,369)
Closing net book amount	$ 344,658
December 31, 2016	
Cost	$ 862,379
Accumulated depreciation	(517,721)
	$ 344,658

	Buildings
January 1, 2015	
Cost	$ 864,229
Accumulated depreciation	(458,865)
	$ 405,364
2015	
Opening net book amount	$ 405,364
Reclassifications	7,336
Depreciation charge	(40,869)
Net exchange differences	(3,734)
Closing net book amount	$ 368,097
December 31, 2015	
Cost	$ 873,908
Accumulated depreciation	(505,811)
	$ 368,097

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

	2016	2015
Rental income from the lease of the investment property	$ 74,898	$ 71,361
Direct operating expenses arising from the investment property	$ 52,432	$ 48,548

B. As of December 31, 2016 and 2015, the fair value of the Group’s investments in property accounting to $1,104,117 and $820,092, respectively, as derived from market prices in the nearby area, are included in Level 2.

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

	December 31, 2016	December 31, 2015
Land use right	$ 102,756	$ 122,469

A subsidiary of the Group signed a land use right contract with the Ministry of Land and Resources of the People's Republic of China for the use of the land at Kunshan City and Shenzhen City with a term of 50 years. The Group recognized rental expenses of $9,812 and $9,956 for the years ended December 31, 2016 and 2015, respectively.

(10) Short-term borrowings

December 31,2016 : None.

Type of borrowings	December 31, 2015	Interest rate range	Collateral
Bank borrowings			
Credit loans	$ 600,000	1.08%	None

(11) Other payables

	December 31, 2016	December 31, 2015
Accrued salary and bonus	$ 1,359,303	$ 1,021,260
Directors' and supervisors' remuneration and employees' bonus	478,700	370,972
Accrued freight	515,299	461,405
Advertising expenses payable	294,015	128,293
Accrued molding expense	224,163	167,804
Other accrued expenses	879,171	641,730
	$ 3,750,651	$ 2,791,464

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2016	
Long-term bank borrowings					
Secured borrowings	Starting from March 24, 2016 to March 24, 2021, repayment of principal and interest of USD 4,078 monthly and remaining principal on the due date.	Three month LIBOR plus 1.75%	Land and Building	$	20,176
Less: current portion				(	1,119)
				$	19,057

Type of borrowings	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2015	
Long-term bank borrowings					
Secured borrowings	Starting from April 26, 2011 to April 1, 2016, repayment of principal and interest of USD 10,164 monthly and remaining principal on the due date.	Three month LIBOR plus 1.75%	Land and Building	$	16,989
Less: current portion				(	3,639)
				$	13,350

(13) Pensions

A.

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

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 425,511	$ 399,299
Fair value of plan assets	(253,717)	(243,081)
Net defined benefit liability	$ 171,794	$ 156,218

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	$ 399,299	($ 243,081)	$ 156,218
Current service cost	3,269	-	3,269
Interest (expense) income	6,788	(4,132)	2,656
	409,356	(247,213)	162,143
Remeasurements:			
Return of plan assets (excluding amounts included in interest income or expense)	-	1,878	1,878
Change in financial assumptions	9,786	-	9,786
Experience adjustments	9,465	-	9,465
	19,251	1,878	21,129
Pension fund contribution	-	(11,478)	(11,478)
Paid pension	(3,096)	3,096	-
Balance at December 31	$ 425,511	($ 253,717)	$ 171,794

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	$ 368,091	($ 232,772)	$ 135,319
Current service cost	4,263	-	4,263
Interest (expense) income	7,362	(4,655)	2,707
	379,716	(237,427)	142,289
Remeasurements:			
Return of plan assets (excluding amounts included in interest income or expense)	–	(1,477)	(1,477)
Change in financial assumptions	14,435	-	14,435
Experience adjustments	12,397	-	12,397
	26,832	(1,477)	25,355
Pension fund contribution	-	(11,426)	(11,426)
Paid Pension	(7,249)	7,249	-
Balance at December 31	$ 399,299	($ 243,081)	$ 156,218

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after approval by the Regulator is obtained. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Year ended December 31, 2016	Year ended December 31, 2015
Discount rate	1.50%	1.70%
Future salary increases	2.75%	2.75%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 12,182)	$ 12,695	$ 11,444	($ 11,057)
December 31, 2015				
Effect on present value of defined benefit obligation	($ 11,355)	$ 13,463	$ 12,084	($ 10,480)

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

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 are $11,384.

(g) As of December 31, 2016, the weighted average duration of the retirement plan is 13 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	$ 20,228
1-2 year(s)	32,028
2-3 year(s)	15,704
3-4 year(s)	16,461
4-5 year(s)	17,976
6-10 years	92,587
Over 10 years	315,346
	$ 510,330

B.

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries 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 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

(c) The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2016 and 2015 were $286,044 and $345,716, respectively.

(14) Provisions for liabilities

Warranty	2016	2015
At January 1	$ 230,015	$ 224,816
Additional provisions	721,528	471,333
Used during the period	(640,782)	(466,137)
Exchange differences	(23)	3
At December 31	$ 310,738	$ 230,015

Analysis of total provisions:

	December 31, 2016	December 31, 2015
Current	$ 310,738	$ 230,015

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

(15) Share capital

As of December 31, 2016, the Company's authorized capital was $15,000,000 (including 80,000 thousand shares reserved for employee stock options and 150,000 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was $8,448,562 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(16) Capital surplus

A. 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.

B. On June 16, 2016, the appropriation of cash dividends from capital surplus had been resolved by stockholders during their meeting as follows:

	2015	
	Amount	Dividends per share (dollar)
Cash dividends from capital surplus	$ 844,856	$ 1.00

The appropriation of cash dividends from capital surplus is the same as the appropriation resolved by the Board of Directors during their meeting.

(17) Retained earnings

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

B. The Company’s dividend policy is summarized below: as the Company operates in a volatile business environment and is in the stable growth stage, except for the Company’s future expansion plans, stockholder’s 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 2015 and 2014 earnings had been resolved at the stockholders’ meeting on June 16, 2016 and June 12, 2015, respectively as follows:

	2015		2014	
	Amount	Dividends per share (dollar)	Amount	Dividends per share (dollar)
Legal reserve	$ 370,645		$ 301,386	
Cash dividend	2,112,140	$ 2.50	2,534,569	$ 3.00

The appropriation of 2015 earnings as approved by the stockholders is the same as with the appropriation resolved by the board of directors during its meeting on May 4, 2016. Information about earnings appropriation of the Company as resolved by board of directors will be posted in the “Market Observation Post System” at the website of the Taiwan Stock Exchange.

F. For the information relating to employees' remuneration (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(20).

(18) Other income

	2016	2015
Interest income	$ 77,218	$ 89,274
Rental revenue	74,898	71,361
Others	226,846	288,146
Total	$ 378,962	$ 448,781

(19) Other gains and losses

	2016	2015
Gains on financial assets at fair value through profit or loss	$ 193,060	$ 171,838
Losses on financial liabilities at fair value through profit or loss	(64,551)	(130,105)
Net currency exchange losses	(125,688)	(174,704)
Losses on disposal of property, plant and equipment	(1,965)	(1,526)
Other losses	(74,011)	(86,159)
Total	($ 73,155)	($ 220,656)

(20) Expenses by nature

By function / By nature	2016 Operating costs	2016 Operating Expense	2016 Total	2015 Operating costs	2015 Operating Expense	2015 Total
Employee benefit expense	$ 2,193,445	$ 4,779,589	$ 6,973,034	$ 2,196,077	$ 4,451,428	$ 6,647,505
Depreciation charges on property, plant and equipment	355,267	153,505	508,772	348,464	159,777	508,241
Amortized charges	8,513	1,327	9,840	8,538	1,452	9,990

(21) Employee benefit expense

	2016	2015
Wages and salaries	$ 6,131,431	$ 5,800,860
Labor and health insurance fees	310,942	301,147
Pension costs	291,969	352,686
Other personnel expenses	238,692	192,812
	$ 6,973,034	$ 6,647,505

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' and supervisors' remuneration. The ratio shall be 6%~10% for employees' compensation and shall not be higher than 1% for directors' and supervisors' remuneration.

B. For the years ended December 31, 2016 and 2015, employees' compensation (bonus) was accrued at $438,000 and $336,000, respectively; while directors' and supervisors' remuneration was accrued at $40,700 and $33,600, respectively. The aforementioned amounts were recognized in salary expenses and other expenses, respectively.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on profit of current year distributable for the year ended December 31, 2016. The employees 'compensation as resolved at the Board of Directors will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2015 as resolved at the meeting of Board of Directors were in agreement with those amounts recognised in the 2015 financial statements.

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

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	2016	2015
Current tax:		
Current tax on profits for the period	$ 824,212	$ 619,597
Additional tax on undistributed earnings	120,262	16,754
Prior year income tax (over) underestimation	26,017	(40,713)
Total current tax	970,491	595,638
Deferred tax:		
Origination and reversal of temporary differences	(36,261)	(35,051)
Income tax expense	$ 934,230	$ 560,587

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

	2016	2015
Remeasurement of defined benefit obligations	$ 3,592	$ 4,310

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

B. Reconciliation between income tax expense and accounting profit

	2016	2015
Tax calculated based on profit before tax and statutory tax rate	$ 1,031,970	$ 768,990
Effects from items disallowed by tax regulation	(79,034)	(57,859)
Effect from investment tax credit	(164,985)	(128,630)
Effect from loss carryforward	-	2,045
Prior year income tax (over) underestimation	26,017	(40,713)
Additional 10% tax on undistributed earnings	120,262	16,754
Income tax expense	$ 934,230	$ 560,587

The applicable tax base is calculated at the relevant national income tax rate.

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

	2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealized gross profit	$ 105,165	$ 88,873	$ -	$ 194,038
Loss on inventory	63,265	5,629	-	68,894
Allowance for bad debts	27,748	(24,729)	-	3,019
Unrealised exchange gain	21,733	(21,733)	-	-
Remeasurement of defined benefit obligations	13,688	-	3,592	17,280
Adjustment to unused paid annual leave	4,958	(16)	-	4,942
Others	46,615	8,532	-	55,147
Tax losses	3,261	(3,261)	-	-
Subtotal	286,433	53,295	3,592	343,320
-Deferred tax liabilities:				
Unrealised losses on forward exchange contract	(2,164)	(8,419)	-	(10,583)
Unrealised exchange loss	-	(8,105)	-	(8,105)
Others	-	(510)	-	(510)
Subtotal	(2,164)	(17,034)	-	(19,198)
Total	$ 284,269	$ 36,261	$ 3,592	$ 324,122

	2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Unrealized gross profit	$ 86,355	$ 18,810	$ -	$ 105,165
Loss on inventory	63,160	105	-	63,265
Allowance for bad debts	-	27,748	-	27,748
Unrealized gross profit	43,988	(22,255)	-	21,733
Remeasurement of defined benefit obligations	9,378	-	4,310	13,688
Adjustment to unused paid annual leave	5,318	(360)	-	4,958
Others	42,343	4,272	-	46,615
Tax losses	-	3,261	-	3,261
Subtotal	250,542	31,581	4,310	286,433
-Deferred tax liabilities:				
Unrealised gains (losses) on forward exchange contract	(5,634)	3,470	-	(2,164)
Total	$ 244,908	$ 35,051	$ 4,310	$ 284,269

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As at December 31, 2016 and 2015, the amounts of temporary difference unrecognised as deferred tax liabilities were $4,116,592and $4,223,028, respectively.

E. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

F. Unappropriated retained earnings:

	December 31, 2016	December 31, 2015
Earnings generated in and before 1997	$ 108,787	$ 108,787
Earnings generated in and after 1998	12,707,428	10,319,808
	$ 12,816,215	$ 10,428,595

G. As of December 31, 2016 and 2015, the balance of the imputation tax credit account was $1,490,030 and $1,240,067, respectively. The creditable tax rate was 14.05% for 2015 and is estimated to be 11.73% for 2016.

(23) Earnings per share

	2016		
	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	$ 4,887,942	844,856	$ 5.79
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 4,887,942	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employee bonus	-	7,862	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 4,887,942	852,718	$ 5.73

	2015		
	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	$ 3,706,456	844,856	$ 4.39
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,706,456	844,856	
Assumed conversion of all dilutive potential ordinary shares			
Employee bonus	-	11,492	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,706,456	856,348	$ 4.33

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

None.

(2) Key management compensation

	2016	2015
Salaries and other employee benefits	$ 276,654	$ 247,680

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	2016	2015	Purpose
Shown under " Other non-current assets" - Other financial assets	$ 2,308	$ 2,527	Performance security guarantee
Property, plant and equipment	145,586	144,780	For guarantee of long-term loans
	$ 147,894	$ 147,307	

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 sell assets to reduce debt.

(2)Financial instrument

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, other payables and guarantee deposit received) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The 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’s businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2016		
(Foreign currency: functional currency)	Foreign Currency (In Thousands)	Exchange rate	Book Value (NTD)
Financial assets			
Monetary items			
USD: NTD	$ 332,082	32.2500	$ 10,709,645
EUR: NTD	34,915	33.9000	1,183,619
RMB:NTD	170,202	4.6170	785,823
RUB: NTD	694,240	0.5317	369,127
USD: RMB	11,377	6.9851	366,908
USD: EUR	6,904	0.9513	222,654
Financial liabilities			
Monetary items			
USD: NTD	492,312	32.2500	15,877,062
USD: RMB	34,968	6.9851	1,127,718
RMB: NTD	158,362	4.6170	731,157

(Foreign currency: functional currency)	December 31, 2015 Foreign Currency (In Thousands)	Exchange rate	Book Value (NTD)
Financial assets			
Monetary items			
USD: NTD	$ 541,699	32.8250	$ 17,781,270
EUR: NTD	35,475	35.8800	1,272,843
USD: RMB	34,729	6.4936	1,139,979
RMB:NTD	162,253	5.0550	820,189
RUB: NTD	1,037,825	0.4504	467,436
GBP: NTD	5,061	48.6700	246,319
AUD: NTD	8,188	23.9850	196,389
Financial liabilities			
Monetary items			
USD: NTD	579,241	32.8250	19,013,586
USD: RMB	28,888	6.4936	948,249
RMB: NTD	160,974	5.0550	813,724

v. The exchange loss arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2016 and 2015, amounted to $125,688 and $174,704, respectively.

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

	2016 Sensitivity analysis		
	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD: NTD	1%	$ 107,096	$ -
EUR: NTD	1%	11,836	-
RMB:NTD	1%	7,858	-
RUB: NTD	1%	3,691	-
USD: RMB	1%	3,669	-
USD: EUR	1%	2,227	-
Financial liabilities			
Monetary items			
USD: NTD	1%	158,771	-
USD: RMB	1%	11,277	-
RMB: NTD	1%	7,312	-

	2015		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss (before tax)	Effect on other comprehensive income
Financial assets			
Monetary items			
USD: NTD	1%	$ 177,813	$ -
EUR: NTD	1%	12,728	-
USD: RMB	1%	11,400	-
RMB:NTD	1%	8,202	-
RUB: NTD	1%	4,674	-
GBP: NTD	1%	2,463	-
AUD: NTD	1%	1,964	-
Financial liabilities			
Monetary items			
USD: NTD	1%	190,136	-
USD: RMB	1%	9,482	-
RMB: NTD	1%	8,137	-

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 2016 and 2015, the Group borrowings are issued at variable rate denominated in US dollars.

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

iii. At December 31, 2016 and 2015, if interest rates on USD and NTD denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2016 and 2015 would have been $202 and $6,170 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. 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 Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. For the credit quality information of financial assets that are neither past due nor impaired please refer to Note 6.

iv. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial assets in Note 6.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

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

Non-derivative financial liabilities:

December 31, 2016	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
Accounts payable	$ 18,047,826	$ -	$ -	$ -
Other payables	3,750,651	-	-	-
Long-term borrowings (including current portion)	1,667	1,667	1,667	17,013
Other financial liabilities	23,814	105,918	-	16,663

Non-derivative financial liabilities:

December 31, 2015	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Over 3 years
Short-term borrowings	$ 600,000	$ -	$ -	$ -
Notes payable	995	-	-	-
Accounts payable	16,129,363	-	-	-
Other payables	2,791,464	-	-	-
Long-term borrowings (including current portion)	3,730	13,350	-	-
Other financial liabilities	24,086	-	-	93,197

Derivative financial liabilities

For the years ended December 31, 2016 and 2015, the derivative financial liabilities are foreign exchange contracts that mature within 1 year.

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

(3)Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(8).

B. 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.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2015 and 2014 is as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
-Equity security	$ 105,543	$ -	$ -	$ 105,543
-Forward exchange contract	-	63,686	-	63,686
Total	$ 105,543	$ 63,686	$ -	$ 169,229
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	$ -	$ 1,430	$ -	$ 1,430

December 31, 2015	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
-Equity security	$ 90,211	$ -	$ -	$ 90,211
-Forward exchange contract	-	24,694	-	24,694
Total	$ 90,211	$ 24,694	$ -	$ 114,905
Liabilities:				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
-Forward exchange contract	$ -	$ 11,964	$ -	$ 11,964

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

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

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

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

E. For the years ended December 31, 2016 and 2015, there was no transfer between Level 1 and Level 2.

F. There was no transfer in or out of level 3 instruments as at December 31, 2016 and 2015.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

The financial information disclosed regarding the investee companies are prepared according to financial statement audited by the auditor or other auditors. The transactions between related companies are offset when preparing consolidated financial statement.

A. Loans to others: None.

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

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

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

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

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

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

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

I. Derivative financial instruments undertaken during the year ended December 31, 2016: Please refer to Notes 6(2).

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

(2) Information on investees (not including investees in Mainland China)

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 6.

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

14. SEGMENT INFORMATION

(1) General information and measurement of segment information

The Company'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 Company's reportable operating segments are as follows:

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

General administration and other segments: mainly engages in development and sale of automobile electronic components 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 year ended December 31, 2016

	Computer and peripherals segment	General administration and other segments	Total
Total segment revenue	$ 101,241,655	$ 948,848	$ 102,190,503
Operating income (loss)	$ 5,861,404	($ 342,465)	$ 5,518,939
Other non-operating revenue (expense)			303,233
Profit before tax			$ 5,822,172

For the year ended December 31, 2015

	Computer and peripherals segment	General administration and other segments	Total
Total segment revenue	$ 84,703,647	$ 591,147	$ 85,294,794
Operating income (loss)	$ 4,539,442	($ 483,634)	$ 4,055,808
Other non-operating revenue (expense)			211,235
Profit before tax			$ 4,267,043

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 years ended December 31, 2016 and 2015 is provided as follows:

	2016	2015
Reportable segments income	$ 5,518,939	$ 4,055,808
Unappropriated amount:		
Other segments income (loss)	303,233	211,235
Income (loss) before tax from continuing operations	$ 5,822,172	$ 4,267,043

(4) Information on products and services

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

	2016	2015
Computer and peripherals sale revenue	$ 102,190,503	$ 85,294,794

(5) Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows:

	2016		2015	
	Sales	Non-current assets	Sales	Non-current assets
Asia	$ 49,549,879	$ 5,225,266	$ 38,831,923	$ 5,597,059
Europe	29,009,332	171,560	25,691,866	189,339
America	21,601,508	147,692	19,008,502	146,114
Others	2,029,784	-	1,762,503	-
Total	$ 102,190,503	$ 5,544,518	$ 85,294,794	$ 5,932,512

(6) Major customer information

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

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2016

Expressed in thousands of NTD

Table 1

(Except as otherwise indicated)

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2016				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
MYSTAR INVESTMENT	MACS TECHNOLOGY INC.	Investment accounted for under cost method	Financial assets carried at cost - non-current	2,250,000	$ -	15.00	$ -	-
MYSTAR INVESTMENT	ACCESSTEK INC.	Investment accounted for under cost method	Financial assets carried at cost - non-current	294,250	-	9.09	-	-
MYSTAR INVESTMENT	PROCOM ELECTRONICS CO.,	Investment accounted for under cost method	Financial assets carried at cost - non-current	1,100,235	-	3.68	-	-
MSI (HOLDING)	ASM International	-	Financial assets at fair value through profit or loss - current	10,000	14,455	-	14,455	-
MSI (HOLDING)	AXA (FR)	-	Financial assets at fair value through profit or loss - current	20,000	16,265	-	16,265	-
MSI (HOLDING)	BMW	-	Financial assets at fair value through profit or loss - current	5,000	15,043	-	15,043	-
MSI (HOLDING)	CVA ING Groep	-	Financial assets at fair value through profit or loss - current	40,000	18,130	-	18,130	-
MSI (HOLDING)	Inditex	-	Financial assets at fair value through profit or loss - current	20,000	21,988	-	21,988	-
MSI (HOLDING)	KONINKLIJKE PHILIPS	-	Financial assets at fair value through profit or loss - current	20,000	19,662	-	19,662	-

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2016

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)	Parent company to subsidiary	Sales	$ (14,750,893)	(15)	80~100 days	Insignificant difference	Note 1	$ 3,766,025	26	-
MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to subsidiary	Sales	(3,611,913)	(4)	40-70 days	Insignificant difference	Note 1	(257)	-	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Parent company to subsidiary	Sales	(2,309,336)	(2)	40-70 days	Insignificant difference	Note 1	282,026	2	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to subsidiary	Sales	(1,840,764)	(2)	40-70 days	Insignificant difference	Note 1	243,560	2	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Parent company to subsidiary	Sales	(1,918,257)	(2)	50-70 days	Insignificant difference	Note 1	397,794	3	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (JAPAN)	Parent company to subsidiary	Sales	(319,157)	(0)	50-70 days	Insignificant difference	Note 1	54,714	-	-
MICRO-STAR INTERNATIONAL CO., LTD.	FUNTORO	Parent company to subsidiary	Sales	(107,413)	(0)	40-70 days	Insignificant difference	Note 1	-	-	-
MEGA COMPUTER	MSI (SHENZHEN)	Affiliated company	Sales	(3,397,118)	100	40-70 days	Insignificant difference	Note 1	534,189	100	-
MSI COMPUTER (SHENZHEN)	MSI (SHENZHEN)	Affiliated company	Sales	(2,334,992)	45	40-70 days	Insignificant difference	Note 1	526,340	16	-
MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to subsidiary	Sales	(2,488,717)	38	40-70 days	Insignificant difference	Note 1	509,256	100	-
MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to subsidiary	Processing overhead	2,857,045	70	Note 2	Insignificant difference	Note 2	(2,895,721)	(78)	-
MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Subsidiary to subsidiary	Processing overhead	1,144,622	28	Note 2	Insignificant difference	Note 2	(544,919)	(15)	-
MSI (PACIFIC)	MICRO-STAR INTERNATIONAL CO., LTD.	Subsidiary to parent	Revenue from processing	(4,104,462)	(100)	Note 2	Insignificant difference	Note 2	6,173,342	100	-

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

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

Note 3: Balances after elimination in conformity with regulations.

Note 4: Corresponding transactions are not disclosed.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more

December 31, 2016

Expressed in thousands of NTD

Table 3

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as of December 31, 2016	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)	Parent company to subsidiary	$ 3,766,025	4.58	$ -	-	$ 3,344,955	$ -
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Parent company to subsidiary	282,026	5.20	-	-	-	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to subsidiary	243,560	7.64	-	-	243,560	-
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Parent company to subsidiary	397,794	8.24	-	-	397,794	-
MSI (PACIFIC) (Note)	MICRO-STAR INTERNATIONAL CO., LTD.	Subsidiary to parent	6,173,342	0.80	-	-	3,127,437	-
MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to subsidiary	509,256	4.41	-	-	414,531	-
MSI COMPUTER (SHENZHEN) (Note)	MSI (PACIFIC)	Subsidiary to subsidiary	2,895,721	0.99	-	-	1,879,678	-
MSI ELECTRONICS (KUNSHAN) (Note)	MSI (PACIFIC)	Subsidiary to subsidiary	544,919	1.41	-	-	544,919	-
MSI (B.V.I.)	MSI (PACIFIC)	Subsidiary to subsidiary	150,713	0.22	-	-	-	-
MICRO ELECTRONICS	MSI (PACIFIC)	Subsidiary to subsidiary	100,369	0.21	-	-	-	-
MSI COMPUTER (SHENZHEN)	MSI (SHENZHEN)	Affiliated company	526,340	3.81	-	-	271,759	-
MEGA COMPUTER	MSI (SHENZHEN)	Affiliated company	534,189	12.72	-	-	191,689	-

Note: Processing overhead receivable.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the year ended December 31, 2016

For the year ended December 31, 2016

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	$ 14,750,893	Note 2	14.43%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MEGA COMPUTER	Parent company to subsidiary	Sales	3,611,913	Note 2	3.53%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Parent company to subsidiary	Sales	2,309,336	Note 2	2.26%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to subsidiary	Sales	1,840,764	Note 2	1.80%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Parent company to subsidiary	Sales	1,918,257	Note 2	1.88%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (JAPAN)	Parent company to subsidiary	Sales	319,157	Note 2	0.31%
0	MICRO-STAR INTERNATIONAL CO., LTD.	FUNTORO	Parent company to subsidiary	Sales	107,413	Note 2	0.11%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Accounts receivable	3,766,025	Note 2	7.46%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Parent company to subsidiary	Accounts receivable	282,026	Note 2	0.56%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to subsidiary	Accounts receivable	243,560	Note 2	0.48%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (KOREA)	Parent company to subsidiary	Accounts receivable	397,794	Note 2	0.79%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (JAPAN)	Parent company to subsidiary	Accounts receivable	54,714	Note 2	0.11%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Parent company to subsidiary	Processing cost	3,911,851	Note 3	3.83%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Parent company to subsidiary	Operating expense	353,022	Note 3	0.35%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	Parent company to subsidiary	Operating expense	151,714	Note 3	0.15%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR	Parent company to subsidiary	Operating expense	172,138	Note 3	0.17%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (EUROPE)	Parent company to subsidiary	Operating expense	143,553	Note 3	0.14%

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 (MHK)	Parent company to subsidiary	Operating expense	$ 105,745	Note 3	0.10%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (POLSKA)	Parent company to subsidiary	Operating expense	73,650	Note 3	0.07%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (SARL)	Parent company to subsidiary	Operating expense	71,229	Note 3	0.07%
0	MICRO-STAR INTERNATIONAL CO., LTD.	MSI (RUSSIA)	Parent company to subsidiary	Operating expense	56,427	Note 3	0.06%
1	MSI (PACIFIC)	MICRO-STAR INTERNATIONAL CO., LTD.	Subsidiary to parent	Processing Revenue	4,104,462	Note 2	4.02%
1	MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to subsidiary	Sales	2,488,717	Note 2	2.44%
1	MSI (PACIFIC)	MICRO-STAR INTERNATIONAL CO., LTD.	Subsidiary to parent	Accounts receivable	6,173,342	Note 3	12.23%
1	MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to subsidiary	Accounts receivable	509,256	Note 2	1.01%
1	MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to subsidiary	Accrued expenses payable	2,895,721	Note 3	5.74%
1	MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Subsidiary to subsidiary	Accrued expenses payable	544,919	Note 3	1.08%
1	MSI (PACIFIC)	MSI (B.V.I.)	Subsidiary to subsidiary	Accrued expenses payable	150,713	Note 3	0.30%
1	MSI (PACIFIC)	MICRO ELECTRONICS	Subsidiary to subsidiary	Accrued expenses payable	100,369	Note 3	0.20%
1	MSI (PACIFIC)	MSI COMPUTER (SHENZHEN)	Subsidiary to subsidiary	Processing overhead	2,857,045	Note 3	2.80%
1	MSI (PACIFIC)	MSI ELECTRONICS (KUNSHAN)	Subsidiary to subsidiary	Processing overhead	1,144,622	Note 3	1.12%
2	MEGA COMPUTER	MSI (SHENZHEN)	Subsidiary to subsidiary	Sales	3,397,118	Note 2	3.32%
2	MSI COMPUTER (SHENZHEN)	MSI (SHENZHEN)	Subsidiary to subsidiary	Sales	2,334,992	Note 2	2.28%
2	MSI COMPUTER (SHENZHEN)	MSI (SHENZHEN)	Subsidiary to subsidiary	Accounts receivable	526,340	Note 2	1.04%
2	MEGA COMPUTER	MSI (SHENZHEN)	Subsidiary to subsidiary	Accounts receivable	534,189	Note 2	1.06%

Note 1: Balances after elimination in conformity with regulations.
Note 2: Sales price and terms were approximately the same as those to third parties. Terms for third parties were 30 to 120 days.
Note 3: Processing overhead was determined based on the quantities, contract amount and delivery time.
Note 4: Individual transactions not exceeding $50,000 and their corresponding transactions are not disclosed.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Information on investees (not including investees in Mainland China)

For the year ended December 31, 2016

Expressed in thousands of NTD

Table 5

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (LA)	U.S.A	Sales and maintenance of computers, motherboard, and electronic components	$ 258,468	$ 258,468	575,458	100.00	$ 21,360	$ 13,356	$ 13,356	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (AUSTRALIA)	Australia	Sales and maintenance of computers, motherboard, and electronic components	57,420	57,420	221,836	100.00	6,841	688	688	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (JAPAN)	Japan	Sales and maintenance of computers, motherboard, and electronic components	20,411	20,411	1,400	100.00	11,551	1,162	1,162	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (PACIFIC)	Cayman Islands	Holding company	3,089,627	3,089,627	82,204,118	100.00	7,421,815	391,168	411,168	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (HOLDING)	Netherlands	Holding company	154,166	154,166	1,577,762	100.00	663,372	20,884	20,884	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI (CAYMAN)	Cayman Islands	Holding company	-	167,883	-	-	-	(24,020)	(24,020)	-
MICRO-STAR INTERNATIONAL CO., LTD.	MYSTAR INVESTMENT	Taiwan	General investment	307,000	307,000	15,000,000	100.00	153,101	(18,844)	(18,844)	Direct subsidiary
MICRO-STAR INTERNATIONAL CO., LTD.	MSI COMPUTER (CAYMAN)	Cayman Islands	Holding company	99,093	-	50,000	100.00	134,370	(174)	(174)	Direct subsidiary
MYSTAR INVESTMENT	SPECTRUM RESEARCH & TESTING LAB., INC	Taiwan	Electromagnetic interference and telecommunication testing and consultation services	-	24,000	-	-	-	-	-	-
MYSTAR INVESTMENT	FUNTORO	Taiwan	Research and develop,sales, and maintenance of automobile electronic devices	-	147,600	-	-	-	(26,314)	-	-
MSI (CAYMAN)	MSI (MEXICO)	Mexico	Sales and maintenance of computers, motherboard, and electronic components	-	31,720	-	-	-	6,255	-	-

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
MSI (CAYMAN)	MSI (BRASIL)	Brazil	Sales and maintenance of computers, motherboard, and electronic components	$ -	$ 6,471	-	-	$ -	$ 242,399	$ -	-
MSI (CAYMAN)	MSI COMPUTER (CAYMAN)	Cayman Islands	Holding company	-	99,093	-	-	-	(174)	-	-
MSI COMPUTER (CAYMAN)	MSI (MEXICO)	Mexico	Sales and maintenance of computers, motherboard, and electronic components	-	320	-	-	-	6,255	-	-
MSI COMPUTER (CAYMAN)	MSI (BRASIL)	Brazil	Sales and maintenance of computers, motherboard, and electronic components	-	65	-	-	-	242,399	-	-
MSI (PACIFIC)	MSI (KOREA)	South Korea	Sales and maintenance of computers, motherboard, and electronic components	24,374	24,374	80,000	100.00	178,504	32,007	-	Indirect subsidiary
MSI (PACIFIC)	MSI (INDIA)	India	Sales and maintenance of computers, motherboard, and electronic components	-	409	-	-	-	(82)	-	-
MSI (PACIFIC)	MSI (B.V.I.)	British Virgin Island	Holding company	2,213,781	2,213,781	61,465,071	100.00	4,261,676	184,104	-	Indirect subsidiary
MSI (PACIFIC)	MICRO ELECTRONICS	British Virgin Island	Holding company	1,168,593	1,839,423	33,315,472	100.00	2,313,518	176,619	-	Indirect subsidiary
MSI (PACIFIC)	STAR INFORMATION	British Virgin Island	Holding company	144,721	144,721	4,502,601	100.00	32,669	8,195	-	Indirect subsidiary
MSI (PACIFIC)	MEGA TECHNOLOGY	British Virgin Island	Holding company	91,296	91,296	3,000,000	100.00	(2,129)	(8,937)	-	Indirect subsidiary
MSI (PACIFIC)	MEGA INFORMATION	British Virgin Island	Holding company	23,940	23,940	700,000	100.00	20,543	613	-	Indirect subsidiary
MSI (PACIFIC)	MSI ASIA	British Virgin Island	Holding company	-	-	-	-	-	2,420	-	-
MSI (PACIFIC)	MEGA COMPUTER	Hong Kong	Sales of computers, motherboard, and electronic components	-	-	1	100.00	8,482	1,162	-	Indirect subsidiary
MSI (PACIFIC)	MSI (MHK)	Hong Kong	Sales of computers, motherboard, and electronic components	-	-	1	100.00	3,193	1,484	-	Indirect subsidiary

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
MSI (HOLDING)	MYSTAR	Netherlands	Sales and maintenance of computers, motherboard, and electronic components	$ 71,353	$ 71,353	-	100.00	$ 209,756	$ 28,333	$ -	Indirect subsidiary
MSI (HOLDING)	MSI (RUSSIA)	Russia	Sales and maintenance of computers, motherboard, and electronic components	68,258	68,258	-	99.00	34,493	(1,374)	-	Indirect subsidiary
MSI (HOLDING)	MSI (GMBH)	Germany	Sales and maintenance of computers, motherboard, and electronic components	71,471	71,471	-	100.00	4,537	352	-	Indirect subsidiary
MSI (HOLDING)	MSI (POLSKA)	Poland	Sales and maintenance of computers, motherboard, and electronic components	46,077	46,077	-	99.00	27,757	1,181	-	Indirect subsidiary
MSI (HOLDING)	MSI (SARL)	France	Sales and maintenance of computers, motherboard, and electronic components	26,646	26,646	-	100.00	41,030	2,166	-	Indirect subsidiary
MSI (HOLDING)	MSI (UK)	Britain	Sales and maintenance of computers, motherboard, and electronic components	37,226	37,226	-	100.00	10,715	422	-	Indirect subsidiary
MSI (HOLDING)	MSI (TURKEY)	Turkey	Sales and maintenance of computers, motherboard, and electronic components	3,229	3,229	-	99.00	(125)	-	-	Indirect subsidiary
MSI (HOLDING)	MSI (ITALY)	Italy	Sales and maintenance of computers, motherboard, and electronic components	2,153	2,153	-	100.00	126	(28)	-	Indirect subsidiary
MSI (HOLDING)	MSI (BALKAN)	Serbia	Sales and maintenance of computers, motherboard, and electronic components	-	940	-	-	-	(454)	-	-
MSI (HOLDING)	MSI (EUROPE)	Netherlands	Logistic	37,620	37,620	-	100.00	36,880	(3,177)	-	Indirect subsidiary
MSI (EUROPE)	MSI (RUSSIA)	Russia	Sales and maintenance of computers, motherboard, and electronic components	689	689	-	1.00	542	(1,374)	-	Indirect subsidiary
MSI (EUROPE)	MSI (POLSKA)	Poland	Sales and maintenance of computers, motherboard, and electronic components	467	467	-	1.00	173	1,181	-	Indirect subsidiary
MSI (EUROPE)	MSI (TURKEY)	Turkey	Sales and maintenance of computers, motherboard, and electronic components	33	33	-	1.00	26	-	-	Indirect subsidiary
STAR INFORMATION	MSI (INDIA)	India	Sales and maintenance of computers, motherboard, and electronic components	-	-	-	-	-	(82)	-	-

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016	Investment income (loss) recognised by the Company for the year ended December 31, 2016	Footnote
				Balance as at December 31, 2016	Balance as at December 31, 2015	Number of shares	Ownership (%)	Book value			
MSI ASIA	MEGA COMPUTER	Hong Kong	Sales of computers, motherboard, and electronic components	$ -	$ -	-	-	$ -	$ 1,162	$ -	-
MSI ASIA	MSI (MHK)	Hong Kong	Sales of computers, motherboard, and electronic components	-	-	-	-	-	1,484	-	-

Note: 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=32.25 NTD; 1EUR=33.9 NTD on December 31, 2016 and average rate with 1USD=32.265 NTD; 1EUR=35.704 NTD for the year ended December 31,2016.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China - Basic information

For the year ended December 31, 2016

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, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2016		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee as of December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
MSI COMPUTER (SHENZHEN)	Sales and manufacture of computers, motherboard, and electronic components	$ 1,726,857	Note 1	$ 1,726,857	$ -	$ -	$ 1,726,857	$ 154,162	100.00	$ 154,162	$ 3,317,590	$ -	-
MSI ELECTRONICS (KUNSHAN)	Sales and manufacture of computers, motherboard, and electronic components	1,772,675	Note 1	1,772,675	-	-	1,772,675	153,130	100.00	153,130	1,912,554	-	-
SHENZHEN MEGA INFORMATION	Examines and maintenance of computers, motherboard, and electronic components	23,940	Note 1	23,940	-	-	23,940	613	100.00	613	20,543	-	-
MSI TRADING (SHENZHEN)	Sales and maintenance of computers, motherboard, and electronic components	91,296	Note 1	-	-	-	-	(8,937)	100.00	(8,937)	(2,129)	-	Note 3
MSI (SHENZHEN)	Sales and maintenance of computers, motherboard, and electronic components	30,092	Note 1	-	-	-	-	8,195	100.00	8,195	18,641	-	Note 4

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	investments in Mainland China imposed by the Investment Commission of MOEA
MICRO-STAR INTERNATIONAL CO., LTD.	$ 3,602,547	$ 3,821,712	$ 16,134,299

Note 1: The investments were made indirectly through 100% owned subsidiary of the Company.
Note 2: Evaluated based on audited financial statements of the investee companies.
Note 3: The amount of US $3,000 thousand was remitted by the Company's subsidiary, MSI (Pacific), to MSI 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: In pursuance of Shen-Zi Letter No.09704604680 from the Ministry of Economic Affairs dated August 29, 2008. The amended "Regulations for examination of investments and technical cooperation in Mainland Area" sets the limitation for investments in Mainland China to be higher of net book value or 60% of consolidated net book value.
Note 6: The table is presented in New Taiwan dollars. Except for the initial investment amount is valued at historical exchange rate, the others are valued with exchange rate 1USD=32.25 NTD on December 31, 2016 and average rate with 1USD=32.265 NTD for the year ended December 31, 2016.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

For the year ended December 31, 2016

Expressed in thousands of NTD

Table 7

(Except as otherwise indicated)

Investee in Mainland China	Sales/ (Purchase)		Property transaction		Accounts receivable/ (payable)		endorsements/guarantees secured with collaterals		Accommodation of funds				Others (Note)
	Amount	%	Amount	%	Balance as of December 31, 2016	%	Balance as of December 31, 2016	Purpose	Ceiling amount	December 31, 2016	Interest rate range	Interest expense	
MSI (SHENZHEN)	$ 3,397,118	(100)	$ -	-	$ 534,189	100	$ -	-	$ -	$ -	-	$ -	$ -
MSI COMPUTER (SHENZHEN)	-	-	-	-	(2,895,721)	(78)	-	-	-	-	-	-	2,857,045
MSI ELECTRONICS (KUNSHAN)	-	-	-	-	(544,919)	(15)	-	-	-	-	-	-	1,144,622
MSI COMPUTER (SHENZHEN)	2,488,717	(38)	-	-	509,256	100	-	-	-	-	-	-	-

Note: Revenue from processing.