

Chenbro Micom Co., Ltd.

2019 Annual Report

TWSE:8210

Leading Brand in Enclosure Solution

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Accounting Firm : PricewaterhouseCoopers

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5.Overseas Securities Exchange

None

6.Corporate : <http://www.chenbro.com>

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Letter to Shareholders

1.1 2019 Operation Performance

1.2 2020 Business Plan Outline

1.3 Business Development Plans

1.4. The Impact of External Competitive,
Regulatory and Overall Management
Environments

1. Letter to Shareholders

Dear Shareholders,

2019 was a year of important milestones for Chenbro. Through all-out effort of our teamwork with consecutive development of Cloud industry, we reach annual revenue NT\$ 6.835 billion and net operating income NT\$ 1.128 billion, increasing 4.8 percent and 35.8 percent from 2018. In retrospect of 2018, the US-China trade tensions and several geopolitical events impacted the global economic development with many uncertainties, and damaged the demand growth momentum resulting in the negatives on manufacturing industry and service industry. This created regional trade barriers as well as trade protectionism; as one of the technology manufacturing bore the brunt but we still delivered record revenue and profit concurrently.

It was predicted that the market gradually recovered as the negative effects of trade disputes were diluted in 2020. However, in response to the manufacturing shutdown of unexpected COVID-19 outbreak, it caused lack of parts and breakdown of industrial production chains, which ravaged global economics. This alerts us to be cautious in this rigorous UVCA era and keep positive, seize every opportunity in economic crisis, and reorganize an nimble efficient organization to get through this bumpy ride.

In the long term, with cloud service becoming ubiquitous and new applications, 5G and AIoT etc., continuously fueling, we believe the growth of ongoing megatrend. Hence, we will focus on enhancing the omni-channel market share of system integrators and standard products, and deepening the relationships with our customers and market deployment. Moreover, we keep refining the innovation and manufacture of our chassis, make trusted connection with our alliance including strengthening the industry integration, and create the platforms for mutual benefits to pursue the win-win with our partners. By committing as one of the worldwide leaders for integrated enclosure solutions provider in cloud industry, we offer an eco-harmonic, innovative and valuable integration platform. Highlights of Chenbro's accomplishments in 2019 and outlooks for 2020:

1.1 2019 Operation Performance

1.1.1 Financial Performance

1.1.1.1 Outcome of Operation Plan

Unit: NT\$ thousands

Item	2019	2018	Increase (decrease) amount	Increase (decrease) amount %
Operating revenue	6,835,443	6,520,514	314,929	4.83
Gross profit from operations	2,096,126	1,714,748	381,378	22.24
Operating profit	1,128,923	831,399	297,524	35.79
Profit from operations before tax	1,153,406	870,732	282,674	32.46
Net profit	911,951	642,350	269,601	41.97

1.1.1.2 Internal Budget Execution Status

In accordance with the current regulations or provisions, Chenbro did not prepare 2019 financial estimates in public.

1.1.1.3 Financial & Profitability Analysis

Item		2019	2018
Financial structure (%)	Debt to total assets ratio	45.05	45.67
	Long-term capital to property, plant & equipment ratio	237.74	195.62
Solvency (%)	Current ratio	161.86	151.19
	Quick ratio	124.78	126.90
	Interest coverage folds (times)	13,256.22	9,340.50
Profitability (%)	Return on assets (%)	15.03	11.60
	Return on equity (%)	27.28	21.11
	Operating profit to pay-in-capital (%)	94.29	69.44
	PBT to pay-in-capital (%)	96.34	72.73
	Net margin (%)	13.34	9.85
	EPS (NT\$)	7.62	5.37

1.1.2 Research & Development

In 2019 Chenbro continued to invest NT\$ 227,302,000 in research and development, increasing 12.7% from 2018. With innovative spirit, we refine our R&D ability and develop new products as well as protect our intellectual property rights. As of end of 2019, Chenbro has accumulated 439 patent applications, and 363 patent grants in U.S., China, and Taiwan etc.

Especially in 2019, for new patents of various products, we applied 29 patents worldwide for invention, design and new models. These patents included unique designs of rackmount chassis architecture, storage device layout, smart cable routing, toolless components assembly, and system modularized applications etc., which are breakthroughs in the product system planning, precision, support strength, stable energy saving, and easy operation etc. We continuously invest and expand the deployment of AI, AIoT, 5G, and cloud industry. Through the learning in cross-industry, and the refinement of our product system integration and validation capability, Chenbro is pursuing the maximization of common parts, massive reduction for the time frame of product development and validation, decrease of the mold development cost, fulfillment of small quantity but diversified market trends, and enhancement of the added value of products to remain our competitiveness by modularized design and manufacture flexibility.

1.2 2020 Business Plan Outline

1.2.1 Operation Guidance

Chenbro advocates and acts upon the principles of existing products optimization and core technology foundation to develop new products in accord with market demand. In the recent three years, implemented Lean Management has obvious improvement in workflow optimization, productivity enhancement, and inventory management etc. Additionally, Activity Value Management (AVM) system reviews overall operation cost, inventories all resource, internalizes the accountability concept by all our employees, and encourages an environment of positive communication and cooperation. Focusing on high standard with corporate governance and culture shaping, we strive for enhancing operation performance to create the most profitability.

- 1.2.1.1** Enlarge and deepen our products deployment in emerging markets. We anchor the production flexibility and differentiation to meet the development trend of technology.
- 1.2.1.2** Improve the quality of all-generation employees by their job functional training. Through Lean Management and accountability cultivation, we promote the Company's mission, vision and core values, strengthen and stabilize our business and financial management. Think globally, act locally.
- 1.2.1.3** Continue to simplify and digitize internal workflow. We enhance our response efficiently and nimbly to all the circumstances to build up the Company's stronger DNA.

1.2.1.4 Enhance corporate governance, the proactive supervision and management of Board of Directors and the internal audit. We seek to maximize the benefits of our shareholders, fulfill our corporate social responsibilities, and aim for sustainable development.

1.2.2 Sales Volume Forecast and Related Information

Main product	2019 sales (1000 units)
Personal computer case	380
Server chassis	1,460

1.2.3 Crucial Product Sales Strategy

1.2.3.1 Sales Strategy

By continuously strategic alliance with partners and customizing products to meet the customers' demand, Chenbro improves the products' function, quality and related service, and also provides all-in-one marketing and omni-channel integration solutions to broaden product diversity and built loyalty of customers. Through specific projects for specific customers, we increase our visibility and server market share. Apart from developing OEM and ODM business, in response to market trends, IoT, AI, 5G & Edge Computing etc., our R&D teams develop self-owned standard products, aiming to become the leader in white box server market. Additionally, strengthen alliance with different industries, improve our teams' professional service, take our advantage of rapid and small amount with variety for production, and create win-win sharing, altruized partnership.

1.2.3.2 Production Strategy

We keep integrating our engineering and technical team to provide more flexible service; with high yield rate, it reduces massively time to market. By setting up a mold manufacturing center, we improve the manufacturing capability of steel mold and plastic mold to produce superior enclosure system. Moreover, through implementing CPS, it optimizes the workflow and operating modes from customers' demand to sale, such as crucial station and process automation to achieve quality, Inventory, delivery date and cost optimization. Furthermore, our factories develop intelligent manufacturing to transform as informatized and automized plants, aiming at simplification of logistics and intelligence flow, labor cost reduction to overcome manpower cost rising, and profitability improvement. Meanwhile, we expand the production capacity in Taiwan to diversify risk of supply chain.

1.2.3.3 R&D Strategy

For the future, the Company will expand the R&D center with non-stop R&D and flexible manufacturing capacity for related application markets including 5G, cloud datacenter, edging computing and AIoT etc. Apart from new products development and innovative patent breakthrough research, we work with superior alliance partners to provide more comprehensive and stable enclosure solutions by modularization, flexibility, going green with high efficiency. Developing North America and China customers, we continue to explore European, Indian, Korean and ASEAN etc. markets for broader and deeper development of global deployment.

1.3 Business Development Plans

In the prospect of 2020, the Company will continue to operate based on its core values of integrity, innovation, coprosperity and altruism, as well as its vision of the global leader for integrated enclosure solutions provider in cloud industry (5G/AI/AIoT). By the dedication to promoting new products, new technologies and services, increasing production efficiency, expanding into emerging markets or related applications, and cultivating competency in talent of all ages, we provide an eco-harmonic, innovative, and valuable integration platform for enclosure solutions.

With the mature development of AI, IoT and the cloud server industries, Chenbro will adopt innovative commercial models and competitive products to focus on data centers, industrial computing, AI, IoT & 5G etc. applications. By actively deepening development of emerging markets, and expanding the market share of server, industrial computer and personal computer enclosure markets, the business deployment will be enhanced not only in America and China, but also European, Indian, Australian and ASEAN markets. We will strive ourselves to achieve these operational goals.

1.4 The Impact of External Competitive, Regulatory and Overall Management Environments

Chenbro has been through treacherous, changeable and competitive situations, and upheld the concept of enhancing R&D to compete. In response to the influence of regulations and the amendment of governmental laws, the Company has adopted appropriate measures, overall revised design specification, and related regulations. Regarding to the increasing cost of international raw materials and Mainland labor, and the rising price of resources impacted the cost structure, the Company has to establish an excellent reputation around the world, and strictly control cost to offer reasonable price for the best competitive advantage. Hence, flexible adjustment of production and sale, strict cost control, and the management of accounts receivable are important issues for the Company.

The pressure of external market pricing, new regulations issued by securities institutions, international environmental law, and the rapidly shifting global environment all impact on the revenue performance of the Company. In response to such situations, we have not only complied with new regulations issued by securities institutions, and international environmental law issued for the standard of suppliers' and our products, but also optimized the production process, expanded our production capacity to lower the cost, and monitored on our customers' orders to plan proper raw materials sourcing.

As noted above, there are 2019 Shareholders Report Operational Overview and 2020 Company Operational Outlook. We will continue to commit to world-class governance, sustainability, and good returns to our shareholders. We sincerely thank you for your trust and commitment to us, and look forward to a long profitable future together.

Respectfully,

Mei Chi, Chen
Chairwoman

Ya Nan, Chen
President

Chia Lin, Chih
Accounting Supervisor

2

Company Introduction

2.1 Established date

2.2 Company history

2. Company Introduction

The establishment of Chenbro Micom Co., LTD., (hereafter known as ‘the Company’) was approved by the Ministry of Economic Affairs in December 1983. The main business items of this company and its subsidiaries (hereafter known as ‘the Group’), are computer application software design engineering, the import and export trade of computer products and peripheral accessories, the R&D, manufacturing, processing and business of buying and selling computer accessories and the main parts systems of other consumable materials.

2.1 Established date

December 5, 1983

2.2 Company history

1983	The Company is established in Taipei with capital of NT\$500,000
1984	Capital increased by NT\$1,500,000 cash, capital reaches NT\$2,000,000 Commenced sales of Disk Puncher (the Company’s first product) Completion of XT computer case research & development, advertised in export magazine (the first computer case manufacturer to place advertisements)
1985	Official launch of the Full AT case (global first Tower computer case)
1986	Capital increased by NT\$5,000,000 cash, capital reaches NT\$7,000,000 NT\$16,000,000 purchase of Hangzhou North Rd. office
1987	Completed Middle Tower & Slim All-in-One computer cases R&D and sales
1989	Capital increased by NT\$18,000,000 cash, capital reaches NT\$25,000,000 NT\$20,000,000 purchase of Zhonghe office
1990	Capital increased by NT\$50,000,000 cash, capital reaches NT\$75,000,000 NT\$40,000,000 purchase of Zhonghe factory, completion of computer case production assembly line design Launched first phase of Server and Lan Station casing
1994	NT\$60,000,000 purchase Taoyuan plastic injection factory, production of plastic panels and peripheral computer equipment Launched AT case with Slide In-Out Mechanism
1996	Taoyuan factory gained ISO 9002 International Quality Certification Launched ATX series and Server case
1997	Launched Net PC and NLX case sales
1998	Established European subsidiary as European sales center Capital increased by surplus transfer of NT\$30,000,000, cash increased to NT\$30,000,000, capital reached NT\$135,000,000
1999	Capital increased by NT\$25,000,000 cash and surplus transfer of NT\$142,300,000 in supplemental public issuance, capital reached NT\$302,300,000 NT\$160,000,000 purchase of new office in Zhonghe Awarded with Commonwealth Magazine 1998 best operating efficiency ranking of 38 th place
2000	Capital increased by NT\$161,000,000 surplus transfer, capital reaches NT\$463,300,000 Established Cayman Chenbro Overseas Holding Co. Ltd., and mainland China Sole Proprietorship becomes corporate manufacturing center Established US subsidiary as American sales center

2001	Capital increased by 37,060,000 capital surplus, capital reaches NT\$500,370,000 Taoyuan factory becomes uneconomical, stops production, unused plant is rented out
2002	Capital increased by NT\$40,030,000 surplus transfer, capital reaches NT\$540,400,000
2003	Transferred investment from overseas holding company into Chenbro Technology Kunshan Co. Ltd., to become mainland China Eastern Region manufacturing center Application for shares to be listed on the stock market
2004	Capital increased by surplus transfer and additional-paid-in-capital of NT\$63,190,000, capital reached NT\$603,590,000
2005	Shares are listed for OTC buying and selling on the Taipei Exchange Capital increased by surplus transfer and employee dividend of NT\$100,660,000, capital reached NT\$704,250,000
2006	Capital increased by surplus transfer and employee dividend of NT\$115,460,000, capital reached NT\$819,710,000
2007	Capital increased by surplus transfer and employee dividend of NT\$135,660,000, capital reached NT\$955,370,000 Transferred investment from overseas holding company into Chenbro Dongguan Branch, to become Southern Region manufacturing center
2008	Capital increased by surplus transfer and employee dividend of NT\$159,740,000, capital reached NT\$1,115,110,000
2011	Capital increased by surplus transfer of NT\$39,950,000, capital reached NT\$1,155,060,000 Company's shares become listed stock from OTC on December 1
2012	Capital increased by surplus transfer of NT\$46,200,000, capital reached NT\$1,201,260,000 Transferred investment from overseas holding company into setting up Shenzhen (China) subsidiary, responsible for marketing in China region
2013	NT\$82,090,000 purchase of new office in Zhonghe American subsidiary invests US\$7,940,000 in purchasing new factory and office, to benefit overseas business expansion RMB\$18,730,000 purchase of Beijing Office
2014	Investment through Chenbro Technology Kunshan Co. Ltd. in setting up Beijing subsidiary to become R&D center
2015	Invested in German subsidiary Chenbro GmbH; received 24 th National Award of Outstanding SMEs
2016	Transferred investment from overseas holding company into setting up Shanghai subsidiary, responsible for marketing in the China region
2017	Shanghai Innovation Center Grand Opening; Kunshan (China) Factory Phase III in Operation
2018	Receives the German Red Dot Winner award, the SGS ISO 9001 Plus Award for effective management, the Corporate Sports Certification from the Sports Administration of the Ministry of Education and CSR Standard Enterprise 2018 Mittelstand Award from Commonwealth Magazine.
2019	Receives the CHR Award Investment in Xin Zhuang for new office NT\$500,084,000.
2020	Investment in the establishment of NCT factory Chen-Feng Precision Co, Ltd. by NT\$35 million, occupied 70% shares

Company Governance Report

- 3.1 Company organization system
- 3.2 Information on the Board of Directors, Supervisors, Presidents, Vice Presidents, Assistant Vice Presidents and all Departments and Branch Supervisors
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- 3.7 The Company's chairman, President, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise
- 3.8 Any transfer of equity interests and/or pledge of or change in equity interests in the most recent fiscal up to the date of publication of the annual report by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent
- 3.9 Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

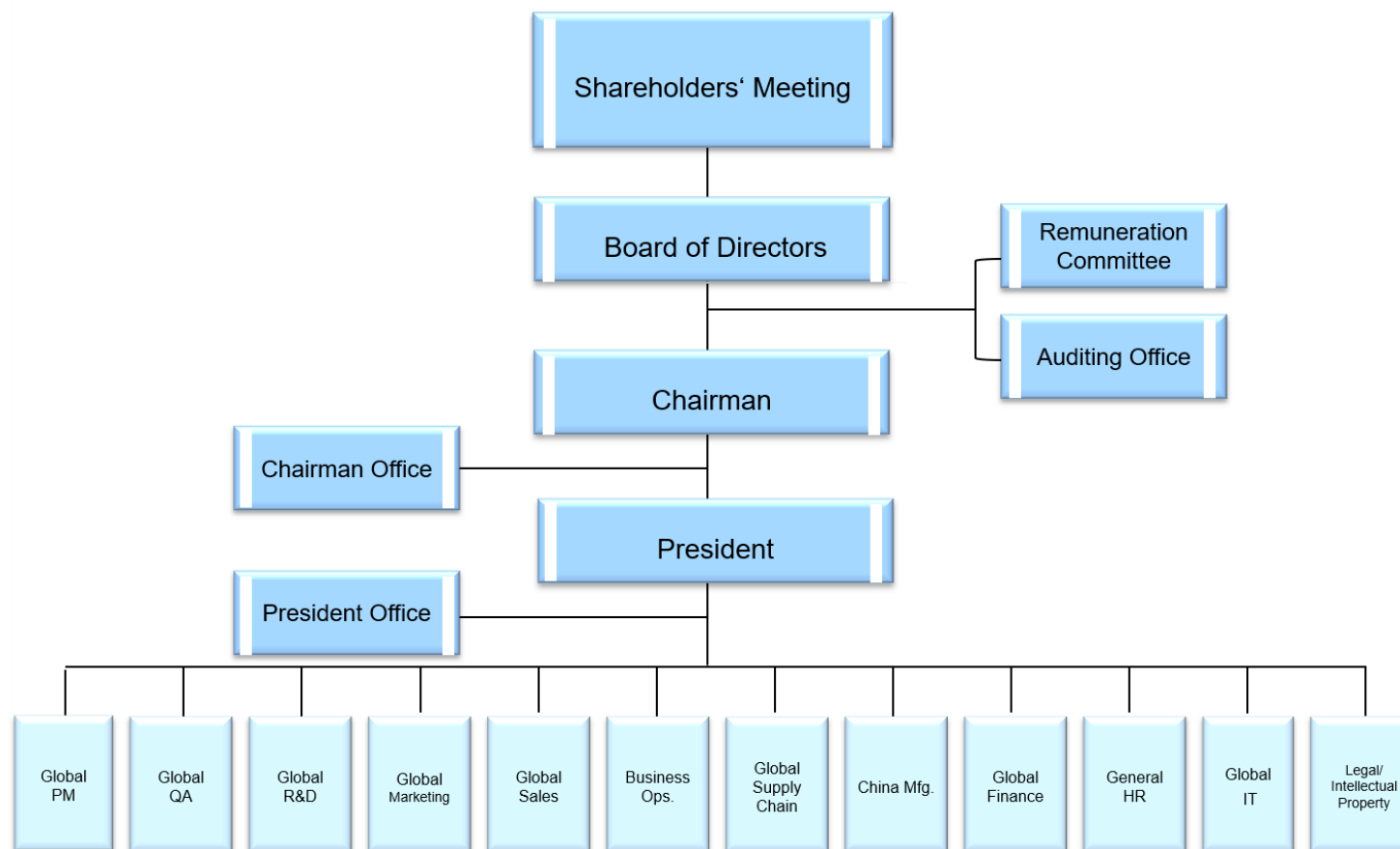
3.10 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company

3. Company governance report

3.1. Company organization system

3.1.1 Global organization structure

Global Organization Chart



3.1.2 Operating functions of each major department

Department	Major Responsibilities
Chairman's Office	Outline the development, vision and blueprint of the company. Shape company culture. Encourage innovation among employees. Promote ESG corporate commitment.
President's Office	Assist the President to plan, do statistics, follow-up and coordinate, etc.
Global Business Division	Control and implement the Company's global business plan. Ensure that the profit making of the Company is realized and can continue to see growth. Provide leading customer service around the world and maintain strategic business partnerships. Develop new markets and new customers, continue the development of the Company year by year.
Global R&D	Responsible for the development of new products and the improvement of production technology, strengthen concepts guiding clients as well as module design ability. Research for the enhancement of innovative technology.
Global Marketing Division	Collection and analysis of industrial developments, research on emerging markets and potential customers, plan the Company's product roadmap. Define products' value, ensure product profitability and assist in establishing production and sales strategy. Coordinate and communicate on products' marketing activities, focus on the implementation direction of relevant units. Manage the Company's official website, operation of social media, global exhibition planning and management and path activity management. Strategic partnerships and public relations management. Trends in product appearance, consumer experience and research in material use, product image and visual communication, design marketing and auxiliary products.
China Manufacturing	Major operation of server and computer case manufacturing. Factory operations efficiency analysis and supervision. Diversified (custom) product production and service provision. Implement lean production and production automation, provide fast and precise delivery period supplier capability. Computer case and server manufacturing, development and efficiency in sales & manufacturing technology. Responsible for new models, mass production model quality and quality system operation. Human resources and organizational development, staff training and cultivation of talent. Storage environment, industrial safety, occupational health and risk management, complying with necessary regulations. Energy saving and cost reduction, social care, support of the underprivileged, resource cycling and renewable use.
Global Quality Control	Establish and manage a globally operating quality system. Implement quality assessment for products currently in development and manage quality of existing products. Global customer quality management. Supplier management. Resolve related issues and provide customers with FAE/RMA support.
Standard Products Development Projects Division	Development planning and implementation of standard products and derived models with punctual releases to the market. Budget and cost planning and control of new product development projects. Implement inter-department communication and coordination for new product development. New product demand specifications, evaluate costing and assist in providing

Department	Major Responsibilities
	quotations.
Global Supply Chain Management Division	Implement combined management of suppliers, manufacturers, and subsidiaries to the end customer in order to satisfy customer needs. To achieve the aim of lowest costs, for major items, including raw materials purchasing, use materials management, planned production, logistics and warehouse management.
Business Operations	Assist in establishing an inter-department operating mode, linking sales and operations in order to meet the Company's monthly sales targets,
Global Information Division	Planning of the entire corporation's business information development aims and strategic implementation; assist in the computerization and procedurization of the corporation's business development, protect the Company's information safety and provide immediate big data to benefit operational management analysis.
Global Finance Division	Create a highly efficient and high-quality financial platform providing transparent and reliable financial information and an operational analysis and improvement program. Achieve outstanding corporate governance through rigorous control and auditing Provide long-term investment information and related financial decision evaluations, and law and tax planning. Credit risk control and financial crisis prediction models in order to lower corporate risk. Be responsible for holding Board and Shareholders' meetings. Stock service management and handling of ex-rights.
Global Human Resources Division	Comply with the Company's strategic development needs, and planning and implementation of organized manpower needs so that cultivation of the Company's human resources continues to strengthen. Maintain the Company's sustainable operation. Define effective management training development strategy and regulations in order to promote organizational effectiveness and core capabilities. Formulate labor safety and complete health policies and provide employees with related services. Create a favorable labor environment.
Legal Affairs / Intellectual Property Rights	Review contracts and provide legal consultation, manage patents, copyrights and other intellectual property rights, manage legal litigation, dispute cases and other related legal analysis.
Auditing Office	Internal control by self-assessment review and internal audit related announcement declaration, and set the annual internal audit program, complete the monthly audit of audit items, including the Group headquarters and subsidiaries internal audit. Or according to the management needs of the Board and senior management, process independent project audit and improvement of tracking. To examine and review the deficiencies of internal control systems and measure of the effectiveness and efficiency for operations, it shall provide timely recommendations for improvement as a follow-up report to ensure the continuous and effective implementation of internal control and as a basis for the revision of internal control.

3.2. Information on the Board of Directors, Supervisors, Presidents, Vice Presidents, Assistant Vic Presidents and all Departments and Branch Supervisors

3.2.1 Information on the Chairman, Directors and Supervisors

3.2.1.1 Name, gender, nationality or place of registration, main working (education) experience, concurrent positions in the Company and other companies, date elected, term, first elected date and person, spouse, minor shareholding, shares held in the name of others, professional knowledge and independence statusInformation:

As of 04/28/2020

Title	Nationality or place of registration	Name	Gender	Date Elected	Term	First Elected Date	Shareholding when elected		Current shareholding		Spouse and minor shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Chairman, Supervisor or Managers who are spouses or within second-degree relative of consanguinity to each other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairwoman	Republic of China	Chen Mei Chi	Female	June 20, 2017	3 years	July 6, 2009	9,656,009	8.07	9,656,009	8.07	2,009,000	1.68	12,209,000	10.20	National Chengchi University Department of Money and Banking EMBA Business Administration National Taiwan University	Chairwoman of the Company, Director of Peng Wei Investment and Development Co., Ltd, Chairwoman of Lian-Mei Investment Ltd., Director of Chen-Source Inc.	Chairman's Office Assistant Manager	Lee Tsun yen	Aunt
Director	Republic of China	Wu Chung Pao	Male	June 20, 2017	3 years	June 26, 2009	0	0	0	0	0	0	0	0	National Taiwan University International Business MBA Chairman of Protech Information Co., Ltd	Chairman of Protech Information Co., Ltd Independent Director of Marketech International Corp Independent Director of Trade-Van Information Co Independent Director EVA Air Corporation Director CPC Corporation Taiwan	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Date Elected	Term	First Elected Date	Shareholding when elected		Current shareholding		Spouse and minor shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Chairman, Supervisor or Managers who are spouses or within second-degree relative of consanguinity to each other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	Republic of China	Lee Tsun Yen	Female	June 20, 2017	3 years	June 26, 2009	5,296,029	4.42	5,296,029	4.42	13,614,433	11.37	0	0	Taipei Municipal Shilin High School of Commerce Chairwoman of Ming-Kwong Investment Co., Ltd	Chairman's Office Assistant Manager of the Company Chairwoman of Ming-Kwong Investment Co., Ltd Chairwoman Chung Chiao Capital Management Co., Ltd. Director of Chen-Source Inc. Chairwoman Chin Yueh Technology Co., Ltd. Independent Director HIM International Music Inc. Chairwoman Chung Shin Development Co., Ltd.	Chairman	Chen Mei chi	Aunt
Director	Republic of China	Hsu Shen Kuo (Note1)	Male	June 20, 2017	3 years	June 20, 2014	525,112	0.44	61,112	0.05	0	0	0	0	Harvard Kennedy School MPA/ID George Washington University LLM University of San Francisco Law PhD National Taiwan University Law Department	Assistant Professor Peking University Law School Teacher National Taiwan University Center for General Education	N/A	N/A	N/A
Independent Director	Republic of China	Tsao An Pang	Male	June 20, 2017	3 years	June 20, 2014	0	0	0	0	0	0	0	0	Illinois Institute of Technology MBA CEO and Presidents D-Link	Chairman Global Channel Resources Inc.	N/A	N/A	N/A
Independent Director	Republic of China	Hsu Kuei Ying	Female	June 20, 2017	3 years	June 29, 2004	0	0	0	0	0	0	0	0	Soochow University Department of Accounting Head of Financial Division Lite-On Semiconductor Corp. (resigned June 17, 2000)	N/A	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Date Elected	Term	First Elected Date	Shareholding when elected		Current shareholding		Spouse and minor shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Chairman, Supervisor or Managers who are spouses or within second-degree relative of consanguinity to each other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Independent Director	Republic of China	Huang Wen Cheng	Male	June 20, 2017	3 years	May 27, 2011	0	0	0	0	0	0	0	0	Master degree in Business Administration National Chengchi University National Cheng Kung University Department of Mechanical Engineering Presidents China Motor Chairman ARTC Deputy Chief Executive Yulon Group	Chairman Hung Ching Global Investment Co., Ltd. Chairman Kuofu Management Consultant Co. Ltd. Independent Director YFY Inc. Director Tung Thih Electronic Co., Ltd Legal representative Director ACES Electronics Co., Ltd. Chairman Huachun Startup Co., Ltd. Independent Director E-CMOS	N/A	N/A	N/A
Supervisor	Republic of China	Huang Li Long	Female	106.06.20	3 years	June 27, 2002	826,946	0.69	826,946	0.69	0	0	0	0	Soochow University Division Chief Schering-Plough Corp.	N/A	N/A	N/A	N/A
Supervisor	Republic of China	Lee Ya Mi	Female	June 20, 2017	3 years	October 20, 1999	181,334	0.15	181,334	0.15	0	0	0	0	Graduated from Christ's College Taipei Rutgers University undergraduate Presidents ACRON INTERNATIONAL LTD.	Director Ancore Technology Corporation	N/A	N/A	N/A
Supervisor	Republic of China	Chen Jen Shyang	Male	June 20, 2017	3 years	June 27, 2002	126,224	0.11	126,224	0.11	0	0	0	0	Ph.D. National Taiwan University Assistant Professor Ming Chuan University	N/A	N/A	N/A	N/A

Note 1: The Company is without the situation that the Chairman and President or equivalent position (supreme manager) is the same person, mutual spouse or first degree of kinship.

Note 2: Director Hsu Shen Kuo had already ended the tenure as a Director of the Company on March 5, 2019.

2.1.2 Chairman, Supervisor are representatives of corporate shareholders : N/A

2.1.3 Is a legal majority shareholder in item 2: N/A

2.1.4 Professional knowledge and independence check of Chairman and Supervisor

As of date: 04/28/2020

Requirement Name	Has over five years work experience and the following professional qualifications			Status on Compliance of Independence (Note 2)												Number of concurrent Independent Directors in other publicly traded companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification and technicians relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Chen Mei Chi			✓							✓		✓	✓	✓	✓	N/A
Lee Tsun Yen			✓							✓		✓	✓	✓	✓	1
Wu Chung Pao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Hsu Shen Kuo (Note 1)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Huang Wen Cheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Tsao An Pang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Hsu Kuei Ying			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Huang Li Long			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Lee Ya Mi			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Chen Jen Shyang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A

Note 1: Director Hsu Shen Kuo had already ended the tenure as a Director of the Company on March 5, 2019.

Note 2: For the Directors and Supervisors that fulfill the following conditions two years before being elected and appointed their tenure in office, please put a tick "✓" in each of the boxes representing a requirement.

- 1.1 Not an employee of this Company or its affiliates.
- 1.2 Not a Director or Supervisor of the Company's its affiliates. (However, this does not apply, in cases where the person is an Independent Director of the company, its parent company, or any subsidiary in which the company directly or indirectly holds more than 50% of the voting shares.)
- 1.3 Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.
- 1.4 Not the 2.1 listed managers or 2.2 & 2.3 listed employees' spouse, second grade or third grade of kinship.
- 1.5 Directors, Supervisors or employees of non-directly held more than 5% of the total number of outstanding shares, the top-five holding, or the appointment of a representative complying with Article 27-1 or 27-2, but except for Independenat Directors who were set up to be mutual ones under this or local articles from the Company with its headquarters and its subsidiaries, or the subsidiaries with the same headquarters.
- 1.6 Directors, Supervisors or employees of other companies, who are not the same people, held more than 50% of Directors' voting or seats, but except for ndependenat Directors who were set up to be mutual ones under this or local articles from the Company with its headquarters and its subsidiaries, or the subsidiaries with the same headquarters.
- 1.7 Directors, Supervisors or employees of other companies, who or whose spouses are not the Chairmen, Presidents or equivalent positions, but except for Independenat Directors who were set up to be mutual ones under this or local articles from the Company with its headquarters and its subsidiaries, or the subsidiaries with the same headquarters.
- 1.8 Directors, Supervisors, managers or shareholders who held more than 5% shares, of a specific company or institution that do not have financial or business with the Company. But except if a particular company or institution held more than 20% of the total number of shares issued by the Company, not more than 50%, and is an Independent Director established by the Company and its headquarters, Subsidiaries or Subsidiary of the same headquarters in accordance with this article or local article.
- 1.9 Professionals, sole proprietors, partners, owners of companies, Directors, Supervisors, managers and their spouses who provide audits for the Company or related enterprises or who do not have obtained a cumulative amount of remuneration in the last two years for business, legal, financial, accounting and other related services of less than NT\$500,000. But except the members of the Remuneration Committee, The Public Acquisition Review Committee or the Special Commission on Mergers and Acquisitions, which performs the functions under the Securities Exchange Act or the relevant articles of the Mergers and Acquisitions Act.
- 1.10 Not the second-grade kinship or spouses of other Directors.
- 1.11 No violations of Article 30 of the Article of Incorporation.
- 1.12 Not a governmental, judicial person or its representative as defined by Article 27 of the Article of Incorporation.

3.2.2 Information on President, Vice Presidents, Assistant Vice Presidents, all Department and Branch Supervisors

As of 04/28/2020

Title	Nationality or place of registration	Name	Gender	Date Elected	Shareholding		Spouse and minor shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Managers who are spouses or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairwoman	Republic of China	Chen Mei Chi	Female	October 31, 2013	9,656,009	8.07	2,009,000	1.68	12,209,000	10.20	EMBA Business Administration National Taiwan University National Chengchi University Banking Department	Chairwoman of the Company Chairwoman of the Company, Director of Peng Wei Investment and Development Co., Ltd, Chairwoman of Lian-Mei Investment Ltd., Director of Chen-Source Inc.	Chairman's Office Assistant Manager	Lee Tsun-Yen	Chairman's Office Assistant Manager
President (Note 1)	Republic of China	Chen Ya Nan	Female	July 2, 2018	214	0.00	0	0.00	0	0.00	National Taiwan University Dept. of Foreign Languages Intel Corporation LSI Corporation NetApp Inc.	N/A	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Date Elected	Shareholding		Spouse and minor shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Managers who are spouses or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chief Financial Officer Global Finance	Republic of China	Tsou Ke Ti	Male	October 13, 2016	0	0.00	0	0.00	0	0.00	Peking University Guanghua School of Management EMBA China Region CFO Liteon Technology Corp. CFO United Microelectronics Corp. EverRich Technologies Inc.	N/A	N/A	N/A	N/A
Vice President Global Business Division	Hong Kong	Hui Kin Nam	Male	July 2, 2018	0	0.00	0	0.00	0	0.00	The Hong Kong Polytechnic University Depart. Of Mechanical Engineering Intel Asia-Pacific Research & Development Ltd, Shanghai, China Astec Customer Power (HK) Ltd., Hong Kong, China Tectrol Inc., Toronto, Canada Astec Customer Power (HK) Ltd., Hong Kong, China	N/A	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Date Elected	Shareholding		Spouse and minor shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Managers who are spouses or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Vice President Global R& D Division (Note 2)	Republic of China	Huang Yu Tzu	Male	August 1, 2019	64,833	0.05	52	0.00	0	0.00	Lunghua University of Science and Technology Dept. of Foreign Languages National Kaoshiung University of Science and Technology Department of Mechanical Engineering Tranbon Electronic Industrial Co. Ltd.	N/A	N/A	N/A	N/A
Assistant Vice President of Finance Taipei	Republic of China	Chih Chia Lin	Female	September 30, 2008	51,999	0.04	0	0.00	0	0.00	EMBA Business Administration National Taiwan University/Depart. Of Accounting Soochow University Motorola Taiwan	N/A	N/A	N/A	N/A
Assistant Vice President of Global Product Marketing (Notes 3)	Republic of China	Lin Tsung Min	Male	January 1, 2015	313,470	0.26	0	0.00	0	0.00	National Taiwan University of Science and Technology Dept. of Mechanical Engineering Chenbro USA Chenbro Europe Advantech	N/A	N/A	N/A	N/A

Note 1: If the President or equivalent person (the highest manager), and the Chairman are the same person, spouse or the first grade kinship, it shall reveal the relative information of reason, logic, necessity and response measures such as increase the number of Independent Directors, and more than half of the Directors shall not be employees or managers etc.

Note 2: AVP Huang Yu Tzu was promoted as VP of Global R&D on 08/01/2019.

Note 3: Global Marketing Dept. AVP LinTsung Min resigned on 02/29/2020.

3.3 Renumeration paid to Directors, Supervisors, President and Vice Presidents in the most recent year

3.3.1 Renumeration of Directors and Independents of Directors (disclose aggregate remuneration information, with the names indicated for each remuneration range)

As of 12/31/2019 Unit: NT\$ thousand

Title	Name	Compensation of Directors								Proportion of total amount of A, B, C & D to net profit after tax (Note 10)		Related remuneration received of part-time employee								Proportion of total amount of A, B, C, D, E, F & G to net profit after tax (Note 10)		Remuneration from other invested businesses apart from subsidiaries (Note11)
		Remunerations (A) (Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note3)		Business execution expenses (D) (Note 4)				Salary, award and special expenses etc. (E) (Note 5)		Severance Pay and Pensions (F)		Employee compensation (G) (Note 6)						
		The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company		All companies listed in the financial report (Notes7)		The Company	All companies listed in the financial report (Note7)	
																Cash amount	Share s amount	Cash amount	Share s amount			
Director	Chen Mei Chi	0	0	0	0	8,020	8,020	42	42	0.88	0.88	3,244	3,244	12	12	296	00	296	0	1.27	1.27	0
	Wu Chung Pao																					
	Lee Tsun Yen																					
	Hsu Shen Kuo (Notes 1)																					
Independent Director	Huang Wen Cheng	0	0	0	0	8,020	8,020	54	54	0.89	0.89	0	0	0	0	0	0	0	0	0.89	0.89	0
	Tsao An Pang																					
	Hsu Kuei Ying																					

Note 1: Director Hsu Shen Kuo had already ended the tenure as a Director of the Company on March 5, 2019.

Note 2: Remuneration paid to Directors of the Company for providing all company services (e.g. serving as a non-employee consultants) within the financial report in the recent year, other than disclosed in the statement above: N/A.

Note 3: Describe the policy, system, standard and structure of the remuneration of Independent directors, and the correlation with the amount of remuneration paid according to the responsibilities, risks, input time and other factors:

3.1 Traffic expenditure: refer to the similar industries, it shall pay NT\$3,000 to present Directors and Supervisors in the Meeting.

3.2 The remuneration of Directors & Supervisors: in compliance with Article 24, if the Company has annual profits, it shall be allocated not more than 3% as the remuneration of the Directors and Supervisors, and the compensation of the Directors and Supervisors shall be reported to the Shareholders' Meeting. However, if the Company has accumulated losses, it should retain it in advance to make up the number of losses, and then according to the proportion of the previous item, it shall transfer the remuneration to Directors & Supervisors. The Directors shall draw up a motion on the remuneration and dispatch of Directors & Supervisors, and the remuneration of & Supervisors shall be paid according to the average distribution of the seats of the Directors and the annual distribution of the Directors after the report to the Shareholders' Meeting. The remuneration is determined by the Company. When a surplus is calculated, it shall be distributed so as not to create a risk to the Company. As this year's net profit after tax is higher than last year's, it is reasonable for each Director's remuneration with the growth over last year.

Range of Remunerations

Range of remunerations paid to directors of the Company	Name of Directors			
	Total amount of first 4 items of remuneration (A+B+C+D)		Total amount of first 7 items of remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies listed in the financial report (Note 9) <u>H</u>	The Company (Notes 8)	All companies listed in the financial report (Note 9) <u>I</u>
Under NT\$1,000,000	Hsu Shen Kuo (Note 12)	Hsu Shen Kuo (Note 12)	Hsu Shen Kuo (Note 12)	Hsu Shen Kuo (Note 12)
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)				
NT\$2,000,000 (included) ~ NT\$3,500,000(excluded)	Wu Chung Pao/Huang Wen Cheng / Tsao An Pang/ Hsu Kuei Ying/ Lee Tsun Yen/ Chen Mei Chi	Wu Chung Pao/Huang Wen Cheng / Tsao An Pang/ Hsu Kuei Ying/ Lee Tsun Yen/ Chen Mei Chi	Wu Chung Pao/Huang Wen Cheng / Tsao An Pang/ Hsu Kuei Ying	Wu Chung Pao/Huang Wen Cheng / Tsao An Pang/ Hsu Kuei Ying
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)			Lee Tsun Yen	Lee Tsun Yen
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)			Chen Mei Chi	Chen Mei Chi
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)				
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)				
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)				
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)				
Over NT\$100,000,000				
Total number	7	7	7	7

Note 1 : Names of Directors should be listed separately (shareholders should separately list shareholder name and representative) and an aggregate method used to disclose the payment amount of every item, Directors also holding the post of President or Vice Presidents should fill in this table and (3) the Range of Remunerations table for President and Vice Presidents.

Note 2 : 2019 remuneration for Directors (including Director's salary, allowance, severance pay, every kind of bonus and award).

Note 3 : 2019 remuneration distribution, allocation of the amount of Director's remuneration is passed by the 2020 Board of Directors.

Note 4 : 2019 Director's related business execution expenses (travel expenses, special expenses, various allowances, accommodation, vehicle allocation etc., provision of physical objects). If expenses are provided for housing, car or other transportation, or personal expenses, all provided assets, materials and costs should be disclosed, the actual or according to fair market price to calculate the rent, fuel expenses and other expenditure, not including the calculation of remuneration payment related to drivers of NT\$1,225,000.

Note 5 : 2019 Directors and concurrent employees (including concurrent President, Vice President, other managers and employees) all received salary, bonus, severance pay, allowance, severance pay, every kind of bonus, award, travel expenses, special expenses, various allowances, accommodation, vehicle allocation etc., provision of physical objects. If expenses are provided for housing, car or other transportation, or personal expenditures, all provided assets, materials and costs should be disclosed, the actual or according to fair market price to calculate the rent, fuel expenses and other expenditure, not including the calculation of remuneration payment related to drivers of NT\$1,225,000. Also, according to the recognized salary fees of IFRS 2, including obtaining employee stock option certificates, employee restricted stock and taking part in capital increased subscription of shares, should all be calculated in remuneration.

Note 6 : The Directors of 2020 passed the total amount of the 2019 distribution of employees' remuneration of NT\$81,802,000 through the Board of Directors, which will be filed in the 2020 Shareholders' Meeting report. Therefore, the Directors listed as concurrent employees above (including concurrent President, Vice Presidents, other managers and employees) and the amount of employee remuneration received (including shares and cash remuneration) that was issued, is according to the proportion of the actual distribution amount in the previous year, to calculate the distribution amount in this year.

Note 7 : The total remuneration for each of the items paid to the Company's Directors by all companies (including the Company), should be disclosed within the consolidated statement.

Note 8 : The total remuneration for each of the items paid to each Director by the Company, is attributed in the range with the Director's name disclosed.

Note 9 : The total remuneration for each of the items paid to each of the Company's Directors by all companies (including the Company) in the consolidated statement, is attributed in the range with the Director's name disclosed.

Note 10 : Net profit after tax indicates the Company already uses International Financial Reporting Standards, net profit after tax in the 2019 individual financial reports is NT\$911,951,000.

Note 11 :

a. In this column the amount of related remuneration obtained by Directors from reinvestment other than from the subsidiaries should be clearly listed.

b. If the Company's Directors received related remuneration from reinvestment other than from in subsidiaries, the Director and the amount received from the reinvestment other than from in subsidiaries should be entered into column I of the remuneration range table, and the name of the column changed to 'all reinvestments'.

c. Remuneration indicates the remuneration of the Director of this Company received from reinvestment of Directors, Supervisors, Managers or others (including remuneration of employees, Directors and Supervisors) other than in a subsidiary, and related remuneration for business execution expenses and other expenses.

Note 12 : Director Hsu Shen Kuo had ended his duty as Director on March 5, 2019.

* The content of remunerations disclosed in this statement and the concepts of the Income Tax Act are different, therefore the system of this statement is for disclosing information, not for taxation purposes.

3.3.2 Remuneration to Supervisors (disclose aggregate remuneration information, with the names indicated for each remuneration range)

As of 12/31/2019 Unit: NT\$ thousand

Title	Name	Remuneration to Supervisors						Proportion of total amount of A, B & C to net profit after tax (Note 8)		Remuneration from other invested businesses apart from subsidiaries (Note 9)
		Remuneration (A) (Note2)		Compensation (B) (Note3)		Business execution expenses (C) (Note 4)				
		The Company	All companies listed in the financial report (Note 5)	The Company	All companies listed in the financial report (Note 5)	The Company	All companies listed in the financial report (Note 5)	The Company	All companies listed in the financial report (Note 5)	
Supervisor	Huang Li Long	0	0	8,020	8,020	48	48	0.88	0.88	0
	Lee Ya Mi									
	Chen Jen Shyang									

Range of Remunerations

Range of remunerations paid to Supervisors of the Company	Name of Supervisors	
	Total amount of first 3 items of remuneration (A+B+C)	
	The Company (Notes 6)	All companies listed in the financial report (Notes7) D
Under NT\$1,000,000		
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)		
NT\$2,000,000 (included) ~NT\$3,500,000(excluded)	Huang Li Long/ Lee Ya Mi/ Chen Jen Shyang	Huang Li Long/ Lee Ya Mi/ Chen Jen Shyang
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)		
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)		
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)		
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)		
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)		
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)		
Over NT\$100,000,000		
Total number	3	3

Note 1 : Names of Supervisors should be listed separately and an aggregate method used to disclose the payment amount of every item.

Note 2 : Indicates 2019 remuneration for Supervisors (including Supervisor's salary, allowance, severance pay, every kind of bonus and award).

Note 3 : Distribution of 2019 remuneration is passed by the 2020 Board of Directors issuing the amount of Supervisor's remuneration.

Note 4 : 2019 Supervisor's related business execution expenses (travel expenses, special expenses, various allowances, accommodation, vehicle allocation etc., provision of physical objects). If expenses are provided for housing, car or other transportation, or personal expenditures, all provided assets, materials and costs should be disclosed, the actual or according to fair market price to calculate the rent, fuel expenses and other expenditure. If a driver has been allocated, please note an explanation of the Company's payment of related remuneration to the driver, but do not calculate into the remuneration.

Note 5 : The total remuneration of each item paid to the Company's Supervisors by all companies in the consolidated statement (including the Company) should be disclosed.

Note 6 : The total remuneration of each item paid to each Supervisor by the Company, is attributed in the range with the Supervisor's name disclosed.

Note 7 : The total amount of each item of remuneration paid to each of the Company's Supervisors by all companies (including the Company) in the consolidated statement, is attributed in the range with the Supervisor's name disclosed.

Note 8 : Net profit after tax indicates the Company already uses International Financial Reporting Standards, net profit after tax in the 2019 individual financial reports is NT\$911,951,000.

Note 9 :

- a. In this column the amount of related remuneration obtained by Supervisors from reinvestment other than from in subsidiaries should be clearly listed.
- b. If the Company's Supervisors received related remuneration from reinvestment other than from in subsidiaries, the Supervisor and the amount received from the reinvestment business other than from in subsidiaries should be entered into column D of the remuneration range table, and the name of the column changed to 'all reinvestments'.
- c. Remuneration indicates the remuneration of the Supervisor of this Company received from reinvestment business of Supervisors, Managers or others (including remuneration of employees, Directors and Supervisors) other than in a subsidiary, and related remuneration for business execution expenses and other expenses.

* The content of remunerations disclosed in this statement and the concepts of the Income Tax Act are different, therefore the system of this statement is for disclosing information, not for taxation purposes.

3.3.3 Remuneration to President and Vice Presidents (disclose aggregate remuneration information, with the names indicated for each remuneration range)

As of 12/31/2019 Unit: NT\$ thousand

Title	Name	Salary (A) (Note 2)		Severance Pay and Pensions (B)		Awards and special expenses (C) (Note 3)		Employee compensation amount (D) (Note 4)				Proportion of total amount of A, B, C & D to net profit after tax (%) (Note 8)		Remuneration from other invested businesses apart from subsidiaries (Note 9)
		The Company	All companies listed in the financial report (Note 5)	The Company	All companies listed in the financial report (Note 5)	The Company	All companies listed in the financial report (Note 5)	The Company		All companies listed in the financial report (Note 5)		The Company	All companies listed in the financial report (Note 5)	
								Cash amount	Shares amount	Cash amount	Shares amount			
President	Chen Ya Nan	6,250	13,840	252	416	1,935	3,419	23,933	0	23,933	0	3.55	4.56	0
Vice President	Huang Yu Tzu													
Vice President	Hui Kin Nam													
Global Finance Chief	Tsou Ke Ti													

* Regardless of the title, any position that is equivalent to president, vice president (e.g. president, CEO, director etc.), must be disclosed.

Range of Remunerations

Range of remunerations paid to President and Vice President of the Company	Name of President and Vice President	
	The Company (Notes 6)	All companies listed in the financial report (Note 7)
Under NT\$1,000,000		
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)		
NT\$2,000,000 (included) ~NT\$3,500,000(excluded)		
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)	Tsou Ke Ti	Tsou Ke Ti
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	Huang Yu Tzu	Huang Yu Tzu
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)	Chen Ya Nan	Chen Ya Nan/Hui Kin Nam
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)		
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)		
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)		
Over NT\$100,000,000		
Total number	3	4

Note 1 : Names of President and Vice Presidents should be listed separately and an aggregate method used to disclose the payment amount of every item, if Directors also concurrently hold the post of President or Vice Presidents this table and (1) range of remunerations table for Directors (including Independent Directors) should be filled in.

Note 2 : Fill in 2019 Presidents and Vice Presidents salary, allowances, severance pay.

Note 3 : Fill in 2019 Presidents and Vice President's related business execution expenses (travel expenses, special expenses, various allowances, accommodation, vehicle allocation etc., provision of physical objects). If expenses are provided for housing, car or other transportation, or personal expenditures, all provided assets, materials and costs should be disclosed, the actual or according to fair market price to calculate the rent, fuel expenses and other expenditure. If a driver has been allocated, please note an explanation of the Company's payment of related remuneration to the driver, but do not calculate into the remuneration. Also, according to the recognized salary fees of IFRS 2, including obtaining employee stock option certificates, employee restricted stock and taking part in capital increased subscription of shares, should all be calculated in remuneration.

Note 4 : The Directors of 2020 passed the total amount of the 2019 distribution of employees' remuneration of NT\$81,802,000 through the Board of Directors, which will be reported in the 2020 Shareholders' Meeting report, therefore, the remuneration amount of President's and Vice President's (including cash and shares), is according to the proportion of the actual distribution amount in the previous year, to calculate the distribution amount in this year, net profit after tax indicates the Company already uses International Financial Reporting Standards, net profit after tax in the 2019 individual financial reports is NT\$911,951,000.

Note 5 : The total amount of each item of remuneration paid to each of the Company's Presidents and Vice Presidents by all companies (including the Company) in the consolidated statement should be disclosed.

Note 6 : The total amount of each item of remuneration paid to each Presidents and Vice Presidents by the Company, is attributed in the range with the President and Vice President's name disclosed.

Note 7 : The total amount of each item of remuneration paid to each of the Company's Presidents and Vice Presidents by all companies (including the Company) in the consolidated statement, is attributed in the range with the Presidents and Vice Presidents's name disclosed.

Note 8 : Net profit after tax indicates net profit after tax in the most recent; already using International Financial Reporting Standards, net profit after tax indicates net profit after tax in the individual financial reports and consolidated financial reports of the most recent year.

Note 9 :

- a. In this column the amount of related remuneration obtained by Presidents and Vice Presidents from reinvestment other than from in subsidiaries should be clearly listed.
- b. If the Company's Presidents and Vice Presidents received related remuneration from reinvestment other than from in subsidiaries, the Presidents and Vice Presidents and the amount received from the reinvestment other than from in subsidiaries should be entered into column E of the remuneration range table, and the name of the column changed to 'all reinvestments'.
- c. Remuneration indicates the remuneration of the Presidents or Vice General of the Company received from reinvestment of Directors, Supervisors, Managers or others (including remuneration of employees, Directors and Supervisors) other than from in a subsidiary, and related remuneration for business execution expenses and other expenses.

* The content of remunerations disclosed in this statement and the concepts of the Income Tax Act are different, therefore the system of this statement is for disclosing information, not for taxation purposes.

3.3.4 Names of managers allocating employee compensation and their distribution

As of 12/31/2019 Unit: NT\$ thousand

	Title (Note 1)	Name (Note1)	Shares amount	Cash amount	Total	Proportion of total amount to net profit after tax (%)
manager	President	Chen Ya Nan	0	16,464	166,464	2.56
	Vice President of Global Sales	Hui Kin Nam				
	Global Finance Chief	Tsou Ke Ti				
	Vice President of Global R&D Division	Huang Yu Tzu				
	Assistant Vice President of Global Marketing Division, resigned on 02/29/2020	Lin Tsung Min				
	Assistant Vice President Finance Division Taipei	Chih Chia Lin				

Note1 : The Company discloses individual names and titles, but must use an aggregate method to disclose surplus distribution.

Note2 : The scope of managers is according to the rules of the commission contained in Taiwan-Finance-Securities III 0920001301 of March 27, 2003, and the scope of managers is as follows:

- 2.1 President and equivalent level
- 2.2 Vice President and equivalent level
- 2.3 Assistant vice president and equivalent level
- 2.4 Finance department supervisor
- 2.5 Accounting department supervisor
- 2.6 Other people with management and signature rights of the Company

Note3 : If Directors, President and Vice President receive dividends (including share dividends or cash dividends), other than filling in the attached statement, this statement should also be filled in.

Note4 : Amount of 2018 employee remuneration distribution actually allocated in 2019.

3.3.5 A comparative description with analysis on the ratio taken by the gross total of remuneration paid by this company and all firms disclosed in the consolidated financial statements to the directors, President and vice Presidents of this company to the net profit after tax over the past two years, including a description of the policies, criteria and composition of remuneration; the procedures to determine remuneration, their interrelationship with business performance and future risks.

3.3.5.1 Proportion of total amount of remuneration to net profit after tax:

Title	Proportion of total amount of remuneration to net profit after tax			
	2018		2019	
	The Company	Consolidated Statement	The Company	Consolidated Statement
Director	2.08	2.08	1.27	1.27
Independent Director	0.78	0.78	0.89	0.89
Supervisors	0.78	0.78	0.88	0.88
President and Vice President	4.49	4.75	3.55	4.56

Note1 : 2019 manager's employees' dividend amount and Director and Supervisor remuneration is according to the proportion of the actual amount allocated in the previous year to calculate the proposed amount allocated in this year.

Note2 : The Company's net profit after tax stated in individual financial statements according to International Financial Reporting Standard for 2018 was NT\$ 911,951,000 and the Company's net profit after tax stated in individual financial statements according to International Financial Reporting Standard for 2018 was NT\$642,350,000.

3.3.5.2 Payment of remuneration policy, standards and formation, setting of remuneration procedure and associated operational performance and future risk:

3.3.5.2.1 Directors, Supervisors

A. Travel expenditures :

Refer to industry standards, payment according to attendance of Directors and Supervisors at Board of Directors' meetings, payment of NT\$3,000 for each attendance.

B. Director, Supervisor remuneration :

According to the rules of Article 24 of the Company's Charter, no more than 3 percent of annual profit of the Company can be allocated as the Director or Supervisor's remuneration, the proposal for distribution of Director and Supervisor's remuneration should be put forward in the Shareholders' Meeting report. However, if the Company accumulates loss, the amount of loss should be reserved, then according to the proportion of the previous item, allocate the remuneration of Directors and Supervisors. Through the formulation of the Director and Supervisor remuneration distribution proposal, put forward the remuneration of Directors and Supervisors after the Shareholders' Meeting Report, then according to the number of tenures and annual monthly average of Directors and Supervisors distribute payment. Final decision on remuneration is when the Company has surplus, through the amount allocated, thereby not creating risk for the future operation of the Company.

3.3.5.2.2 President and Vice Presidents

The Company's policy on payment of remuneration, is set by the remuneration committee according to the average salary level of the related position within the industry, the range of responsibilities of the related position within the Company and the contribution to the Company's operation in payment of remuneration. Setting of the remuneration process, other than considering the overall operation performance of the company, achievement in personal aims and be referred to in the level of contribution to the Company's operation performance in giving reasonable remuneration. Combine that periods operating performance through the allocation of remuneration combine, thereby not creating risk for the future operation of the Company.

3.4. Operation of Corporate Governance

3.4.1 Information on status of operation of Board of Directors' meetings

2019 Board of Directors' meeting held 6 times (A), attendance of Directors and Supervisors as below:

Title	Name	Number attended in person (B)	Number attended by proxy	Attendance rate in person (%) (B/A) (Note1)	Remarks
Chairwoman	Chen Mei Chi	6	0	100	Re-election on June 20, 2017
Director	Lee Tsun Yen	6	0	100	Re-election on June 20, 2017
Director	Wu Chung Pao	6	0	100	Re-election on June 20, 2017
Director	Hsu Shen Kuo	1	0	16.67	Dismissed Director on March 5, 2019
Independent Director	Hsu Kuei Ying	6	0	100	Re-election on June 20, 2017
Independent Director	Tsan An Pang	6	0	100	Re-election on June 20, 2017
Independent Director	Huang Wen Cheng	6	0	100	Re-election on June 20, 2017
Supervisor	Chen Jen Shyang	6	0	100	Re-election on June 20, 2017
Supervisor	Huang Li Long	4	0	66.67	Re-election on June 20, 2017
Supervisor	Lee Ya Mi	6	0	100	Re-election on June 20, 2017

Other items for record :

- If the operation of the Meeting happens one of the situations, it shall state the date of the Directors, period, the motion content, the measures to the opinions from independent Directors' and the Company's:
 - Under Article 14-3 of the Securities and Exchange Act matters: N/A
 - Besides the previous matters, if there are matters of Independent Directors opposing or holding reserved opinions on recorded or in written statement in the decisions of the Board of Directors' meeting: N/A, please refer to pages 37-40.
- Directors' implementation of prevention of interested motions: N/A
- The Board of Directors of the Company shall assess the evaluation period and period, scope, manner and assessment content of the Company's Board of Directors, and fill in Schedule II (2) the evaluation and execution of the Board of Directors.

The Company adopted the Board's performance evaluation measures on March 17, 109, and the relevant evaluation information is as follows:

Frequency	Period	Range	Measure	Content
Once a year	2020.1.1~2020.12.31	The Board of Directors	Self-assessment	1. Level of participation in the Company's operations 2. Enhance the strategy quality of the Directors 3. The composing and organization of the Directors 4. The election and continuous study of the Directors
Once a year	2020.1.1~2020.12.31	Members of the Board of Directors	Self-assessment	1. Master the Company's goals and tasks 2. Concepts of Directors' responsibilities 3. Level of participation in the Company's operations 4. Internal relations operations and communication 5. Professional and continuous study of Directors 6. Internal controls
Once a year	2020.1.1~2020.12.31	Functional Committee	Self-assessment	1. Level of participation in the Company's operations 2. Concepts of Functional Committee's responsibilities 3. Enhance the strategy quality of the Functional Committee 4. The election and continuous study of the Functional Committee 5. Internal controls

- Assessment of the aims and implementation of the strengthening of the function of the Board of Directors' meeting in the most recent year, including Audit Committee establishment, and information transparent enhancement:
 - Strengthen function of Board of Directors' meeting
 - The Company believes building a complete governance system and an effective control function of the Board of Directors is the foundation of the Company's corporate governance, based on this principal the Company established a remuneration committee and estimates that after the changes of Directors and Supervisors in the 2020 election, an audit committee will be set up and Supervisors abolished to assist the Board of Directors in its responsibility of strengthening management function.
 - Formation of the Board of Directors and duties, please see p43~49
 - Status of implementation assessment: The Company advocates a consistent attitude to information transparency, in 2019 holding 6 Board of Directors' meetings, with an actual attendance rate of above 100%, furthermore inviting an accounting team to attend, listen and provide opinions, also holding at least 7 investor conferences a year to enhance recognition between investors and the Company.
- Formation of Supervisors and responsibilities:
 - Communication between Supervisors, employees and shareholders: when Supervisors deem it necessary, they must directly contact and hold talks with employees or shareholders.
 - Communication between Supervisors, internal auditing supervisors and accountants (e.g. communication items, method and results of the Company's finance, business situation)
 - Auditing supervisor completes a monthly auditing report of auditing items for the Supervisor, Supervisors will not hold an opposing opinion.
 - Auditing supervisor attends the Company's regular Board of Directors' meetings, and compiles an auditing task reports, Supervisors will not

hold an opposing opinion.

5.23 Supervisors irregularly carry out communication on finance situations with accountants through face to face meetings or written methods.

6. If Supervisors stated an opinion when attending the Board of Directors' meeting, the meeting date, period, content of the motion, result of the decision of the Board of Directors and the Company's response to the stated opinion of the Supervisor: N/A, please see pages 37-40.

Note1 :

- * Directors and Supervisors resigning before the end of the year, should note the date of resignation, actual attendance rate in the remarks column, using the number of Board of Directors' meetings they attended during the term of employment to calculate the actual attendance rate.
- * If Directors and Supervisors are appointed in elections before the end of the year, the new and old Directors and Supervisors should be entered into the remark's column noting the old term, new term or re-elected term and the date of election changes. using the number of Board of Directors' meetings that they attended during the term of employment to calculate the actual attendance rate.

Independent Director's opinions on significant motions or resolution results

Meeting of the Board of Directors	Content of proposal and following measures	Matters specified under Article 14-3 of the Securities and Exchange Act	Disapproval or Reserved opinion of Independent Directors	Disapproval or Reserved opinion of Supervisors
10th meeting on the 13 th term, January 25, 2019	1. The Company held a meeting of the Remuneration Committee on January 25, 2019, regarding the resolution on the issuance of managers' salary and annual bonus.	V	N/A	N/A
	2. Proposal on the Company's 2019 operation plan and budget.	V	N/A	N/A
	3. In order for flexible use of funds, the Company proposes an extension to PROCASE & MOREX CORP endorsement guarantee of US\$3,500,000.	V	N/A	N/A
	4. For buying and selling in foreign currency hedging demand, the Company proposes an extension to Taiwan Bank, Zhonghe Branch, foreign exchange financial derivatives operation of US\$500,000	V	N/A	N/A
	5. For buying and selling in foreign currency hedging demand, PROCASE & MOREX proposes an extension to Taiwan Bank, Zhonghe Branch, foreign exchange financial derivatives operation of US\$500,000	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			
11th meeting on the 13 th term, March 19, 2019	1. The Company's 2018 'Statement on Internal Control System'.	V	N/A	N/A
	2. Proposal on the Company's 2018 annual Financial Statements, and Business Report compiled by the Company.	V	N/A	N/A
	3. Proposal on the Company's 2018 surplus distribution.	V	N/A	N/A
	4. The Company held a meeting of the Remuneration Committee on March 19, 2019, resolution 2018 distribution of employee compensation and Director and Supervisor remuneration.	V	N/A	N/A
	5. Proposal on changes in the Company's accountants due to operation of PWC's internal rotation.	V	N/A	N/A
	6. Proposal on CPA independence.	V	N/A	N/A
	7. Proposal for items for discussion at convening of the Company's 2019 Regular shareholders' meeting	V	N/A	N/A
	Opinions of Independent Directors: N/A			
12th meeting on the 13 th term, May 14, 2019	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			
	1. The Company revised Article of Incorporation	V	N/A	N/A
	2. The Company revised The Procedures for Acquisition or Disposal of Assets	V	N/A	N/A
	3. The Company revised Capital Loan and Third-party Operating Procedures	V	N/A	N/A
	4. The Company revised Endorsement Guarantee Operating Procedure	V	N/A	N/A
	5. The Company revised Corporate Governance Practice Principles	V	N/A	N/A
	6. The Company held the 2019 Shareholders' Meeting for Discussion Items	V	N/A	N/A
	7. For buying and selling in foreign currency hedging demand, the Company proposes an extension to CTBC Bank, Zhonghe Branch, foreign exchange financial derivatives operation of US\$500,000	V	N/A	N/A
	8. The Company withdrew the endorsement & guarantee of CHENBRO MICOM (USA) INC & PROCASE & MOREX CORP, total USD3,000,000.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			

Meeting of the Board of Directors	Content of proposal and following measures	Matters specified under Article 14-3 of the Securities and Exchange Act	Disapproval or Reserved opinion of Independent Directors	Disapproval or Reserved opinion of Supervisors
13th meeting on the 13 th term, June 25, 2019	1. Proposal on 2018 cash dividend interest base date	V	N/A	N/A
	2. The Company held a meeting of the Remuneration Committee on June 25, 2019, regarding the managers' salary and resolution on issuance of dividends.	V	N/A	N/A
	3. The Company set up The Standard Operation Procedure of Directors' Requirement Measures	V	N/A	N/A
	4. The Company intended to close Chenbro Micom (Shenzhen) Co., Ltd. after its liquidation through Micom Source Holding Co. to reinvest Cloud International Co., Ltd.	V	N/A	N/A
	5. Set up the governing supervisors of the Company	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
14th meeting on the 13 th term, August 13, 2019	Resolution result: Unanimously passed by all Directors in attendance			
	1. The Company intended to buy Real Estate.	V	N/A	N/A
	2. In order to make the fund flow more flexible, Chenbro Micom (USA) INC intended to extend the credit limit by US\$2 million, with the headquarters providing an endorsement guarantee.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
15th meeting on the 13 th term, November 12, 2019	Resolution result: Unanimously passed by all Directors in attendance			
	1. The Company intended to propose 2020 Audit Plan.	V	N/A	N/A
	2. The Company intended to obtain the right of sue assets of Chung Mao Asset Development Co., Ltd.	V	N/A	N/A
	3. The Company intended to sell the real estate of Jian 1 st Rd., Zhonghe Dist. New Taipei City.	V	N/A	N/A
	4. The Company intended to set up a company in Seychelles with the US\$500,000 investment.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
16th meeting on the 13 th term, January 10, 2020	Resolution result: Unanimously passed by all Directors in attendance			
	1. The Company held a meeting of the Remuneration Committee on January 10, 2020, regarding the resolution on the issuance of managers' salary and annual bonus.	V	N/A	N/A
	2. The Company proposed the 2020 Business Plan and Budget.	V	N/A	N/A
	3. The Company authorized the Chairman to process all the matters related to the sale of Zhonghe Dist. real Estate.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			

Meeting of the Board of Directors	Content of proposal and following measures	Matters specified under Article 14-3 of the Securities and Exchange Act	Disapproval or Reserved opinion of Independent Directors	Disapproval or Reserved opinion of Supervisors
17th meeting on the 13 th term, March 17, 2020	1.The Company revised the partial articles of the operation procedure of internal control self-assement.	V	N/A	N/A
	2.The Company proposed 2019 the statement of the operation procedure of internal control.	V	N/A	N/A
	3. The Company reported the 2019 Finance Statement and Business Report revised by the Company.	V	N/A	N/A
	4. Proposal on the Company's 2019 surplus distribution.	V	N/A	N/A
	5. The Company held remuneration committee on March 27, 2020, and had a resolution of the remuneration of 2019 employees and Directors & Supervisors.	V	N/A	N/A
	6. The Company intended to propose the evaluation of Directors' performance on March 17, 2020.	V	N/A	N/A
	7.The Company intended to propose the annual performance project withdrawal stake of holding trusts on March 17, 2020.	V	N/A	N/A
	8. The Company intended to propose the RSUs system on March 17, 2020.	V	N/A	N/A
	9.The Company changed the accountants due to their internal rotation operation in PwC Taiwan.	V	N/A	N/A
	10.Proposal of the independent assessment of certificated accountants.	V	N/A	N/A
	11.The Company intended to propose shareholders proposal operation in the 2020 Annual Shareholders's Meeting.	V	N/A	N/A
	12.The Company proposed the discussion items in the 2020 Meeting.	V	N/A	N/A
	13. The Company intended to propose the 2020 nominated candidates of Directors and Independent Directors.	V	N/A	N/A
	14.The Company re-elect the Directors.	V	N/A	N/A
	15. The Company revised the Article of Incorporation.	V	N/A	N/A
	16. The Company revised The Procedures for Acquisition or Disposal of Assets.	V	N/A	N/A
	17. The Company revised Capital Loan and Third-party Operating Procedures	V	N/A	N/A
	18. The Company revised Endorsement Guarantee Operating Procedure	V	N/A	N/A
	19. The Company revised Shareholders' Meeting Regulations	V	N/A	N/A
	20. The Company revised Board of Directors Election Measures	V	N/A	N/A
	21. The Company revised The Company governing of Best Practice Principles	V	N/A	N/A
	22. The Company intended to propose the cash dividends of Qinkun Technology (Kunshan) Co., Ltd.	V	N/A	N/A
	23. The Company intended to buy the land and factory.	V	N/A	N/A
	24. In order to make the fund flow more flexible, the Company intended to extend the credit limit by NT\$240 million.	V	N/A	N/A
	25. The Company proposed withdrew an extension to PROCASE & MOREX CORP endorsement guarantee of US\$4,000,000.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			

Meeting of the Board of Directors	Content of proposal and following measures	Matters specified under Article 14-3 of the Securities and Exchange Act	Disapproval or Reserved opinion of Independent Directors	Disapproval or Reserved opinion of Supervisors
18th meeting on the 13 th term, May 12, 2020	1.The Company held remuneration committee on March 12, 2020, and had a resolution of the remuneration of 2019 employees and Directors, Supervisors, president & managers.	V	N/A	N/A
	2.The Company revised the partial articles of the operation procedure of internal control self-assement.	V	N/A	N/A
	3.The resolution adopts 2020 Shareholders' Proposal Operation to state the reason that the shareholders' proposal is not included in the motion of the Shareholders' Meeting.	V	N/A	N/A
	4.The resolution states the new added discussion in the Shareholders' Meeting.	V	N/A	N/A
	5.The resolution adopts the review of re-election candidates for the Directors and Independent Directors in 2020 Shareholders' Meeting.	V	N/A	N/A
	6.The resolution adopts the dissolution of non-competition restriction of new directors.	V	N/A	N/A
	7.The resolution adopts the Company's amendment of the Corporate Social Responsibility Best Practice Principles.	V	N/A	N/A
	8.The resolution adopts the Company's amendment of the Integrity Meeting Principal.	V	N/A	N/A
	9.The resolution adopts the Company's amendment of the Guidelines for the Adoption of Codes of Ethical Conduct.	V	N/A	N/A
	10.The resolution adopts the Company's amendment of the Process of Internal Crucial Information Operation.	V	N/A	N/A
	11.The resolution adopts the Company's amendment of the Shareholders' Meeting Regulations.	V	N/A	N/A
	12.The resolution adopts the Company's amendment of the Independent Directors' Responsible Range Regulations.	V	N/A	N/A
	13.The resolution adopts the Company's amendment of the Audit Commitment Organization Regulations.	V	N/A	N/A
	14.The resolution adopts the proposal to close our subsidiaries, Edge International Company Limited, in the Republic of Seychelles, and Adept International Co., Ltd. in Virgin Islands.	V	N/A	N/A
	15.In order to make more flexible use of funds, the Company intends to extend the credit line to Citi Bank Taiwan US\$6 million.	V	N/A	N/A
	16.In order to make more flexible use of funds, the Company intends to extend the credit line to Cathay United Bank NT\$200 million.	V	N/A	N/A
	17.In order to make more flexible use of funds, the Company intends to add the credit line to CTBC Bank NT\$200 million.	V	N/A	N/A
	18. For the purpose of buying and selling foreign exchange and risk-averse demand, the Company intends to extend the operation of foreign exchange derivative financial commodities of China Trust Commercial Bank US\$500,000.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			

3.4.2 Status of audit committee operation or on operation of Supervisors attending Board of Directors' meeting

3.4.2.1 Status of audit committee operation: The Company has not set up an audit committee during 2020 Shareholders' Meeting, therefore it is not applicable.

3.4.2.2 Status on operation of Supervisors attending Board of Directors' meeting: refer to p.35.

3.4.3 The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure:

Assessment item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure
	Yes	No	Summary	
1. Does the Company set and disclose corporate governance code of practice according to 'Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies'?	V		The "Corporate Governance Best-Practice Principles" set by the Company, serves to protect the shareholders' rights, to strengthen the functions of the Board of Directors, respect the rights and interests of stakeholders, enhance the transparency of information and relevant rules; the Company's Corporate Governance Best-Practice Principles can be found on the Company's website, web address: www.chenbro.com , and is disclosed on market observatory post system website, web address: https://sii.twse.com.tw/	No difference
2. Equity structure and shareholder rights				
(1) Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures?	V		(1) The Company authorizes professional shareholder services agents to handle service for shares, and appoints a spokesperson to properly handle shareholders' suggestions or disputes. In addition, a shareholders' section is established on the Company website, which provides suggestions or answers.	No difference
(2) Does the Company have a list of those who ultimately control the major shareholders of the Company?	V		(2) Through a professional shareholder services agent, the Company fully grasps and understands major shareholder structure, and regularly reports changes in Director, Supervisor and Manager shareholdings.	
(3) How does the Company establish its risk management mechanism and firewalls involving related enterprises?	V		(3) The finance, business and management responsibilities between all affiliates are independent of each other, affiliates interact under the principles of fairness and rationality.	
(4) Has the Company set internal standards to prohibit the use of undisclosed insider information to trade securities on themarket?	V		(4) The Company set up the significant internal information handling procedure on December 29, 2009, and carried out the third amendment to guidelines banning internal staff of the Company from using publicly undisclosed market information in the buying and selling of securities on May 12, 2020.	

Assessment item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
3. Organization and responsibilities of the Board of Directors (1) Does the Board of Directors set and implement a diversification policy?	v		(1) 1. The third chapter in the Company's Corporate Governance Best-Practice Principles is "Strengthen the functions of the Board of Directors", which sets out the policy for diversity. The nomination and selection system for members of the Company's Board of Directors is according to the rules of the Company's regulations, which adopts a candidate system. Other than assessment of candidates' academic and work experience, it considers the opinions of interested parties, complying with 'Director and Supervisor election method' and 'Company Corporate Governance Best-Practice Principles', to maintain the diversity and independence of Directors. 2. Members of the Company's Board of Directors, according to the Company's operational, business model and development demands adopt diversity, there are 3 female members, the ratio of male to female Directors is 3:3, with regard to professional background those possessing good leadership, decision-making, operating judgement, operational management, and crisis management skills, also industry knowledge and global view are Directors CHEN MEI CHI, WU CHUNG PAO, HUANG WEN CHENG, TSAO AN PANG; Directors LEE TSUN YEN and HSU KUEI YING are experienced in executive management financial affairs, for further details of members specialized fields of members of the Board of Directors, please refer to the explanation on p.48. 3. The proportion of Directors who are employees of the Company is 33%, The proportion of Independent Directors is 50%, the proportion of female directors is 50%, the tenure of 2 Independent Directors is between 6-9 years, the tenure of 1 Independent Director is 12 years, 5 Directors are aged 60-69, 1 Director is under	No difference

Assessment item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
(2) Has the Company established other functional committees besides the Remuneration Committee and Audit Committee?		V	<p>the age of 60. The Company places importance on the diversity of the gender equality of the members of the Board of Directors, with the aim of achieving a ratio of female directors of over 50%.</p> <p>4. The Board of Directors discloses policy on formation of members on the Company website and on the market observatory post system.</p> <p>(2) The Directors and Supervisors of the Company have still not completed their tenures, it is planned when the tenures have been completed (in 2020) after election changes in Directors, the Board will set up an audit committee, in the future will set up committees with every kind of function according to actual operating demands.</p>	
(3) Has the Company set performance assessment rules and methods for the Board of Directors and does it perform this evaluation every year?		V	<p>(3) For fulfillment its governing and enhancement the function of Directors, the Company set up the evaluation measures of the Directors performance on March 17, 2020, and will process annual review, reporting to the Directors.</p>	
(4) Does regularly evaluate the independency of the CPA?	V		<p>(4)</p> <ol style="list-style-type: none"> 1. According to the rules of Article 29 of the Company's 'Corporate Governance Best-Practice Principles', the independence of appointed accountants should be assessed at least once annually. 2. On November 10, 2014, the Company set out 'CPA Selection Review Method'. 3. PwC reported the Statement of CPA Independence at the Board of Directors' meeting on March 17, 2020, please refer to the description on p.50. 4. The Accounting Division of the Company carry out an annual self-assessment on the independence of CPAs, the results reported were passed after the review of the Board of Directors on May 19, 2019. Assessments carried out in the most recent year 	

Assessment item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure
	Yes	No	Summary	
			meet the independence standards of the Company, and are qualified to act as CPAs of the Company. For details on the accountant independence assessment questionnaire, please refer to the explanation on p.51-52.	
4. Does the TWSE/TPEX listed company have a dedicated unit/staff member in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change company registry, and producing meeting minutes of board/shareholder meetings)?	V		<p>This head of corporate governance was adopted by the board resolution of June 25, 2019, by the head of accounting, Ya Lin Chih, who has more than three years of experience in the position of head of accounting for the public offering company, responsible for supervising the accounting unit personnel and responsible for corporate governance related matters and the main responsibility of the head of corporate governance for the conduct of the Directors and Shareholders' Meeting. to safeguard shareholders' rights and interests, in order to strengthen the functions of the Board.</p> <p>Please refer to P.53 Note4.</p>	No difference
5.Does the Company establish communication channels and dedicate section for stakeholder on its website to respond toimportant issues of corporate social responsibility concerns?	V		<p>The Company appoints a spokesperson, an acting spokesperson and a member of staff for investor relations, responsible for carrying out communication with investors through every channel (including telephone, email, Company website etc.). The Company's website (www.chenbro.com) complies with the amendments to stock exchange information declaration methods, clearly within the website setting up an 'Stakeholders' section, to enable stakeholders to quickly understand the communication channel of each related issue, receiving a beneficial response, for its content please refer to p.75~76 of this annual report.</p>	No difference

Assessment item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEX Listed Companies, and the reason for any such departure
	Yes	No	Summary	
6. Has the company appointed a professional shareholder services agent for shareholder affairs?	V		The Company's professional shareholder services agent is Fubon Financial Holdings Service Center, website: http://www.fubon.com	No difference
7. Disclosure of information (1) Does the Company set up website to disclose information on financial operations and corporate governance? (2) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesman system, the legal entities announcements uploaded to website, etc.) to disclose information? (3) Does the Company announce and report its annual financial report within two months of the end of the fiscal year, and announce and report the first, second and third quarter financial reports and the operating conditions of each month in advance of the prescribed deadline?	V V	V	(1) The Company has put information relating to each year's financial matters and corporate governance on the Company website and regularly update information, website: www.chenbro.com (2) The Company has established a Chinese-English website, setting up a service page for investors, and appointed contacts responsible for collection and maintenance of the Company's information, in addition to implementing a spokesperson system on the Company website, to disclose the procedure of the Company's attendance for all investor conferences. (3) The Company shall complete the announcement and report its annual financial report within the time limit and about 10 days earlier, and the first, second and third quarter financial reports shall be about 3 days earlier, and the operating conditions of each month shall be completed about 3 days earlier.	No difference
8. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	V		refer to p.72~87	No difference

Assessment item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved.				
The Company's performance in the 5 th (2019) 'Corporate Governance Evaluation' lay between 21%-35% of the companies, explanation on status of improvement for those areas not receiving scores is as shown below:				
(1)The Company's Director's Performance Assessment has been approved by the Board of Directors on March 17, 2020 and will be disclosed in the annual report or on the Company's website in the future as determined by the information.				
(2)Company will focus on items not receiving a score and continue to evaluate consideration of a possible improvement proposal.				

Note 1 : Disclosure of diversity policy implementation of Board of Directors' members

Article 20 of the Corporate Governance Best-Practice Principles as defined by the Company:

The Board of Directors should guide Company policy, control management structure, be responsible toward the Company and shareholders, the working and arrangement of each item of the Company's corporate governance system, ensure the Board of Directors operates according to the rules of laws, the Company's regulations or resolutions or authority exercised by the Shareholders' Meeting.

The structure of the Company's Board of Directors should, toward to the Company's operational development and status of its major shareholders, balance practical operating requirements, and decide the appropriate appointment of over 5 board members.

Consideration should be given to diversity in assembling members of the Board of Directors, the Board of Directors should not be comprised of more than one third of Directors concurrently holding the position of the Company's manager, and plan suitable policy toward its operation, operating status and development demands, also including, but not restricted by, standards in two major aspects as follows:

1. Basic requirements and values: gender, ages, nationality and culture etc.
2. Professional knowledge and skills: professional background (For example law, accounting, industry, finance, marketing or technology)

Members of the Board of Directors should widely hold the necessary implementation knowledge of executive duties, skills and literacy.

To achieve the ideal goals of the Company's corporate governance, the Board of Directors overall should contain the following abilities:

1. Operational judgement ability.
2. Accountant and financial analysis ability.
3. Operational management ability
4. Crisis management ability
5. Industry knowledge
6. Global market view
7. Leadership ability
8. Decision-making ability

Director's name \ Diversity Core item	Gender	Operating judgement	Financial accounting analysis	Management	Crisis management	Industry knowledge	Global market view	Leadership	Decision-making	Legal
Chen Mei Chi	Female	V		V	V	V	V	V	V	
Lee Tsun Yen	Female		V	V			V	V	V	
Wu Chung Pao	Male	V		V	V	V	V	V	V	V
Hsu Shen Kuo (Note 1)	Male	V		V	V		V	V	V	V
Huang Wen Cheng	Male	V	V	V	V	V	V	V	V	V
Tsao An Pang	Male	V		V	V	V	V	V	V	
Hsu Kuei Ying	Female		V	V			V		V	

Note 1: Director Hsu Shen Kuo had ended up the term on March 5, 2019.

Review of accounting independence

Independency

Description

This firm and other alliance firms of PwC, with regard to the annual review work of the Enterprise, and in following the relevant rules of Bulletin No. 10 of the Norms of Professional Ethics for Certified Public Accountants of the Republic of China, have not found any matters that violate the relevant rules influencing the independence of this firm.

Communication on completion of the setting up of governance unit
PwC Taiwan

Note 3: Accountant independence assessment questionnaire

Chenbro Micom Co. Ltd.
CPA review assessment form

Review date: March 17, 2020

Review subject: ☒ current candidate ☐ CPA: PwC Taiwan accountants Pan Hui Ling, Lin Chun Yao

1. Independence items for review (Those ticking 'Yes' in any of the items below, should further understand specific facts)					
Item number	Content of review	Please tick			Remarks
		Yes	No	N/A	
01	The CPA, or spouse or minors of the CPA, do not have a relationship of investment or relationship of sharing in the financial benefits of the Company.	✓			
02	The CPA, or spouse or minors of the CPA, do not have any capital borrowing or lending with the Company. This restriction does not apply when the authorizer is a financial institution with a normal relationship.	✓			
03	The CPA firm has not issued what it has designed or facilitated in executing the financial information system's validation operation of a confirmation service report.	✓			
04	The CPA or audit service team member has not been appointed as the Company's director, manager or in a position of significant influence at present or within the most recent two years.	✓			
05	The non-audit service provided to the Company does not contain significant items that directly affect the audit case.	✓			
06	The CPA or audit service team member has not issued information on or brokered stocks or other securities the Company has issued.	✓			
07	Other than services licensed according to law, the CPA or audit service team member, has not represented the Company in a third party's legal case or defense of items in other disputes.	✓			
08	The CPA or audit service team member is not related to the Company's directors, managers or personnel holding positions with significant influence to the audit case as a spouse, direct blood relative, or within second-degree relative of consanguinity to each other.	✓			
09	No joint CPA having left the position within one year has acted as the Company's director, manager, or in a position with significant influence toward the audit case.	✓			
10	The CPA or audit service team member has not accepted gift, gratuity or special favors with significant value from the company or its directors, managers or major shareholders.	✓			
11	The CPA has not accepted the authorizer or the reviewer's appointment in regular work, received payment of fixed salary or been appointed as a director or supervisor.	✓			
12	Public-listed, OTC-traded companies: The CPA has not provided audit service to the Company for seven consecutive years. Non-OTC traded companies: The CPA has not provided audit service to the Company for ten consecutive years.	✓			

2. Review of operational independence review (Those ticking 'Yes' in any of the items below, should further understand specific facts)					
Item number	Content of review	Please tick			Remarks
		Yes	No	N/A	
01	CPA has recused and foregone accepting an undertaking when the appointed undertaking bears a significant indirect conflict of interest to the CPA to hinder their fairness and independence.			✓	No incidence of content listed on the left, therefore not applicable.
02	The CPA, in providing financial statement audit, review, rechecking or project review and when producing an opinion letter, has maintained independence in effect, and also maintained independence in formality.	✓			
03	The audit service team member, other joint CPA or shareholders of the incorporated CPA firm, CPA firm, CPA firm affiliates and alliance firms have all maintained independence from the Company.	✓			
04	The CPA executes professional services with upright and rigorous attitude.	✓			
05	When executing professional services, the CPA maintains a just and objective viewpoint, avoiding bias views, disputes of interest or the influence of professional decision making due to relationships of interest.	✓			
06	The correct, just and objective viewpoint of the CPA has not been influenced by a lack or loss of independence.	✓			
3. Suitability Review (Those ticking 'Yes' in any of the items below, should further understand specific facts)					
Item number	Content of review	Please tick			Remarks
		Yes	No	N/A	
01	In the two most recent years the CPA has no disciplinary committee disciplinary record. In the two most recent years this accountancy has no litigation lawsuit case.	✓			
02	In carrying out the accounting service of the Company the accountancy firm has adequate scale, resources and regional coverage.	✓			
03	The accountancy has clear quality control procedure, covering structure and key points, methods in handling audit problems and decision making, independent quality control inspection and risk management.	✓			
04	The accountancy has already timely notified the audit committee of the development of any significant problem in its risk management, corporate governance, financial accounting and related risk control.	✓			

Note 4: 2019 Corporate Governance Director Business Execution and Training Situation

This head of corporate governance was adopted by the board resolution of June 25, 2019, by the head of accounting, Jian Lin Chih, who has more than three years of experience in the position of head of accounting for the public offering company, responsible for supervising the accounting unit personnel and responsible for corporate governance related matters, the main responsibility of the head of corporate governance for the conduct of the board of directors and shareholders' meeting son- and related matters, the production of board and shareholder stakes, the appointment Directors, assisting for the training of Supervisors and Directors. To assist Directors and Supervisors to comply with laws and regulations to safeguard shareholders' rights and interests, it shall strengthen the functions of the board of directors. See P.77-78 for their training.

The 2019 Business execution is as follows:

1. Assist Independent Directors and Directors to execute their tasks, provide the information they need, and arrange them to join the training:
 - 1.1 Inspect their related confidential information and provide the information which Directors need, and keep the communication between Directors and sales managers.
 - 1.2 Based on the Company's industry attributes, assist the plan the learning programs for Independent Directors and Directors.
2. Assist the related matters of the Board and Shareholders' Meeting:
 - 2.1 Assist the Directors to follow the regulations to execute business, and provide suggestions while the Board against the regulations.
 - 2.2 Review the resolutions and crucial announcement to make sure the correction and accordance with the content, and the security of investors' trading information.
3. Intend to propose the notice of the Board's agenda before seven days earlier to the Board, convene a meeting and provide information on the meeting, and remind the topic if interests are avoided, and complete the proceedings of the board within 20 days after the meeting.
4. It shall be registered of the date of the Meeting according to regulations, the production of the meeting notice, the proceedings manual, the proceedings and the amendment of the articles of association or the re-election of directors for the registration of changes.

3.4.4 Remunerations Committee

3.4.4.1 Information on Remunerations Committee members

Identity (Note 1)	Requirement Name	Has over five years work experience and the following professional qualifications			Status on Compliance of Independence (Note 2)										Number of other Public companies in which concurrently act as Remuneration Committee member	Remarks
		Commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification and technicians relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10		
Independent Director	Huang Wen Cheng			V	V	V	V	V	V	V	V	V	V	V	3	V
Independent Director	Hsu Kuei Ying			V	V	V	V	V	V	V	V	V	V	V	None	V
Independent Director	Tsao An Pang			V	V	V	V	V	V	V	V	V	V	V	None	V

Note 1: In identity list as Director, Independent Director or Other.

Note 2: If each member is conforming to the following conditions two years before appointment and during the term of fice, please tick “✓” in the blank below the code of each condition.

- (1) Not the employee of the company or its affiliated enterprise.
- (2) Not the director or supervisor of the company or its affiliated enterprise. Except for the independent director set by the company or its parent company or subsidiary pursuant to this Act or local laws and decrees.
- (3) Natural person shareholder holding over one percent of the total issued shares of the company or being the top ten shareholders not in the name of himself/herself and his/her spouse, minor children or other persons.
- (4) Not the spouse, relatives within second degree or direct lineal relatives within third degree of the persone listed in preceding three paragraphs.
- (5) Not the director, supervisor or employee of the juridical person shareholder directly holding over five percent of total issued shares of the company; nor the director, supervisor or employee of the top five shareholding juridical person shareholder.
- (6) Not the director, supervisor, manager or shareholder holding over five percent of shares of the specific company or institution having financial or business transactions with the company.
- (7) Not the professional providing commercial, legal, financial or accounting etc. service or consultancy to the company or its affiliated enterprise; nor the entrepreneur, partner, director, supervisor, manager and its spouse of the sole proprietorship, partnership, company or institution.
- (8) Directors, Supervisors, managers, or shareholders holding more than 5% of the shares, except for the Independent Directors holding particular company or institution more than 20% of the total number of shares outstanding and less than 50%, and for the company and its parent company, subsidiary belongin to the same parent company, complying to this act or the demostic act as mutual Director .
- (9) Professionals, sole proprietorships, partnerships, owners of companies or institutions, Directors, Supervisors, managers or their spouses who do not provide audits to companies or related enterprises or who have not received a cumulative amount of compensation in non-excess of NT\$500,000 in the last two years. Except the Remuneration and Compensation Commission, the Public Acquisition Review Committee, or members of the Special Committee on Mergers and Acquisitions perform their functions under the Securities Exchange Act or the relevant laws of the Mergers and Acquisitions Act.
- (10) Not one of the circumstances as prescribed in Article 30 of Company Act.

3.4.4.2 Responsibilities of the Remuneration Committee

The purpose of the Remuneration Committee is to implement and assess the overall remuneration and benefit policy and remuneration of Directors and Managers. Up until May 31, 2019, the Remuneration Committee was comprised of 3 Independent Directors.

3.4.4.3. Information on Remuneration Committee operation status

3.4.4.4.1 In total 3 committee members in the Company's Remuneration Committee.

3.4.4.3.2 Date of current tenure of committee members: June 20, 2017, to June 19, 2020, up until the printing date the Remuneration Committee has convened 10 times (A), attendance status of committee members is as follows:

Title	Name	Number attended in person (B)	Number attended by proxy	Attendance rate in person (%) (B/A) (Note)	Remarks
Convener	Hsu Kuei Ying	10	0	100%	N/A
Committee member	Huang Wei Cheng	10	0	100%	N/A
Committee member	Tsao An Pang	8	2	80%	N/A
Other items for record: 1. If Board of Directors refuses to adopt or revises the suggestion of Remuneration Committee, the date of board meeting, stage, proposal contents, result of board resolution and handling of Remuneration Committee's opinion (if the remuneration passed by Board of Directors is superior to the suggestion of Remuneration Committee, the difference therebetween and reason therefor shall be specified) shall be specified: N/A. 2. For the resolution of Remuneration Committee, if a member opposes or has a qualified opinion and with record or written statement, the date of Remuneration Committee meeting, stage, proposal contents, and opinions of all members and handling of members' opinion shall be specified: NA., please refer to P.56~57					

Note:

* Directors and Supervisors resigning before the end of the year, should note the date of resignation, actual attendance rate in the remarks column, using the number of Board of Directors' meetings they attended during the term of employment to calculate the actual attendance rate.

* If Directors and Supervisors are appointed in elections before the end of the year, the new and old Directors and Supervisors should be entered into the remark's column noting the old term, new term or re-elected term and the date of election changes, using the number of Board of Directors' meetings they attended during the term of employment to calculate the actual attendance rate.

Remuneration committee members' opinions on significant motions or resolution results

Meeting of the Board of Directors	Content of proposal and following measures	Disapproval or Reserved opinion of Independent Directors
5th meeting on the 3rd term, January 25, 2019	Proposal related to the Company's issuance of Managers' salary and annual bonus.	N/A
	Opinions of Independent Directors:	N/A
	The Company's response to opinions of Independent Directors:	N/A
	Resolution result: Unanimously passed by all Directors in attendance	
6th meeting on the 3rd term, March 19, 2019	Proposal on the Company's issuance of 2018 Directors', Supervisors' and employees' remuneration, and Managers' remuneration.	N/A
	Opinions of Independent Directors:	N/A
	The Company's response to opinions of Independent Directors:	N/A
	Resolution result: Unanimously passed by all Directors in attendance	
7th meeting on the 3rd term, June 25, 2019	Proposal on the Company's issuance of 2018 Directors', Supervisors' and managers' remuneration, and Managers' remuneration.	N/A
	Opinions of Independent Directors:	N/A
	The Company's response to opinions of Independent Directors:	N/A
	Resolution result: Unanimously passed by all Directors in attendance	
8th meeting on the 3rd term, January 10, 2020	Proposal related to the Company's issuance of Managers' salary and annual bonus.	N/A
	Opinions of Independent Directors:	N/A
	The Company's response to opinions of Independent Directors:	N/A
	Resolution result: Unanimously passed by all Directors in attendance	

Meeting of the Board of Directors	Content of proposal and following measures	Disapproval or Reserved opinion of Independent Directors
9th meeting on the 3rd term, March 17, 2020	1. Proposal on the Company's issuance of 2019 Directors', Supervisors' and employees' remuneration, and Managers' remuneration.	N/A
	2. Proposal on the Company's The Board Performance Assessment Measures.	
	3. Proposal on the Company's intending to set up the annual performance project withdrawal stake for holding trusts.	
	4. Proposal on the Company's RSUs.	
	Opinions of Independent Directors:	N/A
	The Company's response to opinions of Independent Directors:	N/A
	Resolution result: Unanimously passed by all Directors in attendance	
10th meeting on the 3rd term, May 12, 2020	Proposal on the Company's issuance of 2019 Directors', Supervisors' and managers' remuneration, and Managers' remuneration.	N/A
	Opinions of Independent Directors:	N/A
	The Company's response to opinions of Independent Directors:	N/A
	Resolution result: Unanimously passed by all Directors in attendance	

3.4.5 Performance of Social Responsibilities & the Difference and Reason of CSR Code of Practice for TWSE/GTSM-Listed Companies

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
1. Whether the Company is conducting an environment, society and corporate governance risk assessments related to the Company's operations in accordance with the essential principal, and sets up the risk management policy or strategy?	V		1.On April 29, 2015, the Company set its 'Corporate Social Responsibility Code of Practice', the content including implement corporate governance, develop sustainable environment, protect social welfare, strengthen corporate social responsibility information disclosure etc., and follow human rights conventions, provide employees with a safe and healthy working environment, eliminate environmental waste from the manufacturing process, be dedicated to social welfare activities, benefit society through dedication to social responsibility.	No difference
2.Does the Company set up exclusively (or concurrently) dedicated units to promote corporate social responsibility, and authorize high level managers to handle and report to the Board of Directors?	V		2.'Corporate social responsibility' is the leading principle in the sustainable development of the Company, the Company has set out its 'Code of Corporate Social Responsibility', 'Moral Behavior Guidelines', and 'Code of Integrity', and regularly holds training and guidance for new employees. Currently the Chairman's Office acts concurrently in the organizing and holding of social responsibility related activities and items.	
3.Environment Issues				
3.1 Does the Company establish the appropriate environment management system depending on its industrial attribute?	V		3.1 The Company already has set up ISO 14001 environment management system to identify the Company's operation activities, products or service, the possible factors impacting on the environment, and set up the measureable targets by evaluating the items of probable critical influencers. It shall review the targets and management complied to the environment policies.	
3.2 Does the Company endeavor to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?	V		3.2 The Company carries out control of all raw materials suppliers and meets international regulations including EU RoHS 2.0 、REACH 、Prop65 、Responsible Mineral Sourcing, international governmental regulations and customer demands. The Company's green product (GP) management system process, begins with control at the manufacturing end (R&D, purchasing, contracting, manufacturing, inspection and testing etc.) building a control system for harmful substances, to achieve the goal of 'products with no harmful substances'. To be a global	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
3.3 Whether the Company evaluate its future potential risk and opportunities impacted by the climate change, and adopt the solutions of relative climate issues?	V		<p>corporate citizen, the Company applies itself fully to social responsibility, focuses on international regulations. In completely meeting regulation demands, the Company has no record of violating environmental regulations up until today, furthermore, keeping the environmental impact of products within their lifetime to the lowest. The Company holds annual supplier conferences to give instructional training on GP, explain the Company's current control items and standards, in order to ensure that all suppliers are in line with international regulations.</p> <p>3.3 The Company has practiced 'Environmentally protection, energy -saving, love the earth' in the long-term, and pays attention to the influence of climate change on operational activities, which is listed as one of the important items of risk with regard to sustainable operation, implementation of Company's energy saving, carbon reduction and greenhouse gases reduction is as follows:</p> <p>3.3.1 Energy-saving and carbon reduction:</p> <p>3.3.1.1 Electricity saving:</p> <p>3.3.1.1.1 Set up and executive strictly the standard of switch on/off electrical equipments including switch off the production facilities.</p> <p>3.3.1.1.2 Replace the energy-consuming equipment by energy -saving ones including use LED instead of fluorescent lights.</p> <p>3.3.1.1.3 Upgrade the energy-saving control for electric equipment including equipping the common areas lighting/street lights with time-controlled switches on the lights.</p> <p>3.3.1.2 Fuel saving:</p> <p>3.3.1.2.1 Set and strictly implement the hot water supply period and temperature range to reduce the boiler's fuel consumption.</p> <p>3.3.1.2.2 Develop and strictly implement the batch of public vehicles, control the reequency of public vehicles, and promote to take public transporation to reduce the fuel consumption.</p> <p>3.3.2 Greenhouse gas emission reduction:</p> <p>3.3.2.1 Direct greenhouse gas emission reduction targets are achieved by controlling the reduction in per capita fuel consumption.</p> <p>3.3.2.2 Reduce greenhouse gas emissions and achieve indirect greenhouse gas emission reduction targets through energy saving and the use of solar power plants to produce clean electricity.</p>	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
3.4 Does the company count greenhouse gas emissions, water consumption and total waste weight in the past two years and set up the management policies for energy-saving and carbon reduction, greenhouse gas reduction, and other waste management?	V		<p>3.4 The Company has practiced 'Environmentally protection, energy -saving, love the earth' in the long-term, and pays attention to the influence of climate change on operational activities, which is listed as one of the important items of risk with regard to sustainable operation, implementation of Company's energy saving, carbon reduction and greenhouse gases reduction is as follows:</p> <p>3.4.1 Headquarters is united in promoting energy-saving and carbon reduction activities</p> <p>3.4.1.1 Under the principle of Implement maintaining adequate lighting in office areas during daytime reduce office lighting use and change all lights to LED.</p> <p>3.4.1.2 Promote environmental protection, turning off of lights, unplugging of appliances, air conditioning temperature not low, not necessary to use lights during lunchtime.</p> <p>3.4.1.3 Use electronic application forms to reduce the amount of paper usages.</p> <p>3.4.2 The plant prioritizes the procurement of clean energy from the production process that is free of greenhouse gas emissions:</p> <p>3.4.2.1 The Company purchases 919,000 degrees of solar power in 2019 with the following results:</p> <p>3.4.2.1.1 Carbon savings: 367.6 tons/year</p> <p>3.4.2.1.2 Reduction in carbon dioxide emissions: 916.2 tons/year</p> <p>3.4.2.1.3 Reduction in sulfur dioxide emissions: 27.6 tons/year</p> <p>3.4.2.1.4 Reduction in NOX emissions: 13.8 tons/year</p> <p>3.4.2.2 Reduce power and fuel consumption and reduce fuel consumption by formulating and implementing energy-saving control policies and implementing energy-saving technology Greenhouse gas emissions, with the following results:</p> <p>3.4.2.2.1 The electricity per unit of revenue in 2019 is reduced 13.65%, compared to 2018.</p> <p>3.4.2.2.2 The per capita diesel fuel consumption of domestic residents in 2019 was 20.1% lower than in 2018.</p> <p>3.4.2.2.3 Converted 2019 revenue emissions decreased by 17.25% from 2018.</p> <p>Eastern Region factory places importance on the influence of climate change on operating activities, continuing to implement reduction, recycling and following policy in production and living, also paying attention to environmental protection and energy</p>	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
			<p>reduction in the research and development of products.</p> <p>3.4.3 Southern Region Manufacturing Center Carbon Reduction goals:</p> <p>According to ISO14064 system specifications, specifies a greenhouse gas emissions management method, continuing to implement improvements, completely promoting the work of emission reductions, estimated to reduce carbon reduction as a total of factory revenue by 1% more in 2020 than the goal set as a basis in 2019. Electricity saving goal: estimated to reduce electricity use as part of the total factory revenue by 0.5% on the basis set in 2019 (in 2020 electricity use as a proportion of factory total revenue income was 11.5%).</p>	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
4. Social Issues				No difference
4.1. Does the Company establish proper management methods and procedures in accordance with the relevant regulations and the international conventions on human rights?	V		<p>4.1.The Company conforms with relevant labor regulations and respects internationally recognized principles of basic labor rights; implementation is as below:</p> <p>4.1.1 Set out 'Personnel Management Method', 'Employee Work Code'.</p> <p>4.1.2 Provide employees with complete educational training planning, optimal bonus system, e.g. hold annual health checks, marriage subsidy, child subsidy etc.</p> <p>4.1.3 The Company is a member of AAEON Foundation, and arranges a cultural & artistic corridor for employees with a comfortable working environment.</p>	
4.2 Does the Company establish and implement reasonable employee benefits (including compensation, leave and other benefits) and reflect operating performance or results appropriately in employee compensation?	V		<p>4.2</p> <p>4.2.1 The Company aims for sustainable operation, and employees' salary and reward are related to the Company's business performance, the salary adjustment depending on market level and Company performance to make an overall assessment of the adjustment range. It shall join the salary investageion in the market from time to time, and set better salary than the market. In addition to, reward according to the company's profit status and individual performance, bonuses, and research on other A reward program. Rewards are based on the Company's profits status and individual performance, bonuses, and on other reward research.</p> <p>4.2.2 The Company offers a diverse benefit package that takes care of employees and includes: three Chinese traditional festival bonuses, birthdays/weddings/baby birth, etc., employee shareholding trust, annual party, activities held by Welfare Committee, the subsidy for community activities, group insurance, health check, car parking allowance, meal allowance and many other employee benefits.</p>	
4.3 Does the Company provide a safe and healthy working environment for its employees and organize training on safety and health on a regular basis?	V		<p>4.3 Meet safety inspections of each government unit, regularly hold related educational training</p> <p>4..3.1 Regularly send general staff to attend health and safety training programs</p> <p>4.3.2 Hold annual fire safety inspections.</p>	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
<p>4.4 Has the Company established an effective competency development career training program for employees?</p>	Y		<p>4.3.3 Hold biennial building public safety inspections.</p> <p>4.3.4 Post professional cleaning staff in stations for work environment services.</p> <p>4.3.5 Regularly hold employee health checks and advanced health checks for upper-level management.</p> <p>4.3.6 Occupational health and safety policy: Committed the establishment of an occupational health and safety (ISO45001) management system, ensure the health of employees to work in a unharmed environment.</p> <p>4.4 Based on the business strategy developing targets, it shall cultivate and manage the competency of every position in the Company, including Core functions, professional functions, management functions, language skills, experience conditions, and detailed definition of the requirements of the performance level, to create the company and talent training consistent development goals, and establish an employee training system and learning blueprint, through internal and external training courses and expected to import the digital learning system, the implementation of effective talent training programs, and in cooperation with well-known domestic institutions to develop high-level business strategy, the relevant training department plan.</p>	No difference
<p>4.5 Customer health and safety, customer privacy, marketing and indicate whether the company complies with relevant regulations and international guidelines, and protection of consumer rights policy and complaints procedures?</p>	Y		<p>4.5 While the Company does not often directly meet end-user consumers, it still places on important of customers' responses and rights, toward products and service of the Company providing transparent and effective appeals procedure and channel, the Company has set up a dedicated customer services unit responsible for product service, to resolve customer problems, related product warranty and repair policy is based on public announcements of the official website of the Company. The Company follows international regulations and policy, announcing carrying out of related policy on the Company's official website, including quality, green issues, corporate social responsibility, occupational health and safety, environmental issues, conflict minerals policy, and has received professional certifications including: ISO 9001, ISO 14001, OHSAS 18001, with the transfer of OHSAS 18001 to ISO45001 estimated for completion in 2019. Products follow international environmental regulations of ROHS, REACH etc., and in relation to ISO11469 implement plastic product classification and labeling, to protect consumers in</p>	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
<p>4.6 Does the company have a supplier management policy that requires suppliers to Issues such as occupational safety, health or labour rights follow relevant norms and Implementation?</p>	v		<p>prevention from the risk of unsafe products, the Company also carries out UL testing of products, to meet customer demands and international safety standards, carrying out the obligations and services of green environmental policy.</p> <p>4.6 Through new supplier evaluation, regular audits of existing suppliers, Annual supplier QBR meeting, the Company shall implement the company's set supply business management policy.</p> <p>4.6.1 New Supplier Review, a review panel set up by the company's headquarters, Its team spans all relevant departments (procurement, quality, RD, manufacturing...) Supplier evaluation from different angles, and suppliers must comply with basic international quality certification (ISO9001, ISO14001, OHSAS18001)</p> <p>4.6.2 The original supplier regular audit, divided into self-assessment and to the factory audit, quarterly self-assessment assessment, once a year on-site audit, to ensure that the relevant operating suppliers in the ordinary days.</p>	No difference
<p>5. Does the company refer to the international lying guidelines or guidelines for the preparation of the report Report on corporate social responsibility, etc., that exposes the company's non-financial information? Ago Does the report obtain the conviction or warranty of a third-party verification unit?</p>		v	<p>5.The Company has set out on April 29, 2015, "Corporate Social Practice", and it covers the implementation of corporate governance, the development of a sustainable environment, the maintenance of public welfare, the strengthening of corporate social responsibility information disclosure, and the relevant information is described in the Company's official website http://www.chenbro.com.tw/. Although not issued by the enterprise Industry social responsibility report, the Company implements the company's social enterprise responsibility specific results, which have been recognized as the "World CSR benchmark enterprise 2018 China excellent Enterprise Award."</p>	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
6 If the Company has established its own corporate social responsibility guidelines according to the ‘Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies’, please explain any variations in operational differences and the codes sets out.				
On March 24, 2014, the Company set out its ‘Moral Behavior Guidelines’ and ‘Code of Integrity’, on April 29, 2015, the Company set out its ‘Code of Corporate Social Responsibility’; and implements them in the spirit of fulfilling corporate social responsibility, there are no variations in operational differences and the codes sets out.				
7.Other important information helpful in understanding the operating status of corporate social responsibility:				
Please refer to p.83-87 of Annual Report.				

3.4.6 Operational integrity status and measures adopted Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons

Item	Operational status			Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
1.Adopt integrity operation policy and scheme 1.1 Whether the Company sets up the integrity operation policy approved by the Board, clarifies on the regulations and public documents, and the Board and managers actively implement the commitment of management policy?	√		<p>1.1.1 For sound development of the Company with integrity as its basis, merging an honest, transparent and responsible operating principle, on March 24, 2014, the Company set out the 'Moral Behavior Guidelines' and 'Code of Integrity', and established optimal corporate governance, risk control system and completed internal control in the prevention of untrustworthy behavior happening, in order to create an environment of sustainable operation for the company, fully implement the Company's rules, code of practice on moral behavior, these codes can be found in the corporate governance area of the Company website.</p> <p>1.1.2 Announce related regulations systems that should be followed, behavioral standards for compatriots to be aware of, regularly hold educational training and release of educational guidance materials, in 2019 a total of almost 289 hours of educational training courses were held, with 89 persons sum-up. Sincere behavior was also listed as part of the performance review evaluation.</p> <p>1.1.3 In the employee's work rules and moral behavior code the Company clearly states that employees mustn't obtain illegal benefits or accept invitations, gifts, receive rebates, violate public funds, mustn't take</p>	No difference.

Item	Operational status			Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
<p>part in business speculation, conceal or obtain or ? take advantage of their position for their own convenience, accept receive outside gifts or refunds, or other illegal benefits etc. acts of behavior, in order to put an end to insincere behavior.</p> <p>1.1.4 The Company has clearly stated that employees must not use their own name or the name of others to take part in any loans, significant asset trades, provision of guarantees or other trading relationship behavior etc., in the implementation of duties, must not for personal, for the Company or a third-party, demand contracts, payments or receive any formal gifts, invitations, rebates, bribes, or other inappropriate behavior for benefit.</p> <p>1.2 The Company has set out Moral Behavior Guidelines and Code of Integrity, in the operation of their regulation procedure, behavior guide, violation of discipline and appeals system. Announces related regulations systems that should be followed, behavioral standards for compatriots to be aware of regularly hold educational training and release of educational guidance materials and listed sincere behavior as part of the performance review evaluation.</p> <p>1.3Does the Company clarify the integrity operation policy in its regulations and external documents and the commitment of board of directors and managers to active implementation?</p>	<p>V</p> <p>V</p>		<p>1.3.1.Each donation or subsidy item is required to be approved by the authorized rank, in order to comply with internal procedures</p> <p>1.3.2 Irregularly release internal employee educational materials and education on relevant standards of regulations.</p>	No difference

Item	Operational status			Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
2. Implementing integrity management				
2.1 Does the Company assess the integrity record of its business partners and set faithful conduct policies in the terms and conditions of its contracts?	V		2.1 The Company's procurement contract clearly sets the relevant process integrity provisions, suppliers' import needs to be signed by both parties for the procurement contract, and ensures the annual audit that the suppliers do comply with the relevant specifications.	No difference
2.2 Does the Company set up the unit (concurrent) for promote the business integrity management reporting to the Board, and report to the Board about the related the management and monitoring status for the policy and prevention indecent behaviors scheme regularly, at least once a year?	V		2.2 The audit department, legal affairs department, human resource department, accounting department, and Chairman's Office of the Company are responsible for promotion, and operation of the Company's operating integrity and all related operations, the Chairman's Office is responsible for consolidation of implementation.	
2.3 Does the Company work out policies to prevent conflicts of interest and provide proper statement channels?	V		2.3.1 The Company has set out the 'Employees Behavior Guidelines', 'Board of Directors Rules of Procedure', and 'Corporate Governance Code of Practice', and the rules established within them are to stop disputes over benefit. 2.3.2. When hiring new employees, the Company requests the employee to sign a 'New employee service commitment statement'. Including following work moral norms, integrity clauses, prevention of conflict of interest's clauses, all compatriots must actively report incidents of conflict of interests. 2.3.3 Employees of the Company can follow supervisors of their own unit, audit supervisor, human resources	

Item	Operational status			Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
2.4 Has the Company established an effective accounting system, internal control system and audit by internal auditors or CPAs to evaluate the results complying to indecent behaviors risk assessment as well as planning the relative audit scheme, and review the implementation, also done by accountants?	√		supervisor, legal affairs supervisor 2.4 The Company ensures the accuracy and integrity of financial reports processing and related control, authorizing accountants to carry out review. Regarding the design of internal control system for the operating goals and risk management procedure of the Company, internal audit, every item of audit is carried out according to the annual audit plan, and report the Board of Directors' meeting and management level audit results and follow-up of improvement results, in order to implement operational integrity and follow regulations.	
2.5 Does the Company organize internal or external trainings in the integrity of business management regularly?	√		2.5 Training for new employees of the Company includes educational training on employee behavior guidelines, cultivating the concept and spirit of operating integrity; the half-yearly performance assessment, also includes integrity of employees as one of its test items, before the performance assessment a seminar is held, to strengthen the concept of operating integrity among employees. The Company's employee behavior guidelines include the spirit of the code operating integrity, and these guidelines are placed in the Company's internal website for employees to read at any time.	
3. Report System operating status				
3.1 Has the company set specific report and reward system to facilitate the report channel and assign appropriate specialist accepting to spot the reported object?	√		3.1 The employee work guidelines of the Company clarify that any item of violation should be viewed through its seriousness in the carrying out of punishment or dismissal, also setting out a 'whistleblowers channel	No difference

Item	Operational status			Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
3.2 Has the company set the standard operating procedures and related nondisclosure mechanisms to investigate reported matters?	√		<p>and protection system procedure'. The supervisors of the Company's departments, human resources division and audit unit can all act as appeals units, the human resources division acts as the implementation unit. Human resources division set up a channel to report complaints, for employees to report all incidences of violation of behavior. After investigation of the reporter and the incidents, if it meets the criteria for an employee work guidelines award, it will be put forward for award.</p> <p>3.2.1 If the Company's internal department supervisors, human resources division and audit unit receive an item of report from employees, the human resources division will carry out investigation on the item.</p> <p>3.2.2 The Company set out the 'whistleblowers channel and protection system procedure', when the human resources division carries out an investigation, it will comply with the confidentiality principles of the investigation, interview all relevant personnel, strive to collect all factual evidence, in ensuring the principles of fairness, impartiality and confidentiality.</p>	
3.3 Has the Company set measures to protect whistleblowers do not suffer for which he or she reported?	√		<p>3.3 The Company maintains secrecy of the reporter and the reported item, and during the investigation does make it public. When the item is investigated, the reporter will be protected, and no unfavorable measure will be put place as a result of item reported by the reporter, the Company sets out the 'whistleblowers channel and protection system procedure' to protect the reporter in not receiving unfavorable treatment, to ensure the safety of life and property, work rights and economic rights.</p>	

Item	Operational status			Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
4.Strengthen information disclosure 4.1 Does the Company on its website and on the market observation post system disclose all of the content set out in its code of operational integrity and effectiveness of promotion?	√		Already on the market observation post system and Company website discloses all of the content set out in the code of operational integrity, and can also search for information related to the annual report.	No difference
5.If the company develops its own integrity operation rules according to the Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: On March 24, 2014, the Company set out Moral Behavior Guidelines and Code of Integrity, there are no variations in operational differences and the codes sets out.				
6.Other important information for better understanding of the integrity operation (such as review and revision of the regulations on integrity operation) On March 24, 2014, the Company set out Moral Behavior Guidelines and Code of Integrity, and amended the 'Code of Integrity' on May 12, 2020.				

3.4.7 Other Company-established corporate governance rules and regulations

Important regulation	Method of disclosure for inquiries
Code of Corporate Social Responsibility Shareholder Meeting Rules Board of Directors Rules of Procedure Company Directors and Supervisors Election Procedure Independent Directors Independent Directors Rules of Responsibility Moral Behavior Guidelines Code of Integrity' Remuneration Committee Organizational Procedure The Corporate Governance Best-Practice Principles Company Regulations Significant Internal Information Handling Procedure Whistleblower Pipeline and Protection System Operating Procedures	Market observation post system : http://mops.twse.com.tw 'Corporate Governance' area for inquiries The Company's website: http://www.chenbro.com

3.4.8 Important information on other promotion of corporate governance by the Company and understanding

3.4.8.1. Employee welfare and employment concern

The company sees its employees as its most important resource, with challenging and developmental work content, a safe working environment and quality salary and benefits. The Company encourages its employees to exercise outside of work and develop varied interests to maintain a healthy spirit and mind with regard to family life, attending public welfare activities, and giving back to the community. The Company upholds the concept of humanized management and the sharing of capital with the labor force. It implements incentives in its human resource management system with awards to honor distinguished employees for growth through training with resources and opportunities, and achievement through providing room for the development of professional occupational skills development and proper career planning.

■ Free from discrimination

- Employ disabled staff: Provide work opportunities free from any restrictions or obstacles for those with disabilities, giving professional responsibilities in areas most suited to their talents. Employ 2 new disabled members of staff each month.
- Equality Management System: Use the same management system for all employees, regardless of gender, race, age, nationality or religion. For example: equal salary standard for men and women. Encourage varied learning growth in employees, provide equality in opportunities for development, with proper planning of occupational skills continue the training and promotion system, also cultivate management and occupational skills, and provide the next step in challenging work responsibilities.
- Employment of graduates: The Company provides new graduates with employment opportunities, and has set up a complete training plan, including professional training, factory placements training, and soft power training.

■ Human resource development

- Talent recruitment: An important key to corporate success and growth comes from the same group DNA among colleagues and compatriots and mutual effort in moving forwards. In order to strengthen operational sustainability, the Company proactively employs all levels of outstanding talent, with the right placement according to the right talent, and uses a fair and open process in carrying out recruitment. Internally the Company set up the NCG Program to allow new employees have a platform for diverse learning opportunities. The program especially allocates internal counsellors to provide support, professional discussion, cultivation of professional skills, learning through factory placements and other

planning, to enable new employees to quickly align with the work environment and rapidly lead their peers.

- Chenbro academy: Employee development and company growth are closely linked. In order to proactively cultivate outstanding talent, the Company provides diverse internal learning programs, including preplacement training, professional abilities, core working abilities, management ability, producing a responsible education and training unit. It employs professional human resource consultants to create diverse programs for the Company, continues to raise investment in employees learning development, cultivating internal speakers, to pass on the Company's important knowledge and skills and shaping the development of a learning environment. In 2019, the amount of educational training programs reached near 28,148 hours, on average the training per member of staff was equal to around 143 hours with a total cost of NT\$18,940,000.
- Strengthen diverse talent: To strengthen diverse talent and encourage employee development through transfer and assignment, and accumulate professional experience, the Company will provide staff accommodation for employees on assignment in all territories and encourage families to travel together. The Company has set up various clubs with the support of an annual budget of NT\$1,000,000 so employees and their families can cultivate diverse skills and raise health, which has led to recognition through the award of Sports Corporation from the government's Sports Administration in 2018, as well as CHR Corporate Health Responsibility Award in 2019.
- Remuneration: The Company is determined to recruit outstanding talent and remuneration policy will be highly competitive with every kind of bonus, including project bonuses, performance bonuses, competition bonuses, annual bonuses, employees' rewards (dividends), to enable employees to positively and actively develop their potential.
- Employee communication: Emphasizing education of talent and keeping talent. Through diverse communication channels with employees, including monthly mobilization meeting, lunches, salary meetings, and other regular meetings and satisfaction surveys, keep clear channels of communication with employees. If employees put forward application for resignation, the human resources division will hold a resignation interview with the employee, to fully understand the reasons and motivation for resignation, and resolve difficulty while showing concern.
- Corporate culture: To strengthen core value, set out clear core occupational skills, define and give guidelines on behavior, in order to ensure employees' work attitude and behavior can support long-term fulfillment of goals. The Company regular carries out cultural-shaping activities, through book clubs and holding consensus camps and the method of sharing, pass on corporate culture.

➤Succession plan: The training of senior management successors within Chenbro includes four modules, management ability, professional competence, Personal Development Plan (IDP), and work rotation. For example, three modules courses of eMBA with NTU for our senior managers, these courses allow they study leadership/strategic planning/new career development skills. They go the NTU to join “Global Entrepreneur Class” and learn the internal industry trends in real-time, broader vision and time economy. In this plan, it shall train senior manages and executives about personal core competence, vision and strateby, planning and organization, coaching and cousulting. The Company recruits external professional HR consult to enhance Succession Plan and cultivation courses.

3.4.8.2. Investor Relations

The Company appoints a spokesperson and an acting spokesperson, to act as the Company to release opinions externally or reply to investors’ questions, if necessary, contact can be made via phone or email at any time. (phone: 02-82265500 ; Email : ir@chenbro.com)

The Company regularly discloses its important financial and operating information, every year holding quarterly investor conferences, simultaneously releasing significant Chinese-English information and setting up a Chinese-English official website etc., to continue to enhance the Company’s information transparency and in order to benefit investors in grasping the Company’s operating status and development plans.

3.4.8.3. Supplier Relations

To establish an optimal communication channel and extend responsibility both upwards and downwards, the Company demands that the quality of goods supplied by suppliers meets green environmental regulations and internationally related rules. To establish a material tracking system, investigate whether suppliers can ensure the quality of products that should be in the tracking system, ensures warranty requirements in order to provide customers with a higher level of guarantee.

3.4.8.4. Rights of interest parties

Interested party	Important issues	Communication channel and method of response
Shareholder	<ul style="list-style-type: none"> ●Corporate governance ●Corporate image ●Operating sustainability ●Shareholder policy ●Environmental compliance ●Social compliance ●Product liability compliance ●Customer health and safety 	<ul style="list-style-type: none"> ●Setting up full-time staff for investor relations ●Contact : Presidents Office Mrs. Ho ir@chenbro.com ●Annual shareholders meeting ●Regularly hold at quarterly investor conferences a year, publish quarterly financial reports ●Notices and Operation News ●Immediately report important information, simultaneously make public all market observation of stock exchange ●Post System and Company website ●Set up email and telephone contacts on the Company's website, set up an efficient communication channel between investors and the Company ●Hold irregular face-to-face and telephone meetings with domestic and foreign investment institutions
Employee	<ul style="list-style-type: none"> ●Corporate governance ●Operating sustainability ●Labor relations ●Work environment ●No forced labor ●Personal safety protection measures ●Diversity and equality opportunities 	<ul style="list-style-type: none"> ●Contact : HR dept Mrs. Zhang hrp@chenbro.com ●Define 'working rules', set out occupational disasters compensation and related insurance matters, put on the Company website to provide reference for employees ●Managers and colleagues hold irregular communication meetings ●Internal Enterprise digital reports, to assist with information flow ●Regular internal training and employee incentives to apply for external training, occupational training ●Provide free annual health checks and consultations

Interested party	Important issues	Communication channel and method of response
Customer	<ul style="list-style-type: none"> ●Corporate governance ●Sustainable operation ●Customer privacy ●Corporate image ●Supplier environment assessment ●Product policy and guarantee ●Product Liability Compliance ●Social Compliance 	<ul style="list-style-type: none"> ●Contact : info@chenbro.com ●Company set up a special unit to serve different sales channels and customers in different regions ●Apart from Taipei headquarters, set up subsidiaries to provide local service in places including the USA, Europe, Shanghai and Beijing in China among ●QBR (Quarterly Business Review) ●Irregularly attend technology forums and international exhibitions ●Cooperation and checking of customer's product, environment and responsibility demands, cooperate on prevention and continuous improvement
Supplier	<ul style="list-style-type: none"> ●Corporate image ●Sustainable operation ●Company purchasing policy ●Product compliance ●Supplier labor assessment ●Supplier social impact assessment 	<ul style="list-style-type: none"> ●contact : Global Supply Chain Management Division Mr Chang ●email : scm@chenbro.com ●Supplier and contractor annual audit ●clarify Company policy including 'green policy', 'environmental policy', 'ELCC policy' to ensure raw materials meet international regulations, government directives, and customers'
Community	<ul style="list-style-type: none"> ●Corporate governance ●Corporate image ●Product manufacturing compliance ●Social and environmental compliance ●Personal labor safety and protection 	<ul style="list-style-type: none"> ●Establish corporate social responsibility staff ●Contact : Chairman's office Mr. Lee csr@chenbro.com ●Regarding social matters and participation, please see page 83~87 of the annual report and social responsibility area of the Company's website ●Set up a channel to report behavior breaking professional ethics, and establish whistleblower's protection system; independence of the receiving unit, provide increased case protection for whistleblowers, contact chenbrolegal@chenbro.com

3.4.8.5. Continuing Education of Directors and Supervisors

According to the 'Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies', Directors and Supervisors will continue to take part in continuing education, the situation of continuing education is as follows:

Continuing Education of Directors and Supervisors (2019)

Title	Name	Date of training	Organizer	Name of course	Training hours	Total annual training hours
Independent Director	Tao An Pang	01/10/2020	Taiwan Corporate Governance Association	The Audit Commiment practical operation; Foreign capital flow return Taiwan analysis and practice	3	3
		11/12/2019	Taiwan Corporate Governance Association	Trends and challenges of information security governance	3	6
		01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	
Independent Director	Hsu Kuie Ying	01/10/2020	Taiwan Corporate Governance Association	The Audit Commiment practical operation; Foreign capital flow return Taiwan analysis and practice	3	3
		11/12/2019	Taiwan Corporate Governance Association	Trends and challenges of information security governance	3	6
		01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	
Independent Director	Huang Wen Cheng	01/10/2020	Taiwan Corporate Governance Association	The Audit Commiment practical operation; Foreign capital flow return Taiwan analysis and practice	3	3
		11/12/2019	Taiwan Corporate Governance Association	Trends and challenges of information security governance	3	6
		01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	
Director	Lee Tsun Yen	01/10/2020	Taiwan Corporate Governance Association	The Audit Commiment practical operation; Foreign capital flow return Taiwan analysis and practice	3	3
		11/12/2019	Taiwan Corporate Governance Association	Trends and challenges of information security governance	3	6
		01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	
Chairman	Chen Mei Chi	01/10/2020	Taiwan Corporate Governance Association	The Audit Commiment practical operation; Foreign capital flow return Taiwan analysis and practice	3	3
		12/23/2019	Association of Taiwan GTSM-Listed Companies	2020 Outlook on the Economic Situation at Domestic and Abroad	2	8
		11/12/2019	Taiwan Corporate Governance Association	Trends and challenges of information security governance	3	
		01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	

Title	Name	Date of training	Organizer	Name of course	Training hours	Total annual training hours
Director	Wu Chung Pao	01/10/2020	Taiwan Corporate Governance Association	The Audit Commiment practical operation; Foreign capital flow return Taiwan analysis and practice	3	3
		11/12/2019	Taiwan Corporate Governance Association	Trends and challenges of information security governance	3	14
		10/18/2019	Taiwan Corporate Governance Association	AI in Taiwan: the opportunity and challenge of industry transformation	3	
		08/16/2019	Taiwan Institute for Sustainable Energy	The way to grow in the rapid changes in the recent world	2	
		02/23/2019	Taiwan Corporate Governance Association	Director's Responsibility and Risk Management under the Latest Corporate Governance Blueprint	3	
		01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	
Director	Hsu Shen Kuo	01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	3
Supervisor	Lee Ya Mi	01/10/2020	Taiwan Corporate Governance Association	The Audit Commiment practical operation; Foreign capital flow return Taiwan analysis and practice	3	3
		11/12/2019	Taiwan Corporate Governance Association	Trends and challenges of information security governance	3	6
		01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	
Supervisor	Huang Li Long	01/10/2020	Taiwan Corporate Governance Association	The Audit Commiment practical operation; Foreign capital flow return Taiwan analysis and practice	3	3
		11/12/2019	Taiwan Corporate Governance Association	Trends and challenges of information security governance	3	6
		01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	
Supervisor	Chen Jen Shyang	01/10/2020	Taiwan Corporate Governance Association	The Audit Commiment practical operation; Foreign capital flow return Taiwan analysis and practice	3	3
		11/12/2019	Taiwan Corporate Governance Association	Trends and challenges of information security governance	3	6
		01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	

3.4.8.6. Implementation of Risk management policy and risk measures

3.4.8.6.1 Risk management policy

Through the professional skills and concepts of both domestic and overseas risk evaluation, active implementation of risk prevention and loss control, effective risk management system and attendance of the whole workforce in educational training, to continue improvement to achieve the ultimate goal of zero risk.

3.4.8.6.2 Risk management organization chart



Risk management organization chart

Item of major risk assessment	Direct risk control unit Business organization unit	Risk review and control	Board of directors and audit office
	(1 st mechanism)	(2 nd mechanism)	(3 rd mechanism)
1.Interest rate, exchange rates and financial risk 2.High-risk high leverage investments, derived commodity trading, financial management investment 3.Investment, transfer investment and M&A	Finance Department	Financial Investment Review Unit (members : Global Finance Department, President, Chairman's Office)	Chairman and Supervisors' meeting : Risk assessment control - decision and final control
4.R&D planning	Cooling/Structural R&D Department, Hardware R&D Department, Software R&D Department, Mechanism Design, Mechanism Structure Department	R&D Review Unit (members : Global R&D Division, President, Chairman's Office)	Auditing Office: (Risk checks, assessment, supervision, improvement, tracking, reporting)
5. Policy and law change 6. Litigation and non-litigation matters 7. Contract formulation and review 8. Patents, trademarks, other intellectual property rights review	Intellectual Property Legal Affairs	Legal Affairs Review Unit (members : General Administrative Division, Presidents, Chairman's Office)	
9.Technology and industry change analysis 10. Product ad corporate image change	Product Marketing Department	Marketing Review Unit (members: Global Product Marketing Division: President, Chairman)	
11.Production and marketing coordination 12. Factory or production expansion 13. Concentrated procurement or sales	Dongguan factory, Kunming factory, mold outsourcing, production management class, purchasing class, storage and transport class, business department, American subsidiary, European subsidiary, Greater China, Chenbro Technology (Kunshan) Business	Production and Marketing Review Unit (members: Global Supply Chain Management Division, Southern Region/Eastern Region Manufacturing Centers, Global Business Division, President, Chairman)	
14.Change of equity of directors, supervisors and majorshareholders 15. Change in management rights	Accountancy Department, Board meetings	Operational Review Unit (members: Global Finance Division, Chairman, Board of Directors)	
16.Information security risk	Global Information Division	Information Security Unit (members: Global Information Division, President)	

3.4.8.7. Implementation of customer policy

Focus on service for customers, maintaining favorable and stable relationships, regularly attend quarterly business reviews (QBR), in this way understand difficult areas for customers. Put forward solutions according to their demands, then adjust the Company's work standards, and actively comply with customers auditing and improvements to ensure satisfaction of customer needs in order to create Company profit and achieve the goal of a win-win situation.

3.4.8.8. Liability insurance of Directors and Supervisors taken out by the Company

Insured interest	Insurance company	Insurance amount (NT\$)	Insurance period	Reporting date to Board
All directors and supervisors	Fubon Insurance Co., Ltd.	307,200,000	From: 09/07/2018 To: 09/07/2019	11/06/2018
All directors and supervisors	Fubon Insurance Co., Ltd.	312,500,000	From: 09/07/2019 To: 09/07/2020	11/12/2019

3.4.8.9. Managers attendance of corporate governance related continuing education and training (2019) :

Title	Name	Date of training	Organizer	Name of course	Training hours	Total annual training hours
Chairman	Chen Mei Chi	01/10/2020	Taiwan Corporate Governance Association	The Audit Commiment practical operation; Foreign capital flow return Taiwan analysis and practice	3	3
		12/23/2019	Association of Taiwan GTSM-Listed Companies	2020 Outlook on the Economic Situation at Domestic and Abroad	2	8
		11/12/2019	Taiwan Corporate Governance Association	Trends and challenges of information security governance	3	
		01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	
Assistant Vice President of Finance Taipei	Chih Chia Lin	01/10/2020	Taiwan Corporate Governance Association	The Audit Commiment practical operation; Foreign capital flow return Taiwan analysis and practice	3	28
		12/17/2019	Securities and Futures Institute	Analysis of the legal risk of accounting director with practical cases	3	
		11/12/2019	Taiwan Corporate Governance Association	Trends and challenges of information security governance	3	
		08/16/2019	Accounting Research and Development Foundation	Analysis of the relevant norms and response practices of the new edition of "The Blueprint for Corporate Governance (2018-2020)"	3	
		08/06/2019	Accounting Research and Development Foundation	The competent authority requires the enterprise to set up independent directors and audit committee audit law to comply with practice	6	
		07/17/2019	Taiwan Investor Relations Institute	The information right of Directors	3	
		07/11/2019	Accounting Research and Development Foundation	XBRL Application, Financial Report Review and Corporate Governance Latest Policy Analysis	3	
		07/16/2019	Accounting Research and Development Foundation	Taiwan recent tax law trend and "tax E" practice	3	
		06/26/2019	Taiwan Institute of Directors	2019 Annual Meeting of the Institute of Directors - Shareholder Value & A-Plus Enterprise	4	

3.4.8.10. Strengthen audit and self-inspection operation

The Company has set out a complete internal control system which is already in effective implementation, each unit thoroughly carrying out optimal management responsibilities, through internal control self-evaluation operation, each department and subsidiaries must carry out self-inspection of internal control systems, system-design and effective implementation. According to the Board of Directors' approval of the annual audit plan, audit personnel will carry out effective control. Management level and the Board of Directors all regularly review self-assessment results and audit reports. In order to achieve operational effectiveness, enhance corporate competitiveness, ensure the correctness of financial reports and follow relevant regulations.

3.4.8.11. Internal procedure on significant information

The Company set up the 'significant internal information handling procedure' on December 29, 2009, and carries out the following release of related materials:

- 3.4.8.11.1 Provide a monthly 'significant internal information handling procedure' for Directors, Supervisors and Managers.
- 3.4.8.11.2 Provide 'significant internal information handling procedure' for newly appointed managers.
- 3.4.8.11.3 Regularly give guidance to managers on 'significant internal information handling procedure' and also release material onto the TWSE website about insider trading related information.
- 3.4.8.11.4 Carry out educational guidance on 'significant internal information handling procedure' for employees.

3.4.8.12. The Company's performance of social responsibility

Chenbro, as one of the enterprise citizens, is not only to focus on enhancing our product quality and business development, but actively joins the social welfare activities and ECO-friendly events. We still continue to provide source to remote area education and promote Art & Culture events, etc.

We won the CHR Corporate Health Responsibility Award in 2019, especially recognized for our corporation governance, enterprise commitment, CSR involvement and environment sustainability, etc., which are the result by all the effort from Chenbro staff. Although there is a serial of challenge, Chenbro still strives to be a more responsible citizen, and creates the best value for our customers, shareholders, and staff to make this society better.

3.4.8.12.1 Environmental Sustainability

A. Environmental action

The Company actively responds to global environmental action and uses core corporate professionalism in doing so. The Company's management department are responsible for the work of the Company's energy saving policy planning, control and upgrading. Furthermore, they regularly advocate and communicate the proper concept of energy saving. In doing so recycling bins are placed in the workplace enabling employees to be active in recycling at all times. The

Zhonghe branch of the First Social Welfare Foundation and the Blue Environmental Technology Company will occasionally collect recycling for their own use. The Company promotes complete energy saving information, energy saving and carbon reduction management concepts, strengthening the instruction of employees in this area, and complies with the implementation of governmental environmental policies.

B. Love the earth, combined effort to save 3000 bags of green onions

When the Company received news of an organic onion farmer in Pindong who was facing the problem of having no refrigeration units to rent to store his crop, numerous farmers rushed to harvest the crop under the scorching heat of south Taiwan. They were worried that the crops would spoil in storage piled up in warehouses. Just as it seemed the farmers' efforts were in vain, the Company's employees acted in purchasing 200 bags of onions, with a total weight of almost 3 tons. Furthermore, they formed small work groups calling on local restaurants and friendly enterprises to purchase the onions, successfully assisting the farmer to sell around 3000 bags of onions with a total weight of about 45 tons.

C. Chenbro plants trees to save the earth

With the climate change brought on by ecological crises and global warming, the Company deeply believes in cherishing our earth and that environmental protection cannot be neglected. On March 22, 2014, it called upon over 100 employees and their families to begin a tree planting campaign in order to protect water resources and maintain ecological environment. Near to the Carp Lake reservoir in Miaoli on second-level rainforest land, native Taiwan Xiaon Nan and Burdock trees were planted where originally 18,000 binlang plants had been cut down. It is estimated the trees will reach maturity in between 50 to 100 years, which will complete the original goal of greening a large area of land.

D. Art piece creative competition

The recycle economy is the positive cycle created by the power from all people, and this could start from materials, manufacture, and package, producing the valuable and eco-friendly products. Our two factories in China promoted the use of waste to create art pieces, demo them to present the cycled concept, and hope influence everyone to think "reducing from the source". It also allows participants to slow their paces in the creative process, reduce environmental costs and have time to stop and think in a fast-changing world to create an eco-friendlier environment.

3.4.8.12.2 Social participation

A. Educational innovation – '131 elementary schools; 350 volunteers; 2,600 hours; NT\$42,000,000 in subsidies; attendances of 380,000.'

'Make the art and culture dream come true in Yunlin county'

From 2013, the Company began sponsoring the 'Yunlin Arts Spot Plan'. Through the AEEON Foundation with NT\$9,000,000 and the Company combining other enterprises approximately with NT\$20,000,000 in funds and called upon employees and their families to attend activities as volunteers with over 300 taking part. Thus, displaying the values of providing funding and support

wherever it is possible. Since the first year of support, the Company has already held 7,780 educational activities in over 131 elementary schools, with a total attendance of over 3,887,466 teachers and students. Bringing art resources into every corner of remote areas with four major activities, 'World Picture Book & Illustrator Tour Exhibition', 'E'school Picture book creative digital teaching materials', 'Art and fun drama tour', and 'Taipei Art Discovery Tour'.

'Promote art and culture in the campus of Yulin county'

In order to continue the Light Art Point in Yulin County Plan, the Company has sponsored it since 2016 by support for schools with better performance, and holding a competition of "Paint My Hometown", so that children have the opportunity to "draw" and take to the stage with their own works "words" to deepen the local education. In addition, the Company invited Taiwan artists to exhibit their art pieces to share their art ideas.

'Explore life innovation to embrace the bright future'

Although it lacks artistic resources in Yulin, Chenbro knows there are a gap of digital learning between the urban and remote area. From 2018, the Company participated in the Yunlin Science and Technology New Paradise Program to introduce related resources to the campus with five science and technology education foundations, including five major life science and technology exhibitions, a variety of DIY courses and three days and two nights of science and technology exploration and learning tour, so that children have a broader vision.

'Classical music concert in Yulin County'

In order to enrich the promotion resources of music education in the schools in Yulin, in 2019, Chenbro and AAEON Foundation once again cooperated to jointly promote "Yunlin Classical Music Magic House Project", inviting five schools to participate in the implementation of the project, through wooden instruments, brass pipes, string instruments, keyboard instruments, percussion instruments, five major types of music exhibition extension teaching, and integrate resources into the campus promotion to enrich Yunlin students for music education vision and experience.

'Three Beijing Operas in the tribal schools'

Principal Zheng of Taoyuan Primary School hopes to gather the strength of groups to help some children in remote areas of eastern Taiwan for release their unhealthy emotion. Therefore, Principal Zheng proposes "Confidence and courage plan", and designs activities of learning, study and performance to assist these children to get back their confidence and courage, and to learn the solutions for problem solving. In addition to sponsor the project, Chenbro also works with the contemporary legendary theater, inviting the youth members of the contemporary troupe to teach at the school and entertaining the children to Kaohsiung Weiwu Camp to see the contemporary legend's "Water Margin" performances, so that children can learn the culture of Beijing Opera and experience the charm of it.

‘Sprinkle a seed to let it sprout with hope; build a platform to let the dream come true’

In order to enable the aboriginal youth in the east to have the ability to operate sustained and to assist them to return to their hometowns, Chenbro has sponsored NT\$2 million per year since 2013 to 2019. Chairman Maggi personal and the Company donated NT\$13,100,000. Million in response to the Chun Yi education program initiated by Mr. Chang Shou, Yen, with the "Remote area talents return to employment and entrepreneurship program" and the " Remote area talents training program" as the main axes and priorities of the work, "Sightseeing Promotion", "Industrial Counselling", "Art and Culture Deep Cultivation" and "The Education Rooting Program" as a four-way action plan to create a good learning environment for eastern Taiwan students.

B. Art and literature heritage – The Company has donated NT\$7,550,000 since 2016.

‘Sponsor Contemporary Legend Theater’s establishment of the “Taiwan Traditional Theater Center” enabling the continuation of Beijing Opera’

In 2016, Chairwoman Maggi and Contemporary Legend Theater teacher Wu Xing-guo and his wife, Teacher Lin Xiu-wei came to a consensus on their experiences for the next step in traditional Beijing Opera. While also more deeply understanding the risks facing the continuation of Beijing Opera culture as a result of generational differences. Therefore, Maggi became a major sponsor of the Contemporary Legend Theater’s youth group, supported the founding of the Taiwan Traditional Theater Center with NT\$7,550,000 totally with the Company, and demonstrated the effort to preserve art and culture and cultivate talent.

‘Purchase the tickets for the contemporary performance “Water Margin”

Wu Xing Guo, Chang Da Chun & Chou Hua Chien joined again to perform the 72th to 120th episodes of Water Margin. Teacher Wu leads the youth actors with average 22-year-old to a tour “Water Margin 2019 III – the diary to wipe out the rebellion”. Chenbro spend NT\$800,000 for 684 tickets, and also encouraged the staff to purchase the tickets through web announcement and Maggi Love Share Blog.

‘Contemporary Beijing Opera Experience Camp - Aesthetics, Art Seeking, Finding the Mentor, & Practice’

In order to leave precious traditional culture treasures to future generations, and aesthetic competitiveness rooted in Taiwan, Chenbro sponsors NT\$450,000 in 2019 for the contemporary theater to organize three Beijing Opera experience camps, inviting its staff, WOB (The Women Corporate Directors Foundation), TMBA elimi members to participate, connecting a total of 26 business representatives, 7 foundation and arts representatives and 24 Chenbro staff. Moreover, the Company also arranged an interactive activity to let participators experience the Aesthetics. It also supports these actors by donation, so they can have better environmental conditions to perform, and generate the performance to nourish the audiences’ hearts.

**C. Community welfare –‘119 volunteers. 950 hours. NT\$1,600,000,000. 2,875 households
‘Power of love’ New Taipei city, Yunlin County underprivileged families visits’**

The Company gives a regular annual donation to New Taipei City and Yunlin County Social Affairs Bureaus, and also arranges 4-day trips for underprivileged families to New Taipei City and Yunlin County every 4 months. It also gives employees volunteer holidays. Through the giving of material objects to socially marginalized families, employees can accompany these families to understand there are many people who need help in society, learning to respect and to give, and also allowing the families to be able to feel warmth from society.

"Bathing is not a luxury treat any more; the Company donates Taiwan Motor Neuron Disease Association a bathing machine"

When Chairwoman Maggi participated in the female managers' association, she learned motor neuron disease because of a speech, and understood the disease inconvenience for bath, but in many care institutions, there are often just in bed-bath, or the patients take a bath for two or three days quickly. Chenbro donated one bath machine to the association and hope to make the patients enjoy more human and dignified care.

‘Let love light up your road ahead- subscription to picture books’

When a bright soul is imprisoned in a frozen body, what we take for granted is a hope for those with motor neuron disease that is hard to achieve. Upon learning that the Motor Neuron Disease Association wanted to publish a book, the Company decided to take the initiative and subscribed to buy 3,000 books and NT\$614,000 as a donation for the patients, also hoping through this to make more people understand and care about motor neuron disease patients and together do something with meaning.

‘Sharing the Maggi Love Blog’

In December 2013, the Company founded the ‘Maggi Love Share’ public welfare website with the web address of www.maggiloveshare.com. Information on all of the Company’s public welfare activities and volunteer experiences was collected and shared on the website. Through photographs, videos and written pieces, and with the limitless power of the Internet, the information was shared with good friends and colleagues, letting more people know how to take part in these activities. Regardless of donating money or being a volunteer, it’s hoped that sharing positive strength through the website will lead to more achievements and happiness. Maggi Love Share has been established for 7 years. Every month it publishes 3 electronic articles with over 190,000 visitors browsing the site and continuously receives moving responses shared by a broad range of readers, clearly demonstrating the effectiveness of the website as a positive public platform. In the future, the company will be pleased to see the broadcasting of positive knowledge continue multiplying in volume, and hopes that sincere sharing will resonate with everyone, to contribute to society with their own strength.

3.4.9 Status of Implementation of the internal control system

3.4.9.1.Statement on Internal Control: refer to p.166 (Please refer Appendix I)

3.4.9.2.Review of internal control system by authorized accountant, should disclose the accountant's review report: none

3.4.10 Punishment of the Company and its internal employees by law, punishment of the Company and its internal employees violating rules of the internal control system, major incidents of defects and improvements in the latest year and up to the printing of this report:

None

3.4.11 Important resolutions of Shareholders' Meeting and Board of Directors in the most recent year and up to the printing date of the annual report

3.4.11.1 Implementation of important resolutions from 2019 Shareholder's Meeting

The 2019 annual Shareholders' Meeting was held by the Company on June 25, 2019, in Zhonghe, New Taipei City, resolutions approved by shareholders attending the meeting and implementation status are as below:

Date of meeting	2019 General Shareholders' Meeting
06/25/2019	1. Approved 2018 Operating Report and Financial Report (including individual and consolidated financial reports) Implementation status: The relevant list has been submitted to the competent authority for inspection and announcement in accordance with the relevant laws and regulations.
	2. Approved proposal for 2018 surplus distribution Implementation status: 2018 surplus distribution, shareholder dividends based on the number of shares outstanding 119,725,950 shares, NT\$4 issued for each share, total amount cash dividend issued NT\$478,903,800 calculate separately cash remuneration for Directors, Supervisors NT\$16,551,162 employee remuneration issued NT\$56,273,950 June 25, 2019, Board of Directors' Meeting resolution passed July 17, 2019, as cash dividend interest base date, and on July 31, 2019, issued cash dividends.
	3. Approval the revised Article of Incorporation. Implementation status: it was granted by No. 10801091450 Ministry of Economy on August 21, 2019.
	4. Approval the revised The Procedures for Acquisition or Disposal of Assets Implementation status: it was announced on MOPS and Chenbro website on July 9, 2019, and revised in compliance with the process.
	5. Approval the revised Capital Loan and Third-party Operating Procedures Implementation status: it was announced on MOPS and Chenbro website on July 9, 2019, and revised in compliance with the process.
	6. Approval the revised Endorsement Guarantee Operating Procedure Implementation status: it was announced on MOPS and Chenbro website on July 9, 2019, and revised in compliance with the process.

3.4.11.2 Important resolutions of Board of Directors' meeting

3.4.11.2.1 Independent Directors' attendance of Board of Directors' meeting

2019 until the printing of the annual report attendance of Independent Directors at each Board of Directors' meeting ◎ : attend in person ; ★ : attended by proxy ; ✖ : did not attend									
2019/2020	2019 1st	2019 2nd	2019 3rd	2019 4th	2019 5th	2019 6th	2020 1st	2020 2nd	2020 3rd
Huang Wen Cheng	◎	◎	◎	◎	◎	◎	◎	◎	◎
Tsao An Pang	◎	◎	◎	◎	◎	◎	◎	◎	◎
Hsu Guei Ying	◎	◎	◎	◎	◎	◎	◎	◎	◎

3.4.11.2.2 Important resolutions of the Board of Directors' meeting

Date of important resolution	Content of important resolution
10th meeting on the 13th term, January 25, 2019	<ol style="list-style-type: none"> 1. Resolution passed the Company held a meeting of the Remuneration Committee on January 25, 2019, regarding the resolution on the issuance of managers' salary and annual bonus. 2. Resolution passed proposal on the Company's 2019 operation plan and budget. 3. Resolution passed the Company proposes an extension to credit of Taiwan Bank, Zhonghe Branch, by NT\$240,000,000. 4. Resolution passed the Company proposes an extension to credit of E.Sun Bank, by NT\$100,000,000. 5. Resolution passed the Company proposes an extension to PROCASE & MOREX CORP endorsement guarantee of US\$3,500,000. 6. Resolution passed the Company proposes an extension to Taiwan Bank, Zhonghe Branch, foreign exchange financial derivatives operation of US\$500,000. 7. Resolution passed PROCASE & MOREX proposes an extension to Taiwan Bank, Zhonghe Branch, foreign exchange financial derivatives operation of US\$500,000.
11th meeting on the 13th term, March 19, 2019	<ol style="list-style-type: none"> 1. Resolution passed the Company's 2018 'Statement on Internal Control System'. 2. Resolution passed proposal on the Company's 2018 annual Financial Statements, and Business Report compiled by the Company. 3. Resolution passed proposal on the Company's 2018 surplus distribution. 4. Resolution passed the Company held a meeting of meeting resolutions of the Remuneration Committee on March 19, 2019, 5. Resolution passed 2018 general shareholders' meeting 'Operation of Shareholders' Proposals'. 6. Resolution passed proposal on changes in the Company's accountants due to operation of PwC's internal rotation. 7. Resolution passed Proposal on CPA independence. 8. Resolution passed proposal for items for discussion at convening of the Company's 2019 Regular Shareholders' Meeting
12th meeting on the 13th term, May 14, 2019	<ol style="list-style-type: none"> 1. Proposed Shareholders' Proposals Operation in 2019 Annual Shareholders' Meeting and stated the reasons. 2. The Company revised Article of Incorporation. 3. The Company revised The Procedures for Acquisition or Disposal of Assets. 4. The Company revised Capital Loan and Third-party Operating Procedures. 5. The Company revised Endorsement Guarantee Operating Procedure. 6. The Company revised Corporate Governance Best Practice Principles. 7. The Company held 2019 Annual Shareholders' Meeting to discuss proposals. 8. In order to make the funds more flexible, the Company intends to extend the US\$6 million facility for Citibank. 9. In order to make the funds more flexible, the Company intends to extend the credit line to Cathay United Bank, the case of NT\$200 million. 10. In order to make the use of funds more flexible, the Company intends to extend the credit line of the China Trust Commercial Bank to NT\$100 million. 11. For the purpose of buying and selling foreign exchange and risk-averse demand, the Company intends to extend the operation of foreign exchange derivative financial commodities of China Trust Commercial Bank The amount of US\$500,000 . 12. The Company intends to withdraw its endorsement guarantee for PROCASE and MOREX CORP for a total of US\$3 million.

Date of important resolution	Content of important resolution
13th meeting on the 13th term, June 25, 2019	<ol style="list-style-type: none"> 1. Resolution adopts the benchmark date of the 2018-year cash dividend and interest rate. 2. The resolution adopted the resolution of the Remuneration Committee of the Company on June 25, 2019. 3. The resolution adopts the case of the Company's "Standard Operating Procedures for the Handling of Directors' Requests". 4. Resolution through the Company's intention to be in Chenbro Micom (Shenzhen) Co., Ltd. liquidation procedures completed, the closure of the Company through Micom Source Holding Company Transfer to Cloud International Company Limited. 5. The resolution adopts the case of the head of corporate governance.
14th meeting on the 13th term, August 13, 2019	<ol style="list-style-type: none"> 1. Resolution through the Company's proposed purchase of real estate transactions. 2. The resolution adopted in order to make more flexible use of funds; the Company intends to extend the credit line of Shanghai Commercial Bank NT\$3 million. 3. The resolution adopted in order to make more flexible use of funds; the Company intends to extend the credit line to E. Sun Bank NT\$100 million. 4. Resolution through the more flexible use of funds, the Company intends to extend Yongfeng Bank's credit line NT\$200 million. 5. In response to the China-US trade war, the resolution is proposed to add NT\$3 million to the first-place tax threshold for Taiwan Bank. 6. In order to make the funds more flexible, Chenbro Micom (USA) INC intends to extend the credit limit by US\$2 million and to provide the endorsement guarantee by the parent company.
15th meeting on the 13th term, November 12, 2019	<ol style="list-style-type: none"> 1. The resolution adopts the preparation of the Company's 2020 audit nuclear program. 2. The resolution adopts the case of the Company's intention to obtain the right to use the assets of Chung Mao Asset Development Co., Ltd. 3. The resolution adopts the case of the Company's intention to sell the real estate of Zhonghe District Jian 1st Road. 4. Resolution by resolution the Company intends to establish a company in the Seychelles region, with direct investment by the Company, the amount of investment US\$500,000.
16th meeting on the 13th term, January 10, 2020	<ol style="list-style-type: none"> 1. The resolution adopts the remuneration committee convened by the Company on January 10, 2020 on the payment of managers' salaries and year-end bonuses. 2. Resolution adopts the Company's 2020 Annual Business Plan and Budget. 3. Resolution through the Company's sale of the real estate of Zhonghe District Jian 1st Road, in order to meet the actual business needs, and authorized the chairman of the company with full authority to handle related matters.
17th meeting on the 13th term, March 17, 2020	<ol style="list-style-type: none"> 1. The resolution amends some of the provisions of the Company's "Internal Control Self-Assessment Operating Procedures". 2. The resolution adopts the Company's 2019 Statement of Internal Control System. 3. Resolution adopts the 2019 Annual Financial Statements of the Company and the Business Report prepared by the Company in 2019. 4. The resolution adopts the Company's 2019 surplus distribution. 5. Resolution is adopted by the Remuneration Committee convened by the Company on March 17, 2020 for employee remuneration and compensation distribution case. 6. The resolution adopted the remuneration committee convened by the Company on March 17, 2020, and prepared the final version of the resolution at the meeting The company's board performance evaluation case. 7. The resolution adopted the remuneration committee convened by the Company on 17 March 2020, and met to draw up the final version of the resolution The company's "Shareholding Trust Annual Performance Project Withdrawal". 8. The resolution adopted the remuneration committee convened by the Company on 17 March 2020, and met to draw up the final version of the resolution Company restricted stock system case. 9. The resolution adopts the case of the replacement of accountants by the Company due to the internal rotation of the JwC. 10. The resolution adopts the independence assessment of certificated accountants.

Date of important resolution	Content of important resolution
	<p>11. The resolution adopts the working matter of formulating the proposal of the shareholders' proposal for the 2020 annual meeting of shareholders.</p> <p>12. The resolution adopts the 2020 annual general meeting of shareholders of the Company to convene a discussion of the motion.</p> <p>13. The resolution adopts the relevant acceptance of the nomination of directors (including independent directors) by shareholders at the 2020 annual general meeting of shareholders matters.</p> <p>14. The resolution adopts the Company's comprehensive re-election of directors.</p> <p>15. The resolution adopts the Company's amendment of the Articles of Incorporation.</p> <p>16. The resolution amends the "Acquisition or Disposition of Assets Treatment Guidelines" by the Company.</p> <p>17. Resolution through the Company to amend the funds loan and other operating procedures.</p> <p>18. The resolution adopts the Company's amendment of the "Endorsement Guarantee Operating Procedures" case.</p> <p>19. The resolution adopts the Company's amendment of the Rules of Procedure of the Shareholders' Meeting.</p> <p>20. The resolution adopts the Company's amendment of the "Measures for the Election of Directors and Supervisors".</p> <p>21. The resolution adopts the Company's amendment of the Practice for Corporate Governance.</p> <p>22. The resolution through the Company intends to pay cash dividends from Qinkun Technology (Kunshan) Co., Ltd.</p> <p>23. The resolution adopted the acquisition of land and plant.</p> <p>24. The resolution is adopted to make the use of funds more flexible; the Company intends to extend the credit line of the Bank of Taiwan and branches of the NT\$240,000,000 in the case.</p> <p>25. The resolution, through which the Company intends to withdraw the US\$4 million guarantee for PROCASE and MOREX CO.</p>
18th meeting on the 13th term, May 12, 2020	<p>1. The resolution adopts the Company's remuneration for the Directors, Supervisors and president on May 12, 2020.</p> <p>2. The resolution adopts the Company's part of Statement of Internal Control System.</p> <p>3. The resolution adopts 2020 Shareholders' Proposal Operation to state the reason that the shareholders' proposal is not included in the motion of the Shareholders' Meeting.</p> <p>4. The resolution adopts new added discussion of the motion in 2020 Shareholders' Meeting.</p> <p>5. The resolution adopts the review of re-election candidates for the Directors and Independent Directors in 2020 Shareholders' Meeting.</p> <p>6. The resolution adopts the dissolution of non-competition restriction of new directors.</p> <p>7. The resolution adopts the Company's amendment of the Corporate Social Responsibility Best Practice Principles.</p> <p>8. The resolution adopts the Company's amendment of the Integrity Meeting Principal.</p> <p>9. The resolution adopts the Company's amendment of the Guidelines for the Adoption of Codes of Ethical Conduct.</p> <p>10. The resolution adopts the Company's amendment of the Process of Internal Crucial Information Operation.</p> <p>11. The resolution adopts the Company's amendment of the Shareholders' Meeting Regulations.</p> <p>12. The resolution adopts the Company's amendment of the Independent Directors' Responsible Range Regulations.</p> <p>13. The resolution adopts the Company's amendment of the Audit Commitment Organization Regulations.</p> <p>14. The resolution adopts the proposal to close our subsidiaries, Edge International Company Limited, in the Republic of Seychelles, and Adept International Co., Ltd. in Virgin Islands.</p> <p>15. In order to make more flexible use of funds, the Company intends to extend the credit line to Citi Bank Taiwan US\$6 million.</p> <p>16. In order to make more flexible use of funds, the Company intends to extend the credit line to Cathay United Bank NT\$200,000,000.</p> <p>17. The resolution adopts in order to make more flexible use of funds; the Company intends to add the credit line to CTBC Bank NT\$200,000,000.</p> <p>18. For the purpose of buying and selling foreign exchange and risk-averse demand, the Company intends to extend the operation of foreign exchange derivative financial commodities of China Trust Commercial Bank US\$500,000 .</p>

Related information please go to 'Market Observation Post System' <http://mops.twse.com.tw> for inquiries

3.4.12 Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors in the latest year and up to the printing date of this Annual Report:
None.

3.4.13 During the latest year and up to the printing date this Annual Report, the Company's chairman, President, accounting director, financial director, internal auditors, and R&D supervisor had resigned or been dismissed: None

3.5 Information on CPA professional fees

Amount unit: NT\$ thousand

CPA Firm	Name of accountant	Audit fee	Non-audit fee					Inspection period	Remarks
			System design	Commercial registration	Human resources	Other (Note2)	Subtotal		
PwC Taiwan	Pan Hui Lin, Tseng Hui Chin	4,971	0	0	0	5,438	5,438	2019/01/01 ~ 2019/12/31	The transfer price report and risk assessment related services by NT\$5,438,000 will be processed by PwC.
BDO Taiwan	Zhang Shu Cheng	0	0	0	0	45	45	2019/01/01 ~ 2019/12/31	2019 Business tax audit certification for dual-status business entities applying by the direct deduction method

Note 1 : In the event that the Company replaced the Certified Public Accountants or Certified Public Accountant Office in the year, the period covered in audit should be respectively indicated, with remarks of the causes leading to replacement.

Note 2 : For non-audit public funds please list separately according to each service item, if non-audit public funds in 'others' reaches non-audit total amount of 25%, the content of the service should be listed in the remarks column.

Range of CPA professional fees

Amount unit: NT\$ thousand

Amount range \ Fee item		Audit fee	Non-audit fee	Total
1	Under 2 million	0	0	0
2	2 million(included) ~ 4 million	0	0	0
3	4 million(included) ~ 6 million	4,971	5,483	10,454
4	6 million(included) ~8 million	0	0	0
5	8 million(included) ~ 10 million	0	0	0
6	Over 10 million (included)	0	0	0

Related information:

(1) In the event that the aggregate total non-audit fees paid to the certifying Certified Public Accountants, Certified Public Accountant Office or an affiliated enterprise thereof account for over one quarter, please disclose the contents of the amounts and non-audit services:

1. PwC Taiwan

Audit public fee is for finance and tax certified cost use.

Content of non-audit fees and was transferred to valuation report and risk assessment related services, to assist in the related services of closing the Holland subsidiary.

2. BDO Taiwan

Non-audit fee business tax audit certification for dual-status business entities applying by the direct deduction method.

When the audit fee is lesser than that of the previous years after changing a CPA firm, disclose the amount after a CPA firm change and the reasons of such change: N/A

(2) When the audit fee is lesser than that of the previous year by over 10%, disclose the amount and proportion less and the reasons of such change: None.

3.6 Information on replacement of certified public accountant

3.6.1 About the previous CPA

Date of change	March 19, 2019, passed by Board of Directors			
Reasons and explanation for change	According to Statements of Auditing Standards No. 46 ‘Quality Control For Firms’ rules of Article 68 rules and PwC internal organization adjustment, from 2019 onwards CPAs Zeng Hui-zhen, Zhi Bing-zhen will replace Pan Huiling, Zeng Huizhen.			
Explanation for termination or refusal of appointment from the Company or the accountant	Condition \ party		CPA	Appointed person
	Active termination of contract		N/A	N/A
	No longer Accepting (continuing) commission		N/A	N/A
Audit opinion and reasons for opinions other than issuance of unqualified-standard wording in the most recent two years:	None			
Differences of opinion with financial statement issuer	Yes		Accounting principles or practices	
			Disclosure of financial statement	
			Scope of verification or procedures	
			Others	
	No	V		
	Comment			
Other matters of disclosure (Article 10, paragraph 6 of the Guidelines, Articles I4 to VII should be disclosed)	N/A			

3.6.2 About successor CPA

Name of the Accounting Firm	PwC Taiwan
Name of CPA	Zeng Hui-zhen, Zhi Bing-zhen
Date appointed	March 17, 2019, passed by Board of Directors'
Consultation for the accounting methods or accounting principles and likely opinions that may be issued for the financial statements and results for specific transactions before appointment	None
Written opinion from successor CPA for expressing different opinions from the previous CPA	None

3.6.3 Former CPA's reply to Article 10-6-1 and 10-6-2-3 of the "Regulations Governing Information to be Published in Annual Reports of Public Companies": It is the internal rotation of the accounting firm, so it is not applicable.

3.7 The Company's chairman, President, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its CPA or at an affiliated enterprise:

None

3.8 Any transfer of equity interests and/or pledge of or change in equity interests in the most recent fiscal up to the date of publication of the annual report by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent.

3.8.1 Changes in shareholdings of directors, supervisors, managers, and major shareholders

unit: shares

Title	Name	2019		2020 until April 28	
		Increase (decrease) in shareholdings	Increase (decrease) in pledged share	Increase (decrease) in shareholdings	Increase (decrease) in pledged shares
Chairman	Chen Mei Chi	0	0	0	0
Director	Lee Tsun Yen	0	0	0	0
Director	Wu Cheng Pao	0	0	0	0
Director	Hsu Shen Kuo	Note 1 (121,112)	0	0	0
Independent Director	Hsu Kuei Ying	0	0	0	0
Independent Director	Huang Wen Cheng	0	0	0	0
Independent Director	Tsao An Pang	0	0	0	0
Supervisor	Huang Li Long	(9,000)	0	(16,000)	0
Supervisor	Lee Ya Mi	0	0	0	0
Supervisor	Chen Jen Shyang	0	0	0	0
President	Chen Ya Nan	0	0	0	0
Global Business Division Vice President	Hui Kin Nam	0	0	0	0
CFO	Tsou Ke Ti	0	0	0	0
Global Product Marketing Assist Vice President	Lin Tsung Min (Note 3)	0	0	(796)	0
Global R&D Vice President	Huang Yu Tzu (Note 2)	0	0	0	0
Finance and Accounting Division Assist Vice President	Chih Chia Lin	0	0	0	0

Title	Name	2019		2020 until April 28	
		Increase (decrease) in shareholdings	Increase (decrease) in pledged share	Increase (decrease) in shareholdings	Increase (decrease) in pledged shares
Shareholders with a stake of more than 10 percent	Chen Feng-Ming (Note 4/6)	0	0	0	0
	Pengwei Investment Holding (Note 4/Note 5)	0	2,600,000	0	1,000,000

Note 1: On March 31, 2019, the Company learned that Director Hsu Shen Kuo had on March 5, 2019, already transferred shareholding surpassing over half of the shareholding held at the time of the first election, therefore ending the tenure in the position as a Director of the Company.

Note 2: Huang Yu Tzu has been promoted to the position of Vice President of Global Research and Development Department at 2019/08/01.

Note 3: Lin Tsung Min as AVP of the Global Product Marketing Office resigned 2020/02/29.

Note 4: A majority shareholder with a stake of more than 10%.

Note 5: Chairman Chen Mei Chi holds shares in the name of others.

Note 6: Director Lee Tsun Yen holds shares in the name of others.

3.8.2 Changes in pledge of stock rights: None.

3.8.3 Opposite party of interested party in transfer of pledge of stock rights: None.

3.8.4 Opposite party of interested party in pledge of stock rights: None.

3.9 Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another

NAME (NOTE 1)	PERSONAL SHAREHOLDINGS		SHAREHOLDINGS OF SPOUSE/MINOR CHILDREN		SHAREHOLDINGS IN THE NAME OF A THIRD PARTY		OMUTUAL RELATIONSHIPS OF TOP TEN SHAREHOLDERS OR THEIR SPOUSE, OR WITHIN SECOND-DEGREE RELATIVE OF CONSANGUINITY TO EACH OTHER, THEIR TITLES OR NAMES AND RELATIONSHIP (NOTE 3)		REMARKS
	Share	%	Shares	%	Share	%	Title (Name)	Relationship	
Chen Feng Ming	13,614,433	11.37	5,296,029	4.42	0	0	Lee Tsun Yen Chen Mei Chi Chen Lian Chun	Spouse Sister Brother-in-law	N/A
Pengwei Investment Holdings Representative : Chen Lian Chwen	12,209,000	10.20	0	0	0	0	Chen Mei Chi Chen Feng Ming Lee Tsun Yen	Spouse Relation by Marriage Relation by Marriage	N/A
Lianmei Investment Representative : Chen Mei Chi	11,907,000	9.95	0	0	0	0	Chen Lian Chun Chen Feng Ming Lee Tsun Yen	Spouse Younger Brother Sister-in-law	N/A
Chen Mei Chi	9,656,009	8.07	2,009,000	1.68	12,209,000	10.20	Chen Lian Chun Chen Feng Ming Lee Tsun Yen	Spouse Younger Brother Sister-in-law	N/A
Minguan Investment Holdings Representative : Lee Tsun Yen	9,239,967	7.72	0	0	0	0	Chen Feng-ming CHEN MEI CHI Chen Lian-chun	Spouse Relation by Marriage Relation by Marriage	N/A
Lee Tsun Yen	5,296,029	4.42	13,614,433	11.37	0	0	Chen Feng Ming Chen Mei Chi Chen Lian Chun	Spouse Relation by Marriage Relation by Marriage	N/A
Chen Lien Chun	2,009,000	1.68	9,656,009	8.07	12,209,000	10.20	Chen Mei Chi	Spouse	N/A
Citi Bank Trusted	1,700,000	1.42	0	0	0	0	N/A	N/A	N/A
Pei Ko Chih Hsing Startup Co., Ltd.	1,155,000	0.96	0	0	0	0	N/A	N/A	N/A
Chen-Source Co., Ltd.	1,130,628	0/94	0	0	0	0	N/A	N/A	N/A

Note 1: All of top ten shareholders should be listed. Names of institutional shareholders and their representatives should be listed individually.

Note 2: Ratio means the total number of shares held by the person, spouse and underage children, and in the name of a third party.

Note 3: The relationship between shareholders listed above, including institutional and individual shareholders, should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

3.10 The total number of shares and total equity stake held in any single enterprise by the company, its directors and supervisors, managers, and any companies controlled either directly or indirectly by the company

December 31, 2019 unit: thousand shares

Investee (Note1)	Investment by the Company		Investment by directors, supervisors, managers, direct or indirect control groups		Combined investment	
	Shares (1,000 shares)	%	Shares (1,000 shares)	%	Shares (1,000 shares)	%
Chenbro Europe B.V. (Note 2)	0	0%	0	0	0	0%
Micom- Source Holding Co.	20,450	100%	0	0	20,450	100%
Chenbro Micom (USA) INC.	10,000	100%	0	0	10,000	100%
Cloudwell Holdings, LLC.	3,600	100%	0	0	3,600	100%
Chenbro GmbH	250	100%	0	0	250	100%
Chenbro UK Limited(Note 3)	0	100%	0	0	0	100%
Edge International Company Limited (Note 4)	500	100%	0	0	500	100%

Note 1: Investments of the Company using the equity method

Note 2: Chenbro Europe B.V. was dissolved by resolution of the Board of Directors on 9 May 2017 and liquidation was completed in the Republic of China in March 2019.

Note 3: Chenbro UK Limited in the Republic of May 9, 2017, the Board of Directors of the resolution to transfer the Company directly to its shares, and in the Republic of China. The change and registration of equity transfer was completed in August 2017. In addition, on 7 August 2018, the Republic of China, by resolution of the Board of Directors, reduced the amount of GBP 19,999, in the Republic of China in October 2018 to complete the reduction of funds, and in the Republic of China in July 2019 remitted shares and surplus of NT\$1,178. The liquidation of the Republic of China in January 2020 was completed.

Note 4: Edge International Company Limited was established on 31 December 2019 and its funding arrived at February 2020.

4

Information on Capital Raising

- 4.1 Company capital and shares
- 4.2 Issuance of Corporate Bonds
- 4.3 Preferred stock
- 4.4 Overseas depositary receipt
- 4.5 Employee a share subscription warrant
- 4.6 RSUs
- 4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies
- 4.8 Implementation of the company's capital allocation plans

4. Information on capital raising

4.1. Company capital and shares

4.1.1 Capital source

Year	Issued Price (NT\$)	Approved Capital		Paid-in Capital		Notes		
		No. Shares (1,000 shares)	Amount (1,000NTD)	Shares (1,000 shares)	Amount (1,000 NTD)	Capital source (1,000 NTD)	Capital stock coming other sources rather than cash	Others
1983/12	0	0	500	0	500	Capital 500	N/A	1983.12.05 Jian-1-tzi-di 106007
1984/05	0	0	2,000	0	2,000	Capital increased by cash 1,500	N/A	1984.5.28 Jian-1-tzi-di 144359
1986/11	0	0	7,000	0	7,000	Capital increased by cash 5,000	N/A	1986.11.12 Jian-1-tzi-di 169350
1989/12	0	0	25,000	0	25,000	Capital increased by cash 18,000	N/A	1990.01.05 Jian-1-tzi-di 110347
1990/10	10	7,500	75,000	7,500	75,000	Capital increased by cash 50,000	N/A	1991.1.7 Jing(80)-shang-tzi 00117
1998/09	10	13,500	135,000	13,500	135,000	Earnings to capital 30,000 Capital increased by cash 30,000	N/A	1998.10.06 Jing(8)-shang-tzi 131175
1999/08	10	80,000	800,000	30,230	302,300	Capital increased by cash 25,000 Earnings to capital 142,300	N/A	Cheng-chi-Hwei 1999.7.19 (88)Tai-chai-cheng(1)-63566
2000/08	10	80,000	800,000	46,331	463,308	Earnings to capital 161,008	N/A	Cheng-chi-Hwei 2000.8.24 (89)Tai-chai-cheng(1)-70667
2001/09	10	80,000	800,000	50,037	500,373	Surplus to capital 37,065	N/A	Cheng-chi-Hwei 2001.8.23 (90)Tai-chai-cheng(1)-153655
2002/09	10	80,000	800,000	54,040	540,402	Earnings to capital 40,030	N/A	Cheng-chi-Hwei 2002.8.16 (91)Tai-chai-cheng 0910145672
2004/11	10	80,000	800,000	60,358	603,587	Earnings to capital 52,377	N/A	FSC 2004.9.30 Jin-guan-cheng-yi-tzi

Year	Issued Price (NT\$)	Approved Capital		Paid-in Capital		Notes		
		No. Shares (1,000 shares)	Amount (1,000NTD)	Shares (1,000 shares)	Amount (1,000 NTD)	Capital source (1,000 NTD)	Capital stock coming other sources rather than cash	Others
						Surplus to capital 10,808		0930144328
2005/08	10	80,000	800,000	70,425	704,252	Earnings to capital 100,665	N/A	FSC 2005.7.19 Jin-guan-cheng-yi-tzi 0940129149
2006/08	10	90,000	900,000	81,971	819,712	Earnings to capital 115,460	N/A	FSC 2006.7.19 Jin-guan-cheng-yi-tzi 0950131442
2007/07	10	120,000	1,200,000	95,537	955,369	Earnings to capital 135,657	N/A	FSC 2007.7.17 Jin-guan-cheng-yi-tzi 0960037071
2008/07	10	120,000	1,200,000	111,511	1,115,109	Earnings to capital 159,740	N/A	FSC 2008.7.25 Jin-guan-cheng-yi-tzi 0970037754
2011/06	10	120,000	1,200,000	115,506	1,155,057	Earnings to capital 39,948	N/A	FSC 2011.6.21 Jin-guan-cheng-yi-tzi 1000028489
2012/06	10	150,000	1,500,000	120,126	1,201,260	Earnings to capital 46,202	N/A	FSC 2012.6.19 Jin-guan-cheng-yi-tzi 1010027336
2016/10	10	(400)	(4,000)	119,726	1,197,260	Write-off Inventory (4,000)	N/A	Jing-sho-shang-tzi-105012 46700

Share Type	Approved capital			Notes
	Shares in circulation	Unissued shares	Total	
Common stock	119,725,950	30,274,050	150,000,000	

4.1.2 Shareholder structure

04/28/2020 Unit: share

Shareholder Amount	Government agency	Financial institution	Chines investor	Other	Foreign institution and individual	Individual	Total
Number of people	0	1	1	68	116	6,822	7,008
Shares held	0	40,000	393,000	43,042,906	14,522,073	61,727,971	119,725,950
Held ratio	0	0.03	0.33	35.95	12.13	51.56	100.00

4.1.3 Distribution of holdings

4.1.3.1 Common stock

04/28/2020 Unit: share

Tires for no. of shares held			No. of shareholders	No. of shares held	Held ratio (%)
1	to	999	1,208	237,214	0.20%
1,000	to	5,000	4,678	9,012,985	7.53%
5,001	to	10,000	509	3,982,727	3.33%
10,001	to	15,000	159	2,013,365	1.68%
15,001	to	20,000	99	1,807,111	1.51%
20,001	to	30,000	96	2,480,753	2.07%
30,001	to	50,000	81	3,216,963	2.69%
50,001	to	100,000	83	5,876,271	4.91%
100,001	to	200,000	48	6,938,443	5.80%
200,001	to	400,000	21	6,041,098	5.05%
400,001	to	600,000	8	3,592,432	3.00%
600,001	to	800,000	4	2,812,535	2.35%
800,001	to	1,000,000	3	2,719,988	2.27%
Over 1,000,001			11	68,994,065	57.63%
Total			7,008	119,725,950	100.00%

Notes: Each share is valued at NT\$10

4.1.3.2 Preferred stock: N/A

4.1.4 List of main shareholders

04/28/2020 Unit: share

Shareholder	Number of shares held	Holding ratio (%)
Chen Feng Ming	13,614,433	11.37%
Pengwei Investment Holdings	12,209,000	10.20%
Lianmei Investment	11,907,000	9.95%
Chen Mei Chi	9,656,009	8.07%
Minguang Investment Holding	9,243,967	7.72%
Lee Tsun Yen	5,296,029	4.42%
Chen Lian Chwen	2,009,000	1.68%
Citi Trust Armis Securities Co., Ltd. account	1,700,000	1.42%
Pei Ko Chih Hsing Starup Investment Co., Ltd.	1,155,000	0.96%
Chen-Source Co., Ltd.	1,130,628	0.94%

4.1.5 Stock price, net value, earnings, dividend and relevant data in recent 2 years

Unit: NT\$/share

Item		Year	2018	2019	2020 as of 31 March (Note 8)
Stock price (Note 1)	Highest		51.8	87	117.5
	Lowest		31.1	41.85	63.6
	Average		42.17	66.94	94.79
Net value per share	Before distribution		26.44	29.40	30.00
	After distribution		22.44	-	-
EPS	weighted-average shares		119,725,950	119,725,950	119,725,950
	Base share earning (Note 3)		5.37	7.62	1.13

Year		2018	2019	2020 as of 31 March (Note 8)
Item				
Dividend per share	Cash Dividend	4.00	Note 2	-
	Surplus dividend	0	0	-
	Capital surplus dividend	0	0	-
	Undistributed dividend (Note 4)	0	0	-
Investment return analysis	Price earnings ratio (Note 5)	7.85	8.78	-
	Price-Earnings Ratio (Note6)	10.54	Note 9	Note 9
	Cash dividend yield % (Note7)	9.49	Note 9	Note 9

If earnings or capital surplus is used to distribute dividend, information on adjusted market price and cash dividend should be disclosed.

Note 1: The highest and lowest market price for common stock is listed and the average market price for each year is calculated based on the value of successful transfers and the number of shares transferred.

Note 2: Resolution was made on the shareholder meeting that the cash dividend for 2019 is 4.60TWD

Note 3: For trace adjustments for situations where no bonus shares are distributed, the earnings per share before and after adjustment is to be disclosed.

Note 4: If there are set regulations in which undistributed equity security dividends are to be distributed when there is annual surplus, it should be disclosed in the accumulated undistributed dividend as of the year.

Note 5: Price-Earnings Ratio = Average market closing price/earnings per share

Note 6: price to dividend ratio = Average market closing price/dividend per share

Note 7: Cash dividend yield = Dividend per share/Average market closing price of the year

Note 8: Net value, earnings per share should be noted as of the publication date of the annual report and according to the quarter data audited (reviewed) by an accountant. All remaining fields are to be filled in with data as of the publication date of the year's annual report.

Note 9: The earnings distribution of 2019 has yet to be approved by the shareholder's meeting.

4.1.6 Company's dividend policy and implementation

4.1.6.1 Dividend policies

If earnings exist after the final account of the year, the earnings are to be distributed according to the priority below:

4.1.6.1.1 Payment of taxes.

4.1.6.1.2 Covering of losses.

4.1.6.1.3 First set aside ten percent of such profits as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply.

4.1.6.1.4 Set aside sum as special reserve or disclosed according to the law or the regulations of security competent authority.

4.1.6.1.5 If earnings still exit, it should be integrated into accumulated undistributed earnings. The board of directors is to decide whether it should be retained or distributed as dividend based on the financial situation and economic development of the given year. It is then passed on for approval at the shareholders' meeting.

The Company's dividend policy is to take into account the Company's profitability, future growth, capital budget planning, monetary needs and other factors in fulfilling shareholder interests and the Company's long-term plans. Shareholder interest can be distributed through cash dividend or share dividend but cash dividend cannot be lower than 10 percent of the total dividend sum. If cash dividend is lower than NT\$0.2, dividend is not distributed through cash but rather share dividend.

4.1.6.2 Implementation Status: Distribution according to the shareholders' meeting

The Company has decided to allocate NT\$550,739,370 as shareholder cash dividend from 2019 earnings. Each share is to distribute NT\$4.60 in dividend. After being passed by the shareholders' meeting, the board of directors meeting is authorized to set the base distribution date.

4.1.6.3 Expected major changes to dividend policies: The Company does not expect to make major changes to its dividend policies. A minimum of 60% of the earnings can be distributed as shareholder dividend.

4.1.7 The impact of the shareholder's meeting decision on issuance of bonus shares regarding the Company's operating performance and EPS.

The Company did not issue dividend this year. This does not apply.

4.1.8 Compensation of employees, directors, and supervisors:

4.1.8.1 According to the Articles of Incorporation, if the Company makes profit, a minimum of 6% is to be used as employee compensation while a maximum of 3% is to be used as compensation for directors and supervisors.

The board of directors decides whether to distribute by share or cash, and the employees' compensation shall include employees of the subordinate company that meet certain conditions. The certain conditions are to be determined by the board of directors. The compensation for employees and the distribution of compensation for directors and supervisors shall be reported at the shareholders' meeting.

However, if the company accumulates losses, it should retain the amount of losses in advance, and then reimburse directors and supervisors and employee compensation according to the proportion of the preceding paragraph.

4.1.8.2 The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

Employee compensation and compensation of directors are recognized as expenses and liabilities when they are legally or deductive and be reasonably estimated. If there is a discrepancy between the actual distributed amount and the estimated amount, the change will be handled according to accounting estimates. In addition, the Chenbro group calculates the number of shares of the stock dividends based on the fair value per share of the previous day prior to the day in which the resolution was made on the annual shareholders' meeting, which follows the year of the financial reporting, while taking into account the amount after dividend when calculating the number of dividend shares.

4.1.8.3 Employee compensation approved by the board of directors meeting:

- Distribution of the compensation amount and share dividend for employees and directors & supervisors: Resolution was made on March 17, 2020 at the board of directors meeting, that the Company's employee compensation for 2019 would be NT\$81,802,121; director & supervisor compensation would be NT\$24,059,447, with the basis for estimation being the annual profit as of the year.
- Proposed distribution of employee share compensation and the proportion of total net profit after tax and individual employee's remuneration for individual or individual financial statements of the current period: This is not applicable to employee shares, so it is not applicable.
- After taking into consideration the compensation distribution for employees, directors and supervisors, the earnings per share is set a NT\$7.62.

4.1.8.4 Distribution of employee and director & supervisor compensation for the past year.

The Company's 2018 actual distribution of compensation is as follows:

Unit: NT\$; thousand: 1,000 shares

	Distribution approved by the board of directors meeting
1. Distribution:	
1.1 Employee cash compensation	56,274
1.2 Employee share compensation	0
1.2.1 Shares	0
1.2.2 Amount	0
1.2.3 Percentage ration compared to the number of shares in circulation	0
1.3 Director & supervisor compensation	16,551

4.1.9 Company repurchases its shares: N/A

4.2 Issuance of Corporate Bonds: N/A

4.3 Preferred stock: N/A

4.4 Overseas depositary receipt: N/A

4.5 Employee a share subscription warrant: N/A

4.6 RSUs: N/A

4.7 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: N/A

4.8 Implementation of the company's capital allocation plans

As of the quarter before the publication date of the annual report, the distributions prior or incomplete private offering or if completed within the past three years but has yet to take effect:

The Company has no plans to issue or conduct privately offered securities in the recent years, and thus is not applicable.

Business Overview

5.1 Business information

5.2 Market and sales situation

5.3 Employees information from the last two years up to
the printing of this report

5.4 Environmental expenditure information

5.5 Labor-management relationship

5.6. Crucial contracts

5. Business Overview

5.1 Business information

5.1.1 Business scope

5.1.1.1 Main content of current business:

Computer application software engineering.
Import/export of computer parts and peripherals.
Computer peripherals and their parts, materials, hardware system development, production, processing, and sales.

5.1.1.2 Sales ratio of main products (2019)

Unit: NT\$ thousand

Main product	Revenue	Sales ration (%)
Server chassis, components & peripherals	6,524,233	96%
Personal computer case	311,210	4%
Total	6,835,443	100%

5.1.1.3 Current products of the company

- Personal computer cases and components
- Industrial computer chassis and components
- Server chassis
- Computer peripherals

5.1.1.4 Planned development of new products

Our new products are customers'demand-oriented, and the sever system is designed for end-use applications. Based on our own parts bank, we work with the supply chain partners to develop system solutions together, as well as deepen the direct cooperation relationship with our customers as the new products developing strategies. In response to global datacenters with high-spec system solutions, we provide modularized and flexible multi-chassis solutions as well as highly customized rack and rackmount to meet their demand, including from 1U to 4U barebone or storage, Cloud, AI and so on. For the global channel market and system integrators, etc., there will be new products introduced as follows:

A. Storage:

- Dual-socket 3.5"HDD/SSD for 2U24-bay, 4U36-bay, and 4U60-bay server and JBOD serial new products.

B. Edge Computing:

- 2U dual-socket with 6 x 2.5" SAS/SATA/NVMe tray, front and rear I/O easy access, up to 2 x double-width GPGPU.
- 3U dual-socket with 6 x 2.5" SAS/SATA/NVMe tray, front and rear I/O easy access, up to 4 x double-width GPGPU.

C. AI:

- 1U 3 x double-width GPGPU, 2U 6 x double-width GPGPU, 4U Tower-rack convertible server, 5 x double-width.
- D. Cloud Computing:
- 1U/2U, Intel Whitley, AMD ROME platform products
- E. Barebone:
- 1U/2U, standard EEB and dual-socket motherboard with NVMe or SAS/SATA tray.
- F. Personal Computer serial:
- New slim PC chassis
 - Creator PC

5.1.2 Industry status

5.1.2.1 Technology and development summary

■ Desktop computer

According to the statistics from the Institute for Information Industry, the global desktop shipments in 2019 are estimated at 92,480,000 units, reducing 4.6% compared to 2018. In retrospect of 2019 global desktop computer market trend, users bought new desktop computers due to Windows 10 as the major driver of PC shipment growth in all regions. For example, the increase of Consumption Tax in October resulted in a 55% increase in PC shipments in Japan, also driven positive growth in the global PC market. Although the out-of-stock of Intel CPU or U.S.-China Trade War did not significantly affect PC shipments in Q3 of 2019. As Intel CPU shortage situation continues to ease, and the date for U.S. tariff increase on Chinese-made mobile PC has been extended to the coming December, the impact on PC shipments is not so seriously. On the other hand, Intel status also provided opportunities for other CPU vendors such as AMD and Qualcomm, etc. to enter the PC market dominated by Intel.

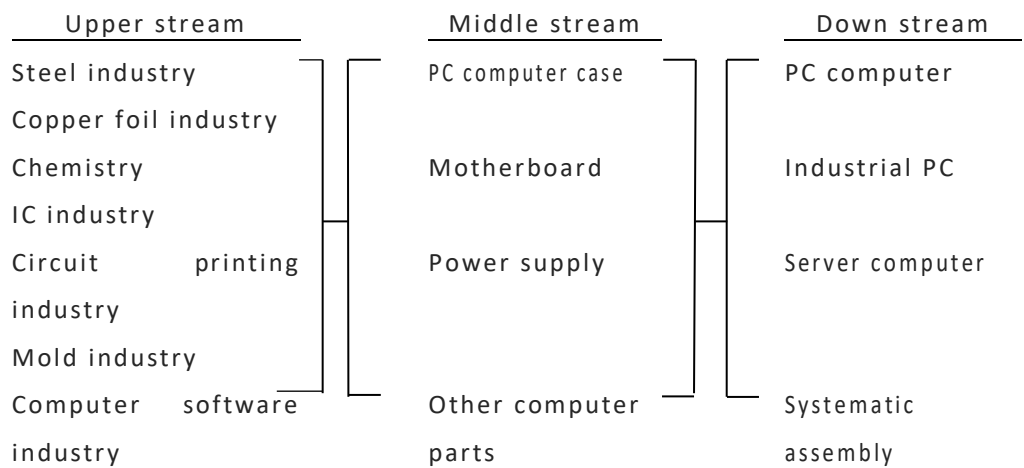
■ Server

According to IDC, global server shipments in 2019 were 11,746,000, decrease 0.78% from 2018. The top three server companies around the world, Dell EMC, HPE including H3C, and Inspur, their full-year market shares were 17.44%, 15.35%, and 8.71% respectively. However, Dell EMC received a 9.85 percent decline in shipments from 2018 because of the customer transfer in U.S.-China Trade War. Its 2019 shipments were well lower than expectations, mainly due to the orders from American datacenters transferring to ODM, and Chinese regions customers chose China domestic brands, such as Huawei, Inspur, etc. because of U.S.-China Trade War issue. In addition, HPE was also affected by the global digital transformation, and was introduced the Intel platform too slowly, resulting in their enterprise customers orders shifting to other brand factories and cloud vendors.

At present, HPE enterprise customers occupy its own customers about 97%, which is only 3% market share of the ultra-large-scale servers, so HPE's market share may gradually be declined in the long-term market trend. In the past year, because of the Trade War order-shift effect, China large-scale data center deployment, and operators built servers mostly using domestic manufacturers of server products, annual shipments only slightly declined by 3.13%, and Inspur server shipments have officially exceeded a million units, of which nearly 40% in the Chinese mainland market reflects the continued demand of local cloud service industry.

With the situation of ODM-Direct continued expansion for American four datacenters, the growth of 2019 came from Amazon Web Services (AWS) and Facebook. In addition to demand for Self-build data centers in the Asia-Pacific region, and demand for Colocations both increased, so these two led to ODM Direct shipments increase up more than 10%. On the other hand, the forecast need of Google and Microsoft Azure declined in 2019 from last year, mainly due to the 2020 Q1 & Q2 of ODM production line shift, but as the production line yield gradually stabilized, the end of the Q3 began to gradually stabilize ODM shipments. Overall, server demand for the top four cloud operators in North America is still growing by 5-6% a year in 2019.

5.1.2.2 Relevance of the industry upper, middle, lower stream.



5.1.2.3 Product development trends and competition

■ **Desktop computer**

As European meeting made a resolution to adapt Type-C , mobile device chargers are widely expected to be of Type-C specification, and the Type-C Gen2 interface is expected to be widely used not only in gaming computer consoles, but also in commercial and workstation applications, with new application requirements such as high-speed data transmission, high-power charging and even display devices. More and more motherboard manufacturers are expected to roll out models with embedded Type-C ports in the Q1 2020 to support this trend. The Windows 10 update process will be completed in 2019, so there will be some demand for replacements original desktop computers in the market, especially in Japan and the South Pacific.

■ **Server**

At present, the server application market is still dominated by enterprise users, about 60%, while the large-scale server of data center is about 31%, which might grow to 35% in the future. After 2020, there are business opputunities for 5G, and Micro Server applications for edge computing will grow significantly over the next 3-5 years.

With the trend of Cloud, vedio streaming services and edge computing are becoming more and more popular, and the trend is driving Mirco cloud service data centers. Edge

computing is based on intelligent connection, real-time response and data security, which drive the terminal device to connect with the edge devices resulting in an intelligent environment, especially for the intelligent manufacturing, intelligent medical and other specific site equipment. Therefore, this is forming a miniaturized cloud service data center from the bottom up, and it is worth to observe the future server equipment and network architecture with new specifications, and new applications development.

In addition, the trend towards the Internet of Things (IoT) is leading the way in the future to form flexible edge computing architectures. Compared to cloud computing, edge computing uses more decentralized logic to design computing architecture, which allows to construct multi computing structure, products and soft- & hardware services between Cloud and terminals. It can be expected that the future computing, storage and connecting efficiency of terminal equipment will be changed. Software definition and network virtual technology will introduce the edge. On the other hand, the Industrial Internet of Things (IIOT) is more widespread, generating a large amount of network data, which is industrial data as a service. After the industry has been connected by network and digitized, industrial data began to be collected to Big Data; in order to effectively respond and solve the manufacturing operation problems, industrial APP with industrial characteristics, basic hardware and equipment construction will become the focus of industrial Cloud platform and demand manufacturers.

More than 5G networks have been built in 27 countries and more than 50 telecom operators worldwide, mainly with a Non-standalone, NSA 5G NR network. The Standalone, SA 5G NR architecture will play an important role in the next generation of innovative applications such as smart manufacturing, smart healthcare, and intelligent transportation. Moreover, the new 5G payment model is also another highlight observation, and telecommunication vendors will further consider how to design a diversified, customized charge packages. For the stable revenue from the B2C market, it shall adapt a more flexible commercial model to expand the market.

Short-term development center, led by market demand enterprises to continue digital transformation, hybrid cloud architecture will be a trend, and the software definition of storage will be the future development of mixed cloud key technology highlight.

Combined with the above, the Company has been in the ODM Direct market for a long time, providing tailored-made and a small number of diverse products, but also with key customers to jointly develop edge computing servers. Thiese are expected to propose solutions in Q1 & Q2 of 2020, and actively work with Intel next-generation platform compatible chassis. In the next 1-2 years, we will continue to innovate in design and manufacturing technology, by providing the best custom mechanism solutions, and offering a rapid and small number of diverse manufacturing advantages to enhance our additional value in the supply chain, master the new market product layout, provide customers with more complete and flexible services, and deepen the win-win partnership with customers.

5.1.3 Technology and development summary

5.1.3.1 Total development costs in the recent year up to the date of report publishing

Unit: NT\$ thousand; %

Item \ Year	2019 (Note 1)	2020 End March 31(Note 1 &2)
R&D expenditure	227,302	47,499
Business revenue	6,835,443	1,337,275
Ratio of development cost against revenue (%)	3%	4%

Note 1: The information is a consolidated income statement in accordance with IFRS.

Note 2: Reviewed by an accountant in the first quarter of 2020.

5.1.3.2 Successfully developed technologies or products

Under the framework of the Athena project, the Company's R&D strategy for four-in-one product development, it has continuously improved research and development capabilities and developed new products. By adopting modular design as the main direction and expanding the scale of parts banks to continue the versatility and standardization of products; thereby achieving scale advantages and effectively manage costs. Chenbro will also conduct in-depth exploration of new materials, new manufacture, new technologies and others. The focus of new materials will be on high strength while being lightweight, eco-friendly, high damping in terms of noise reduction and rapid prototyping steel materials to increase product density as well as reduce the load of large data centers. Manufacture will focus on the introduction of new processes such as cross-border integrated manufacturing and CNC manufacturing to achieve lean management. New technologies will focus on changes in server systems and mainframes brought by storage, 5G, artificial intelligence and edge computing, with technological innovation used to maintain an industry leading competitive advantage. Chenbro also attaches great importance to the protection of intellectual property rights and continues to invest resources. Up to 2019, 439 applications have been filed in Taiwan, the United States and mainland China, with 363 patents have been obtained. In 2019, new patents have been launched for various products. The development and application of patents has added 29 new inventions, designs and new patents worldwide.

New products in 2019 are listed below :

Model number	Description
RM23927	2U rackmount custom high-computing storage server chassis
RM14917	1U rackmount custom modular high-density storage server chassis
RM13804/10	1U rackmount modular storage server chassis
RM23941	2U rackmount custom modular storage server chassis (Purley)
RM23935	2U rackmount custom modular storage server chassis (Purley)
RM13926	1U rackmount custom modular storage server chassis
RM13924	1U rackmount custom modular storage server chassis
RM23931	2U rackmount custom modular high-computing storage server chassis
RM23929	2U rackmount custom modular high-computing storage server chassis
RM41913	4U rackmount modular high-density high-computing dual-domain storage server chassis
RM12920	1U rackmount STB server chassis
RM15104	1U rackmount custom modular storage server chassis (Whitley)
RM25112	2U rackmount custom modular storage server chassis (Whitley)
RM19811	1U rackmount cabinet with power custom storage server chassis
RM12923	1U rackmount netcom chassis
RM21954	2U rackmount custom modular high-computing storage server chassis
RM21957	2U modular storage server chassis (Whitley)
RM41942	4U rackmount modular high-density storage server chassis
RM41936	4U rackmount custom modular storage server chassis
RM81905	8U high capacity computing AI server chassis
RM41932	4U rackmount modular high-density storage server chassis
RM41939	4U blade high-density high capacity computing and storage all-in-one air-cooling & liquid-cooling server chassis
RM21933	2U rackmount custom modular high-computing storage server chassis
RM21956	2U rackmount custom modular high-computing storage server chassis
RM29A01	1U rackmount custom modular high-computing storage server chassis
RM19911	1U blade custom high-computing server chassis
RM49911	4U blade custom high-density server chassis

The new patent applications in 2019 are listed below :

Application date	Area	Type	Patent name	Product category
2019/1/11	Taiwan	New	Hard disk extratction box panel	HDD Module
2019/1/11	China	New	Hard disk extratction box panel	HDD Module
2019/2/1	Taiwan	Invention	Server device and latch structure	Rackmount
2019/2/1	China	Invention	Server device and latch structure	Rackmount
2019/2/1	Taiwan	New	Server device and latch structure	Rackmount
2019/2/1	China	New	Server device and latch structure	Rackmount
2019/2/1	Taiwan	Invention	Server device and latch structure	Rackmount
2019/2/1	China	Invention	Server device and latch structure	Rackmount
2019/2/1	Taiwan	New	Tray and lock components	HDD Module
2019/2/15	China	New	Tray and lock components	HDD Module
2019/4/16	China	New	Server chassis	Rackmount
2019/4/18	USA	Invention	Storage receiving mechanism and holder thereof	HDD Module
2019/5/24	Taiwan	New	Service chassis	Rackmount
2019/5/24	China	New	Service chassis	Rackmount
2019/5/24	Taiwan	New	Storage device	HDD Module
2019/5/24	China	New	Storage device	HDD Module
2019/5/24	Taiwan	New	Storage device & basket	HDD Module
2019/5/24	China	New	Storage device & basket	HDD Module
2019/7/16	Taiwan	New	Service mechanism	HDD Module
2019/7/16	China	New	Service mechanism	HDD Module
2019/7/16	Taiwan	New	Service device	Rackmount
2019/7/16	China	New	Service device	Rackmount
2019/10/28	USA	Invention	Chassis side-loaded module (American temporary project)	HDD Module
2019/12/3	USA	Invention	Server Chassis	Rackmount
2019/12/9	USA	Invention	Partitioning member, hard dis fixing mechanishm and server	HDD Module
2019/12/25	USA	Invention	Server rack and dummy chassis thereof	Rackmount
2019/12/30	China	New	Electronic equipment and locket	Rackmount
2019/12/30	China	New	Electronic equipment and locket	Rackmount
2019/12/31	China	New	Electronic equipment and removal parts	Rackmount

5.1.4 Short- and long-term business development plan

In terms of short-term plans, in addition to focusing on the industry, Chenbro continues to develop customer bases and system integration plants for related applications, expand market share, and use existing market niche to develop products that support GPGPU and NVMe in response to new market trends such as AI and 5G. Rich variety of products will be used to provide customers with more flexible and diversified institutional solutions. We will continue to deepen our cooperation with domestic and international system integration manufacturers and end customers, and form strategic alliances with motherboard and key component suppliers, and strive to jointly develop more disciplined products in the field to provide better products and after-sales services, so as to meet the needs of customers and enhance the one-stop service capabilities of the company's products. In addition to technological breakthroughs in research and development, the company has continued to invest resources in participating in exhibitions in Taiwan, China, the United States and Europe, expanding its sales team to position itself for local marketing outlets, enhancing product visibility and building a diligent brand image, thereby increasing customer base and increasing product added value to achieve the company's operational goals.

In terms of long-term plans, in addition to strengthening existing products and market share with advanced R&D and manufacturing capabilities, we will continue to develop new markets and promote our business to countries such as India, Australia, ASEAN and Israel, and deploy international business teams to serve more clients. We will gradually build a comprehensive global production and sales network through comprehensive investment in R&D, production, marketing and finance. In terms of technological innovations, we continue to invest in research and development resources, maintain market leading position in material breakthrough and manufacturing technology, master market opportunities in the future data center, Internet of Things, edge computing, artificial intelligence, etc., and develop modular standard products to save customer investment costs and speed up the development of customer products, and continue to improve product quality and strengthen cost control, shorten orders to delivery cycle, in order to achieve the spirit of concise management. In the future, the company will continue to adhere to the business philosophy of "diligence and sincerity" and promote the core values that are approved by customers. In order to become the "leader of the global cloud industry electromechanical integration solution", the four core values are "integrity, innovation and consensus". Based on altruism, we are committed to "developing new products, new technologies or services", "improving productivity", "expanding of emerging markets or applications", and "cultivating the functions of old and young talents" to foster corporate competitiveness. Based on the global market, we will achieve sustainable business.

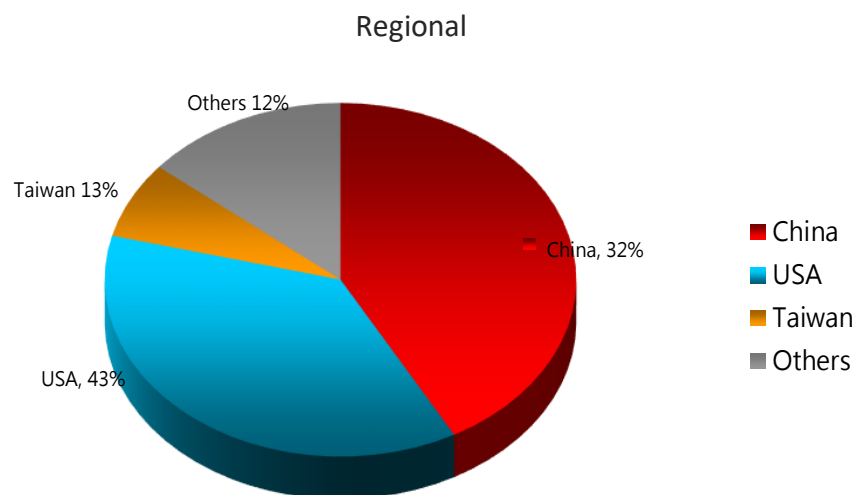
5.2 Market and sales situation

5.2.2 Market analysis

5.2.1.1 Sales region of main products (services)

Unit: Thousand NT\$

Region	Sales income	Percentage
China	2,214,660	32%
America	2,921,910	43%
Taiwan	876,797	13%
Others	822,076	12%
Total	6,835,443	100%



5.2.1.2 Market share

According to the statistics of the Institute for Information Industry (III), the global desktop shipments of 2019 are estimated at 92,480,000 units. Chenbro's desktop computer case currently owns 0.44% of the market based on amount shipped. In terms of server casings, the shipment of 2019 global servers are 11,746,000 units, and the market share of Chenbro is estimated to be 10.2%, reference from IDC.

5.2.1.3 Future market supply and demands and growth

The International Monetary Fund's (IMF) expects the global economic growth rate to be 3.2% in 2020, mainly because of the US-China Trade War, technological sanctions, the weak economic growth in Europe, the impact of Brexit, and Coronavirus outbreak. The growth rates of major economies are estimated to be 2.0% for the US, 5.6% for the China, 1.3% for the Eurozone, and 0.7% in Japan.

According to Gartner's forecast of global IT hardware and software spending in 2020, the annual expenditure will reach 3.9 trillion US dollars, an increase of 3.4% over 2019. It is expected that IT expenditure will make a breakthrough US\$4 trillion, including the highlights of the growth from the software as SaaS's popularity, IT infrastructure, internal organization on-premise data centers, etc. The most rapid growth in 2020 will be the software by 10.5%. In 2022, the enterprise IT spending on the Cloud service will grow faster than non-cloud IT Service, forecasting the business module of new generation revolution.

5.2.1.3.1 Prospect for 2020 global desktop computer market trends

According to III, global desktop computer shipments in 2019 were 92,480,000, decrease 4.6% from 2018. DT experiencing the shortage for 2019 Intel CPU, U.S.-China trade tariffs and other negative factors, although there is still commercial computers replacement demands, the overall decline in shipments expanded to 4.6%. However, Taiwan's manufacturers outperformed the commercial PC orders for most international PC brand manufacturers, with annual shipments only declining by 1.6%.

Although the professional PC market after three years of continuous growth, will face a reduction in the range of replacement, there is still a replacement demand in 2020. Especially, Chinese government is promoting a "safe and controlled PC made" by China, expected to bring about a sharp change in 2020.

In addition, Microsoft stopped to support Windows 7 on January 14, 2020, resulting in a long-tailed wave of upgrades in SMBs of emerging market. Gartner estimates that by the end of 2020, 1 billion PCs will be upgraded to Windows 10 and about 80% of all PCs in use. About CPU, AMD'S worked with TSMC for 7 nm Zen2 architecture processor, continuing to drive the market share of desktop computers by 69% in 2019.

On the demand side, it is expected that consumer machine spending, online gaming orientation and high-end audio and video creation demand will become the expected growth momentum. And AIO, because last year manufacturers avoided the China-US Trade War tariffs and claimed goods advanced. Looking ahead to 2020, various uncertainties result in that most brands are conservative about shipment expectations,

and overall AIO PC shipments are expected to decrease by 15% ~17% on-year compared to 2019 shipments.

5.2.1.3.2 Prospect for 2020 global server market trends

Artificial intelligence, big data, the Internet of Things, edge computing, hybrid cloud and 5G networks are all driving the growth of servers and storage devices. However, the expansion of large data centers around the world is slowing down, and in addition to the continued expansion of data centers, cloud computing services will gradually go to the edge computing to achieve low latency, real-time computing in response to multiple and complex real-time scenarios towards a multi-dispersed, small and intelligent trends.

5.2.1.4 Competitive niche

5.2.1.4.1 Complete product line

Chenbro's products include desktop PC case, industrial computer cases, server cases, storage server bare system, storage capacity expansion kit (Storage Expansion Kit) and as well as customized services to that provide customers with complete solutions. Because of the long-term cumulative modular design and complete product line planning, Chenbro is capable of providing different solutions for branded and off brand servers. Using Chenbro's design or partial module to achieve rapid, helps with market expansion and expansion and revenue growth.

5.2.1.4.2 Continuous investment in development

Chenbro has a complete server electronics and institutional R&D team, equipment and experience to quickly respond to market demands, especially in the areas of artificial intelligence, edge computing, high-density storage servers and other product-related technologies. Over the years, we have accumulated a number of product design patents to acquire a competitive niche, and continue to invest in research and development resources, focusing on high-order server materials such as weight reduction, heat dissipation, structural strength and shockproof, and strengthen product competitiveness.

5.2.1.4.3 Improve manufacturing and decision making

In addition to the Taipei head office, Chenbro currently has overseas operations in North America, Europe and China, and is responsible for local customer services, and collects market demand information, providing reference for product development, manufacturing, logistics management and other decisions. Together with the introduction of CPS (Chenbro Production System), an information system that provides synchronization and design and global synchronization, allowing us to respond to market information, customer needs, product information and production schedules, and provide precision-fit products and services.

5.2.1.5 Advantages, disadvantages and countermeasures of developing prospects

5.2.1.5.1 Favorable factors in developing a vision

Driven by the two trends of cloud computing and Internet of Things, various applications continue to evolve and drive server demand growth. In addition to the continuous adoption of server specifications by the cloud network service industry, edge computing is not neglected by terminal requirements. We have been deeply involved in the server field for many years, coupled with the experience of the branded server chassis, and the experience of customized services accumulated in recent years, making the company continue to maintain its competitiveness in the face of the ever-changing server industry design and manufacturing needs.

Driven by the continuous and steady development of market demand and the continuous improvement of the technologies of the overall industrial development environment, and further strategic layout of cross-industry alliances and cross-border integration of resource capacity structure, it will be beneficial to subsequent operational growth.

5.2.1.5.2 The Adverse Factors and Countermeasures of The Development Vision

- **Intense competition in the product market**

Because some low-end technology manufacturers adopt a price competition strategy that imitates improved products, the damage to the overall market order is very large, which directly affects the degree of competition in the overall market. However, such phenomena have gradually slowed down as material and labor costs increase, in addition to the increased requirements for product functionality and gradual improvement of technology. In addition, Chenbro will continue to invest in server materials, smart manufacturing and product technology thresholds, avoid cost competition with cost-effective products, and gradually plan the functions of overseas shipping centers to provide fast and convenient logistics operations.

- **Full manufacturing service challenges**

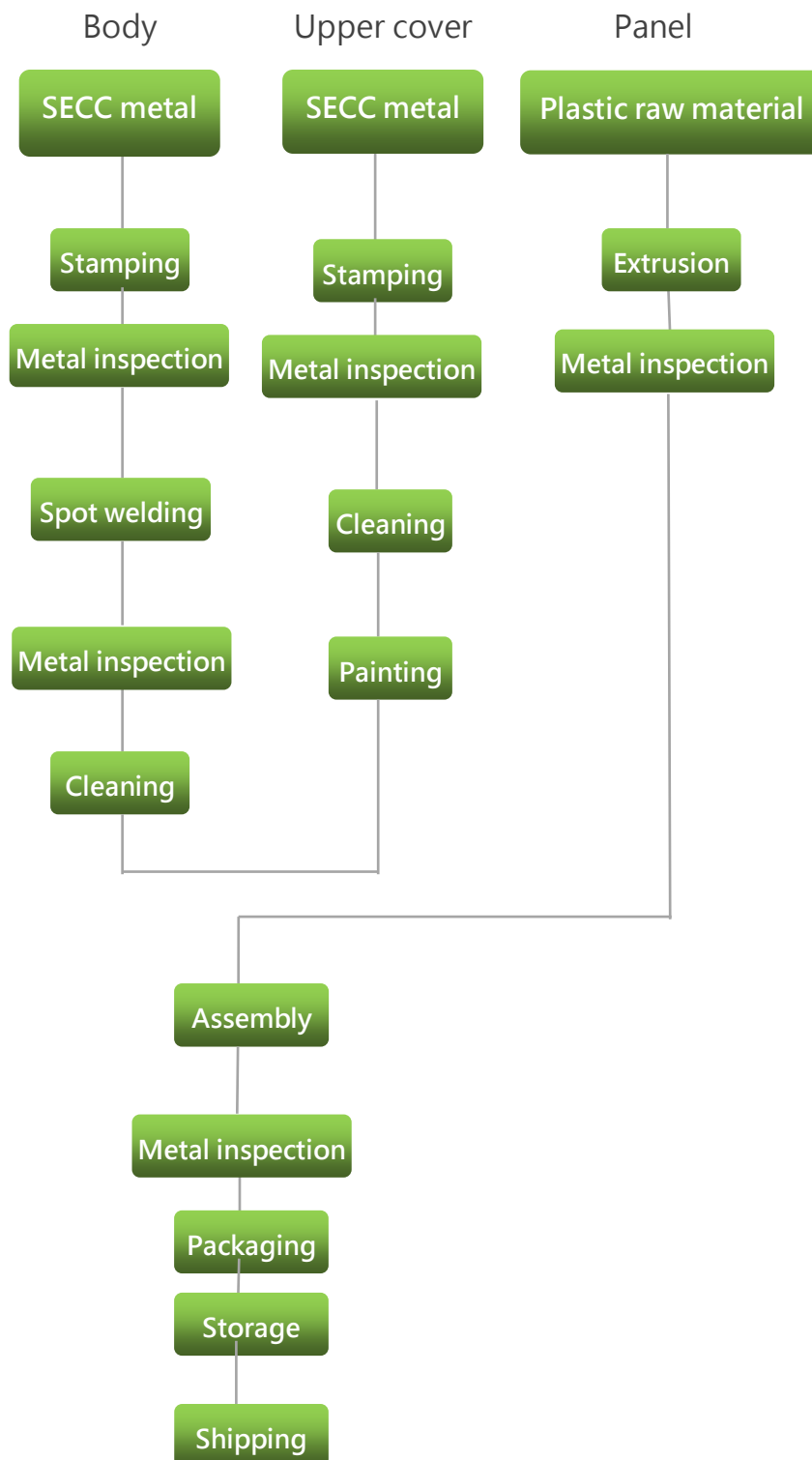
Because the scale and level of customers served by Chenbro are constantly improving, uncertain order demands, and faster and more flexible delivery services are required, will pose operational challenges. In response to this trend, Chenbro has built an integrated information system, towards lean manufacturing, continuously improving various logistics operations, supply chain management, customer service management and other systems, strengthening the flexibility and flexibility of corporate operations, and improving the Customer manufacturing service quality.

5.2.2 The important uses and manufacturing process of main products

5.2.2.1 Important purposes of main products

The case of the computer is a main component necessary for all kinds of computers (personal computers, workstations, servers, etc.)

5.2.2.2 The manufacturing process of main products



5.2.3 Supply status of main materials

Main product	Name of main material	Suppliers
Computer Case	Stamping products	Hong Chang Industrial Co., Ltd.
		Hsiung Ye Industrial Co., Ltd.
		Mass Easy Co., Ltd.
		Sentelic Corporation
		Guang Yuan Industrial Co., Ltd.
	Power supply	AcBel Polytech Inc.
		FSP Group
		Delta Electronics
		Zippy Technology Corp.
	Heat fan	Sanyo Denki
		Nidec Corporation
		Delta Electronics
		Sunonwealth Electric Machine Industry
		NMB
	Rail	Sentelic Corporation
		Repon International Co., Ltd.
	PCBA	Tailyn Co., Ltd.
		OSE (Suzhou) Co., Ltd.
		Diamond NPI
		Jin Mao Electronic Co., Ltd.
		Innoflux Co., Ltd
	CABLE	Luxshare Co., Ltd.
		Amphenol Assemble Technology
		JPC Co., Ltd.
		Ming De Co., Ltd.
		Jian Hong Co., Ltd.
		Excelsior Group

5.2.4 The name, the amount and the proportion of the goods to be sold of the customer who has accounted for more than 10% of the total amount of goods (sales) in any of the previous two years.

5.2.4.4 The name, the amount and the proportion of the goods to be sold of the customer who has accounted for more than 10% of the total amount of goods (sales) in any of the previous two years.

Major sales customer information in the last two years

Unit: Thousands NT\$

Item	2018				2019				2020 Q1			
	Client name	Amount	Net annual sales ration [%]	Relationship with distriutor	Client name	Amount	Net annual sales ration [%]	Relationship with distriutor	Client name	Amount	Net sales as of the previous quarter for the year ended [%]	Relationship with distriutor
1	A	54,643	1%	5	A	1,094,317	16%	5	A	161,657	12%	5
2	B	1,428,979	21%	5	B	969,788	14%	5	B	174,733	13%	5
3	C	1,337,581	21%	5	C	919,096	13%	5	C	255,393	19%	5
4	D	579,800	9%	5	D	720,405	11%	5	D	74,788	6%	5
5	E	701,425	11%	5	E	559,306	8%	5	E	158,426	12%	
	Other	2,418,086	37%		Other	2,572,531	38%		Other	512,278	38%	
	Net sales	6,520,514	100%		Net sales	6,835,443	100%		Net sales	1,337,275	100%	

Note 1: The name of the customer and the sales amount and proportion of the sales volume of more than 10% of the total sales in the last two years are listed. However, the contract name may not disclose the customer name or the transaction object is personal and non-relevant, and can be coded.

Note 2: 1. Subsidiary 2. Other invested companies evaluated by equity method 3. Other real related parties 4. Shareholders who own more than 10% of shares 5. None

5.2.4.5 Names of manufacturers and purchases and proportions of goods that accounted for more than 10% of the total purchases in any of the past two years: there were no more than 10% of the total purchases in the last two years.

5.2.5 Manufacturing quantity for the last 2 years

Unit Amount: Thousand NT\$; Amount: Units

Manufacturing quantity Main product	Year	2019			2018		
		Production capability	Production amount	Production value	Production capability	Production amount	Production value
PC computer chassis		360,000	206,217	133,075	360,000	170,673	111,269
Server chassis, peripherals and components		2,520,000	1,193,595	4,340,745	2,400,000	1,495,884	4,501,590
Total		2,880,000	1,399,812	4,473,820	2,760,000	1,666,557	4,612,859

5.2.6 Sales quantity for the last 2 years

Unit Amount: Thousand NT\$; Amount: Units

Sales quantity Main product	Year	2019				2018			
		Domestic sales		Foreign sales		Domestic sales		Foreign sales	
		Amount	Value	Amount	Value	Amount	Value	Amount	Value
PC computer chassis		600	440	402,318	310,769	—	—	338,701	246,239
Server chassis, peripherals and components		16,451	98,100	1,185,743	6,426,134	1,682	24,986	1,503,974	6,249,289
Total		17,051	98,540	1,588,061	6,736,903	1,682	24,986	1,842,675	6,495,528

5.3 Employees information from the last two years up to the printing of this report

March 31, 2020

Year		2018	2019	As of March 31, 2020
Number of employees	Direct staff	1,030	1,152	1304
	Indirect staff	999	995	998
	Total	2,029	2,147	2,302
Average number of years		39.02	38.42	38.64
Average service years		3.51	3.82	3.85
Academic record distribution	Phd.	0	0	0
	Master	70	74	79
	Bachelor	199	199	200
	College	237	258	258
	Senior High School	392	418	477
	Others	1,131	1,198	1,288

5.4 Environmental expenditure information

5.4.1 Losses by environment pollution as the date of this printed annual report and reveal for the estimated amount and measures in the future, if it cannot be reasonably estimated, it shall indicate in the statement: None.

5.4.2 In response to the Hazardous Substances Limitation Directive (RoHS) management measures, including the establishment of a dedicated planning response and implementation of personnel to provide relevant education and training and obtain relevant supporting documents, and to guide suppliers to establish a green supply chain and regular lying audits by the customer's qualified certification. The future will continue to invest in human resources to take preventive measures, so that there will be no loss. Hwa Dung Science and Technology strives to reduce negative environmental impacts through new technologies and innovation capabilities, some of which have been implemented as follows:

- In response to China's environmental policy adjustment, in 2019, the Company invests RMB341,000 to transform the paint workshop dust exhaust system, and another RMB700,000 to upgrade the exhaust gas treatment facilities for the original exhaust gas treatment equipment with the whole replacement, from the original traditional two-level filtration upgrade to replace the three-stage filtration. Emissions quality is better than the national standard.
- In 2019, the Company invests RMB800,000 for the transformation of the rain and pollution diversion project of the factory, and the original rain pollution common drainage pipe will be transformed into a rain-stained pipe respectively. The environmental protection discharge of water quality will be comprehensively improved.
- In 2019, the investment of RMB93,000 is used for the rectification of 30,000 meters of plant environment and the cultivation of green seedlings.
- In 2019, we will invest RMB118,600 to replace energy-saving technology projects such as water-saving toilets, variable frequency pumps and street lighting renovations.

- 5.4.3 Future responses (including improvement measures) and possible expenditures (including the estimated amount of damages, penalties and compensation that may be incurred without response countermeasures), if not reasonably estimated, it shall state the facts that they cannot reasonably estimate:

The Company mainly manufactures PC and server chassis and sales, it shall promote environmental protection and healthy work in the production process. The Company shall establishes complete measures for all possible emergencies and disasters, on the prevention of losses, emergency response, crisis management and post-disaster recovery. It is expected that there will no any other pollution business operated in the next three years.

5.5 Labor-management relationship

- 5.5.1 The company's various employee welfare measures, training, retirement system and its implementation, as well as the agreement between labor and management and the maintenance measures of various employee rights.

5.5.1.1 Employee work hours and vacation system

- In accordance with the labor-related laws and regulations, eight hours of daily work, two days of weekly work, and flexible working hours, employees can arrange working hours according to individual needs within the normative principles.
- In compliance with the Labor Standards Law and the Gender Work Equality Law, the provisions provide for special leave such as marriage leave, maternity leave, paternity leave, funeral leave, physical leave, and family care leave, in addition to special leave and sick leave.
- Respect for employees' right to vacation, the minimum unit for leave is 30 minutes, so that employees can flexibly use all kinds of leave.
- Both male and female employees can apply for parental leave and leave without pay according to the Gender Equality Law.

5.5.1.2 Employee activities

The Staff Welfare Committee, which is focused on employee well-being, carefully planned various activities and welfare facilities to create a lively working atmosphere and boost employee morale. It was certified by the Sports Department Sports Enterprise in 2018 and won CHR Awards in 2019. In 2019, the Company raised a total of TWD4.59 million to the Staff Welfare Committee for employee welfare related activities.

5.5.1.3 Diverse benefits

In addition to three yearly bonuses, birthday and wedding gifts, end of year bonus, free annual employee trips and introductory assistance, and bereavement leaves, other benefits are as follows:

- The diverse welfare and activities program includes more intimate and diverse services, allowing employees to work and live happily :
 - a. Holiday celebrations: birthday party, holiday party (e.g. Christmas, Spring break, Mother's Day, etc.)
 - b. Culture and travel: Art performances, movie festivals, family days, employee travels, visits, etc.

- c.Charity events : Visit impoverished areas, Yunlin Art Light Point Dream Project, Historic Site Restoration, Green Farmer Support, Tree Planting, etc.
- d.Sports and health: Health talks, celebrity lectures, sports events, club activities, and the establishment of badminton clubs, yoga clubs, baseball clubs, bicycle clubs, golf clubs and other sports clubs, photography clubs, painting clubs, etc. We have bought employee blood pressure machines and play light music every day at 11am and 3pm to remind staff about activities.
- e.Book Garden : The company library cooperates with the AAEON Foundation to change the book cart every month to provide more study resources and knowledge for employees.
- Health checkups and comprehensive employee insurance to help employees and their families work without worry and take of their family's health:
 - a.Group insurance: Life insurance, accident insurance, hospital insurance, medical insurance, cancer insurance, workplace hazard insurance, increasing employee guarantees.
 - b.Family insurance: Employees can pay for group insurance for families to increase security.
 - c.Health checks: Provide multiple health check-up packages every year, professional doctors' health checkups, and family members can also get checked at their own expense.
- Employee Stock Ownership Trust System: An employee stock ownership trust plan allows employees to participate in the company's growth and embrace profitability and optimize benefits.

5.5.1.4 Work environment, employee safety and protection measures

The "Working Provisions" set by Chenbro include insurance compensation and related insurance components, which are placed on the company's internal website for employees' reference.

5.5.1.4.1 Employee office work safety and protection measures

The company has strict access control and security, employees need to use the identification card to identify and enter the office to protect employees' office security. The company's office environment has a 24-hour monitoring system, emergency call buttons, and signing a contract with the security company to maintain office security. In order to maintain employee safety and health and promote safety and health business, the company has a number of labor safety and health business executives and a number of first-aid personnel.

According to the company's labor safety and health work rules, water machines are maintained every 3 months.

5.5.1.4.2 Indoor air quality and ventilation equipment

Planning for an appropriate workspace reduces the crowding in the environment.

Smoke-free office policy.

The photocopier and fax machine are placed in separate locations.

The ventilation system is checked and regularly cleaned every year, including the shafts and filter nets.

Set the appropriate room temperature and increase the frequency of air circulation.

Ventilation equipment in the workplace are subject to regular inspection and maintenance every year.

5.5.1.4.3 Lighting

Replace the LED lighting and add a filter to reduce eye discomfort.

Non-reflective material for the wall, floor, and furniture.

Lighting equipment in the workplace with regular inspection and maintenance every year.

5.5.1.4.4 Reduce the factors that cause physical discomfort from using a computer

Ergonomic chairs are used to adjust the most comfortable working position for the individual.

Set daily stretching time, reducing the body's discomfort due to prolonged sitting.

The company provides large computer screens and screen supports for colleagues who use computers for a long time, so that colleagues can have a comfortable office environment.

Hire a professional qualified electrician try and calculate enough power sockets to avoid fire caused by excessive power load.

Inspect electrical equipment from time to time to ensure safe use of electrical appliances.

If there are any faults in the electrical equipment, they should be reported immediately.

5.5.1.4.5 Fire alarm safety

According to the regulations for building public safety inspection reviews and reporting methods, external professional companies are entrusted to conduct public safety inspections every two years.

According to the provisions of the Fire Protection Law, fire inspections are carried out by outside parties every year.

Fire equipment placement and escape route maps are provided in the office area, and clear signs along the road indicate the route to leave the building.

Inspected fire extinguishers shall be placed in the office area; maintenance and inspection of fire extinguishers shall be carried out from time to time to ensure their effectiveness, and fire declarations shall be made in accordance with the regulations. New employees shall be trained as newcomers and attend fire drills to understand the fire protection equipment and related information about escape routes.

Fire suppression systems are provided to ensure fire safety in the workplace.

5.5.1.4.6 Tripping, slipping, and falling

Make sure the workplace and the passage are adequately illuminated to avoid collisions or overcrowding. In addition, good workplace organization helps keep the working environment tidy to avoid tripping and falling accidents.

5.5.1.4.7 Agreements between labor and management

a. Labor-management meetings are held regularly to coordinate labor-management relations and promote labor-management cooperation.

b. A suggestion box is set up to strengthen the employee complaints channels.

c. Based on the Labor Standards Law, humanized management is adopted in business management.

5.5.1.5 Retirement plan and implementation

Retirement plan	Old System	New System
Applicable laws	Labor Standards Laws	Labor Pension Act
Fund allocation method	According to the employee's monthly salary of 2%, it is deposited in the name of the company into the special account of the Bank of Taiwan (formerly the Central Trust).	According to the employee's insurance level, 6% will be paid to the Labor Insurance Bureau's individual account.
Allocated amount	The cumulative amount for employee retirement reserve is TWD17,562,000 (Note).	TWD8,749,000 was allocated in 2019.

Note: The provision for pensions has been deducted from the actual amount of employee pensions paid.

5.5.1.5.1 Confirmed benefit plan

- The Company has a retirement scheme for determining benefits in accordance with the provisions of the Labor Standards Act. It applies to the service years of all regular employees before the implementation of the Labor Pensions Act on July 1, 2005 and employees who still seek to adopt Labor Standards Law after the implementation of Labor Pensions Act. If the employee meets the retirement conditions, the payment of the pension is calculated based on the service years and the average salary of the six months prior to retirement. The service years within 15 years (including) are given two bases per year. For services that are more than 15 years, a base is given each year, but the cumulative maximum is limited to 45 bases. The company allocates a pension fund of 2% of the total salary on a monthly basis and deposits it in the Bank of Taiwan in the name of the Labor Retirement Reserves Supervision Committee. In addition, the company estimates the balance of the former labor retirement reserve account before the end of each year. If the balance is insufficient to pay the amount of the pension calculated according to the above-mentioned retirement conditions in the next year, the company will be in the third year. The difference was raised before the end of the month.
- The assets of the Company's defined welfare retirement plan fund are within the scope and amount of the projects entrusted by the Bank of China in accordance with the annual investment and use plan of the fund, and the provisions of Article 6 of the Retirement Fund's Income and Expenses The project (ie, depositing financial institutions at home and abroad, investing in domestic and foreign listings, equity securities on the counter or private placement, and securitizing of domestic and foreign real estate, etc.) shall be entrusted to operate, and the relevant use cases shall be supervised by the Supervision Committee of the Labor Retirement Fund. The use of the fund and the minimum income of its annual final settlement shall not be lower than the income calculated according to the local bank's two-year time deposit rate. If there is any deficiency, it shall be replenished by the state treasury upon approval by the relevant authority. As the

Company has no right to participate in the operation and management of the fund, it is not possible to disclose the classification of the fair value of the planned assets in accordance with paragraph 142 of IAS. The fair value of the total assets of the fund plan was formulated on December 31, 2017 and 2018. Please refer to the report on the employment of the labor pension fund for each year announced by the government.

5.5.1.5.2 Confirmed allocation plan

- Starting from July 1, 2005, the Company has established a retirement scheme based on the Labor Pension Act, which applies to employees of Taiwanese nationality. The Company selects the part of the labor pension system stipulated in the "Labor Pensions Act" for employees. The monthly pension is paid to the employee's personal account at not less than 6% of the salary. The employee's pension is paid according to the individual employee. The amount of the pension account and the accumulated income is collected by monthly pension or one pension.
- Other overseas companies are required to provide pension insurance or retirement benefits in accordance with the local government's salary regulations. These companies have no further obligations other than timely allocation.
- In 2018 and 2019, the Company proposes retirement pension cost NT\$8,749 and NT\$8,680 in accordance with the previous retirement regulations.
- There is no a retirement pension proposal or retired staff in Chenbro Europe B.V. Cloudwell Holdings LLC., Chenbro GmbH, Cloud International Company Ltd., AMAC International Co., AMBER International Co., ADEPT International Co., Chenbro Micom Co. (Shenzhen) Co., Chenbro Micom Co. (Beijing) Co., Ltd. and Procace & Morex Corporation. Base on the local and domestic retirement pension laws, Micom Source Holding Co., Chenbro Micom (USA) Incorporation, Chenbro UK Ltd., Qinku Technoloty (Kunshan) Co., Ltd., Dongguan Procace Electronics Co., Ltd. and ChenPower Information Technology (Shanghai) Co., Ltd propose retirement pension cost are NT\$40,912 and NT\$40,168 respectively.

5.5.2 The losses suffered by the company due to labor disputes in the most recent year and up to the date of publication of the annual report, and the estimated amount and corresponding measures that may occur currently and in the future.

The company has a good labor-management relationship. In the recent year, there have been no labor disputes or losses due to labor disputes, and there are no factors in the labor disputes in the current situation. Therefore, it is expected that the possibility of labor disputes in the future is minimal.

5.6 Crucial contracts

Contract name	Contract party A	Contract party B	Information	Period
Real estate deal contract	Chenbro Micom Co., Ltd.	Chung Mao Capital Development Co., Ltd.	The Company bought the real estate in Xinzhuang District, uwhich will serve as the future new headquarters and R&D base.	2019/10/24
Factory lease contract	Chenbro Micom Co., Ltd.	Chen-Source Inc.	Lease Taoyuan factory for operational demend	2019/6/01~ 2020/05/31
Agentflow 3.x Enterprise Product Maintenance Contract	Chenbro Micom Co., Ltd.	Flowring Technology Corp.	Agentflow 3. X Engerprise version maintenance contract	2019/3/01~ 2020/02/28
2019 annual group insurance/travel insurance renewal contract	Chenbro Micom Co., Ltd.	Alexander Leed Risk Services, Inc.	Annual group insurance/travel insurance renewal contract	2019/6/1~ 2020/5/31
Accounts receivable insurance	Chenbro Micom Co., Ltd.	MSIG Mingtai Insurance Co., Ltd.	Accounts receivable insurance	2019/04/30

6

Financial Status

- 6.1 Name of the verifying accountant and their review comments in the past five years
- 6.2. Financial analysis of the last 5 years
- 6.3 The supervisor review report of the latest annual financial report
- 6.4 The latest annual individual financial report reviewed by the accountant
- 6.5 The latest annual individual financial report reviewed by the accountant
- 6.6 The company and its related companies have recently and until the annual report dated. It includes the impact on the company's financial status should financial turnover difficulties occur

6 Financial status

6.1 Name of the verifying accountant and their review comments in the past five years

6.1.1 Summarized Balance Sheet - International Financial Reporting Standards (Individual Financial Report)

Unit: Thousand NT\$

Item \ Year		Financial information of the last 5 years (Note 1)					Financial information (Note 3) As of March 31, 2020
		2015	2016	2017	2018	2019	
Current assets		1,202,374	1,344,330	1,053,782	1,500,604	2,021,327	—
Real estate, factories, and equipment (Note 2)		273,907	263,378	245,684	234,576	234,659	—
Intangible assets		9,706	7,562	5,079	3,199	3,214	—
Other assets		2,238,211	2,434,364	2,627,573	2,824,111	2,873,139	—
Total assets		3,724,198	4,049,634	3,932,118	4,562,490	5,132,339	—
Current liabilities	Before distribution	921,356	1,126,315	950,069	1,352,619	1,578,407	—
	After distribution	1,232,643	1,485,493	1,309,247	1,831,523	No distributed	—
Non-liquid liabilities		94,827	66,525	62,696	44,891	33,925	—
Total liabilities	Before distribution	1,016,183	1,192,840	1,012,765	1,397,510	1,612,332	—
	After distribution	1,327,470	1,552,018	1,371,943	1,876,414	No distributed	—
Interests belonging to the parent company		2,708,015	2,856,794	2,919,353	3,164,980	3,520,007	—
Shares		1,201,260	1,197,260	1,197,260	1,197,260	1,197,260	—
Capital reserve		56,749	48,209	48,209	48,209	48,209	—
Reserve earning per share	Before distribution	1,407,689	1,688,376	1,783,465	2,067,094	2,499,090	—
	After distribution	1,096,402	1,329,198	1,424,287	1,588,190	No distributed	—
Other interests		54,857	(77,051)	(109,581)	(147,583)	(224,552)	—
Treasure stock		(12,540)	0	0	0	0	—
Non controlled interests		0	0	0	0	0	—
Interests Total value	Before distribution	2,708,015	2,856794	2,919,353	3,164,980	3,520,007	—
	After distribution	2,396,728	2,497,616	2,560,175	2,686,076	No distributed	—

Note 1: The financial information of the last five years has been verified by an accountant (using IFRS).

Note 2: No revaluation of assets has been processed in the last five years.

Note 3: The company did not prepare an individual financial report on March 31, 2020. The figures in this table do not apply.

Note 4: The above figures are referred to as the number after distribution, please fill in the situation according to the resolution of the shareholders meeting of the next year.

Note 5: If the financial information is corrected or re-edited by the relevant authority, it shall be listed in the corrected or re-edited number and the circumstances and reasons should be noted.

International Financial Reporting Standards (Consolidated Financial Report)

Item \ Year	Financial information of the last 5 years (Note 1)					Financial information (Note 3)
	2015	2016	2017	2018	2019	As of March 31, 2020
Current assets	3,086,512	3,221,308	3,504,349	3,717,311	4,369,353	4,123,805
Real estate, factories, and equipment (Note 2)	1,209,024	1,569,099	1,675,691	1,721,274	1,558,811	1,568,652
Intangible assets	10,662	10,002	7,732	11,700	10,335	13,284
Other assets	320,390	187,737	188,221	375,634	466,956	432,759
Total assets	4,626,588	4,988,146	5,375,993	5,825,919	6,405,455	6,138,500
Current liabilities	Before distribution	1,650,124	1,892,895	2,237,570	2,458,722	2,699,548
	After distribution	1,961,411	2,252,073	2,596,748	2,937,626	No distributed
Non-liquid liabilities		268,449	238,457	219,070	202,717	185,900
Total liabilities	Before distribution	1,918,573	2,131,352	2,456,640	2,660,939	2,885,448
	After distribution	2,229,860	2,490,530	2,815,818	3,139,843	No distributed
Interests belonging to the parent company		2,708,015	2,856,794	2,919,353	3,164,980	3,520,007
Shares		1,201,260	1,197,260	1,197,260	1,197,260	1,197,260
Capital reserve		56,749	48,209	48,209	48,209	48,209
Reserve earning per share	Before distribution	1,407,689	1,688,376	1,783,465	2,067,094	2,499,090
	After distribution	1,096,402	1,329,198	1,424,287	1,588,190	No distributed
Other interests		54,847	(77,051)	(109,581)	(147,583)	(224,552)
Treasure stock		(12,540)	0	0	0	0
Non controlled interests		0	0	0	0	0
Interests Total value	Before distribution	2,708,015	2,856,794	2,919,353	3,164,980	3,520,007
	After distribution	2,296,728	2,497,616	2,560,175	2,686,076	No distributed

6.1.2 Individual summarized Consolidated Income Statement - International Financial Reporting Standards

Unit: Thousand NT\$

Item \ Year	Financial information of the last 5 years (Note 1)					Financial information (Note 2) As of March 31, 2020
	2015	2016	2017	2018	2019	
Revenue	3,038,008	3,250,976	2,888,796	3,581,542	4,798,463	—
Operating profit	668,238	749,940	692,930	867,987	1,389,418	—
Operating loss	318,006	373,210	339,415	483,426	968,169	—
Non-operating revenue and spending	273,273	323,520	185,264	269,575	127,807	—
Net profit before tax	591,279	696,730	524,679	753,001	1,095,976	—
Continuing business unit Net profit this period	504,834	600,188	455,442	642,350	911,951	—
Ceased business unit losses	0	0	0	0	0	—
Net profit (loss) this period	504,834	600,188	455,442	642,350	911,951	—
Other comprehensive income (Earnings after tax)	(36,593)	(140,122)	(33,705)	(37,545)	(78,020)	—
Comprehensive income this period	468,241	460,066	421,737	604,805	833,931	—
Net profit attributable to the parent company	504,834	600,188	455,442	642,350	911,951	—
Net profit attributable to non-controlling interests	0	0	0	0	0	—
Comprehensive income attributable to the parent company	468,241	460,066	421,737	604,805	833,931	—
Comprehensive income attributable to non-controlling interests	0	0	0	0	0	—
Earnings per share (TWD)	4.22	5.01	3.80	5.37	7.62	—

Note 1: The financial information of the last five years has been verified by an accountant (using IFRS).

Note 2: The company did not compile an individual financial statement on March 31, 2020, hence the figures in this table do not apply.

Note 3: The profit or loss of the ceased business department is stated at the net amount after the income tax has been deducted.

Note 4: If the financial information is amended or re-edited by the relevant authority, it shall be listed in the corrected or re-edited number, with the circumstances and reasons should be noted

Consolidated combined income statement - International Financial Reporting Standards

Unit: Thousand NT\$

Item \ Year	Financial information of the last 5 years (Note 1)					Financial information (Note 2) As of Mrch 31, 2020
	2015	2016	2017	2018	2019	
Revenue	4,439,229	5,209,967	5,513,754	6,520,514	6,835,443	1,337,275
Operating profit	1,290,795	1,550,182	1,469,319	1,714,748	2,096,126	347,119
Operating loss	593,209	778,456	683,190	831,399	1,128,923	125,511
Non-operating revenue and spending	71,698	37,819	(67,953)	39,333	24,483	36,755
Profit before tax	664,907	816,275	615,237	870,732	1,153,406	162,266
Continuing business unit Profit this period	504,834	600,188	455,422	642,350	911,951	134,960
Ceased business unit losses	0	0	0	0	0	0
Profit (loss) this period	504,834	600,188	455,442	642,350	911,951	134,960
Comprehensive income this period	(36,593)	(140,122)	(33,705)	(37,545)	(78,020)	(62,659)
Comprehensive income this period	468,241	460,066	421,737	604,805	833,931	72,301
Net Profit attributable to Parent company	504,834	600,188	455,442	642,350	911,951	134,960
Net profit attributable to non-controlling interests	0	0	0	0	0	0
Comprehensive income attributable to the parent company	468,241	460,066	421,737	604,805	833,931	72,301
Comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share (TWD)	4.22	5.01	3.80	5.37	7.62	1.13

Note 1: The financial information of the last five years has been verified by an accountant (using IFRS).

Note 2: The financial information of the most recent quarter has been reviewed by accountants and the financial information of the International Financial Reporting Standard has been adopted.

Note 3: The profit or loss of the ceased business department is stated at the net amount after the income tax has been deducted.

Note 4: If the financial information is amended or re-edited by the relevant authority, it shall be listed in the corrected or re-edited number, with the circumstances and reasons should be noted.

6.1.3 Name of the certified public accountants who duly audited the financial statement and their review comments in the past five years

Annual	Accountant name	Accounting firm name	Audit opinions
2015	Pan Hui Lin, Zhi Bing Zhen	PwC Taiwan	Revised unreserved opinion
2016	Tseng Hui Chin, Zhi Bing Zhen	PwC Taiwan	Unreserved opinion
2017	Tseng Hui Chin, Zhi Bing Zhen	PwC Taiwan	Unreserved opinion (Emphasized matters or other matters)
2018	Tseng Hui Chin, Zhi Bing Zhen	PwC Taiwan	Unreserved opinion (Emphasized matters or other matters)
2019	Pan Hui Lin, Tseng Hui Chin	PwC Taiwan	Unreserved opinion (Emphasized matters or other matters)

6.2 Financial analysis of the last 5 years

Financial Analysis - International Financial Reporting Standards

(Individual Financial Reporting)

Analyzed item (Note 3)		Financial analysis of the last 5 years (Note 1)					As of March 31, 2020 (Note 2)
		2015	2016	2017	2018	2019	
Financial structure (%)	Ratio of debt versus assets	27.29	29.46	25.76	30.63	31.42	—
	Long-term funds as a percentage of real estate, plant and equipment	1023.28	1109.93	1213.77	1368.37	1514.51	—
Solvency (%)	Flow ratio	130.50	119.36	110.92	110.94	128.06	—
	Quick ratio	114.16	104.14	96.21	102.88	115.04	—
	Interest coverage folds	447.59	763.29	273.28	207.25	467.77	—
Management capabilities	Receivables turnover rate (times)	4.66	4.35	4.20	4.42	4.06	—
	Average cash receiving days	78.25	83.88	86.93	82.58	89.90	—
	Stock turnover (times)	11.81	16.14	15.20	22.95	22.51	—
	Receivables turnover rate (times)	3.54	3.51	3.57	4.34	3.65	—
	Average sales days	30.92	22.61	24.01	15.90	16.22	—
	Real estate, factories, and equipment. Turnover rate (times)	11.18	12.10	11.35	14.92	20.45	—
	Total asset turnover rate (times)	0.81	0.84	0.72	0.84	0.99	—
Profitability	Asset returns (%)	13.51	15.46	11.45	15.19	18.85	—
	Returns on equity (%)	19.03	21.57	15.77	21.11	27.28	—
	Profit before tax as a percentage of paid-in capital Ratio (%) (note 7)	49.22	58.19	43.82	62.89	91.54	—
	Pure profit (%)	16.62	18.46	15.77	17.94	19.01	—
	Earnings per share (TWD)	4.22	5.01	3.80	5.37	7.62	—
Cash flow	Cash flow ratio (%)	14.46	27.69	25.90	32.00	53.40	—
	Cash flow rate (%)	321.34	294.01	333.28	675.91	606.70	—
	Cash re-investment rate (%)	4.30	9.71	7.50	12.26	21.71	—
leverage	Business leverage	1.71	1.75	1.59	1.56	1.42	—
	Financial leverage	1.01	1.00	1.01	1.01	1.00	—

Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted from the analysis.)

1. The interest coverage folds increased: the main reason was an increase in profits.
2. Real estate, plant and equipment turnover, return on assets, return on equity, income before tax as a percentage of paid-up capital, and increase in earnings per share: Mainly due to the increase in sales and profit in the current period.
3. Increase in cash flow ratio, cash flow ratio, and cash reinvestment ratio: Mainly the increased profit in the current period which results in increased net cash inflow from operating activities.

Note 1: The financial information of the last five years has been verified by an accountant (using IFRS).

Note 2: The company did not prepare an individual financial state on March 31, 2020, hence the figures in this table do not apply.

Note 3: For related calculations, please see the chart below

Financial Analysis - International Financial Reporting Standards

(Consolidated Financial Report)

Analyzed item		Year	Financial analysis of the last 5 years (Note 1)					As of March 31, 2020 (Note 2)
			2015	2016	2017	2018	2019	
Financial structure (%)	Ratio of debt versus assets		41.47	42.73	45.70	45.67	45.05	41.23
	Percentage of long-term funds in real estate, factories, and equipment.		246.19	197.26	187.29	195.62	237.74	243.45
Solvency (%)	Flow ratio		187.05	170.18	156.61	151.19	161.85	178.94
	Quick ratio		151.37	132.12	125.25	126.90	124.78	132.78
	Interest coverage folds		74.07	104.81	7,739.85	9,340.50	13,256.22	9,828.18
Management capabilities	Receivables turnover rate (times)		4.99	4.80	4.19	4.16	4.15	3.75
	Average cash receiving days		73.14	76.01	87.11	87.74	87.95	97.00
	Stock turnover (times)		5.63	6.27	6.40	8.51	6.14	3.99
	Receivables turnover rate (times)		3.38	3.49	3.40	3.60	2.99	2.48
	Average sales days		64.83	58.21	57.03	42.89	59.45	91
	Real estate, factories, and equipment. Turnover rate (times)		3.62	3.75	3.40	3.84	4.17	3.42
	Total asset turnover rate (times)		0.96	1.08	1.06	1.16	1.12	0.85
Profitability	Asset returns (%)		11.00	12.62	8.92	11.60	15.03	8.69
	Returns on equity (%)		19.00	21.57	15.77	21.11	27.28	15.18
	Profit before tax as a percentage of paid-in capital Ratio (%) (Note 7)		55.35	68.18	51.39	72.73	96.34	54.21
	Pure profit (%)		11.37	11.52	8.26	9.85	13.34	10.09
	Earnings per share (TWD)		4.22	5.01	3.80	5.37	7.62	1.13
Cash flow	Cash flow ratio (%)		28.68	38.31	20.45	42.09	42.41	8.29
	Cash flow rate (%)		199.88	167.78	132.61	187.70	208.49	211.38
	Cash re-investment rate (%)		11.64	17.28	10.59	23.07	23.65	3.83
leverage	Business leverage		1.77	1.59	1.72	1.64	1.56	2.16
	Financial leverage		1.02	1.01	1.01	1.01	1.01	1.01

Please indicate the reasons for the changes in financial ratios for the last two years. (If the increase or decrease is less than 20%, it can be exempted from analysis.)

1. Increased ratio of long-term funds to real estate, property, and equipment: mainly due to increased profits.
2. Increase in interest protection multiples: the main system is due to an increase in profits.
3. Reduced inventory turnover and increased average number of days of sales: the main line of sales of good large quantities of stock, resulting in an increase in inventory.
4. Increase in asset return rate, interest rate, pre-tax net profit as a percentage of paid-in capital, net profit ratio, earnings per share: mainly due to increased profit for the current period.

Note 1: The financial information of the last five years has been verified by an accountant (using IFRS).

Note 2: Reviewed by an accountant in the first season of 2020.

Note 3: The formulas are below:

1. Financial structure (%)
 - (1) Ratio of debt versus assets = total liability/total assets
 - (2) Percentage of long-term funds in real estate, factories, and equipment = (Total equity + non-current liabilities) / real estate, factories, and equipment earnings
2. Solvency (%)
 - (1) Flow rate = Current assets / current liabilities.
 - (2) Flow rate = (current assets - inventory - prepaid) / current liabilities.
 - (3) Interest coverage folds = net profit before income tax and interest expense / interest expense for the period.
3. Management capabilities
 - (1) Receivables (including accounts receivable and notes receivable due to business) Turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business) balance.
 - (2) Average collection days = 365 / receivables turnover rate.
 - (3) Inventory turnover rate = cost of goods sold / average inventory amount.
 - (4) Receivables (including accounts receivable and notes receivable due to business) Turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business) balance.
 - (5) Average collection days = 365 / receivables turnover rate.
 - (6) Percentage of long-term funds in real estate, factories, and equipment = (Total equity + non-current liabilities) / real estate, factories, and equipment earnings
 - (7) Total asset turnover = net sales / average total assets.
4. Profitability
 - (1) Return on assets = [after-tax profit and loss + interest expense × (1 - tax rate)] / average total assets.
 - (2) Return on assets = [after-tax profit and loss + interest expense × (1 - tax rate)] / average total assets.
 - (3) Net profit ratio = post-tax profit and loss / net sales.
 - (4) Earnings per share = (profits and losses attributable to owners of the parent company - special dividends) / weighted average number of issued shares. (Note 4)
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
 - (2) Net cash flow allowable ratio = net cash flow from operating activities for the last five years / the most recent five years (capital expenditure + inventory increase + cash dividend).
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (real estate, plant and equipment gross + long-term investment + other non-current assets + working capital). (Note 5)
6. Leverage :
 - (1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit. (Note 6)
 - (2) Financial leverage = operating profit / (business profit - interest expense).

Note 4: The formula for calculating the earnings per share should be paid attention to the following:

1. The weighted average number of common shares is based on the number of shares outstanding at the end of the year.
2. For those who have cash replenishment or treasury shares, they should consider the circulation period and calculate the weighted average number of shares.
3. Anyone who has transfer surplus or capital increase will be retrospectively adjusted according to the proportion of capital increase when calculating the earnings per share for the previous year or six months, and there is no need to consider the issue period of the capital increase.
4. If the special stock is a non-convertible accumulative special stock, its annual dividend (whether or not it is paid) shall be net of the net profit after tax, or increase the net loss after tax. If the special stock is

non-cumulative, in the case of net profit after tax, the special stock dividend shall be deducted from the net profit after tax; if it is a loss, it shall not be adjusted.

Note 5: The formula for calculating the earnings per share should be paid attention to the following:

1. Cash flow ratio = net cash flow from operating activities / current liabilities.
2. Capital expenditure refers to the number of cash outflows per annual capital investments.
3. The increase in inventory is only included when the ending balance is greater than the opening balance. If the inventory is reduced at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends for ordinary shares and special shares.
5. Gross value of property, plant and equipment refers to the total amount of real estate, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall classify various operating costs and operating expenses into fixed and variable terms according to their nature. If there is any estimation or subjective judgment, they should pay attention to their rationality and maintain consistency.

Note 7: If the company's stock is not denominated or the denomination is not TWD10, the calculation of the proportion of the paid-up capital in the former opening is calculated based on the equity ratio of the balance sheet attributable to the owner of the parent company.

6.3 The supervisor review report of the latest annual financial report:

Please refer to 【Appendix II】 page 168

6.4 The latest annual individual financial report reviewed by the accountant:

Please refer to 【Appendix III】 page 169

6.5 The latest annual individual financial report reviewed by the accountant:

Please refer to 【Appendix IV】 page 247

6.6 The company and its related companies have recently and until the annual report dated. It includes the impact on the company's financial status should financial turnover difficulties occur:

None

7

Review and Analysis of Financial Status, Financial Performance and Risk Issues

7.1 Financial situation

7.2 Financial report

7.3 Cash flow

7.4 The impact of recent major capital expenditures on
financial operations

7.5 Recent annual transfer investment policy, main
reasons for profit and loss, and improvement plans
and investment plans for the coming year

7.6 Risk analysis and evaluation

7.7 Other important matters

7 Review and analysis of financial status, financial performance and risk issues

7.1 Financial situation

Consolidated Financial Statement

Unit: Thousand NT\$

Item \ Year	December 31, 2019	December 31, 2018	Difference		Note
			Amount	%	
Current assets	4,369,353	3,717,311	652,042	17.54	1
Real estate, factories, and equipment	1,558,811	1,721,274	(162,463)	(9.44)	1
Other assets	477,291	387,334	89,957	23.22	2
Total assets	6,405,455	5,825,919	579,536	9.95	1
Current liabilities	2,699,548	2,458,722	240,826	9.79	1
Long term liabilities	185,900	202,217	(16,317)	(8.07)	1
Total liabilities	2,885,448	2,660,939	224,509	8.44	1
Shares	1,197,260	1,197,260	0	0	1
Capital reserve	48,209	48,209	0	0	1
Retained earnings	2,499,090	2,067,094	431,996	20.90	3
Other interests	(224,552)	(147,583)	76,969	52.15	4
Total interests of shareholders	3,520,007	3,164,980	355,027	11.22	1
1. Information:					
(1) If the increase or decrease of the change rate is less than 20% and the amount is less than TWD10 million, it will be exempted from analysis.					
(2) The increase of more than 20% in other assets over the previous year was due to an increase in the Group's 2019-year use of assets/prepaid equipment in the Republic of China.					
(3) The retention surplus increased by more than 20% over the previous year due to an increase in the Group's profits over last year.					
(4) The main reason for the increase in interest is due to the exchange difference for conversion of financial statements of foreign operating institutions					
2. Future response plans: None					

7.2 Financial report

7.2.1 Management results comparison

Consolidated financial report

Unit: Thousand NT\$

Item \ Year	2019	2018	Increase (decrease) amount	Change ration
Business profits	6,835,443	6,520,514	314,929	4.83
Operating costs	(4,739,317)	(4,805,766)	(66,449)	(1.38)
Operating gross profit	2,096,126	1,714,748	381,378	22.24
Operating costs	(967,203)	(883,349)	83,854	9.49
Operating interests	1,128,923	831,399	297,524	35.79
Operating revenue and spending	24,483	39,333	(14,850)	(37.75)
Profit before tax	1,153,406	870,732	282,674	32.46
Income tax fees	(241,455)	(228,382)	13,073	5.72
Net profit after tax	911,951	642,350	269,601	41.97
Other comprehensive income (net amount)	(78,020)	(37,545)	40,475	107.80
Comprehensive income this period	833,931	604,805	229,126	37.88

- Analysis of the increase and decrease of the proportion of changes: (previous and late changes of more than 20% and the amount of change reached TWD 10 million)
 - Increase in operating profit: Mainly due to the increase in operating income during the period.
 - Non-operating income and expenses decreased: Mainly due to the increase in investment losses and net foreign currency exchange losses for the current period.
 - Increase net profit before tax, income tax expense, net profit after tax, and total consolidated income for the period: This is due to an increase in profit for the current period.
- Impact of changes in financial position in the last two years: No significant impact on financial performance.
- Future counter plans: none

7.2.2 Expected sales volume and its basis, possible impact on the company's future financial business and response plan

Main product	2020 sales (thousand units)
PC computer case	380
Server chassis	1,460

The above-mentioned expected sales volume is based on the industrial environment and market supply and demand situation. The company's business personnel estimate the possible sales situation based on the actual performance with customers, and the business executives estimate the overall industry prosperity and regional differences.

7.3 Cash flow

7.3.1 Analysis of recent annual cash flow changes consolidated financial statements

Unit: Thousand NT\$

Cash and cash equivalents remainder at start of period	From business activities all year Net cash flow	Cash outflow amount of the year	Remaining cash (Insufficient) funds	Remedial measures for cash shortfalls	
				Investment plan	Fiscal plan
1,261,727	1,144,828	1,417,990	988,565	0	0
<p>1. Analysis of current year's cash flow changes:</p> <p>(1) Business activities: \$1,144,828 is mainly due to revenue and profit.</p> <p>(2) Investment activities: (\$673,363) is mainly due to the acquisition of financial assets measured by amortized cost, purchase of molds and related equipment.</p> <p>(3) Fund raising activities: (\$705,522) is main due to the payment of cash dividends and repayment of borrowings.</p> <p>(4) Other: (\$39,105) mainly due to exchange rate impact.</p> <p>2. Remedial measures and liquidity analysis for expected cash shortfalls: Not applicable.</p>					

7.3.2 Cash liquidity analysis for the coming year (consolidated financial statements)

The Company expects cash inflows and bank financing to be able to fund investment and financing activities for the coming year, with no liquidity in the coming year.

7.4 The impact of recent major capital expenditures on financial operations

7.4.1 Use and source of funds of major capital expenses:

Unit: Thousand NT\$

Project item	Actual or expected sources of funds	Actual or expected completion date	Funds required Total amount	Actual or predicted capital use				
				2019	2020	2021	2022	2023
Land & Plant	Self funds and bank loans	2019.12	21,335	21,335	0	0	0	0
		2021.12	1,203,500		600,000	603,500		
Other equipment	Self funds and bank loans	2020.12	17,973	0	17,973	0	0	0
Manufacturing equipment	Self funds and bank loans	2019.12	163,533	163,533	0	0	0	0
		2020.12	146,467	0	146,467		0	0
New Office and interior decoration	Self funds and bank loans	2020.12	620,840	49,280	571,560	0	0	0

7.4.2 Predicting possible gains/losses:

7.4.2.1 Land and new plant: In response to business development and meet consumer demand, the company set up new plant to increase productivity, so that the company can continue to new products, so that products more competitive, and thus increase market share.

7.4.2.2 New office building and decoration: In view of the integration needs of research and development and operating headquarters, as well as to provide better working environment and travel convenience for employees, the choice of Xinzhuang vice-positioning smart businessmen are entirely stationed in smart business, looking forward to by virtue of the scale of research and development center in Taiwan, combined with research and development and manufacturing advantages, to provide customer flexibility and customer-based services.

7.4.2.3 Production equipment, machinery and equipment, manufacturing and other equipment: in response to environmental protection, fire and industrial safety and other legal norms and other strict laws and regulations to comply with the overall factory in line with the new and improved laws, and due to the expiration of the service life of the new and maintenance. In the equipment replacement, process improvement automation, optical testing equipment, through the introduction of efficient energy and automation equipment to save energy consumption and increase efficiency and production capacity; In order to meet the business development and meet consumer demand, the company intends to increase the new product-related mold equipment, and through the replacement of the production line, so that the company can continue to develop new products, so that products more competitive, and thus improve market share.

7.5 Recent annual transfer investment policy, main reasons for profit and loss, and improvement plans and investment plans for the coming year

7.5.1 Investment policy for the latest year

The Company's investment policy is to match the scale of the operations, expand overseas markets, deeply cultivate major countries, and increase overseas revenue and market Share.

7.5.2 Reasons and improvement plan for Investment profits or losses

The Investment income of the Company's investment in 2019 is NT\$148,616,000, mainly due to increased market demand in Europe and the U.S.

7.5.3 Future investment plan for the coming year

The Company will carefully evaluate the investment plan from a long-term strategic perspective to continue and strengthen our global competitiveness.

7.6 Risk analysis and evaluation

7.6.1 The impact of recent annual interest rates, exchange rate changes, and inflation on the company's profit and loss and future response measures

The list of 2019 interest and exchange income of the Company is as follows:

Consolidated financial report

Unit: Thousand NT\$

Item	Year
	2019
Net exchange (loss)	(18,901)
Business profits	6,835,443
Profit before tax	1,153,406
Net exchange (loss) profit to net operating income ratio	0.28%
Monetary income percentage on net profit before tax	1.64%
Interest income	31,502
Ratio of interest income to business profits	0.46%
Ratio of interest income to profit before tax	2.73%
Interest fees	8,767
Ratio of interest income to business profits	0.13%
Ratio of interest cost to net profit before tax	0.76%

Source: Financial report reviewed by the accountant

7.6.1.1. The impact of interest rates on the company's profit/loss and future response measures:

The company's cash management policy is based on the principle of safe and sound operation. In addition to maintaining safe working capital, the spare funds are mainly deposited in bank time deposits. As of December 31st, 2019, the bank's loans from the bank is approximately NT\$186,371,000, coupling for 2.91% of the total assets of the Company. The Company has proposed to improve the financial

structure, enrich the medium and long-term working capital and reduce the risk of interest rate changes, in addition to deducing an appropriate time to avoid risks by assessing the market capital status and bank interest rates, and carefully determining the financing method to obtain a more favorable interest rate. For this reason, it is expected that interest rate fluctuations will have little impact on the Company's operational risks.

7.6.1.2. The impact of exchange rate changes on the company's income and future response measures:

A. Exchange profit/loss source:

The major quotation currency of the company's revenue and accounts payable, which is generated by the Company's revenue and invoicing, US dollar. By offsetting foreign currency assets and liabilities, it will greatly reduce exchange rate risk and achieve natural hedging effect. Additionally, all of the derivative commodity transactions undertaken by the Company are for the purpose of hedging. The gains and losses arising from exchange rate changes are largely offset by the gains and losses of the hedged items. Therefore, the market exchange rate changes have little impact on the Company.

B. Measures in response to exchange rate fluctuations:

The company's assets and liabilities in foreign currency holdings will be hedged according to the exchange rate at the time, with current foreign exchange, forward foreign exchange, or derivative financial products adjusted in a timely manner in response to exchange rate fluctuations, inspection and prudent assessment, so as to avoid the risk of exchange rate fluctuations. Since the Company does not engage in foreign exchange operations that are not related to the industry or trade purpose foreign exchange operations, all actions are conducted based on hedging purposes. For this reason, exchange rate fluctuations have not significant impact on the profit and loss of the Company.

7.6.1.3. The impact of recent annual interest rates, exchange rate changes, and inflation on the Company's profit and loss and future response measures:

The annual growth rate of Taiwan's CPI in 2019 was 1.13% (source: Accounting Office). With the inflation risk within acceptable limits, and based on the continuous concern and active management of inflation issues by central banks, effective control of future inflation pressure is expected, thereby not significantly affecting the profit and loss of the Company.

7.6.2 The main reasons for the policy, profit or loss of high risk, high leverage investment, capital loan and others, endorsement guarantee and derivative commodity transactions in the most recent year and future response measures:

7.6.2.1 The company is focused on the its industry of business. As of the publication date of the annual report, the company has not engaged in high-risk, high-leverage investment business in recent years.

7.6.2.2 The Company has established operating methods such as “Acquisition or Disposal of Assets Management Guidelines”, “Funding and Others' Operating Procedures” and “Endorsement Guaranteed Operating Procedures” as the basis for the Company's compliance with relevant activities. As of the date of publication of the annual report, it is based on the above-mentioned policies and corresponding measures.

7.6.3 Future development plans and expected development costs in the most recent year:

Chenbro will continue to develop new products based on modular system architecture and further extend to 4U server and storage chassis products. The Chenbro Modular System Architecture is extremely flexible and is capable of supporting a wide range of system configurations and customization needs. We will continue to work closely with mainstream motherboard partners and OEM/ODM customers including Intel, ASRock, Tayan, MSI, Gigabyte, etc. to develop products that are compatible with the latest generation of motherboards. At the same time, the Intel System Test Verification Process Specification will effectively eliminate various hidden issues in our mainframe and bare bones servers, thus contributing to continuous improvement in product quality. Chenbro will introduce more NVMe and GPGPU product solutions to meet market demand. Furthermore, Chenbro will also launch more conceptual product solutions to meet future data center development needs. Chenbro's engineering capabilities have been extended to rack-based solutions - similar to Facebook's OCP or Intel's RSD. We have the ability to build centers from traditional data centers (19" racks) to large-scale data centers, and we will continue to invest in new materials and research and development to drive our products to a more efficient and economical direction.

Future development plans and expected development costs in the most recent year:

Type	Product Specifications
Storage type	<ul style="list-style-type: none"> ● Cold SATA storage server based on single channel platform such as ARM, Intel Mellow, AMD EPYC. ● Warm SAS/SATA storage server based on Intel Cascade lake dual platform, 2U 24x3.5" disk, 4U 40x3.5" disk, 4U 100x3.5" disk and other products. ● SAS/SATA JBOD, 4U 48x3.5" disk, 4U 96x3.5" disk and other products for storage array expansion. ● Solid state storage (SATA/NVMe SSD) server, 1U 10x2.5" disk, 2U 24x2.5" disk and other products. ● Hybrid storage (SAS/SATA/NVMe Tri-mode) server, 1U 2.5" SSD and 3.5" disc hybrid
Edge computing	<ul style="list-style-type: none"> ● 1U single channel, 3x3.5" disk / 3x2.5" disk, front and rear I/O free switching. ● 2U single/dual channel, 6/8x2.5" disk, front and rear I/O free switching. ● U single/dual, 8x2.5"/3.5" disk, free switching between front and rear I/O;
Artificial intelligence	<ul style="list-style-type: none"> ● 4U 4x GPGPU · 8x GPGPU
Cloud computing	<ul style="list-style-type: none"> ● 1U/2U, Intel Cascade Lake, AMD Rome platform products.
The total R&D estimate accounts for 3%~4% of the total revenue 2020 which is equivalent to the previous year	

7.6.4 The impact of important domestic and international policies and legal changes in the past year on the company's financial business and corresponding measures:

The important policies and law changes at the domestic and abroad in recent years have not caused any significant impact to the Company. In addition to irregularly collecting and

assessing the impact of important domestic and international policies and legal changes on the Company's finances and business, the Company will also consult relevant professionals to take appropriate measures in a time.

7.6.5 The impact of important domestic and international policies and legal changes in the past year on the company's financial business and corresponding measures:

Continuing the full range of server product strategies of the previous year, along with the launch of the new INTEL platform and the expected wave of device change, and through the steady growth of demand in China and North America, the high flexibility and modularity advantages have extend standard products to various market applications in an effort to maximize the productivity of shared parts. With the trend of SDS (Software Define Storage) becoming popular, flash memory (NVMe and SSD) storage solutions are changing data centers, and its increasingly popularized virtualization and enterprise-class applications are increasing in demand. Therefore, corresponding design changes will be present in the design of the white-box system platform for the data center. This includes high-density, high-capacity flash memory, online maintenance design and PCIe expansion accessories. In terms of high-performance computing application, in addition to the development of the multi-node server series, the adaptation and optimization of the GPU in the new series of chassis will be used as the basis for development, and the potential customers will be served in the JDM mode. In the development of mass storage products, in response to the rise of cloud database backup applications, ultra-high-density storage servers and JBOD products can provide more choices for high-end customers. Regarding PC products, the application specifications of the new generation of mini-STXs will also provide corresponding high-compatibility cases for the existing DIY market and customer base. As for IPC applications, this specification can also be used to develop compact fan less systems using different materials.

7.6.6 The impact of recent corporate image changes on corporate crisis management and response measures:

The company's corporate image is good, and there have been no major changes in the recent year that have caused corporate crisis management.

7.6.7 Expected benefits, possible risks and response measures for M&A:

The company does not have a merger plan; therefore, it is not applicable.

7.6.8 Expected benefits, possible risks and response measures for plant expansion:

Expected benefits:

7.6.8.1 Reduce the impact of global trade war and single region epidemic in the future.

7.6.8.2 Expand manufacture capacity to meet the market demand and response to 5G, AI & IoT.

7.6.8.3 Establish a production risk management and capacity allocation mechanism for off-site support.

7.6.8.4 Set up mold center, cultivate mold talent, and strengthen manufacturing capacity, set up intelligent production plant.

PossiblePotential risk:

7.6.8.1 Material and labor cost are much higher than China, resulting in that the price can not meet customer demand.

7.6.8.2 Recruitment is limited by market supply and government regulations and fails to match the progreee of the plant.

Measures:

7.6.8.1 Plan with intelligent production, increase automation, reduce labor costs and increae productivity.

7.6.8.2 Continuously negotiate with customers off-site support business maintenacne strategy, and flexible control capacity.

7.6.8.3 Develop suppliers of relevant materials and expand the scope of business cooperation, resulting in an advantageous cost structure.

7.6.8.4 Expand and deepen industry-academic collaboration in production and learning, and carry out long-term strategic cooperation with local government and school for recruitment talents.

7.6.9 Risks and countermeasures for the concentration of incoming goods or sales:

The transaction amount of the Company's largest sales customer only accounts for 16% of the net consolidated operating income. There is no situation where the sales amount of a single customer exceeds 50%. Therefore, there is no risk of concentration of sales. The transaction amount of the largest supplier accounts 2% of the consolidated incoming net amount, there is no purchase concentration risk.

7.6.10 The impact, risks and response measures of a large number of shares transferred or replaced on the company, for directors, supervisors or shareholders holding more than 10% of the shares:

On April 8, 2019, the company was informed that Mr. Hsu Shen Kuo, a Director of the Company, had transferred more than one-half of the shares held during the original election on March 5, 2019, and is naturally dismissed as a Director of the Company. His shares now only account 0.2% of the total shares in circulation, so it has little effect on the Company.

7.6.11 The impact of changes in management rights on the company, risks and response measures:

The company does not have plans to change management rights, so it is not applicable.

7.6.12 The Company and the company's directors, supervisors, Presidentss, substantive principals, major shareholders holding more than 10% of the shares and subordinate companies have decided to determine or are still in the category of major litigation, non-litigation or administrative litigation. The result of which, may have a significant impact on the shareholders' equity or the price of the securities, the facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the parties involved in the proceedings and the date of publication of the annual report: None.

7.6.13 Cyber security risks and counter measures:

The impact for operation risk is not only from external network attack, but internal security awareness, virus threats and other consequences of abnormal or interrupted system operation, data tampering and destruction. Therefore, for the protection of cyber security, the Company shall state and take measures to response these risks.

7.6.13.1 Inadequate awareness of staff cyber security sense

As the data, information and systems processed by internal employees are directly related to the operation of the Company, it may be possible to download or infect malicious programs, which may affect the internal information security. Therefore, the Company shall implement the exercise to provide relevant information to staff from time to time about the current high-risk attack tactics and security protection.

7.6.13.2 Virus threats

The source of a computer virus may be a web site viewed, an e-mail containing a malicious program, or a mobile storage medium, a malicious download, etc. So the Company shall establish a multi-level defense and detection, terminal internationally renowned anti-virus system, monitor and protection by central hub, in order to reduce the risk of malicious program infection and attack.

7.6.13.3. Cyberattacks

Internet hacking will have the most direct impact on business operations, so the necessary safeguards of the establishment include access authorization control, firewalls, intrusion detection and blocking of attack mechanisms, application protection and through security vulnerability notification mechanisms and patching work, the business period to minimize vulnerabilities and the chance of attack. About the malicious network attack, the Company will consolidate the relevant violations and impact. If necessary, the Company will work with digital forensics and security companies in accordance with law.

7.6.13.4 Interruption of operations

For important operating services and data, it is necessary that the Company has done same/offsite backup and restoration imitation. In the event that the main operating system or database can not be avoided damage or interruption of operation, such a imitation and backup can be resumed within the statute of limitations of different service providers. In 2019, in addition to the discovery of a large number of spam service attacks and a small number of internal equipment with virus, the Company all timely completed of appropriate response measures and disposal including virus detection, anti-virus and system re- installation.

7.6.14 Other important risks and counter measures: none

7.7 Other important matters: None

Special Recorded Items

- 8.1 Information of conglomerates
- 8.2 The status of private equity securities from recent years to the date of printing of this report
- 8.3 The status subsidiary shareholdings from recent years to the date of printing of this report
- 8.4. Other important supplementary matters
- 8.5 In the most recent year and up to the date of publication of the annual report, if there is any significant impact on shareholders' equity or securities price as stipulated in the second paragraph of Article 36-3-2 of this Regulation

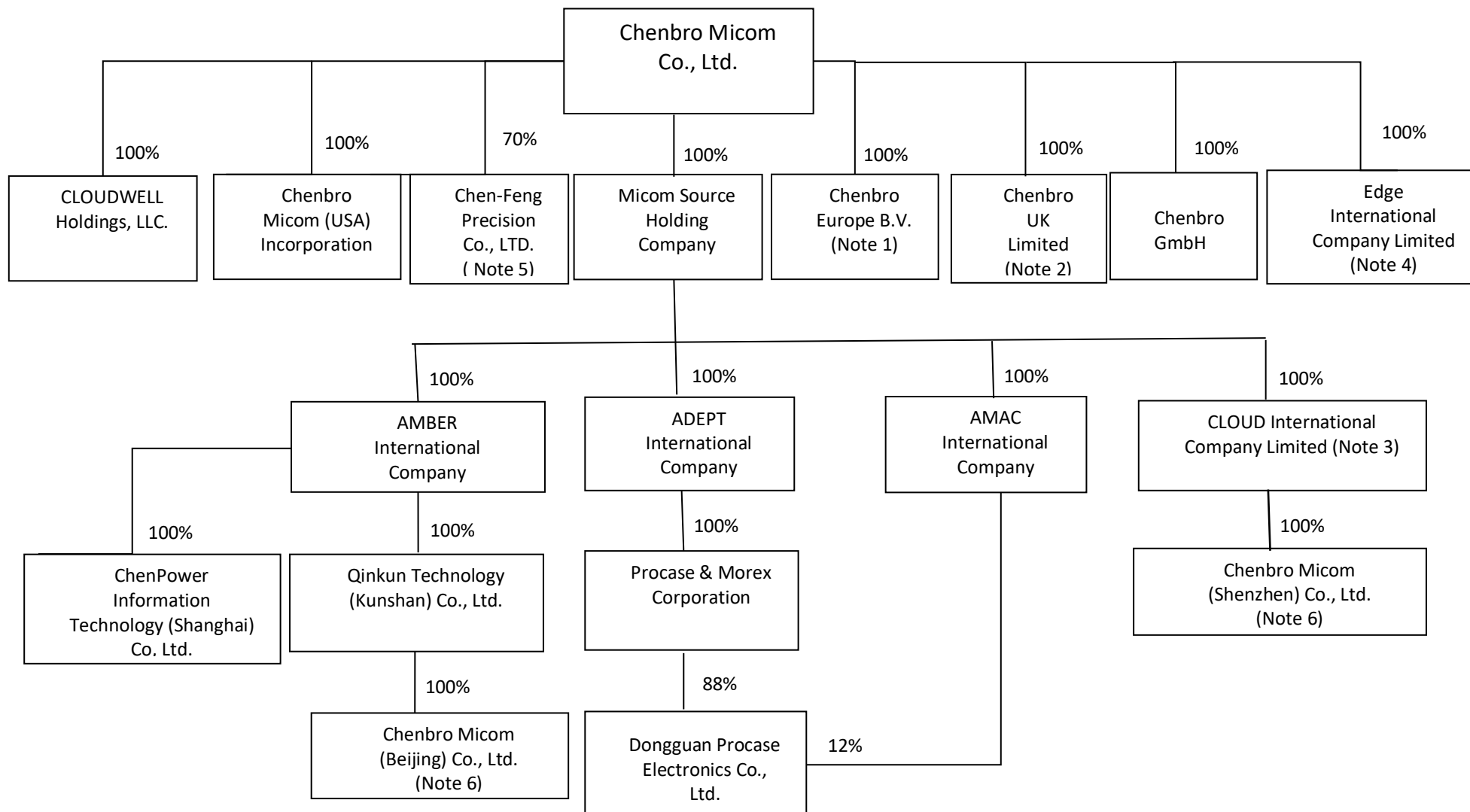
8. Special Recorded Items

8.1 Information of conglomerates

8.1.1 Business report

8.1.1.1 Operation status of conglomerates

8.1.1.1.1 Organizaton chart of conglomerates



This section provides Notes as follows:

Note 1: Chenbro Europe B.V. was dissolved by resolution of the Board on May 9, 2017, and liquidation was completed on March 2019.

Note 2: Chenbro UK Ltd. was transferred to the Company with holding its shares by resolution of the Board on May 9, 2017, and it was completed the transfer and register on August 2017. In addition, on August 7, 2018, the capital was reduced by the Board by GBP19,999, and was completed on October 2018. The repatriated shares and the surplus of reduction was completed and the shares and surplus of NT\$1,178 in July 2019. The liquidation was completed in January 2020.

Note 3: Cloud International Co., Ltd. was dissolved by resolution of the Board on June 25, 2019.

Note 4: Edge International Co., Ltd. was established on December 31, 2019, and its fund is on the position on February 5, 2020.

Note 5: Chen-Feng Precision Co., Ltd. was funded in place on March 4, 2020, and the registration of change was completed on March 16, 2020.

Note 6: Chenbro Micom Co., Ltd. (Shenzhen) & (Beijing) were dissolved by resolution of the Board on January 19, 2017, and were completed in August and December 2019, respectively.

8.1.1.1.2 Basic information of conglomerates

Company name	Date of establishment	Address	Paid-in capital	Main business
Chenbro Micom Co., Ltd.	1983.12.05	15th Floor, 150 Jianyi Road, Zhonghe District, New Taipei City	NT\$1,197,260,000	R&D, manufacture and sales of computer and server chassis
Chenbro Europe B.V.	1998.07.24	Avignonlaan 35, 5627 GA Eindhoven, The Netherlands	0 (Note 1)	Sales of computer and server chassis
Chenbro Micom (USA) INC.	2000.01.25	2800 E. Jurupa Street, Ontario, CA 91761, USA	US\$1,000,000	Sales of computer and server chassis
Cloudwell Holdings, LLC.	2013.07.12	2800 E. Jurupa Street, Ontario, CA 91761, USA	US\$3,600,000	Real Estate Leasing Company
Micom-Source Holding Co.	1999.01.19	Caymen Islands	US\$20,450,000	Holdings company
AMAC International Co.	2001.12.07	Caymen Islands	US\$6,45,000	Holdings company
AMBER International Company	2005.12.07	Caymen Islands	US\$8,240,000	Holdings company
Qinkun Technology (Kunshan) Co., Ltd.	2003.09.08	High-tech Industrial Park, Development Zone, Kunshan City, Jiangsu Province, China	US\$10,00,000	Manufacture of PC and server chassis
Chenbro UK Limited	2008.08.24	Suite 11B, Crossford Court, Dane Road, Sale, Manchester, M33 7BZ, U.K.	0 (Note 2)	Marketing service company
Dongguan Procace Electronics Co., Ltd.	1995.12.18	Hongye Industrial Zone, Tangxia Town, Dongguan City, China	HK\$85,600,000	Manufacture of PC and server chassis
ADEPT International Company LTD.	2007.02.22	Virgin Islands, UK	US\$15,800,000	Holdings company
Procace & Morex Corporation	1997.10.03	Virgin Islands, UK	US\$17,751,000	Sales of computer and server chassis
Cloud International Co., Ltd.	2012.04.23	Samoa	0 (Note 3)	Holdings company
Chenbro Micom (Shenzhen) Co., Ltd.	2012.05.24	Futian Center, Shenzhen, Guangdong Province, China	0 (Note 6)	Sales of computer and server chassis
Chenbro Micom (Beijing) Co., Ltd.	2014.06.06	Changping district, Beijing, China	0 (Note 6)	R & D
Chenbro GmbH	2015.02.10	Carl-Friedrich-Benz-Str. 13, 47877 Willich, Germany	Euro250,000	Sales of computer and server chassis

Company name	Date of establishment	Address	Paid-in capital	Main business
ChenPower Information Technology (Shanghai) Co., Ltd.	2016.10.08	Room 150, Zone J, 1st Floor, Building 1, 1362 Huqingping Road, Qingpu District, Shanghai, China	US\$2,100,000	Sales of computer and server chassis
Edge International Company Limited	2019.12.31	Republic of Seychelles	0 (Note 4)	Sales of computer and server chassis
Chen-Feng Precision Co., Ltd.	2020.03.04	107, Wugong 2nd Rd., Wugu Dist., New Taipei City 248, Taiwan	NT\$50,000,000 (Note 5)	NCT manufacture

8.1.1.1.3 Presumptive reasons for the presumption of control and affiliation and personnel-related information: None.

8.1.1.1.4 Business dealings and division of labor between conglomerates

Company name	Business dealings and labor division
Chenbro Micom Co., Ltd.	Parent company in control of business operations of all its subsidiaries
Chenbro Europe B.V. (Note 1)	Subsidiary company that sells independently
Chenbro Micom (USA) INC.	Subsidiary company that sells independently
Micom-Source Holding Co.	A holding company established in accordance with the law in another region.
Cloudwell Holdings, LLC.	Subsidiary company that leases out real estate independently
AMAC International Co.	A holding company established in accordance with the law in another region
AMBER International Co.	A holding company established in accordance with the law in another region
ADEPT International Company LTD.	A holding company established in accordance with the law in another region
Procace & Morex Corporation	A trade company established in accordance with the law in another region
Chenbro UK Limited (Note 2)	Subsidiary company that sells and provides services independently
Qinkun Technology (Kunshan) Co., Ltd	Second-tier subsidiary company that manufactures and sells independently
Dongguan Procace Electronics Co., Ltd.	Third-tier subsidiary company that manufactures and sells independently
Cloud International Company Limited(Note 3)	A holding company established in accordance with the law in another region
Chenbro Micom (Shenzhen) Co., Ltd. (Note 6)	Only subsidiary with independent sales ability
Chenbro Micom (Beijing) Co., Ltd. (Note 6)	Third-tier subsidiary company with technology research and development center
Chenbro GmbH	Subsidiary company with independent sales ability
ChenPower Information Technology (Shanghai) Co., Ltd.	Second-tier subsidiary company with independent sales ability
Edge Internaltional Co., Ltd. (Note 4)	Subsidiary company for international trade
Chen-Feng Precision Co., Ltd. (Note 5)	Subsidiary company with NCT manufacture

8.1.1.1.5 Information on Directors, Supervisors, president and managers of conglomerates

Company name	Title	Name
Chenbro Europe B.V. (Note 1)	Director	Chen Mei Chi, Chen Zhi Fen
Chenbro Micom (USA) INC.	Director	Chen Mei Chi, Lee Ya Mi, Chen Yun Peng
Micom- Source Holding Co.	Director	Chen Mei Chi
Cloudwell Holdings, LLC.	Director	Chen Yun Peng
AMAC International Co.	Director	Chen Mei Chi
AMBER International Company	Director	Chen Mei Chi
Qinkun Technology (Kunshan)Co., Ltd	Director	Chen Mei Chi, Chen Zhi Fen, Tsou Ke Ti
Chenbro UK Limited (Note 2)	Director	Chen Mei Chi, Chen Feng Ming
Dongguan Procace Electronics Co., Ltd.	Director	Chen Zhi Fen
ADEPT International Company LTD.	Director	Chen Mei Chi
Procace & Morex Co.	Director	Chen Mei Chi
Cloud International Co., Ltd. (Note 3)	Director	Chen Mei Chi
Chenbro Micom (Shenzhen) Co., Ltd. (Note 6)	Director	Chen Fong Jheng
Chenbro Micom (Beijing) Co., Ltd. (Note 6)	Director	Chen Fong Jheng
Chenbro GmbH	Director	Chen Mei Chi
ChenPower Information Technology (Shanghai) Co., Ltd.	Director	Chen Mei Chi
Edge International Co., Ltd. (Note 4)	Director	Chen Mei Chi
Chen-Feng Precision Co., Ltd. (Note 5)	Director	Chen Mei Chi

8.1.1.1.6 Operation status of conglomerates

Unit: Thousand NT\$

Company name	Capital	Total assets	Total liabilities	Profit	Revenue	Operating profit	Gain/Loss this period (after tax)
Chenbro Europe B.V.	0	0	0	0	0	0	0
Chenbro Micom (USA) INC.	30,280	1,229,141	1,014,175	214,966	3,161,541	66,558	46,543
Cloudwell Holdings, LLC.	109,365	244,996	128,484	116,512	12,757	7,643	1,909
Micom- Source Holding Co.	675,969	2,626,787	35,602	2,591,185	0	131	193,606
AMAC International Co.	195,389	68,079	0	68,079	0	0	329
Qinkun Technology (Kunshan) Co., Ltd	383,754	3,053,833	1,240,953	1,812,880	2,909,228	168,469	170,428
AMBER International Co.	249,504	1,936,667	90,234	1,846,433	0	(154)	179,963
ADEPT International Co., Ltd.	530,790	570,472	0	570,472	0	(25)	22,899
Procace & Morex Corporation	537,500	701,555	132,592	568,963	830,597	335	(941)
Dongguan Procace Electronics Co., Ltd.	483,589	1,224,400	658,049	566,351	1,701,499	855	2,762
Chenbro UK Limited	0	0	0	0	0	(18)	(47)
Cloud International Co., Ltd.	0	0	0	0	0	(38)	(3,425)
Chenbro Micom (Shenzhen) Co., Ltd.	0	0	0	0	0	(95)	(1,224)
Chenbro Micom (Beijing) Co., Ltd.	25,860	300	75	225	0	(2)	(3)
Chenbro GmbH	9,019	82,660	71,113	11,547	156,242	4,487	3,707
ChenPower Information Technology (Shanghai) Co., Ltd.	66,906	732,940	610,718	122,222	1,438,860	12,530	13,830
Edge International Co., Ltd.	0	0	0	0	0	0	0

8.1.2 The Company that should be included in the preparation of the financial statements of the Company's consolidated financial statements is the same as the Company that should be included in the consolidated financial statements of the parent and subsidiary companies in accordance with Article No. 10 of the International Financial Reporting Standard, and no separate financial statements for the business combination are prepared. The statement is as follows:

Chenbro Micom Co., Ltd. and Subsidiaries
Consolidated financial statement declaration

The Company should list the companies within the consolidated financial statement of 2019 (January 1 to December 1) in accordance to No. 10 of the IRS, should be the same as those listed in the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. The consolidated financial statements of the related companies should disclose relevant information on the consolidated financial statement of the parent and subsidiaries.

Sincerely,

Company name : Chenbro Micom Co., Ltd.

Responsible person: Mei Chi, Chen

March 17, 2020

8.1.3 Relationship report: Not applicable

8.2 The status of private equity securities from recent years to the date of printing of this report.

None.

8.3 The status subsidiary shareholdings from recent years to the date of printing of this report.

None.

8.4 Other important supplementary matters.

None

8.5 In the most recent year and up to the date of publication of the annual report, if there is any significant impact on shareholders' equity or securities price as stipulated in the second paragraph of Article 36-3-2 of this Regulation.

None

【Appendix I】 Internal control system statement

Chenbro Micom Co., Ltd. Internal control system statement

Date: March 17, 2020

The internal control system of the Company in 2019 is based on the results of the self-assessment and is hereby declared as follows:

- 1.The Company is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the board of directors and managers of the Company. The Company has established this system. The purpose is to provide reasonable results in terms of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), reporting reliability, timeliness, transparency, ensuring compliance with relevant regulations and compliance with relevant laws and regulations.
- 2.The internal control system has its inherent limitations. Regardless of how well the design is perfected, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives. Moreover, due to changes in the environment and conditions, the effectiveness of the internal control system may change. However, the company's internal control system has a self-monitoring mechanism. Once a fault is identified, the company will take corrective action.
- 3.The company judges whether the design and implementation of the internal control system is effective based on the judgment of the effectiveness of the internal control system as stipulated in the “Guidelines for the Establishment of Internal Control Systems for Public Offering Companies” (hereinafter referred to as “Processing Guidelines”). The internal control system judgment project used in the “processing criteria” is based on the process of management control, and the internal control system is divided into five components: A. Control environment, B. Risk assessment, C. Control operation, D. Information and communication and E. Supervised operations. Each component also includes several items. Please refer to the “Processing Guidelines” for the above items.
- 4.The Company has adopted the above internal control system to judge the project and evaluate the effectiveness of the design and implementation of the internal control system.

5. Based on the results of the previous assessment, the Company believes that the internal control system (including supervision and management of subsidiaries) of the Company on December 31, 2019, including understanding the effectiveness of operational and efficiency objectives, The design and implementation of the internal control system, which is reliable, timely, transparent and in compliance with relevant regulations and relevant laws and regulations, is effective and can reasonably ensure the achievement of the above objectives.
6. This statement will become the main content of the company's annual report and public statement, and will be made public. If the content of the above disclosure is illegal or concealed, it will involve legal liabilities listed in Articles 20, 32, 171 and 174 of the Securities Exchange Law.
7. This statement was approved by the board of directors of the Company on March 17, 2020. Among the six directors in attendance, no one opposed to the statement. The rest agreed with the contents of this statement and together, released this statement.

Chenbro Micom Co., Ltd.

Chairman: Mei Chi, Chen

President: Ya Nan, Chen

【 Appendix II 】 Supervisor review report

Supervisor Review Report

The Board of Directors shall provide the Company's 2019 annual business report, financial statements, together with the earnings distribution proposal. After the review by the Supervisors, it is considered to be in compliance with the relevant laws and regulations of the Company articles and is subject to the provisions of Article 219 of the Article of Incorporation. Please read the attached report.

Sincerely,

2020 Shareholders' Meeting

Chenbro Micom Co., Ltd.

Supervisor: Li Long, Huang

Supervisor: Jen Shyang, Chen

Supervisor: Ya Mi, Lee

March 17, 2020

**CHENBRO MICOM CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2019 AND 2018**

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(19)PWCR 19003852

To the Board of Directors and Shareholders of Chenbro Micom Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Chenbro Micom Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, “Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and 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) for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, 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.

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Valuation of inventories

Description

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of allowance for inventory valuation losses. As of December 31, 2019, the Group's inventory cost and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$1,123,053 thousand and NT\$148,541 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of computer peripheral equipment. As technology changes rapidly and the life cycle of electronic products is short, inventories may become obsolete within a short period. The Group measures inventories at the lower of cost and net realisable value, and assesses whether the value of inventories has declined. Any losses incurred due to obsolescence based on inventory aging and closeout inventory are examined by management periodically. As the value of inventory is significant, the inventory items are numerous, and the accounting estimates are subject to management's judgement, we consider valuation of inventories a key audit matter.

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

1. Obtaining the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses are consistent for all periods. Assessing the estimation determined by the management and relevant assumptions of allowance for inventory loss.

2. Matching information obtained in physical counts of disposed and obsolete inventory list prepared by management and interviewing management and employees to examine the obsolete, slow-moving or damaged inventories that were included in the list.
3. Assessing the reasonableness of obsolete loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.
4. Verifying details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.

Reasonableness of revenue recognition

Description

The Group is primarily engaged in manufacturing and sales of computer peripheral equipment. The Group's trading counterparties are mostly world-renowned companies, with whom the Group has long-term business partnership. As the global demand for servers continues to increase, the Group is committed to increasing sales revenue. When comparing with the lists of the Group's top 10 trading counterparties for the years ended December 31, 2019 and 2018, there were changes in the sales revenue breakdown which resulted to some trading counterparties being newly included in the top 10 list.

As the newly top 10 and significant changes in revenue of top 10 trading counterparties are significant to the consolidated financial statements, we consider the reasonableness of sales revenue from the newly top 10 and significant changes in revenue of other top 10 trading counterparties a key audit matter.

How our audit addressed the matter

Our procedures in relation to the reasonableness of revenue recognition included:

1. Assessing the revenue cycle and performing tests to determine that the Group's revenue process is conducted in accordance with the internal control procedures.
2. Checking the related industry background in respect of the newly top 10 trading counterparties.
3. Obtaining and selecting samples to verify related vouchers of the sales revenue from the newly top 10 and significant changes in revenue of other top 10 trading counterparties.

Other matter – Scope of the Audit

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets amounting to NT\$242,084 thousand and NT\$253,276 thousand, both representing 4% of the consolidated total assets as of December 31, 2019 and 2018, respectively, and total operating revenue both amounting to NT\$0, representing 0% of the consolidated total operating revenue for the years then ended, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in these financial statements, is based solely on the reports of other auditors.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of Chenbro Micom Co., Ltd. as at and for the years ended December 31, 2019 and 2018.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ROC GAAS, we exercise professional 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Penny Pan

Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2020

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

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.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 988,565	15	\$ 1,261,727	22
1136	Current financial assets at amortised cost, net	6(3)	672,955	11	156,450	3
1150	Notes receivable, net	6(4)	1,026	-	-	-
1170	Accounts receivable, net	6(4) and 7	1,636,213	26	1,649,735	28
1200	Other receivables	6(5) and 7	69,123	1	47,187	1
1220	Current income tax assets		611	-	5,116	-
130X	Inventories	6(6)	974,512	15	568,435	10
1410	Prepayments		21,837	-	25,785	-
1470	Other current assets	8	4,511	-	2,876	-
11XX	Total current assets		4,369,353	68	3,717,311	64
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	28,458	1	25,389	-
1535	Non-current financial assets at amortised cost	6(3)	215,500	3	223,500	4
1600	Property, plant and equipment	6(7) and 8	1,558,811	24	1,721,274	30
1755	Right-of-use assets	6(8)	58,422	1	-	-
1780	Intangible assets	6(9)	10,335	-	11,700	-
1840	Deferred income tax assets	6(23)	66,660	1	38,548	1
1900	Other non-current assets	6(7)(10) and 8	97,916	2	88,197	1
15XX	Total non-current assets		2,036,102	32	2,108,608	36
1XXX	Total assets		\$ 6,405,455	100	\$ 5,825,919	100

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Notes						
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 59,960	1	\$ 276,102	5
2130	Current contract liabilities	6(19)	6,624	-	7,379	-
2170	Accounts payable		1,751,374	27	1,412,759	24
2180	Accounts payable - related parties	7	4,612	-	6,008	-
2200	Other payables	6(13) and 7	665,487	11	639,544	11
2230	Current income tax liabilities		197,511	3	105,678	2
2280	Current lease liabilities		3,698	-	-	-
2300	Other current liabilities	6(12)	10,282	-	11,252	-
21XX	Total current liabilities		2,699,548	42	2,458,722	42
Non-current liabilities						
2540	Long-term borrowings	6(12)	119,253	2	129,460	2
2570	Deferred income tax liabilities	6(23)	36,926	1	45,232	1
2580	Non-current lease liabilities		1,068	-	-	-
2600	Other non-current liabilities	6(14)	28,653	-	27,525	1
25XX	Total non-current liabilities		185,900	3	202,217	4
2XXX	Total liabilities		2,885,448	45	2,660,939	46
Equity						
Share capital		6(15)				
3110	Share capital - common stock		1,197,260	19	1,197,260	20
Capital surplus		6(16)				
3200	Capital surplus		48,209	1	48,209	1
Retained earnings		6(17)				
3310	Legal reserve		628,686	10	564,451	10
3320	Special reserve		213,156	3	175,154	3
3350	Unappropriated retained earnings		1,657,248	26	1,327,489	23
Other equity interest		6(18)				
3400	Other equity interest		(224,552)	(4)	(147,583)	(3)
3XXX	Total equity		3,520,007	55	3,164,980	54
Significant contingent liabilities and unrecorded contract commitments		9				
Significant events after the balance sheet date		11				
3X2X	Total liabilities and equity		\$ 6,405,455	100	\$ 5,825,919	100

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19) and 7	\$ 6,835,443	100	\$ 6,520,514	100
5000 Operating costs	6(6)(22) and 7	(4,739,317)	(69)	(4,805,766)	(74)
5950 Net operating margin		<u>2,096,126</u>	<u>31</u>	<u>1,714,748</u>	<u>26</u>
Operating expenses	6(22) and 7				
6100 Selling expenses		(339,399)	(5)	(347,943)	(5)
6200 General and administrative expenses		(400,788)	(6)	(340,878)	(5)
6300 Research and development expenses		(227,302)	(3)	(201,732)	(3)
6450 Expected credit impairment gain	12(2)	<u>286</u>	<u>-</u>	<u>7,204</u>	<u>-</u>
6000 Total operating expenses		(967,203)	(14)	(883,349)	(13)
6900 Operating profit		<u>1,128,923</u>	<u>17</u>	<u>831,399</u>	<u>13</u>
Non-operating income and expenses					
7010 Other income	6(3)(20)	61,708	1	35,573	-
7020 Other gains and losses	6(21)	(28,458)	(1)	13,183	-
7050 Finance costs		(8,767)	-	(9,423)	-
7000 Total non-operating income and expenses		<u>24,483</u>	<u>-</u>	<u>39,333</u>	<u>-</u>
7900 Profit before income tax		1,153,406	17	870,732	13
7950 Income tax expense	6(23)	(241,455)	(4)	(228,382)	(3)
8200 Profit for the year		<u>\$ 911,951</u>	<u>13</u>	<u>\$ 642,350</u>	<u>10</u>

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

				Year ended December 31			
				2019		2018	
Items		Notes	AMOUNT	%	AMOUNT	%	
	Other comprehensive income						
	Components of other						
	comprehensive income that will						
	not be reclassified to profit or						
	loss						
8311	(Loss) gain on remeasurement of defined benefit plan	6(14)	(\$ 1,314)	-	\$ 571	-	
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(18)	-	-	(6,236)	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	263	-	(114)	-	
8310	Other comprehensive loss that will not be reclassified to profit or loss		(1,051)	-	(5,779)	-	
	Components of other comprehensive income that will be reclassified to profit or loss						
8361	Financial statements translation differences of foreign operations	6(18)	(95,597)	(1)	(46,044)	(1)	
8399	Income tax relating to the components of other comprehensive income	6(18)(23)	18,628	-	14,278	-	
8360	Other comprehensive loss that will be reclassified to profit or loss		(76,969)	(1)	(31,766)	(1)	
8300	Total other comprehensive loss for the year		(\$ 78,020)	(1)	(\$ 37,545)	(1)	
8500	Total comprehensive income for the year		\$ 833,931	12	\$ 604,805	9	
	Profit attributable to:						
8610	Owners of the parent		\$ 911,951	13	\$ 642,350	10	
	Comprehensive income attributable to:						
8710	Owners of the parent		\$ 833,931	12	\$ 604,805	9	
	Earnings per share (in dollars)	6(24)					
9750	Basic earnings per share		\$ 7.62		\$ 5.37		
9850	Diluted earnings per share		\$ 7.54		\$ 5.29		

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent										
	Capital Reserves			Retained Earnings			Other equity interest			
		Total capital surplus, additional paid-in capital	Treasury stock transactions			Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity	
	Notes	Share capital - common stock		Legal reserve	Special reserve					
<u>2018</u>										
Balance at January 1, 2018		\$ 1,197,260	\$ 41,987	\$ 6,222	\$ 518,907	\$ 142,624	\$ 1,121,934	(\$ 109,581)	\$ -	\$ 2,919,353
Profit for the year		-	-	-	-	-	642,350	-	-	642,350
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	-	457	(31,766)	(6,236)	(37,545)
Total comprehensive income (loss)		-	-	-	-	-	642,807	(31,766)	(6,236)	604,805
Distribution of 2017 earnings	6(17)									
Legal reserve		-	-	-	45,544	-	(45,544)	-	-	-
Special reserve		-	-	-	-	32,530	(32,530)	-	-	-
Cash dividends	6(18)	-	-	-	-	-	(359,178)	-	-	(359,178)
Balance at December 31, 2018		<u>\$ 1,197,260</u>	<u>\$ 41,987</u>	<u>\$ 6,222</u>	<u>\$ 564,451</u>	<u>\$ 175,154</u>	<u>\$ 1,327,489</u>	<u>(\$ 141,347)</u>	<u>(\$ 6,236)</u>	<u>\$ 3,164,980</u>
<u>2019</u>										
Balance at January 1, 2019		\$ 1,197,260	\$ 41,987	\$ 6,222	\$ 564,451	\$ 175,154	\$ 1,327,489	(\$ 141,347)	(\$ 6,236)	\$ 3,164,980
Profit for the year		-	-	-	-	-	911,951	-	-	911,951
Other comprehensive loss for the year	6(18)	-	-	-	-	-	(1,051)	(76,969)	-	(78,020)
Total comprehensive income (loss)		-	-	-	-	-	910,900	(76,969)	-	833,931
Distribution of 2018 earnings	6(17)									
Legal reserve		-	-	-	64,235	-	(64,235)	-	-	-
Special reserve		-	-	-	-	38,002	(38,002)	-	-	-
Cash dividends		-	-	-	-	-	(478,904)	-	-	(478,904)
Balance at December 31, 2019		\$ 1,197,260	\$ 41,987	\$ 6,222	\$ 628,686	\$ 213,156	\$ 1,657,248	(\$ 218,316)	(\$ 6,236)	\$ 3,520,007

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,153,406	\$ 870,732
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment gain	12(2)	(286)	(7,204)
Depreciation	6(7)(8)(22)	196,504	185,652
Amortization	6(9)(22)	4,995	5,774
Interest expense		8,767	9,423
Interest income	6(20)	(31,502)	(17,437)
(Gain) loss on disposal of property, plant and equipment	6(21)	(1,527)	1,899
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(1,026)	-
Accounts receivable		14,000	(169,989)
Other receivables		(11,776)	6,784
Inventories		(400,121)	68,985
Prepayments		3,948	27,106
Other current assets		365	8,675
Changes in operating liabilities			
Current contract liabilities		(755)	(2,431)
Accounts payable		338,615	170,528
Accounts payable - related parties		(1,396)	(2,771)
Other payables		23,936	49,139
Other current liabilities		(1,045)	(1,743)
Other non-current liabilities		(179)	(17)
Cash inflow generated from operations		1,294,923	1,203,105
Interest received		21,342	16,462
Interest paid		(8,794)	(9,122)
Income tax paid		(162,643)	(175,574)
Net cash flows from operating activities		<u>1,144,828</u>	<u>1,034,871</u>

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Increase in other current assets		(\$ 2,000)	\$ -
Acquisition of non-current financial assets at fair value through other comprehensive income	12(3)	(3,069)	-
Acquisition of property, plant and equipment	6(7)(26)	(131,538)	(247,430)
Proceeds from disposal of property, plant and equipment		2,805	952
Acquisition of intangible assets	6(9)	(3,894)	(8,693)
Acquisition of financial assets at amortised cost		(3,142,885)	(379,950)
Proceeds from disposal of financial assets at amortised cost		2,611,849	144,097
(Increase) decrease in other non-current assets		(4,631)	18
Net cash flows used in investing activities		(673,363)	(491,006)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(27)	(215,989)	(27,002)
Decrease in guarantee deposits received		(22)	(13)
Repayment of long-term borrowings (including current portion)	6(27)	(6,273)	(6,124)
Payment of the principal of lease liabilities	6(8)	(4,334)	-
Payment of cash dividends	6(17)	(478,904)	(359,178)
Net cash flows used in financing activities		(705,522)	(392,317)
Effect on foreign exchange difference		(39,105)	(17,174)
Net (decrease) increase in cash and cash equivalents		(273,162)	134,374
Cash and cash equivalents at beginning of year	6(1)	1,261,727	1,127,353
Cash and cash equivalents at end of year	6(1)	\$ 988,565	\$ 1,261,727

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

Chenbro Micom Co., Ltd. was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in December 1983. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in computer software design, export and import of computer products and peripherals, and design, manufacturing, processing and trading of computer peripherals and system of expendables.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 17, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

Except for IFRS 16, ‘Leases’, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

- A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.
- B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' and 'lease liability' by \$65,033 and \$8,413, respectively, and decreased other non-current assets by \$56,620 with respect to the lease contracts of lessees on January 1, 2019.
- C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
 - (c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of \$1,523 was recognised for the year ended December 31, 2019.
- D. The Group calculated the present value of lease liabilities by using incremental borrowing interest rate ranging from 2.62% to 6.00%.
- E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 11,320
Less: Short-term leases	(2,488)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	8,832
Incremental borrowing interest rate at the date of initial application	2.62%~6.00%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 8,413</u>

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

New standards, interpretations and amendments issued by IASB and included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, 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, the consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets at fair value through other comprehensive income.
- (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 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 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 unrealised gains or losses on transactions between companies within the Group are eliminated.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2019	December 31, 2018	
Chenbro Micom Co., Ltd.	Micom Source Holding Company	Holding company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Micom (USA) Incorporation	General trading company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Europe B.V.	General trading company	-	100	Note 3
Chenbro Micom Co., Ltd.	CLOUDWELL HOLDINGS, LLC.	Real estate leasing company	100	100	Note 1
Chenbro Micom Co., Ltd.	Chenbro GmbH	General trading company	100	100	
Chenbro Micom Co., Ltd.	Chenbro UK Limited	Marketing services	100	100	Note 4
Chenbro Micom Co., Ltd.	Edge International Company Limited	Trading/Order taking company	-	-	Note 6
Micom Source Holding Company	Cloud International Company Limited	Holding company	100	100	Note 5
Micom Source Holding Company	AMAC International Company	Holding company	100	100	
Micom Source Holding Company	AMBER International Company	Holding company	100	100	
Micom Source Holding Company	ADEPT International Company	Holding company	100	100	
Cloud International Company Limited	Chenbro Micom (Shenzhen) Co., Ltd.	General trading company	-	100	Notes 2
AMBER International Company	Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing of computer cases	100	100	
AMBER International Company	ChenPower Information Technology (Shanghai) Co., Ltd.	General trading company	100	100	
Chenbro Technology (Kunshan) Co., Ltd.	Chenbro Micom (Beijing) Co., Ltd.	Research and development of technical skills	-	100	Notes 2
ADEPT International Company	PROCASE & MOREX Corporation	Trading / Order taking company	100	100	
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	88	88	
AMAC International Company	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	12	12	

Note 1: The financial statements of the subsidiary which reflect total assets of \$242,084 and \$253,276, both constituting 4% of the consolidated total assets as of December 31, 2019 and 2018, respectively, and net operating revenues of \$0, constituting 0% of the consolidated total net operating revenue for both years then ended, were audited by the subsidiary's appointed independent accountants.

Note 2: As resolved by the Board of Directors on January 19, 2017, Chenbro Micom (Shenzhen) Co., Ltd. and Chenbro Micom (Beijing) Co. are under liquidation. The liquidation of Chenbro Micom (Shenzhen) Co., Ltd. and Chenbro Micom (Beijing) Co., Ltd. were completed in August and December 2019, respectively.

Note 3: On May 9, 2017, Chenbro Europe B. V. was dissolved under the resolution of the Board of Directors, and the liquidation was completed in March 2019.

Note 4: The Board of Directors of Chenbro UK Limited resolved to reduce the capital in the amount of GBP 19,999 on August 7, 2018. The reduction in capital was registered in October, 2018 and Chenbro UK Limited has remitted back the share capital of \$1,178 in July 2019. The liquidation was completed in January 2020.

Note 5: On June 25, 2019, Cloud International Company Limited was dissolved under the resolution of the Board of Directors.

Note 6: Edge International Company Limited was established on December 31, 2019, and the funds were in place in February 2020.

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 other foreign exchange gains and losses based on the nature of those transactions 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, if 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) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, 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 realised 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.
- 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.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits 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 other comprehensive income

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are recorded at standard cost and variances are allocated to inventories and cost of goods sold at the balance sheet date. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads allocated based on normal operating capacity. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(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 financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5～50 years
Machinery and equipment	3～13 years
Mold equipment	2～10 years
Computer communication equipment	3～5 years
Testing equipment	3～10 years
Transportation equipment	5 years
Office equipment	3～13 years
Other equipment	2～12 years

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

Effective 2019

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
- (a) Fixed payments, less any lease incentives receivable; and
 - (b) Variable lease payments that depend on an index or a rate.

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

- C. At the commencement date, the right-of-use asset is stated at cost comprising the following:
- (a) The amount of the initial measurement of lease liability;
 - (b) Any lease payments made at or before the commencement date; and
 - (c) Any initial direct costs incurred by the lessee.

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

(15) Operating leases

Prior to 2019

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

(16) Intangible assets

A. Trademarks

Separately acquired trademarks are stated at historical cost. Trademarks have a finite useful life

and are amortised on a straight-line basis over their estimated useful life of 10 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

(17) Impairment of non-financial assets

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

(18) Borrowings

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

(19) Accounts payable

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

(20) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(21) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount 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.

(22) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised 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 plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred 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 tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred 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 tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

(24) Share capital

- A. 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.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved 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.

(26) Revenue recognition

- A. The Group manufactures and sells computer cases and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the

estimated sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term after the transfer of controls in 45 to 60 days, which is consistent with market practice.

- C. A receivable is recognised when the control of products is transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

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

The preparation of these consolidated financial statements does not require management to make critical judgements in applying the Group's accounting policies. The management makes 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. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

The Group's inventories are stated at the lower of cost and net realisable value. There might be material changes to the evaluation of inventory value as the technology changes rapidly, the items of the inventory in the balance sheet date are numerous, and the identification of obsolete inventory and determination of net realisable value are subject to management's judgement.

As of December 31, 2019, the carrying amount of inventories was \$974,512.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Petty cash and cash on hand	\$ 350	\$ 398
Demand deposits	23,247	112,672
Checking account deposits	85,845	189,884
Time deposits (including foreign currencies)	114,650	90,351
Foreign currency deposits	764,473	868,422
	<u>\$ 988,565</u>	<u>\$ 1,261,727</u>

- A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group has reclassified cash and cash equivalents pledged to 'other current assets' and 'other non-current assets'. Details are provided in Note 8.

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 28,458	\$ 25,389

- A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$28,458 and \$25,389 as at December 31, 2019 and 2018, respectively.
- B. For the years ended December 31, 2019 and 2018, the amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income was \$0 and (\$6,236), respectively.
- C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$28,458 and \$25,389, respectively.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(3) Financial assets at amortised cost

Items	December 31, 2019	December 31, 2018
Current items:		
Capital guaranteed financial products	\$ 672,955	\$ 156,450
Non-current items:		
Time deposits	\$ 215,500	\$ 223,500

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

	Years ended December 31,	
	2019	2018
Interest income	\$ 21,819	\$ 3,977

- B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$888,455 and \$379,950, respectively.

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

(4) Accounts and notes receivable

	December 31, 2019	December 31, 2018
Notes receivable	\$ 1,026	\$ -
Accounts receivable	\$ 1,638,114	\$ 1,651,951
Less: Allowance for uncollectible accounts	(1,901)	(2,216)
	<u>\$ 1,636,213</u>	<u>\$ 1,649,735</u>

A. The ageing analysis of accounts and notes receivable is as follows:

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,408,356	\$ 1,026	\$ 1,336,113	\$ -
Up to 30 days	194,522	-	236,572	-
31 to 90 days	24,011	-	78,968	-
91 to 180 days	11,225	-	226	-
Over 180 days	-	-	72	-
	<u>\$ 1,638,114</u>	<u>\$ 1,026</u>	<u>\$ 1,651,951</u>	<u>\$ -</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2019, December 31, 2018 and January 1, 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to \$1,639,140 \$1,651,951 and \$1,496,293, respectively.

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

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$1,026 and \$0 and accounts receivable was \$1,636,213 and \$1,649,735, respectively.

E. Information relating to credit risk is provided in Note 12(2).

(5) Transfer of financial assets

A. The Group entered into a factoring agreement with banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Group decreased the estimated amount of business dispute and derecognised the transferred accounts receivable. As of December 31, 2019 and 2018, the related information is as follows:

December 31, 2019							
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 10,106	\$ 10,106	\$ 20,000	\$ -	\$ -	\$ -	-

December 31, 2018							
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 15,880	\$ 15,880	\$ 20,000	\$ -	\$ -	\$ -	-

Note: Shown as 'other receivables'.

B. The finance costs of the Company for the years ended December 31, 2019 and 2018 were \$107 and \$109, respectively.

(6) Inventories

December 31, 2019			
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	\$ 277,602	(\$ 70,839)	\$ 206,763
Semi-finished goods	115,100	(14,162)	100,938
Work in process	122,221	(2,114)	120,107
Finished goods	608,130	(61,426)	546,704
	<u>\$ 1,123,053</u>	<u>(\$ 148,541)</u>	<u>\$ 974,512</u>

December 31, 2018			
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	\$ 151,050	(\$ 27,406)	\$ 123,644
Semi-finished goods	110,309	(13,836)	96,473
Work in process	47,659	(25)	47,634
Finished goods	347,669	(46,985)	300,684
	<u>\$ 656,687</u>	<u>(\$ 88,252)</u>	<u>\$ 568,435</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	\$ 4,691,451	\$ 4,790,517
Sale of scraps	(10,872)	(13,550)
Loss on decline in market value	59,078	28,857
Gain on physical inventory	(340)	(58)
	<u>\$ 4,739,317</u>	<u>\$ 4,805,766</u>

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
<u>At January 1, 2019</u>												
Cost	\$ 212,401	\$ 1,590,398	\$ 599,216	\$ 446,988	\$ 27,731	\$ 28,517	\$ 27,003	\$ 62,341	\$ 44,433	\$ 49,186	\$ 3,088,214	\$ 18,474
Accumulated depreciation and impairment	-	(563,388)	(367,886)	(308,033)	(23,914)	(17,572)	(15,208)	(42,686)	(28,253)	-	(1,366,940)	-
	<u>\$ 212,401</u>	<u>\$ 1,027,010</u>	<u>\$ 231,330</u>	<u>\$ 138,955</u>	<u>\$ 3,817</u>	<u>\$ 10,945</u>	<u>\$ 11,795</u>	<u>\$ 19,655</u>	<u>\$ 16,180</u>	<u>\$ 49,186</u>	<u>\$ 1,721,274</u>	<u>\$ 18,474</u>
<u>2019</u>												
Opening net book amount	\$ 212,401	\$ 1,027,010	\$ 231,330	\$ 138,955	\$ 3,817	\$ 10,945	\$ 11,795	\$ 19,655	\$ 16,180	\$ 49,186	\$ 1,721,274	\$ 18,474
Additions	-	15,897	8,438	6,480	1,247	1,165	358	4,702	7,825	5,337	51,449	82,123
Disposals	-	-	(627)	-	-	(149)	-	(58)	(444)	-	(1,278)	-
Transfers (Note)	-	30,545	9,011	30,292	-	1,390	141	-	-	(46,155)	25,224	(19,268)
Effects of foreign exchange	(1,727)	(30,627)	(7,538)	(4,786)	(55)	(164)	(252)	(575)	(603)	(299)	(46,626)	(1,147)
	<u>-</u>	<u>(80,624)</u>	<u>(33,842)</u>	<u>(58,957)</u>	<u>(1,856)</u>	<u>(3,120)</u>	<u>(2,282)</u>	<u>(6,554)</u>	<u>(3,997)</u>	<u>-</u>	<u>(191,232)</u>	<u>-</u>
Depreciation charges	<u>\$ 210,674</u>	<u>\$ 962,201</u>	<u>\$ 206,772</u>	<u>\$ 111,984</u>	<u>\$ 3,153</u>	<u>\$ 10,067</u>	<u>\$ 9,760</u>	<u>\$ 17,170</u>	<u>\$ 18,961</u>	<u>\$ 8,069</u>	<u>\$ 1,558,811</u>	<u>\$ 80,182</u>
Closing net book amount												
<u>At December 31, 2019</u>												
Cost	\$ 210,674	\$ 1,570,573	\$ 527,210	\$ 437,021	\$ 26,956	\$ 29,672	\$ 26,688	\$ 59,083	\$ 41,670	\$ 8,069	\$ 2,937,616	\$ 80,182
Accumulated depreciation and impairment	-	(608,372)	(320,438)	(325,037)	(23,803)	(19,605)	(16,928)	(41,913)	(22,709)	-	(1,378,805)	-
	<u>\$ 210,674</u>	<u>\$ 962,201</u>	<u>\$ 206,772</u>	<u>\$ 111,984</u>	<u>\$ 3,153</u>	<u>\$ 10,067</u>	<u>\$ 9,760</u>	<u>\$ 17,170</u>	<u>\$ 18,961</u>	<u>\$ 8,069</u>	<u>\$ 1,558,811</u>	<u>\$ 80,182</u>

Note: Prepayments for business facilities are shown as ‘other non-current assets’. Details are provided in Note 6(10).

- A. The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. The net difference of the transfers for this period resulted from transferring mold equipment made for customers to inventories amounting to \$5,956.

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
<u>At January 1, 2018</u>												
Cost	\$ 210,161	\$ 1,549,720	\$ 597,673	\$ 309,436	\$ 26,943	\$ 23,799	\$ 22,064	\$ 55,015	\$ 41,631	\$ 51,431	\$ 2,887,873	\$ 30,162
Accumulated depreciation and impairment	-	(486,138)	(353,814)	(259,333)	(20,234)	(15,415)	(13,695)	(38,109)	(25,444)	-	(1,212,182)	-
	<u>\$ 210,161</u>	<u>\$ 1,063,582</u>	<u>\$ 243,859</u>	<u>\$ 50,103</u>	<u>\$ 6,709</u>	<u>\$ 8,384</u>	<u>\$ 8,369</u>	<u>\$ 16,906</u>	<u>\$ 16,187</u>	<u>\$ 51,431</u>	<u>\$ 1,675,691</u>	<u>\$ 30,162</u>
<u>2018</u>												
Opening net book amount	\$ 210,161	\$ 1,063,582	\$ 243,859	\$ 50,103	\$ 6,709	\$ 8,384	\$ 8,369	\$ 16,906	\$ 16,187	\$ 51,431	\$ 1,675,691	\$ 30,162
Additions	-	21,335	22,337	141,196	441	4,970	5,175	5,861	4,307	18,338	223,960	18,834
Disposals	-	(25)	(2,253)	-	-	(17)	(363)	(121)	(73)	-	(2,852)	-
Transfers	-	39,793	4,965	-	-	-	586	3,005	-	(19,479)	28,870	(30,096)
Effects of foreign exchange	2,240	(11,552)	(5,036)	(2,625)	101	(116)	(145)	(159)	(347)	(1,104)	(18,743)	(426)
Depreciation charges	-	(86,123)	(32,542)	(49,719)	(3,434)	(2,276)	(1,827)	(5,837)	(3,894)	-	(185,652)	-
Closing net book amount	<u>\$ 212,401</u>	<u>\$ 1,027,010</u>	<u>\$ 231,330</u>	<u>\$ 138,955</u>	<u>\$ 3,817</u>	<u>\$ 10,945</u>	<u>\$ 11,795</u>	<u>\$ 19,655</u>	<u>\$ 16,180</u>	<u>\$ 49,186</u>	<u>\$ 1,721,274</u>	<u>\$ 18,474</u>
<u>At December 31, 2018</u>												
Cost	\$ 212,401	\$ 1,590,398	\$ 599,216	\$ 446,988	\$ 27,731	\$ 28,517	\$ 27,003	\$ 62,341	\$ 44,433	\$ 49,186	\$ 3,088,214	\$ 18,474
Accumulated depreciation and impairment	-	(563,388)	(367,886)	(308,033)	(23,914)	(17,572)	(15,208)	(42,686)	(28,253)	-	(1,366,940)	-
	<u>\$ 212,401</u>	<u>\$ 1,027,010</u>	<u>\$ 231,330</u>	<u>\$ 138,955</u>	<u>\$ 3,817</u>	<u>\$ 10,945</u>	<u>\$ 11,795</u>	<u>\$ 19,655</u>	<u>\$ 16,180</u>	<u>\$ 49,186</u>	<u>\$ 1,721,274</u>	<u>\$ 18,474</u>

Note: Prepayments for business facilities are shown as ‘other non-current assets’. Details are provided in Note 6(10)

- A. The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. The net difference from the transfers for this period resulted from the intangible assets of \$1,226.

(8) Leasing arrangements - lessee

Effective 2019

- A. The Group leases various assets including land, office, warehouse, business vehicles, parking spaces, printers and landscaping, etc. Rental contracts are typically made for periods of 3 months to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.
- B. Short-term leases with a lease term of 12 months or less pertain to parking spaces. Low-value assets pertain to printers and landscaping.
- C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	<u>December 31, 2019</u>	<u>Year ended December 31, 2019</u>
	<u>Carrying amount</u>	<u>Depreciation charge</u>
Land	\$ 53,655	\$ 978
Buildings	2,007	2,518
Transportation equipment	2,760	1,776
	<u>\$ 58,422</u>	<u>\$ 5,272</u>

- D. For the year ended December 31, 2019, the additions to right-of-use assets was \$722.
- E. Information on profit or loss in relation to lease contracts is as follows:

	<u>Year ended December 31, 2019</u>
<u>Items affecting profit or loss</u>	
Interest expense on lease liabilities	\$ 295
Expense on short-term lease contracts	6,415
Expense on leases of low-value assets	392
Expense on variable lease payments	2,902

- F. For the year ended December 31, 2019, the Group's total cash outflow for leases was \$14,338 (of which \$4,334 represents payments of the principal of lease liabilities).
- G. Variable lease payments

Some of the Group's lease contracts contain variable lease payment terms that are determined and recognised as expense based on the actual usage during the period.

- H. Extension and termination options

In determining the lease term, the Group takes into consideration all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. The assessment of lease period is reviewed if a significant event occurs which affects the assessment.

(9) Intangible assets

	Trademarks	Computer software	Others	Total
<u>At January 1, 2019</u>				
Cost	\$ 576	\$ 39,673	\$ 600	\$ 40,849
Accumulated amortisation	(331)	(28,331)	(487)	(29,149)
	<u>\$ 245</u>	<u>\$ 11,342</u>	<u>\$ 113</u>	<u>\$ 11,700</u>
<u>2019</u>				
At January 1	\$ 245	\$ 11,342	\$ 113	\$ 11,700
Additions	-	3,610	284	3,894
Amortisation charge	(46)	(4,889)	(60)	(4,995)
Effects of foreign exchange	-	(264)	-	(264)
At December 31	<u>\$ 199</u>	<u>\$ 9,799</u>	<u>\$ 337</u>	<u>\$ 10,335</u>
<u>At December 31, 2019</u>				
Cost	\$ 576	\$ 41,868	\$ 884	\$ 43,328
Accumulated amortisation	(377)	(32,069)	(547)	(32,993)
	<u>\$ 199</u>	<u>\$ 9,799</u>	<u>\$ 337</u>	<u>\$ 10,335</u>
	Trademarks	Computer software	Others	Total
<u>At January 1, 2018</u>				
Cost	\$ 561	\$ 37,254	\$ 600	\$ 38,415
Accumulated amortisation	(284)	(29,987)	(412)	(30,683)
	<u>\$ 277</u>	<u>\$ 7,267</u>	<u>\$ 188</u>	<u>\$ 7,732</u>
<u>2018</u>				
At January 1	\$ 277	\$ 7,267	\$ 188	\$ 7,732
Additions	15	8,678	-	8,693
Transfer (Note)	-	1,226	-	1,226
Amortisation charge	(47)	(5,652)	(75)	(5,774)
Effects of foreign exchange	-	(177)	-	(177)
At December 31	<u>\$ 245</u>	<u>\$ 11,342</u>	<u>\$ 113</u>	<u>\$ 11,700</u>
<u>At December 31, 2018</u>				
Cost	\$ 576	\$ 39,673	\$ 600	\$ 40,849
Accumulated amortisation	(331)	(28,331)	(487)	(29,149)
	<u>\$ 245</u>	<u>\$ 11,342</u>	<u>\$ 113</u>	<u>\$ 11,700</u>

Note: It is transferred from prepayments for business facilities which is shown as ‘other non-current assets’.

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2019	2018
Manufacturing cost	\$ 2,403	\$ 2,155
Selling expenses	25	191
Administrative expenses	1,057	1,152
Research and development expenses	1,510	2,276
	<u>\$ 4,995</u>	<u>\$ 5,774</u>

(10) Other non-current assets

	December 31, 2019	December 31, 2018
Long-term prepaid rent - land use right (Note)	\$ -	\$ 56,620
Prepayment for buildings	49,280	-
Prepayments for business facilities	30,902	18,474
Others	17,734	13,103
	<u>\$ 97,916</u>	<u>\$ 88,197</u>

Note: On December 23, 1997, the Group's subsidiary, Dongguan Procace Electronic Co., Ltd., signed a land use right contract with the People's Republic of China for industrial use of the land in Hungyeh Industrial Zone, Tanghsia Town, Dongguan City, Guangdong Province with a term of 50 years; and in June 2004 and November 2006, the subsidiary, Chenbro Technology (Kunshan) Co., Ltd., signed a land use right contract with the People's Republic of China for use of the land in Yushan Town, Kunshan City with a term of 50 years for both contracts. The Group has elected to apply IFRS 16 using modified retrospective approach. Accordingly, the contracts were recognised as right-of-use assets on January 1, 2019. Details are provided in Note 6(8).

(11) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Short-term borrowings	<u>\$ 59,960</u>	2.70%	A promissory note of the same amount was issued as collateral.

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Short-term borrowings	<u>\$ 276,102</u>	3.00%~4.38%	A promissory note of the same amount was issued as collateral.

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2019
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	\$ 126,411
Less: Current portion (shown as 'other current liabilities')				(7,158)
				<u>\$ 119,253</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2018
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	\$ 136,528
Less: Current portion (shown as 'other current liabilities')				(7,068)
				<u>\$ 129,460</u>

The secured borrowing contract of the subsidiary, CLOUDWELL HOLDINGS, LLC., requires that the interest coverage ratio for each year should not be lower than 1.2. If the requirement is not met, the subsidiary shall repay the outstanding borrowing or provide bank deposits as collateral. As of December 31, 2019, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(13) Other payables

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Wages and bonus payable	\$ 277,096	\$ 218,434
Remuneration due to supervisors and employee compensation	106,996	74,557
Payables for investment	-	80,640
Payables for mold	61,516	65,297
Payables for export freight and customs clearance charges	39,814	34,693
Payables for service fees	42,894	20,472
Payables for consumable goods	18,931	16,609
Payables for machinery and equipment	4,132	2,098
Others	114,108	126,744
	<u>\$ 665,487</u>	<u>\$ 639,544</u>

(14) Pensions

A. Defined benefit plan

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

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Present value of defined benefit obligations	\$ 46,043	\$ 43,438
Fair value of plan assets	(17,562)	(16,092)
Net liability recognised in the balance sheet (shown as 'other non-current liabilities')	<u>\$ 28,481</u>	<u>\$ 27,346</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 43,438	(\$ 16,092)	\$ 27,346
Current service cost	116	-	116
Interest expense (income)	391	(145)	246
	<u>43,945</u>	<u>(16,237)</u>	<u>27,708</u>
Remeasurements:			
Return on plan assets	-	(784)	(784)
Change in financial assumptions	716	-	716
Experience adjustments	1,382	-	1,382
	<u>2,098</u>	<u>(784)</u>	<u>1,314</u>
Pension fund contribution	-	(541)	(541)
Benefits paid	-	-	-
Balance at December 31	<u>\$ 46,043</u>	<u>(\$ 17,562)</u>	<u>\$ 28,481</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 49,425	(\$ 21,495)	\$ 27,930
Current service cost	281	-	281
Interest expense (income)	494	(215)	279
	<u>50,200</u>	<u>(21,710)</u>	<u>28,490</u>
Remeasurements:			
Return on plan assets	-	(680)	(680)
Change in financial assumptions	362	-	362
Experience adjustments	(253)	-	(253)
	<u>109</u>	<u>(680)</u>	<u>(571)</u>
Pension fund contribution	-	(573)	(573)
Benefits paid	(6,871)	6,871	-
Balance at December 31	<u>\$ 43,438</u>	<u>(\$ 16,092)</u>	<u>\$ 27,346</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings

in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2019	2018
Discount rate	0.70%	0.90%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience for the years ended December 31, 2019 and 2018 are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 892)	\$ 923	\$ 786	(\$ 765)
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 894)	\$ 926	\$ 798	(\$ 775)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis and the method of calculating net pension liability did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2020 amount to \$561.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) Other overseas companies have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees’ salaries and wages. Other than the periodic contribution, the overseas companies have no further obligations.
- (c) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2019 and 2018 were \$8,749 and \$8,680, respectively.
- (d) Chenbro Europe B.V., CLOUDWELL HOLDINGS, LLC., Chenbro GmbH, Cloud International Company Limited, AMAC International Company, AMBER International Company, ADEPT International Company, CHENBRO MICOM (ShenZhen) Co., Ltd., Chenbro Micom (Beijing) Co., Ltd. and PROCASE & MOREX Corporation did not establish their pension plans or had no employees. In addition, the pension costs under the defined contribution pension plans of Micom Source Holding Company, CHENBRO MICOM (USA) INCORPORATION, Chenbro UK Limited, Chenbro Technology (Kunshan) Co., Ltd., ChenPower Information Technology (Shanghai) Co., Ltd. and Dongguan Procace Electronic Co., Ltd. for the years ended December 31, 2019 and 2018 were \$40,912 and \$40,168, respectively.

(15) Ordinary shares

As of December 31, 2019, the Company’s authorised capital was \$1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was \$1,197,260 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(16) Capital surplus

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

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital. The remaining shall take into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.
- B. The Company's dividend policy is based on the current profit and consideration of the Company's growth in the future, capital budget plan and capital needs as well as consideration of shareholders' interest and long-term financial plan, etc. Earnings can be distributed to shareholders as cash dividends or stock dividends. Cash dividends shall account for at least 10% of the total dividends distributed. If cash dividends are lower than \$0.20 (in dollars) per share, stock dividends will be issued instead.
- 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 amount of \$65,573 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.
- E. On June 25, 2019 and June 20, 2018, the shareholders resolved the appropriation of 2018 and 2017 earnings, respectively, as follows:

	<u>Year ended December 31, 2018</u>		<u>Year ended December 31, 2017</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
Legal reserve	\$ 64,235	\$ -	\$ 45,544	\$ -
Special reserve	38,002	-	32,530	-
Cash dividends to shareholders	478,904	4.00	359,178	3.00
	<u>\$ 581,141</u>	<u>\$ 4.00</u>	<u>\$ 437,252</u>	<u>\$ 3.00</u>

F. On March 17, 2020, the Board of Directors has proposed the appropriation of 2019 earnings as follows:

	<u>Year ended December 31, 2018</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
Legal reserve	\$ 91,195	\$ -
Special reserve	11,396	-
Cash dividends to shareholders	550,739	4.60
	<u>\$ 653,330</u>	<u>4.60</u>

As of March 17, 2020, the abovementioned appropriation of 2019 earnings has not yet been resolved by the shareholders.

G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(22).

(18) Other equity items

	<u>2019</u>		
	<u>Currency translation</u>	<u>Unrealised losses on valuation</u>	<u>Total</u>
At January 1	(\$ 141,347)	(\$ 6,236)	(\$ 147,583)
Currency translation differences:			
- Group	(95,597)	-	(95,597)
- Tax on Group	18,628	-	18,628
At December 31	<u>(\$ 218,316)</u>	<u>(\$ 6,236)</u>	<u>(\$ 224,552)</u>

	<u>2018</u>		
	<u>Currency translation</u>	<u>Unrealised losses on valuation</u>	<u>Total</u>
At January 1	(\$ 109,581)	\$ -	(\$ 109,581)
Valuation adjustment	-	(6,236)	(6,236)
Currency translation differences:			
- Group	(46,044)	-	(46,044)
- Tax on Group	14,278	-	14,278
At December 31	<u>(\$ 141,347)</u>	<u>(\$ 6,236)</u>	<u>(\$ 147,583)</u>

(19) Operating revenue

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of control of goods to customers in the following major product types and geographical regions:

(a) Information on products

	Years ended December 31,	
	2019	2018
Server cases	\$ 3,531,628	\$ 4,038,899
Peripheral products and components	2,992,605	2,235,376
Personal computer cases	311,210	246,239
	<u>\$ 6,835,443</u>	<u>\$ 6,520,514</u>

(b) Geographical information

	Years ended December 31,	
	2019	2018
US	\$ 2,921,910	\$ 2,443,186
China	2,214,660	2,740,916
Taiwan	876,797	461,779
Others	822,076	874,633
	<u>\$ 6,835,443</u>	<u>\$ 6,520,514</u>

B. Contract assets and liabilities

(a) The Group has recognised the following revenue-related contract assets and liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liabilities			
-sale of products	<u>\$ 6,624</u>	<u>\$ 7,379</u>	<u>\$ 9,810</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year:

	Years ended December 31,	
	2019	2018
Contract liabilities-sale of products	<u>\$ 1,424</u>	<u>\$ 3,693</u>

(20) Other income

	Years ended December 31,	
	2019	2018
Interest income		
Interest income from bank deposits	\$ 9,683	\$ 13,460
Interest income from financial assets measured at amortised cost	21,819	3,977
Total interest income	31,502	17,437
Other income	30,206	18,136
	<u>\$ 61,708</u>	<u>\$ 35,573</u>

(21) Other gains and losses

	Years ended December 31,	
	2019	2018
Gain (loss) on disposal of property, plant and equipment	\$ 1,527	(\$ 1,899)
Loss on disposal of investment	(8,179)	-
Net currency exchange (loss) gain	(18,901)	16,822
Miscellaneous disbursements	(2,905)	(1,740)
	<u>(\$ 28,458)</u>	<u>\$ 13,183</u>

(22) Employee benefit, depreciation and amortisation expenses

	Years ended December 31,	
	2019	2018
Wages and salaries	\$ 1,022,084	\$ 931,053
Labour and health insurance fees	38,638	40,023
Pension costs	50,023	49,408
Other personnel expenses	77,474	65,270
Employee benefit expense	<u>\$ 1,188,219</u>	<u>\$ 1,085,754</u>
Depreciation charges	<u>\$ 196,504</u>	<u>\$ 185,652</u>
Amortisation charges	<u>\$ 4,995</u>	<u>\$ 5,774</u>

- A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration and will be distributed in the form of stock or cash as resolved by the Board of Directors. Employees who are entitled to receive employees' compensation include employees of subsidiaries of the company meeting certain specific requirements. Related regulations were set by the Board of Directors. The distribution of employees' compensation and directors' and supervisors' remuneration should be reported to the stockholders. However, if the Company has accumulated deficit, the Company should cover accumulated losses first, then distribute employees' compensation and directors' and supervisors'

remuneration proportionately as described above.

- B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$82,679 and \$57,612, respectively; while directors' and supervisors' remuneration was accrued at \$24,317 and \$16,945, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2019, employees' compensation and directors' and supervisors' remuneration amounted to \$81,802 and \$24,059 as resolved by the Board of Directors on March 17, 2020, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to \$877 and \$258, respectively. The differences had been accounted for as changes in estimates in profit or loss for 2020.

For the year ended December 31, 2018, employees' compensation and directors' and supervisors' remuneration amounted to \$56,274 and \$16,551 as resolved by the Board of Directors on March 19, 2019, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to \$1,338 and \$394, respectively. The differences had been accounted for as changes in estimates in profit or loss for 2019.

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

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 258,677	\$ 205,002
Tax on undistributed surplus earnings	3,083	1,701
Prior year income tax (over) underestimation	(2,778)	2,905
Total current tax	<u>258,982</u>	<u>209,608</u>
Deferred tax:		
Origination and reversal of temporary differences	(17,527)	20,379
Impact of change in tax rate	-	(1,605)
Total deferred tax	<u>(17,527)</u>	<u>18,774</u>
Income tax expense	<u>\$ 241,455</u>	<u>\$ 228,382</u>

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

	Years ended December 31,	
	2019	2018
Currency translation differences	(\$ 18,628)	(\$ 10,792)
Impact of change in tax rate	-	(3,486)
	<u>(\$ 18,628)</u>	<u>(\$ 14,278)</u>
Remeasurement of defined benefit obligations	<u>(\$ 263)</u>	<u>\$ 114</u>

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 277,910	\$ 255,568
Tax on undistributed earnings	3,083	1,701
Prior year income tax (over) underestimation	(2,778)	2,905
Effect from changes in tax regulation	-	(1,605)
Temporary differences not recognised as deferred tax liabilities	(23,493)	(50,798)
Others	<u>(13,267)</u>	<u>20,611</u>
Income tax expense	<u>\$ 241,455</u>	<u>\$ 228,382</u>

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow- moving inventories	\$ 10,087	\$ 7,795	\$ -	\$ 17,882
Unrealised gain on inter-affiliate accounts	11,042	11,682	-	22,724
Allowance for bad debts	2,865	(210)	-	2,655
Unused compensated absences	3,748	(309)	-	3,439
Pension expense payable	5,930	113	263	6,306
Pension expense that exceeds the limit for tax purpose	1,761	27	-	1,788
Unrealised exchange loss	61	2,259	-	2,320
Unrealised warranty provision (shown as Other payables)	2,034	(22)	-	2,012
Others	1,020	6,514	-	7,534
	<u>\$ 38,548</u>	<u>\$ 27,849</u>	<u>\$ 263</u>	<u>\$ 66,660</u>
-Deferred tax liabilities:				
Investment income	(43,107)	(10,342)	18,628	(34,821)
Book-tax difference of depreciation charges on fixed assets	(2,003)	48	-	(1,955)
Others	(122)	(28)	-	(150)
	<u>(\$ 45,232)</u>	<u>(\$ 10,322)</u>	<u>\$ 18,628</u>	<u>(\$ 36,926)</u>

2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow- moving inventories	\$ 23,018	(\$ 12,931)	\$ -	\$ 10,087
Unrealised gain on inter-affiliate accounts	20,072	(9,030)	-	11,042
Allowance for bad debts	1,648	1,217	-	2,865
Unused compensated absences	1,467	2,281	-	3,748
Pension expense payable	5,137	907	(114)	5,930
Pension expense that exceeds the limit for tax purpose	1,499	262	-	1,761
Unrealised exchange loss	661	(600)	-	61
Unrealised warranty provision (shown as Other payables)	2,135	(101)	-	2,034
Others	1,056	(36)	-	1,020
	<u>\$ 56,693</u>	<u>(\$ 18,031)</u>	<u>(\$ 114)</u>	<u>\$ 38,548</u>
-Deferred tax liabilities:				
Investment income	(55,877)	(1,508)	14,278	(43,107)
Book-tax difference of depreciation charges on fixed assets	(2,804)	801	-	(2,003)
Others	(86)	(36)	-	(122)
	<u>(\$ 58,767)</u>	<u>(\$ 743)</u>	<u>\$ 14,278</u>	<u>(\$ 45,232)</u>

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the temporary differences unrecognised as deferred tax liabilities were \$387,094 and \$362,634, respectively.

E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(24) Earnings per share

Year ended December 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 911,951	119,726	\$ 7.62
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 911,951		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,199	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 911,951	120,925	\$ 7.54
Year ended December 31, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 642,350	119,726	\$ 5.37
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 642,350		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,625	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 642,350	121,351	\$ 5.29

(25) Operating leases

Prior to 2019

The Group leases office, warehouse and business vehicles under operating lease agreements. The lease terms are between 2 and 5 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 6,902
Later than one year but not later than five years	4,206
Later than five years	<u>212</u>
	<u>\$ 11,320</u>

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 133,572	\$ 242,794
Add: Opening balance of payable on equipment	2,098	6,734
Less: Ending balance of payable on equipment	(4,132)	(2,098)
Cash paid during the year	<u>\$ 131,538</u>	<u>\$ 247,430</u>

B. The subsidiary-Chenbro Europe B.V. was liquidated in March 2019 and accordingly, the Group lost control over the subsidiary. The information on cash returned and relevant assets and liabilities is as follows:

	<u>Year ended December 31, 2019</u>
Cash returned	<u>\$ 65,130</u>
Carrying amounts of the assets and liabilities of Chenbro Europe B.V.	
Cash	\$ 65,130
Other receivables	1,629
Other payables	(2,830)
Total net assets	<u>\$ 63,929</u>

C. The subsidiary-Chenbro Micom (Shenzhen) Co., Ltd. was liquidated in August 2019 and accordingly, the Group lost control over the subsidiary. The information on cash returned and relevant assets and liabilities is as follows:

	Year ended December 31, 2019
Cash returned	\$ 23,408
Carrying amounts of the assets and liabilities of Chenbro Micom (Shenzhen) Co., Ltd.	
Cash	\$ 23,408
Other payables	(1,004)
Total net assets	\$ 22,404

(27) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2019	\$ 276,102	\$ 136,528	\$ 412,630
Changes in cash flow from financing activities	(215,989)	(6,273)	(222,262)
Impact of changes in foreign exchange rate	(153)	(3,844)	(3,997)
At December 31, 2019	\$ 59,960	\$ 126,411	\$ 186,371

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	\$ 296,883	\$ 138,788	\$ 435,671
Changes in cash flow from financing activities	(27,002)	(6,124)	(33,126)
Impact of changes in foreign exchange rate	6,221	3,864	10,085
At December 31, 2018	\$ 276,102	\$ 136,528	\$ 412,630

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's shares are held by the public, thus, there is no parent company or ultimate parent.

(2) Name of related party and relationship

Name of related party	Relationship with the Group
Chen-Source Inc.	Other related party

(3) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2019	2018
Sales:		
Other related parties	\$ 1,273	\$ 1,316

Goods are sold based on normal prices and terms. Payment term is 60 days after monthly billings.

B. Purchases and other expenses

	Years ended December 31,	
	2019	2018
Purchases:		
Other related parties	\$ 18,915	\$ 48,350
Other expenses:		
Other related parties	3,179	2,057
	\$ 22,094	\$ 50,407

(a) Purchases: No similar transaction can be compared with. Prices and terms are determined based on mutual agreements and payment term is 60 days after monthly billings.

(b) Other expenses: It arises from short-term leases of warehouse and management of warehouse by other related parties on behalf of the Company. Prices and terms are determined based on mutual agreements, and the collection term is 60 days after monthly billings.

C. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable:		
(shown as 'accounts receivable')		
Other related parties	\$ 459	\$ 622
Other receivables-payment on behalf of others:		
(shown as 'other receivables')		
Other related parties	8	234
	\$ 467	\$ 856

The receivables from related parties are unsecured in nature and bear no interest.

D. Payables to related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable:		
Other related parties	\$ 4,612	\$ 6,008
Other payables-other expenses:		
(shown as 'other payables')		
Other related parties	590	669
	<u>\$ 5,202</u>	<u>\$ 6,677</u>

Accounts payable bear no interest.

(4) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 64,071	\$ 53,977
Post-employment benefits	320	346
	<u>\$ 64,391</u>	<u>\$ 54,323</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Time deposits (shown as 'other current assets')	\$ 3,000	\$ 1,000	Customs duty guarantee
Cash in banks (shown as 'other non-current assets')	\$ 3,090	\$ 3,134	Long-term borrowings (Note)
Land and buildings	\$ 211,467	\$ 220,994	Long-term borrowings (Note)

Note: In August, 2013, the subsidiary, CLOUDWELL HOLDINGS, LLC., signed a long-term borrowing contract for a credit line of USD 5.53 million with banks. The contract requires the subsidiary to pledge land and buildings as mortgage and USD 100 thousand as collateral.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Please refer to Note 6(25) for the details of operating lease arrangements.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- A. Please refer to Note 6(17) F for the distribution of retained earnings.
- B. Please refer to Note 6(22) B for the resolution of employees' compensation and directors' and supervisors' remuneration for the year ended December 31, 2019.
- C. For the consideration of cash flows and needs of local operations, the Company's Board of Directors proposed to remit back NTD\$550 million by way of cash dividend from Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company and MICOM Source Holding Company.
- D. On March 17, 2020, for long-term development and planning, the Company's Board of Directors has approved the purchase of land and factory building, and authorize the Chairman of the Board to fully represent the Company to negotiate the transaction details with the vendor within the authorized limit and to sign the relevant documents.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to maintain an optimal financial structure and capital ratio in order to support operations and maximise interests for shareholders.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 28,458	\$ 25,389
Financial assets at amortised cost		
Cash and cash equivalents	988,565	1,261,727
Financial assets at amortised cost	888,455	379,950
Notes receivable	1,026	-
Accounts receivable	1,636,213	1,649,735
Other receivables	69,123	47,187
Other current assets	3,000	1,000
Guarantee deposits paid	2,931	2,613
Other non-current assets	3,090	3,134
	<u>\$ 3,620,861</u>	<u>\$ 3,370,735</u>

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 59,960	\$ 276,102
Accounts payable (including related parties)	1,755,986	1,418,767
Other payables	665,487	639,544
Other current liabilities	2,710	3,756
Long-term borrowings (including current portion)	126,411	136,528
Guarantee deposits received	586	608
	<u>\$ 2,611,140</u>	<u>\$ 2,475,305</u>
Lease liabilities	<u>\$ 4,766</u>	<u>\$ -</u>

B. Financial risk management policies

- (a) 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.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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, primarily with respect to the USD. 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. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury, and primarily hedge using natural hedge.

- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). 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, 2019			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 66,433	29.98	\$ 1,991,661
USD:RMB	28,496	6.98	856,802
<u>Non-monetary items</u>			
USD:NTD	8,458	29.98	253,559
EUR:NTD	284	33.59	9,540
RMB:NTD	580,384	4.31	2,501,453
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 38,381	29.98	\$ 1,150,662
USD:RMB	9,039	6.98	271,779
December 31, 2018			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 51,235	30.72	\$ 1,573,939
USD:RMB	22,774	6.87	699,364
<u>Non-monetary items</u>			
USD:NTD	8,936	30.72	274,515
EUR:NTD	2,034	35.20	71,598
GBP:NTD	32	38.88	1,242
RMB:NTD	544,511	4.47	2,433,965
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 37,898	30.72	\$ 1,164,227
USD:RMB	10,512	6.87	322,812

- iv. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group:

Year ended December 31, 2019				
Exchange gain (loss)				
Foreign currency amount				
	(in thousands)	Exchange rate	Book value	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ -	29.98	(\$	31,198)
USD:RMB	(1,158)	6.98	(	8,080)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$ -	29.98	\$	13,101
USD:RMB	215	6.98		1,499

Year ended December 31, 2018				
Exchange gain (loss)				
Foreign currency amount				
	(in thousands)	Exchange rate	Book value	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ -	30.72	(\$	3,735)
USD:RMB	1,230	6.87	(	5,498)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$ -	30.72	\$	8,055
USD:RMB	1,185	6.87		5,299

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

Year ended December 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 19,917	\$ -
USD:RMB	1%	8,568	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	11,507	-
USD:RMB	1%	2,718	-
Year ended December 31, 2018			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 15,739	\$ -
USD:RMB	1%	6,994	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	11,642	-
USD:RMB	1%	3,228	-

Price risk

- The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.
- Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by \$285 and \$254 as a result of gains or losses on equity investment

at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term borrowings and long-term borrowings (including current portion). Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are issued at fixed rates. During the years ended December 31, 2019 and 2018, the Group's borrowings were denominated in the USD.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated financial assets at amortised cost.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. Individual risk limits are set based on internal or external factors in accordance with limits set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.
- iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group used the forecastability of The New Basel Capital Accord to adjust historical and timely information to assess the default possibility of accounts receivable. In 2019 and 2018, the loss allowance is as follows:

	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2019</u>				
Expected loss rate	0.03%	0.03%-0.15%	0.03%-2.61%	0.03%-8.42%
Total book value	\$ 1,408,356	\$ 218,533	\$ 11,225	\$ -
Loss allowance	\$ -	\$ 785	\$ 1,116	\$ -

	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2019</u>				
Expected loss rate	0.03%-100%	100%		
Total book value	\$ -	\$ -	\$ 1,638,114	
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,901</u>	
	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2018</u>				
Expected loss rate	0.00%-0.13%	0.00%-0.56%	0.00%-6.31%	0.05%-23.98%
Total book value	\$ 1,336,113	\$ 315,540	\$ 226	\$ -
Loss allowance	<u>\$ -</u>	<u>\$ 2,172</u>	<u>\$ 36</u>	<u>\$ -</u>
	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2018</u>				
Expected loss rate	74.51%-100%	100.00%		
Total book value	\$ 72	\$ -	\$ 1,651,329	
Loss allowance	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 2,216</u>	

- viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2019	2018
	Accounts receivable	Accounts receivable
At January 1	\$ 2,216	\$ 23,751
Reversal of impairment loss	(286)	(7,204)
Write-offs	-	(14,294)
Effect of exchange rate changes	(29)	(37)
At December 31	<u>\$ 1,901</u>	<u>\$ 2,216</u>

For the years ended December 31, 2019 and 2018, reversal of impairment of accounts receivable arising from customer contracts amounted to \$286 and \$7,204, respectively.

(c) Liquidity risk

- 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.
- 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 analysis is as follows:

Non-derivative financial liabilities:

<u>December 31, 2019</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 60,050	\$ -	\$ -	\$ -
Accounts payable	1,751,374	-	-	-
Accounts payable - related party	4,612	-	-	-
Other payables	665,487	-	-	-
Lease liabilities	3,698	1,055	198	-
Other current liabilities	2,710	-	-	-
Long-term borrowings (including current portion)	11,776	23,552	23,552	103,039
Guarantee deposits received	414	172	-	-

Non-derivative financial liabilities:

<u>December 31, 2018</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 277,238	\$ -	\$ -	\$ -
Accounts payable	1,412,759	-	-	-
Accounts payable - related party	6,008	-	-	-
Other payables (including related party)	639,544	-	-	-
Other current liabilities	3,756	-	-	-
Long-term borrowings (including current portion)	12,067	24,133	24,133	117,649
Guarantee deposits received	429	179	-	-

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

- B. The carrying amounts of the Group's financial assets not measured at fair value, including cash and cash equivalents, current financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid, other current assets, other non-current assets, short-term borrowings, accounts payable (including related parties), other payables (including related parties), lease liabilities, long-term borrowings (including current portion) and guarantee deposits received, are approximate to their fair values.
- 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 are as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	\$ -	\$ -	\$ 28,458	\$ 28,458
December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value				
through other comprehensive				
income				
Equity securities	\$ -	\$ -	\$ 25,389	\$ 25,389

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The fair value of the Group's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. The following chart is the movement of Level 3 for the year ended December 31, 2019 and 2018:

	2019	2018
	<u>Equity securities</u>	<u>Equity securities</u>
January 1	\$ 25,389	\$ -
IFRS 9 transfer adjustments	-	31,625
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	- (	6,236)
Acquired in the period	3,069	-
At December 31	<u>\$ 28,458</u>	<u>\$ 25,389</u>

E. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

F. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 28,458	Market comparable companies	Price to book ratio multiple	1.37-4.41 (1.68)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20% (20%)	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 25,389	Market comparable companies	Price to book ratio multiple	1.34-3.33 (1.50)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20% (20%)	The higher the discount for lack of marketability, the lower the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 285	\$ 285
	Discount for lack of marketability	±1%	-	-	(71)	(71)

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 254	\$ 254
	Discount for lack of marketability	±1%	-	-	(64)	(64)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- 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 \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Counterparties' information are disclosed based on subsidiaries' audited financial statements. However, the information on investments between companies was eliminated when preparing the consolidated financial statements. The following disclosures are for reference only. Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

<u>Name of company</u>	<u>Counterparty</u>	<u>Accounts</u>	<u>Amount 2019</u>	<u>Percentage representing the account of the company (%)</u>	<u>Note</u>
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Purchases	\$ 467,266	60	Note 1
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Accounts payable	52,749	42	Note 1
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Purchases	651,432	20	
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Accounts payable	131,169	12	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	2,239,443	67	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	709,110	66	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Other receivables	74,297	61	Note 2

Note 1: The Company purchased raw materials of iron pieces from Dongguan Procace Electronic Co., Ltd., through PROCASE & MOREX Corporation (Procace) for manufacturing computer cases.

Note 2: The Company purchased raw materials for the third-tier subsidiary, Chenbro Technology (Kunshan) Co., Ltd.

14. OPERATING SEGMENT INFORMATION

(1) General information

Because each plant possesses similar economic characteristics, produces similar products under similar production process, uses the same machinery equipment, as well as the selling methods and customer categories are alike, the Company's and subsidiaries' chief operating decision-maker has assessed that the Company and its subsidiaries only has one reportable operating segment. Furthermore, the measurement basis for the Company is in agreement with the basis stated in the

reports reviewed by the chief operating decision-maker.

(2) Measurement of segment information

The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4. The Group's segment profit (loss) is measured with the operating income (loss), which is used as a basis for the Group in assessing the performance of the operating segments.

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

The Group has only one reportable operating segment, thus, the reportable information is in agreement with those in the consolidated financial statements.

(4) Reconciliation for segment income (loss)

The segment operating profit provided to the chief operating decision-maker is measured in a manner consistent with that used for the statement of comprehensive income. Amounts of total assets and total liabilities of segments are not provided to the chief operating decision-maker to make strategic decisions. There is no difference between the presentation of segment report and income statement and accordingly, no reconciliation is required to be disclosed.

(5) Information on product

Details of revenue balance is as follows:

	Years ended December 31,	
	2019	2018
Computer server cases	\$ 3,531,628	\$ 4,038,899
Peripheral products and components	2,992,605	2,235,376
Personal computer cases	311,210	246,239
	<u>\$ 6,835,443</u>	<u>\$ 6,520,514</u>

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Sales revenue	Non-current assets	Sales revenue	Non-current assets
China	\$ 2,214,660	\$ 1,149,913	\$ 2,740,916	\$ 1,315,518
US	2,921,910	277,081	2,443,186	260,701
Taiwan	876,797	291,809	461,779	242,096
Others	822,076	660	874,633	243
	<u>\$ 6,835,443</u>	<u>\$ 1,719,463</u>	<u>\$ 6,520,514</u>	<u>\$ 1,818,558</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	<u>Sales revenue</u>	<u>Percentage of consolidated net operating income</u>	<u>Sales revenue</u>	<u>Percentage of consolidated net operating income</u>
Company A	\$ 1,094,317	16%	\$ 54,643	1%
Company B	969,788	14%	1,428,979	21%
Company C	919,096	13%	1,337,581	21%
Company D	720,405	11%	579,800	9%
Company E	559,306	8%	701,425	11%

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2019

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

Table 1

Number (Note 1)	Endorser/ guarantor	Company name	<u>Party being endorsed/guaranteed</u>		Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary (Note 6)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 6)	Provision of endorsements/ guarantees to the party in Mainland China (Note 6)	Footnote
			Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party										
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Inc.	2	\$ 704,001	\$ 123,600	\$ 59,960	\$ -	\$ -	2	\$ 2,112,004	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	2	704,001	176,960	167,888	126,411	-	5	2,112,004	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	PROCASE & MOREX Corporation	3	704,001	216,300	119,920	-	-	3	2,112,004	Y	N	N	Note 3

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is as follows:

- (1) A company with which the Company does business
- (2) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company
- (4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares
- (5) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
- (6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages
- (7) Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", ceiling on accumulated endorsements/guarantees to others and limit on endorsements/guarantees to a single party was 60% and 20% of the Company's net assets, respectively.

Note 4: The maximum endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US\$4,000, \$5,600 and \$7,000 thousand for the year ended December 31, 2019, respectively.

Note 5: The outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US\$2,000 thousand, \$5,600 thousand and \$4,000 thousand for the year ended December 31, 2019, respectively.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period

December 31, 2019

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

Table 2

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
CHENBRO MICOM CO., LTD.	Diamond Creative Holding Limited	None	Non-current financial assets at fair value through other comprehensive income	1,100,000	\$28,458	14.29%	\$28,458	

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2019

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

Table 3

							Differences in transaction terms compared to third party transactions				
			Transaction						Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	The Company’s subsidiary	Sales	\$ 3, 076, 480	64	OA 120 days	Note 1	Note 1	\$ 937,272	71	Note 2
CHENBRO MICOM CO., LTD.	Chenbro GmbH	The Company’s subsidiary	Sales	118, 464	2	90 days after monthly billing	Note 1	Note 1	63,786	5	Note 2
PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	651, 432	78	60 days after monthly billing	Note 1	Note 1	131,169	76	Note 2
Procace & Morex Corporation	Dongguan Procace Electronic Co., Ltd.	Parent-subsidiary company	Sales	163, 609	20	Based on agreement	Note 1	Note 1	40,908	24	Note 2
Dongguan Procace Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	Parent-subsidiary company	Sales	467, 266	27	Based on agreement	Note 1	Note 1	52,749	9	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	2, 239, 443	77	60 days after monthly billing	Note 1	Note 1	709,110	77	Note 2
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	1, 227, 771	72	Based on agreement	Note 1	Note 1	507,986	90	Note 2

Note 1: Terms and prices for the abovementioned transactions are the same with third parties.

Note 2: The transactions were eliminated when preparing the consolidated financial statements.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2019
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 4

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019 (Note 3)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts (Note 2)
					Amount	Action taken		
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Accounts receivable \$ 937,272	3.63	-		\$ 443,982	\$ -
Procace & Morex Corporation	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 131,169	5.18	-		99,480	-
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 709,110	3.90	\$ 13,236	Subsequent collection	287,348	-
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable \$ 507,986	2.24	-		229,546	-

Note 1: Subsequent collections as of March 17, 2020.

Note 2: As the related parties have excellent credit condition, no allowance for doubtful accounts was recognised.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Year ended December 31, 2019
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 5

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount (Notes 3, 6 and 7)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 5)
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Sales	\$ 3,076,480	Note 4	45
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	937,272	Note 4	15
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	2,239,443	Note 4	33
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	709,110	Note 4	11
2	Dongguan Procace Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	3	Sales	467,266	Note 4	7
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	1,227,771	Note 4	18
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Accounts receivable	507,986	Note 4	8
3	PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	2	Sales	651,432	Note 4	10
3	PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	2	Accounts receivable	131,169	Note 4	2
3	PROCASE & MOREX CORPORATION	Dongguan Procace Electronic Co., Ltd.	3	Sales	163,609	Note 4	2
3	CHENBRO MICOM CO., LTD.	Chenbro GmbH	1	Sales	118,464	Note 4	2

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Transaction amounts less than NT\$100 million or 20% of paid-in capital are not disclosed.

Note 4: There is no transaction similar to the above purchases and sales, which are determined in accordance with mutual agreement.

Note 5: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 6: Except for current profit (loss) for the year ended December 31, 2019 is translated using the quarterly average exchange rate in 2019, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2019.

Note 7: The transactions were eliminated when preparing the consolidated financial statements.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Information on investees (not including investees in Mainland China)
Year ended December 31, 2019
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 6

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 5)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Notes 5 and 6)	Footnote
				Balance as at December 31, 2019 (Note 5)	Balance as at December 31, 2018 (Note 5)	Number of shares	Ownership (%)	Book value (Note 5)			
CHENBRO MICOM CO., LTD.	Micom Source Holding Company	Cayman Islands	Holding company	\$ 720,264	\$ 663,518	20,449,890	100	\$ 2,479,365	\$ 193,606	\$ 92,379	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	137,047	46,543	50,654	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro Europe B.V.	Netherlands	General trading company	-	2,837	-	-	-	-	-	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	116,512	1,909	1,909	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	9,540	3,707	3,721	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro UK Limited	UK	Marketing services	-	-	1	100	- (	47) (	47)	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Edge International Company Limited	Seychelles	Trading/ order taking company	-	-	-	-	-	-	-	Note 7
Micom Source Holding Company	Cloud International Company Limited	Samoa	Holding company	-	16,896	-	-	- (	3,425)	-	Notes 3, 4 and 5
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	193,461	193,461	6,452,738	100	68,079	329	-	Notes 3, 4 and 5
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	247,035	247,035	8,239,890	100	1,906,993	179,963	-	Notes 3, 4 and 5
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	529,840	473,684	35,346	100	600,700	17,373	-	Notes 3, 4 and 5
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Trading/ order taking company	254,830	254,830	35,502	100	568,963 (	941)	-	Notes 2, 4 and 5

Note 1: Investment income (loss) recognised for the year ended December 31, 2019 includes recognition and elimination of realised and unrealised gain (loss) on upstream transactions.

Note 2: The third-tier subsidiary of the Company and it's investment income / loss recognised by ADEPT International Company.

Note 3: The second-tier subsidiary of the Company and it's investment income / loss recognised by Micom Source Holding Company.

Note 4: The transactions were eliminated when preparing the consolidated financial statements.

Note 5: Except for current profit (loss) for the year ended December 31, 2019 which is translated using the quarterly average exchange rate in 2019, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2019.

Note 6: Investment income / loss recognised by the Company includes only that of the subsidiaries in which the Company directly invested and that of investees accounted for using equity method.

Note 7: Edge International Company Limited was established on December 31, 2019 and funds were in place in February 2020.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2019

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

Table 7

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
CHENBRO MICOM (ShenZhen) Co., Ltd.	Trading and order taking	\$ 14,990	\$ 2	\$ 14,990	\$ -	\$ -	\$ 14,990	(\$ 1,224)	\$ 100	(\$ 1,224)	\$ -	\$ -	Notes 1, 8, 9 and 10
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	299,800	2	299,800	-	-	299,800	170,428	100	170,428	1,812,880	302,406	Notes 3, 6, 8 and 10
CHENBRO MICOM (BEIJING) CO., LTD.	Rendering technical service	25,860	2	-	-	-	-	(3)	100	(3)	225	-	Notes 5, 8 and 10
Dongguan Procace Electronic Co., Ltd.	Manufacturing and processing of computer cases	376,009	2	89,820	-	-	89,820	2,762	100	2,762	566,351	-	Notes 4, 8 and 10
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	62,958	2	-	-	-	-	13,830	100	13,830	122,222	-	Notes 3, 7, 8 and 10

Investment method:

1. Directly invest in a company in Mainland China.

2. Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

3. Others.

Note 1: The Company reinvested through Cloud International Company Limited with earnings of Micom Source Holding Company.

Note 2: The investments income/loss of current period were audited by independent accountants of the Company.

Note 3: The Company reinvested through Amber International Company.

Note 4: The Company reinvested through Procace & Morex Corporation and AMAC International Company.

Note 5: The investee was established on June 6, 2014 and received RMB 6 million as capital which was remitted from the earnings of Chenbro Technology (Kunshan) Co., Ltd. on August 4, 2014.

Note 6: The Company distributed cash dividends of \$302,406 (net of taxation on earnings remitted from Mainland China) to the Company through the holding companies, Amber International Company and Micom Source Holding Company on October 17, 2014.

Note 7: The Company incorporated on October 8, 2016 and was reinvested by Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company at amount of USD\$ 2.1 million as capital of the Company on December 23, 2016.

Note 8: Except for current profit (loss) for the year ended December 31, 2019 translated using the quarterly average exchange rate in 2019, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2019.

Note 9: The liquidation of Chenbro Micom (Shenzhen) Co. was completed in August 2019.

Note 10: The transactions were eliminated when preparing the consolidated financial statements.

Company name	December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 11)
CHENBRO MICOM CO., LTD.	\$ 404,610	\$ 413,971	\$ -

Note 11: Pursuant to the Gong-Zhi-Zi Order No. 10620430600, certificate for qualified operational headquarters, issued by Industrial Development Bureau, Ministry of Economic Affairs on November 20, 2017, there is no ceiling on accumulated investments in Mainland China for the period from November 15, 2017 to November 14, 2020.

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2019 AND 2018

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

REPORT OF INDEPENDENT ACCOUNTANTS

(19) PWCR19003465

To the Board of Directors and Shareholders of Chenbro Micom Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of Chenbro Micom Co., Ltd. (the “Company”) as at December 31, 2019 and 2018, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and parent company only notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other auditors, as described in the Other Matters section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, "Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and ROC GAAS for our audit of the financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other auditors, 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters of the Company's parent company only financial statements of the current period are stated as follows:

Valuation of inventories

Description

Refer to Note 4(10) for accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2019, the Group's cost of inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$244,392 thousand and NT\$51,549 thousand, respectively.

The Company is engaged in manufacturing and sales of computer peripheral equipment. As technology changes rapidly and the life cycle of electronic products is short, inventories may become obsolete within a short period. The Company measures inventories at the lower of cost and net realisable value, and assesses whether the value of inventories has declined. Any losses incurred due to obsolescence based on inventory aging and closeout inventory are examined by management periodically.

As the value of inventory is significant, the inventory items are numerous, and the accounting estimates are subject to management's judgement, we consider valuation of inventories a key audit matter.

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

1. Obtaining the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses are consistent for all periods. Assessing the estimation determined by the management and relevant assumptions of allowance for inventory loss.
2. Matching information obtained in physical count of disposed and obsolete inventory against the list prepared by management and interviewing management and employees to examine the obsolete,

slow-moving or damaged inventories that were included in the list.

3. Assessing the reasonableness of obsolete loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.
4. Verifying details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.

Reasonableness of revenue recognition

Description

The Company is primarily engaged in manufacturing and sales of computer peripheral equipment. The Company's trading counterparties are mostly world-renowned companies with which the Company has long-term business partnership. As the global demand for servers continues to increase, the Company is committed to increasing sales revenue. When comparing the lists of the Company's top 10 trading counterparties for the years ended December 31, 2019 and 2018, there were changes in the sales revenue breakdown which resulted to some trading counterparties being newly included in the top 10 list.

As the newly top 10 and significant changes in revenue of top 10 trading counterparties are significant to the consolidated financial statements, we consider the reasonableness of sales revenue from the newly top 10 and significant changes in revenue of top 10 trading counterparties a key audit matter.

How our audit addressed the matter

Our procedures in relation to the reasonableness of revenue recognition included:

1. Assessing the revenue cycle and performing tests to determine whether the Company's revenue process is conducted in accordance with the internal control procedures.
2. Checking the related industry background in respect of the newly top 10 trading counterparties.
3. Obtaining and selecting samples to verify related vouchers of the sales revenue from the newly top 10 and significant changes in revenue of top 10 trading counterparties.

Other matter – Scope of the Audit

As stated in Note 6(6), we did not audit the financial statements of certain investees accounted for using equity method. The balance of these long-term equity investments amounted to NT\$116,512 thousand and NT\$117,491 thousand, constituting 2% and 3% of total assets as of December 31, 2019 and 2018, respectively, and comprehensive (loss) income was (NT\$979) thousand and NT\$2,830 thousand, constituting (0%) and 0% of total comprehensive income for the years then ended, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein insofar as it relates to the amounts included in these financial statements relative to these investees, is based solely on the audit reports of the other auditors.

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

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

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

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

Auditor’s responsibilities for the audit of the parent company only financial statements

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

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

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

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

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

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

Penny Pan

Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan

March 17, 2020

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

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2019		December 31, 2018	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 370,085	7	\$ 246,049	5
1170	Accounts receivable, net	6(3)	323,238	6	253,966	6
1180	Accounts receivable - related parties	7	1,001,058	20	785,049	17
1200	Other receivables	6(4)	14,678	-	26,813	1
1210	Other receivables - related parties	7	106,815	2	79,734	2
130X	Inventories	6(5)	192,843	4	104,234	2
1410	Prepayments		9,055	-	2,542	-
1470	Other current assets	8	3,555	-	2,217	-
11XX	Total current assets		2,021,327	39	1,500,604	33
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	28,458	1	25,389	1
1550	Investments accounted for using equity method	6(6)(16)	2,742,464	53	2,770,347	61
1600	Property, plant and equipment	6(7)	234,659	5	234,576	5
1780	Intangible assets	6(8)	3,214	-	3,199	-
1840	Deferred income tax assets	6(21)	47,732	1	23,521	-
1900	Other non-current assets	6(9)	54,485	1	4,854	-
15XX	Total non-current assets		3,111,012	61	3,061,886	67
1XXX	Total assets		\$ 5,132,339	100	\$ 4,562,490	100

(Continued)

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2019		December 31, 2018	
Notes			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 59,960	1	\$ 245,381	5
2130	Current contract liabilities	6(17)	957	-	1,959	-
2170	Accounts payable		231,916	5	191,013	4
2180	Accounts payable - related parties	7	844,891	17	565,704	13
2200	Other payables	6(11)	268,222	5	221,520	5
2220	Other payables - related parties	7	590	-	29,059	1
2230	Current income tax liabilities		171,187	3	97,923	2
2300	Other current liabilities		684	-	60	-
21XX	Total current liabilities		1,578,407	31	1,352,619	30
Non-current liabilities						
2570	Deferred income tax liabilities	6(21)	5,147	-	17,545	-
2600	Other non-current liabilities	6(12)	28,778	-	27,346	1
25XX	Total non-current liabilities		33,925	-	44,891	1
2XXX	Total liabilities		1,612,332	31	1,397,510	31
Equity						
Share capital		6(13)				
3110	Share capital - common stock		1,197,260	24	1,197,260	26
Capital surplus		6(14)				
3200	Capital surplus		48,209	1	48,209	1
Retained earnings		6(15)				
3310	Legal reserve		628,686	12	564,451	12
3320	Special reserve		213,156	4	175,154	4
3350	Unappropriated retained earnings		1,657,248	32	1,327,489	29
Other equity interest		6(16)				
3400	Other equity interest		(224,552)	(4)	(147,583)	(3)
3XXX	Total equity		3,520,007	69	3,164,980	69
Significant contingent liabilities and unrecorded contract commitments		9				
Significant events after the balance sheet date		6(15) and 11				
3X2X	Total liabilities and equity		\$ 5,132,339	100	\$ 4,562,490	100

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

CHENBRO MICOM CO., LTD
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2019		2018	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17) and 7	\$ 4,798,463	100	\$ 3,581,542	100
5000 Operating costs	6(5)(20) and 7	(3,344,123)	(70)	(2,715,125)	(76)
5900 Net operating margin		1,454,340	30	866,417	24
5910 Unrealised profit from sales		(87,668)	(2)	(22,359)	(1)
5920 Realised profit on from sales		22,746	1	32,929	1
Net realised profit from sales	6(6)	(64,922)	(1)	10,570	-
5950 Net operating margin		1,389,418	29	876,987	24
Operating expenses	6(20) and 7				
6100 Selling expenses		(82,182)	(2)	(111,990)	(3)
6200 General and administrative expenses		(170,535)	(4)	(137,140)	(4)
6300 Research and development expenses		(168,852)	(3)	(144,633)	(4)
6450 Expected credit impairment gain	12(2)	320	-	202	-
6000 Total operating expenses		(421,249)	(9)	(393,561)	(11)
6900 Operating profit		968,169	20	483,426	13
Non-operating income and expenses					
7010 Other income	6(18) and 7	7,751	-	20,289	1
7020 Other gains and losses	6(19)	(26,212)	-	13,662	-
7050 Finance costs		(2,348)	-	(3,651)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	6(6)	148,616	3	239,275	7
7000 Total non-operating income and expenses		127,807	3	269,575	8
7900 Profit before income tax		1,095,976	23	753,001	21
7950 Income tax expense	6(21)	(184,025)	(4)	(110,651)	(3)
8200 Profit for the year		\$ 911,951	19	\$ 642,350	18
Other comprehensive income					
Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311 (Loss) gain on remeasurement of defined benefit plan	6(12)	(\$ 1,314)	-	\$ 571	-
8316 Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(16)	-	-	(6,236)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	263	-	(114)	-
8310 Other comprehensive loss that will not be reclassified to profit or loss		(1,051)	-	(5,779)	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(16)	(95,597)	(2)	(46,044)	(1)
8399 Income tax relating to the components of other comprehensive income	6(16)(21)	18,628	-	14,278	-
8360 Other comprehensive loss that will be reclassified to profit or loss		(76,969)	(2)	(31,766)	(1)
8300 Other comprehensive loss for the year		(\$ 78,020)	(2)	(\$ 37,545)	(1)
8500 Total comprehensive income for the year		\$ 833,931	17	\$ 604,805	17
Earnings per share (in dollars)	6(22)				
9750 Basic earnings per share		\$ 7.62		\$ 5.37	
9850 Diluted earnings per share		\$ 7.54		\$ 5.29	

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

CHENBRO MICOM CO., LTD
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Capital Surplus			Retained Earnings		Other Equity Interest			
	Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised losses from financial assets measured at fair value through other comprehensive income	Total equity	
<u>2018</u>										
Balance at January 1, 2018		\$1,197,260	\$ 41,987	\$ 6,222	2,624	\$1,121,934	(\$ 109,581)	\$ -	\$2,919,353	
Profit for the year		-	-	-	-	642,350	-	-	642,350	
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	457	(31,766)	(6,236)	(37,545)	
Total comprehensive income (loss)		-	-	-	-	642,807	(31,766)	(6,236)	604,805	
Distribution of 2017 earnings	6(15)									
Legal reserve		-	-	-	45,544	(45,544)	-	-	-	
Special reserve		-	-	-	32,530	(32,530)	-	-	-	
Cash dividends		-	-	-	-	(359,178)	-	-	(359,178)	
Balance at December 31, 2018		\$1,197,260	\$ 41,987	\$ 6,222	\$ 564,451	\$ 175,154	(\$ 141,347)	(\$ 6,236)	\$3,164,980	
<u>2019</u>										
Balance at January 1, 2019		\$1,197,260	\$ 41,987	\$ 6,222	\$ 564,451	\$ 175,154	(\$ 141,347)	(\$ 6,236)	\$3,164,980	
Profit for the year		-	-	-	-	911,951	-	-	911,951	
Other comprehensive loss for the year	6(16)	-	-	-	-	(1,051)	(76,969)	-	(78,020)	
Total comprehensive income (loss)		-	-	-	-	910,900	(76,969)	-	833,931	
Distribution of 2018 earnings	6(15)									
Legal reserve		-	-	-	64,235	(64,235)	-	-	-	
Special reserve		-	-	-	38,002	(38,002)	-	-	-	
Cash dividends		-	-	-	-	(478,904)	-	-	(478,904)	
Balance at December 31, 2019		\$1,197,260	\$ 41,987	\$ 6,222	\$ 628,686	\$ 213,156	(\$ 218,316)	(\$ 6,236)	\$3,520,007	

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

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

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,095,976	\$ 753,001
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment gain	12(2)	(320)	(201)
Depreciation	6(7)(20)	11,062	17,220
Amortisation	6(8)(20)	1,520	2,496
Interest expense		2,348	3,651
Interest income	6(18)	(2,152)	(707)
Loss on disposal of property, plant and equipment	6(19)	289	315
Loss on disposal of investments accounted for using equity method	6(19)	6,418	-
Share of profit of subsidiaries, associates and joint ventures	6(6)	(148,616)	(239,275)
Net realised loss (profit) from sales	6(6)	(64,922)	(10,570)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable	(	( 68,952)	(34,758)
Accounts receivable - related parties	(	( 216,009)	(494,679)
Other receivables		12,146	3,431
Other receivables - related parties	(	( 27,081)	(47,585)
Inventories	(	( 88,609)	(28,180)
Prepayments	(	( 6,513)	(325)
Other current assets		662	2,862
Changes in operating liabilities			
Current contract liabilities	(	( 1,002)	(1,959)
Accounts payable		40,903	49,364
Accounts payable - related parties		279,187	311,920
Other payables (including related parties)		15,055	72,083
Other current liabilities		624	(2,203)
Other non-current liabilities	(	( 179)	(13)
Cash inflow generated from operations		971,679	482,124
Interest received		2,141	707
Interest paid	(	( 2,397)	(3,311)
Income tax paid	(	( 128,479)	(46,699)
Net cash flows from operating activities		842,944	432,821
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other current assets	(	( 2,000)	-
Acquisition of investments accounted for using equity method	6(6)	(56,746)	-
Acquisition of property, plant and equipment	6(24)	(56,684)	(8,846)
Proceeds from disposal of property, plant and equipment		-	47
Acquisition of non-current financial assets at fair value through other comprehensive income	12(3)	(3,069)	-
Proceeds from disposal of investments accounted for using equity method	6(24)	65,130	-
Repatriation of subsidiary funds	6(6)	1,178	-
Acquisition of intangible assets	6(8)	(1,535)	(616)
(Increase) decrease in other non-current assets	(	( 16)	(250)
Net cash flows used in investing activities	(	( 53,742)	(9,165)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings	(	( 185,421)	(8,018)
Repayment of principal portion of lease liabilities	(	( 841)	-
Payments of cash dividends	6(15)	(478,904)	(359,178)
Net cash flows used in financing activities	(	( 665,166)	(351,160)
Net increase in cash and cash equivalents		124,036	72,496
Cash and cash equivalents at beginning of year	6(1)	246,049	173,553
Cash and cash equivalents at end of year	6(1)	\$ 370,085	\$ 246,049

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

CHENBRO MICOM CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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

1. HISTORY AND ORGANISATION

Chenbro Micom Co., Ltd. was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in December 1983. The Company is primarily engaged in computer software design, export and import of computer products and peripherals, and design, manufacturing, processing and trading of computer peripherals and system of expendables.

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

These financial statements were authorised for issuance by the Board of Directors on March 17, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

IFRS 16, ‘Leases’

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

lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

- B. The Company has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Company increased ‘right-of-use asset’ and ‘lease liability’ by \$1,761 and \$1,761, respectively with respect to the lease contracts of lessees on January 1, 2019.
- C. The Company has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:
- (a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.
 - (b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 2.62%.
- E. The Company recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	\$ 3,377
Less: Short-term leases	(1,469)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	1,908
Incremental borrowing interest rate at the date of initial application	2.62%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	<u>\$ 1,761</u>

(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 issued by IASB and included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and amendments to IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

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

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

(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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars, which is the Company's functional 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 other foreign exchange gains and losses based on the nature of those transactions 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 Company 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, if the Company 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.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, 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 realised 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.
- 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.

(5) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts receivable

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has not retained control of the financial asset.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are recorded at standard cost and variances are allocated to inventories and cost of goods sold at the balance sheet date. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads allocated based on normal operating capacity. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised gains or losses on transactions between the Company and its subsidiaries have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

- E. When the Company disposes its investment in an associate and 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 retains significant influence over this associate, 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.

(12) Property, plant and equipment

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

Buildings and structures	5~50 years
Machinery and equipment	6~12 years
Mold equipment	2~4 years
Computer communication equipment	3~4 years
Testing equipment	3~10 years
Transportation equipment	5 years
Office equipment	3~12 years
Other equipment	2~12 years

(13) Intangible assets

A. Trademarks

Separately acquired trademarks are stated at historical cost. Trademarks have a finite useful life and are amortised on a straight-line basis over their estimated useful life of 10 years.

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 4 years.

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

Effective 2019

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

- (a) Fixed payments, less any lease incentives receivable; and
- (b) Variable lease payments that depend on an index or a rate.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

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

(15) Operating leases

Prior to 2018

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

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets in which there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising 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 comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Accounts payable

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

(19) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(20) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount 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.

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised 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 plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

C. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(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. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes

provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred 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 balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(23) Share capital

- A. 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.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved 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 Company manufactures and sells computer cases and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has

accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term after the transfer of controls in 45 to 60 days, which is consistent with market practice.

C. A receivable is recognised when the control of products are transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

The preparation of these financial statements does not require management to make critical judgements in applying the Company's accounting policies. The management makes 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. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

As inventories are stated at the lower of cost and net realisable value. There might be material changes to the evaluation of inventory value as the technology changes rapidly, the items of the inventory on the balance sheet date are numerous, and the identification of obsolete inventory and determination of net realisable value are subject to management's judgement.

As of December 31, 2019, the carrying amount of inventories was \$192,843.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Petty cash and cash on hand	\$ 160	\$ 242
Demand deposits	23,247	112,672
Checking account deposits	91	744
Foreign currency deposits	296,587	132,391
Time deposits	50,000	-
	<u>\$ 370,085</u>	<u>\$ 246,049</u>

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

- B. The Company has reclassified cash and cash equivalents pledged to ‘other current assets’. Details are provided in Note 8.

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Unlisted stocks	\$ 28,458	\$ 25,389

- A. The Company has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$28,458 and \$25,389 as at December 31, 2019 and 2018, respectively.
- B. Amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2019 and 2018 amounted to 0 and (\$6,236), respectively.
- C. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$28,458 and \$25,389, respectively.
- D. Information relating to credit risk is provided in Note 12(2).

(3) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	\$ 323,564	\$ 254,612
Less: Allowance for bad debts	(326)	(646)
	\$ 323,238	\$ 253,966

- A. The ageing analysis of accounts receivable is as follows:

	December 31, 2019	December 31, 2018
Not past due	\$ 291,775	\$ 179,943
Up to 30 days	21,490	53,840
31 to 90 days	10,035	20,541
91 to 180 days	264	263
Over 180 days	-	25
	\$ 323,564	\$ 254,612

The above ageing analysis was based on past due date.

- B. As of December 31, 2019, December 31 2018, and January 1, 2018, the balances of receivables from contracts with customers amounted to \$323,564, \$254,612 and \$303,664, respectively.

C. The Company does not hold any collateral as security.

D. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$323,238 and \$253,966, respectively.

E. Information relating to credit risk is provided in Note 12(2).

(4) Transfer of financial assets

1. The Company entered into a factoring agreement with banks to sell its accounts receivable. Under the agreement, the Company is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Company does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Company decreased the estimated amount of business dispute and derecognised the transferred accounts receivable. As of December 31, 2019 and 2018, the related information is as follows:

December 31, 2019							
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 10,106	\$ 10,106	\$ 20,000	\$ -	\$ -	-	
December 31, 2017							
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 15,880	\$ 15,880	\$ 20,000	\$ -	\$ -	-	

Note: Shown as 'other receivables'.

2. The finance costs of the Company for the years ended December 31, 2019 and 2018 were \$107 and \$109, respectively.

(5) Inventories

December 31, 2019			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 83,683	(\$ 46,628)	\$ 37,055
Work in process	1,930	-	1,930
Finished goods	158,779	(4,921)	153,858
	<u>\$ 244,392</u>	<u>(\$ 51,549)</u>	<u>\$ 192,843</u>

December 31, 2018			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 30,355	(\$ 10,261)	\$ 20,094
Work in process	674	-	674
Finished goods	92,060	(8,594)	83,466
	<u>\$ 123,089</u>	<u>(\$ 18,855)</u>	<u>\$ 104,234</u>

A. The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	\$ 3,311,427	\$ 2,718,362
Loss on (gain on reversal of) decline in market value	32,694	(3,243)
Loss on physical inventory	2	6
	<u>\$ 3,344,123</u>	<u>\$ 2,715,125</u>

The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the inventories were subsequently sold for the year ended December 31, 2018.

B. The Company has no inventories pledged to others.

(6) Investments accounted for using equity method

	2019	2018
At January 1	\$ 2,770,347	\$ 2,567,334
Addition of investments accounted for using equity method	56,746	-
Share of profit or loss of investments accounted for using equity method	148,616	239,275
Disposal of investments accounted for using equity method	(71,526)	-
Net unrealised (loss) profit of inter-company transactions	(64,922)	10,570
Shares returned from reduction in subsidiaries	(1,200)	(788)
Changes in other equity items (Note 6(16))	(95,597)	(46,044)
At December 31	<u>\$ 2,742,464</u>	<u>\$ 2,770,347</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Micom Source Holding Company	\$ 2,479,365	\$ 2,422,992
Chenbro Micom (USA) Incorporation	137,047	157,024
CLOUDWELL HOLDINGS, LLC.	116,512	117,491
Chenbro GmbH	9,540	6,577
Chenbro Europe B.V.	-	65,021
Chenbro UK Limited	-	1,242
	<u>\$ 2,742,464</u>	<u>\$ 2,770,347</u>

- A. The financial statements of investee accounted for using equity method, CLOUDWELL HOLDINGS, LLC., were audited by their appointed auditors. The Company recognised comprehensive (loss) income of (\$979) and \$2,830 on investees accounted for using equity method based on such financial statements for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the balance of the related investment accounted for using equity method was \$116,512 and \$117,491, respectively.
- B. On May 9, 2017, Chenbro Europe B. V. was dissolved under the resolution of the Board of Directors, and the liquidation was completed in March 2019.
- C. The Board of Directors of Chenbro UK Limited resolved to reduce the capital in the amount of GBP 19,999 on August 7, 2018. The reduction in capital was registered in October, 2018 and Chenbro UK Limited has remitted back the share capital of \$1,178 in July 2019. The liquidation was completed in January 2020.
- D. Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2019.
- E. Edge International Company Limited was set up in December 31, 2019, and funds were in place in February 2020.

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Total	Prepayments for business facilities (Note)
<u>At January 1, 2019</u>											
Cost	\$ 140,737	\$ 126,628	\$ 4,766	\$ 253,882	\$ 13,427	\$ 18,943	\$ 4,140	\$ 11,754	\$ 7,535	\$ 581,812	\$ 596
Accumulated depreciation	-	(48,245)	(2,499)	(251,592)	(12,307)	(13,133)	(744)	(11,754)	(6,962)	(347,236)	-
	<u>\$ 140,737</u>	<u>\$ 78,383</u>	<u>\$ 2,267</u>	<u>\$ 2,290</u>	<u>\$ 1,120</u>	<u>\$ 5,810</u>	<u>\$ 3,396</u>	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ 234,576</u>	<u>\$ 596</u>
<u>2019</u>											
Opening net book amount	\$ 140,737	\$ 78,383	\$ 2,267	\$ 2,290	\$ 1,120	\$ 5,810	\$ 3,396	\$ -	\$ 573	\$ 234,576	\$ 596
Additions	-	-	1,271	3,695	293	594	-	628	2,722	9,203	50,074
Disposals	-	-	-	-	-	-	-	-	(289)	(289)	-
Transfers	-	-	-	-	-	1,390	-	-	-	1,390	(1,390)
Depreciation charges	-	(3,322)	(563)	(2,534)	(567)	(2,140)	(690)	(104)	(301)	(10,221)	-
Closing net book amount	<u>\$ 140,737</u>	<u>\$ 75,061</u>	<u>\$ 2,975</u>	<u>\$ 3,451</u>	<u>\$ 846</u>	<u>\$ 5,654</u>	<u>\$ 2,706</u>	<u>\$ 524</u>	<u>\$ 2,705</u>	<u>\$ 234,659</u>	<u>\$ 49,280</u>
<u>At December 31, 2019</u>											
Cost	\$ 140,737	\$ 126,628	\$ 6,037	\$ 257,577	\$ 13,720	\$ 20,927	\$ 4,140	\$ 12,382	\$ 9,816	\$ 591,964	\$ 49,280
Accumulated depreciation	-	(51,567)	(3,062)	(254,126)	(12,874)	(15,273)	(1,434)	(11,858)	(7,111)	(357,305)	-
	<u>\$ 140,737</u>	<u>\$ 75,061</u>	<u>\$ 2,975</u>	<u>\$ 3,451</u>	<u>\$ 846</u>	<u>\$ 5,654</u>	<u>\$ 2,706</u>	<u>\$ 524</u>	<u>\$ 2,705</u>	<u>\$ 234,659</u>	<u>\$ 49,280</u>

Note: Prepayments for business facilities are shown as 'other non-current assets'. Details are provided in Note 6(9).

The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Total	Prepayments for business facilities (Note)
<u>At January 1, 2018</u>											
Cost	\$ 140,737	\$ 126,628	\$ 4,766	\$ 253,745	\$ 13,427	\$ 14,006	\$ 3,148	\$ 11,754	\$ 7,535	\$ 575,746	\$ -
Accumulated depreciation	-	(44,922)	(1,996)	(242,291)	(10,660)	(11,909)	(196)	(11,690)	(6,398)	(330,062)	-
	<u>\$ 140,737</u>	<u>\$ 81,706</u>	<u>\$ 2,770</u>	<u>\$ 11,454</u>	<u>\$ 2,767</u>	<u>\$ 2,097</u>	<u>\$ 2,952</u>	<u>\$ 64</u>	<u>\$ 1,137</u>	<u>\$ 245,684</u>	<u>\$ -</u>
<u>2018</u>											
Opening net book amount	\$ 140,737	\$ 81,706	\$ 2,770	\$ 11,454	\$ 2,767	\$ 2,097	\$ 2,952	\$ 64	\$ 1,137	\$ 245,684	\$ -
Additions	-	-	-	137	-	4,937	1,400	-	-	6,474	596
Disposals	-	-	-	-	-	-	(362)	-	-	(362)	-
Depreciation charges	-	(3,323)	(503)	(9,301)	(1,647)	(1,224)	(594)	(64)	(564)	(17,220)	-
Closing net book amount	<u>\$ 140,737</u>	<u>\$ 78,383</u>	<u>\$ 2,267</u>	<u>\$ 2,290</u>	<u>\$ 1,120</u>	<u>\$ 5,810</u>	<u>\$ 3,396</u>	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ 234,576</u>	<u>\$ 596</u>
<u>At December 31, 2018</u>											
Cost	\$ 140,737	\$ 126,628	\$ 4,766	\$ 253,882	\$ 13,427	\$ 18,943	\$ 4,140	\$ 11,754	\$ 7,535	\$ 581,812	\$ 596
Accumulated depreciation	-	(48,245)	(2,499)	(251,592)	(12,307)	(13,133)	(744)	(11,754)	(6,962)	(347,236)	-
	<u>\$ 140,737</u>	<u>\$ 78,383</u>	<u>\$ 2,267</u>	<u>\$ 2,290</u>	<u>\$ 1,120</u>	<u>\$ 5,810</u>	<u>\$ 3,396</u>	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ 234,576</u>	<u>\$ 596</u>

Note: Prepayments for business facilities are shown as ‘other non-current assets’. Details are provided in Note 6(9).

The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 10~11 years, respectively.

(8) Intangible assets

	<u>Trademarks</u>	<u>Computer software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 577	\$ 26,547	\$ 600	\$ 27,724
Accumulated amortisation	(332)	(23,706)	(487)	(24,525)
	<u>\$ 245</u>	<u>\$ 2,841</u>	<u>\$ 113</u>	<u>\$ 3,199</u>
<u>2019</u>				
At January 1	\$ 245	\$ 2,841	\$ 113	\$ 3,199
Additions	-	1,251	284	1,535
Amortisation charge	(46)	(1,414)	(60)	(1,520)
At December 31	<u>\$ 199</u>	<u>\$ 2,678</u>	<u>\$ 337</u>	<u>\$ 3,214</u>
<u>At December 31, 2019</u>				
Cost	\$ 577	\$ 27,798	\$ 884	\$ 29,259
Accumulated amortisation	(378)	(25,120)	(547)	(26,045)
	<u>\$ 199</u>	<u>\$ 2,678</u>	<u>\$ 337</u>	<u>\$ 3,214</u>
	<u>Trademarks</u>	<u>Computer software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2018</u>				
Cost	\$ 562	\$ 26,400	\$ 600	\$ 27,562
Accumulated amortisation	(285)	(21,786)	(412)	(22,483)
	<u>\$ 277</u>	<u>\$ 4,614</u>	<u>\$ 188</u>	<u>\$ 5,079</u>
<u>2018</u>				
At January 1	\$ 277	\$ 4,614	\$ 188	\$ 5,079
Additions	15	601	-	616
Amortisation charge	(47)	(2,374)	(75)	(2,496)
At December 31	<u>\$ 245</u>	<u>\$ 2,841</u>	<u>\$ 113</u>	<u>\$ 3,199</u>
<u>At December 31, 2018</u>				
Cost	\$ 577	\$ 26,547	\$ 600	\$ 27,724
Accumulated amortisation	(332)	(23,706)	(487)	(24,525)
	<u>\$ 245</u>	<u>\$ 2,841</u>	<u>\$ 113</u>	<u>\$ 3,199</u>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2019	2018
Selling expenses	\$ -	\$ 92
Administrative expenses	617	1,026
Research and development expenses	903	1,378
	<u>\$ 1,520</u>	<u>\$ 2,496</u>

(9) Other non-current assets

	December 31, 2019	December 31, 2018
Guarantee deposits paid	\$ 549	\$ 533
Prepayments for buildings	49,280	-
Prepayments for business facilities	-	596
Right-of-use assets	931	-
Others	3,725	3,725
	<u>\$ 54,485</u>	<u>\$ 4,854</u>

- A. For the year ended December 31, 2019, the depreciation charges of right-of-use assets were \$841.
- B. For the year ended December 31, 2019, the Company's total cash outflow for leases was \$4,999 (including \$841 as the principal of lease liabilities).

(10) Short-term borrowings

Type of borrowings	December 31, 2019	Interest rate range	Collateral
Short-term borrowings	<u>\$ 59,960</u>	2.70%	A promissory note of the same amount was issued as collateral.

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Short-term borrowings	<u>\$ 245,381</u>	3.00%~3.30%	A promissory note of the same amount was issued as collateral.

(11) Other payables

	December 31, 2019	December 31, 2018
Remuneration due to directors and supervisors and employee bonus payable	\$ 106,996	\$ 74,557
Wages and bonus payable	93,885	63,246
Payables for export freight and customs clearance charges	10,365	18,928
Payables for service fees	20,350	17,643
Payables for machinery and equipment	2,735	142
Payables for mold	631	7,135
Others	33,260	39,869
	<u>\$ 268,222</u>	<u>\$ 221,520</u>

(12) Pensions

A. Defined benefit plan

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

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	\$ 46,043	\$ 43,438
Fair value of plan assets	(17,562)	(16,092)
Net liability recognised in the balance sheet (shown as 'other non-current liabilities')	<u>\$ 28,481</u>	<u>\$ 27,346</u>

(c) Movements in present value of defined benefit obligation are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 43,438	(\$ 16,092)	\$ 27,346
Current service cost	116	-	116
Interest expense (income)	391	(145)	246
	<u>43,945</u>	<u>(16,237)</u>	<u>27,708</u>
Remeasurements:			
Return on plan assets	-	(784)	(784)
Change in financial assumptions	716	-	716
Experience adjustments	1,382	-	1,382
	<u>2,098</u>	<u>(784)</u>	<u>1,314</u>
Pension fund contribution	-	(541)	(541)
Benefits paid	-	-	-
Balance at December 31	<u>\$ 46,043</u>	<u>(\$ 17,562)</u>	<u>\$ 28,481</u>

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 49,425	(\$ 21,495)	\$ 27,930
Current service cost	281	-	281
Interest expense (income)	494	(215)	279
	<u>50,200</u>	<u>(21,710)</u>	<u>28,490</u>
Remeasurements:			
Return on plan assets	-	(680)	(680)
Change in financial assumptions	362	-	362
Experience adjustments	(253)	-	(253)
	<u>109</u>	<u>(680)</u>	<u>(571)</u>
Pension fund contribution	-	(573)	(573)
Benefits paid	(6,871)	6,871	-
Balance at December 31	<u>\$ 43,438</u>	<u>(\$ 16,092)</u>	<u>\$ 27,346</u>

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	2019	2018
Discount rate	0.70%	0.90%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience for the years ended December 31, 2019 and 2018 are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ <u>892</u>)	<u>\$ 923</u>	<u>\$ 786</u>	(\$ <u>765</u>)
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ <u>894</u>)	<u>\$ 926</u>	<u>\$ 798</u>	(\$ <u>775</u>)

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

- (f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2020 are \$561.

B. Defined contribution plan

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2019 and 2018 were \$8,749 and \$8,680, respectively.

(13) Ordinary shares

As of December 31, 2019, the Company’s authorised capital was \$1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was \$1,197,260 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(14) Capital surplus

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

(15) 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 years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital. The remaining shall take into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.
- B. The Company's dividend policy is based on the current profit and consideration of the Company's growth in the future, capital budget plan and capital needs as well as consideration of shareholders' interest and long-term financial plan, etc. Earnings can be distributed to shareholders as cash dividends or stock dividends. Cash dividends shall account for at least 10% of the total dividends distributed. If cash dividends are lower than \$0.20 (in dollars) per share, stock dividends will be issued instead.
- 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 amount of \$65,573 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.
- E. (a) On June 25, 2019 and June 20, 2018, the shareholders resolved the appropriations of 2018 and 2017 earnings as follows:

	<u>Year ended December 31, 2018</u>		<u>Year ended December 31, 2017</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
Legal reserve	\$ 64,235	\$ -	\$ 45,544	\$ -
Special reserve	38,002	-	32,530	-
Cash dividends to shareholders	478,904	4.00	359,178	3.00
	<u>\$ 581,141</u>	<u>\$ 4.00</u>	<u>\$ 437,252</u>	<u>\$ 3.00</u>

(b) On March 17, 2020, the Board of Directors has proposed the appropriation of 2019 earnings as follows:

	Year ended December 31, 2019	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 91,195	\$ -
Special reserve	11,396	-
Cash dividends to shareholders	550,739	4.60
	<u>\$ 653,330</u>	<u>\$ 4.60</u>

As of March 17, 2020, the abovementioned appropriation of 2019 earnings has not yet been resolved by the shareholders.

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

(16) Other equity items

	Year ended December 31, 2019		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 141,347)	(\$ 6,236)	(\$ 147,583)
Currency translation differences:			
- Group	(95,597)	-	(95,597)
- Tax on Group	18,628	-	18,628
At December 31	<u>(\$ 218,316)</u>	<u>(\$ 6,236)</u>	<u>(\$ 224,552)</u>

	Year ended December 31, 2018		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	(\$ 109,581)	\$ -	(\$ 109,581)
Valuation adjustments	-	(6,236)	(6,236)
Currency translation differences:			
- Group	(46,044)	-	(46,044)
- Tax on Group	14,278	-	14,278
At December 31	<u>(\$ 141,347)</u>	<u>(\$ 6,236)</u>	<u>(\$ 147,583)</u>

(17) Operating revenue:

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of control of goods to customers in the following major product types and geographical regions:

(a) Information on products

	Years ended December 31,	
	2019	2018
Server cases	\$ 2,273,545	\$ 1,975,001
Peripheral products and components	2,248,716	1,378,458
Personal computer cases	276,202	228,083
	<u>\$ 4,798,463</u>	<u>\$ 3,581,542</u>

(b) Geographical information

	Years ended December 31,	
	2019	2018
US	\$ 3,138,200	\$ 2,136,176
China	518,279	474,850
Taiwan	564,945	455,250
Others	577,039	515,266
	<u>\$ 4,798,463</u>	<u>\$ 3,581,542</u>

B. Contract assets and liabilities

(a) The Company has recognised the following revenue-related contract assets and liabilities:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract liabilities-sale of products	<u>\$ 957</u>	<u>\$ 1,959</u>	<u>\$ 2,196</u>

(b) Revenue recognised that was included in the contract liability balance at the beginning of the year

	Years ended December 31,	
	2019	2018
Contract liabilities-sale of products	<u>\$ 1,424</u>	<u>\$ 1,503</u>

(18) Other income

	Years ended December 31,	
	2019	2018
Royalty revenue	\$ 2,635	\$ 13,262
Interest income from bank deposits	2,152	707
Other income	2,964	6,320
	<u>\$ 7,751</u>	<u>\$ 20,289</u>

(19) Other gains and losses

	Years ended December 31,	
	2019	2018
Net currency exchange (loss) gain	(\$ 17,898)	\$ 14,486
Loss on disposal of investment	(6,418)	-
Loss on disposal of property, plant and equipment	(289)	(315)
Other expenses	(1,607)	(509)
	<u>(\$ 26,212)</u>	<u>\$ 13,662</u>

(20) Employee benefit, depreciation and amortisation expenses

	Years ended December 31,	
	2019	2018
Wages and salaries	\$ 298,872	\$ 234,995
Labour and health insurance fees	13,757	13,288
Pension costs	9,111	9,240
Other personnel expenses	15,595	13,690
Employee benefit expense	<u>\$ 337,335</u>	<u>\$ 271,213</u>
Depreciation charges on property, plant and equipment	\$ 11,062	\$ 17,220
Amortisation charges on intangible assets	<u>\$ 1,520</u>	<u>\$ 2,496</u>

- A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration and will be distributed in the form of stock or cash as resolved by the Board of Directors. Employees who are entitled to receive employees' compensation include employees of subsidiaries of the company meeting certain specific requirements. Related regulations were set by the Board of Directors. The distribution of employees' compensation and directors' and supervisors' remuneration should be reported to the stockholders. However, if the Company has accumulated deficit, the Company should cover accumulated losses first, then distribute employees' compensation and directors' and supervisors' remuneration proportionately as described above.

- B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at \$82,679 and \$57,612, respectively; while directors' and supervisors' remuneration was accrued at \$24,317 and \$16,945, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2019, employees' compensation and directors' and supervisors' remuneration amounted to \$81,802 and \$24,059 as resolved by the Board of Directors on March 17, 2020, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to \$877 and \$258, respectively. The differences had been accounted for as changes in estimates in profit or loss for 2020.

For the year ended December 31, 2018, employees' compensation and directors' and supervisors' remuneration amounted to \$56,274 and \$16,551 as resolved by the Board of Directors on March 19, 2019, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to \$1,338 and \$394, respectively. The differences had been accounted for as changes in estimates in profit or loss for 2019.

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

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	\$ 202,436	\$ 109,622
Tax on undistributed surplus earnings	3,083	1,701
Prior year income tax (over) underestimation	(3,776)	1,800
Total current tax	<u>201,743</u>	<u>113,123</u>
Deferred tax:		
Origination and reversal of temporary differences	(17,718)	(867)
Impact of change in tax rate	-	(1,605)
Total deferred tax	<u>(17,718)</u>	<u>(2,472)</u>
Income tax expense	<u>\$ 184,025</u>	<u>\$ 110,651</u>

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

	Years ended December 31,	
	2019	2018
Currency translation differences	(\$ 18,628)	(\$ 10,792)
Impact of change in tax rate	-	(3,486)
	<u>(\$ 18,628)</u>	<u>(\$ 14,278)</u>
Remeasurement of defined benefit obligation	(\$ 263)	\$ 114

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	\$ 219,195	\$ 150,600
Tax on undistributed surplus earnings	3,083	1,701
Prior year income tax (over) underestimation	(3,776)	1,800
Effect from changes in tax regulation	-	(1,605)
Temporary difference not recognised as deferred tax liabilities	(23,493)	(50,798)
Effect from expenses disallowed by tax regulations	(10,984)	8,953
Income tax expense	<u>\$ 184,025</u>	<u>\$ 110,651</u>

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

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	\$ 2,328	\$ 7,982	\$ -	\$ 10,310
Unrealised gain on inter-affiliate accounts	7,672	10,583	-	17,534
Allowance for bad debts	2,859	(210)	-	2,649
Unused compensated absences	1,715	(259)	-	1,456
Pension expense payable	5,930	113	263	6,306
Pension expense that exceeds the limit for tax purpose	1,761	27	-	1,788
Unrealised warranty provision (show as other payable)	1,138	-	-	1,138
Unrealised exchange loss	61	2,259	-	2,320
Others	57	3,453	-	4,231
	<u>\$ 23,521</u>	<u>\$ 23,948</u>	<u>\$ 263</u>	<u>\$ 47,732</u>
-Deferred tax liabilities:				
Investment income	(\$ 17,545)	(\$ 6,230)	\$ 18,628	(\$ 5,147)

2018				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	\$ 4,639	(\$ 2,311)	\$ -	\$ 2,328
Unrealised gain on inter-affiliate accounts	8,882	(1,210)	-	7,672
Allowance for bad debts	1,543	1,316	-	2,859
Unused compensated absences	675	1,040	-	1,715
Pension expense payable	5,137	907	(114)	5,930
Pension expense that exceeds the limit for tax purpose	1,499	262	-	1,761
Unrealised warranty provision (show as other payable)	1,020	118	-	1,138
Unrealised exchange loss	661	(600)	-	61
Others	50	7	-	57
	<u>\$ 24,106</u>	<u>(\$ 471)</u>	<u>(\$ 114)</u>	<u>\$ 23,521</u>
-Deferred tax liabilities:				
Investment income	<u>(\$ 34,766)</u>	<u>\$ 2,943</u>	<u>\$ 14,278</u>	<u>(\$ 17,545)</u>

- D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the amounts of temporary differences unrecognised as deferred tax liabilities were \$387,094 and \$362,634, respectively.
- E. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

(22) Earnings per share

Year ended December 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 911,951	119,726	\$ 7.62
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 911,951		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,199	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 911,951	120,925	\$ 7.54
Year ended December 31, 2018			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 642,350	119,726	\$ 5.37
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 642,350		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,625	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 642,350	121,351	\$ 5.29

(23) Operating leases

Prior to 2018

The Group leases office, warehouse and business vehicles under operating lease agreements. The lease terms are between 2 and 5 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>December 31, 2018</u>
Not later than one year	\$ 2,409
Later than one year but not later than five years	648
Later than five years	<u>320</u>
	<u>\$ 3,377</u>

(24) Supplemental cash flow information

A. Investing activities with partial cash payments:

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Purchase of property, plant and equipment	\$ 10,593	\$ 6,474
Add: Opening balance of payable on equipment	142	1,918
Ending balance of prepayments for business facilities	49,280	596
Less: Opening balance of prepayments for business facilities	(596)	-
Ending balance of payable on equipment	(2,735)	(142)
Cash paid during the year	<u>\$ 56,684</u>	<u>\$ 8,846</u>

B. The subsidiary-Chenbro Europe B.V. was liquidated in March 2019 and accordingly, the Group lost control over the subsidiary. The information on cash returned and relevant assets and liabilities is as follows:

	<u>Year ended</u> <u>December 31, 2019</u>
Cash returned	<u>\$ 65,130</u>
Carrying amounts of the assets and liabilities of Chenbro Europe B.V.	
Cash	\$ 65,130
Other receivables	1,629
Other payables	(2,830)
Total net assets	<u>\$ 63,929</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's shares are held by the public, thus, there is no parent company or ultimate parent.

(2) Name of related party and relationship

Names of related parties	Relationship with the Company
Micom Source Holding Company (MICOM)	First-tier subsidiary
CLOUDWELL HOLDINGS, LLC. (CLOUDWELL)	First-tier subsidiary
Chenbro Europe B.V.	First-tier subsidiary (Note 1)
Chenbro GmbH (GmbH)	First-tier subsidiary
Chenbro Micom (USA) Incorporation (CMI)	First-tier subsidiary
Chenbro UK Limited (UK)	First-tier subsidiary
ChenPower Information Technology (Shanghai) Co., Ltd. (CPT)	Third-tier subsidiary (Note 3)
Chenbro Micom (Shenzhen) Co., Ltd. (CCS)	Third-tier subsidiary (Note 2 and Note 3)
Chenbro Technology (Kunshan) Co., Ltd. (CSH)	Third-tier subsidiary (Note 3)
Procace & Morex Corp. (PROCASE)	Third-tier subsidiary (Note 3)
Dongguan Procace Electronic Co., Ltd. (DGP)	Fourth-tier subsidiary (Note 3)
Chen-Source Inc.	Other related party

Note 1: On May 9, 2017, Chenbro Europe B. V. was dissolved under the resolution of the Board of Directors, and the liquidation was completed in March 2019.

Note 2: On January 19, 2017, Chenbro Micom (Shenzhen) Co. was dissolved under the resolution of the Board of Directors, and the liquidation was completed in August 2019.

Note 3: Shown as ‘subsidiary’ in Note 7(3).

(3) Significant related party transactions

A. Operating revenue and other income

	Years ended December 31,	
	2019	2018
Sales of goods:		
Subsidiaries		
- CMI	\$ 3,076,480	\$ 2,090,728
- Other subsidiaries	118,464	117,841
Other income - royalty revenue:		
Subsidiaries		
- CPT	2,635	13,262
Other income - management revenue:		
Subsidiaries	20,697	19,204
Other related parties	32	32
	<u>\$ 3,218,308</u>	<u>\$ 2,241,067</u>

(a) Sales of goods: Goods are sold based on normal prices and terms. Payment collection is 60~90 days and OA 120 days after monthly billings.

(b) Royalty revenue: Royalties received from subsidiaries for using the Company’s resources.

- (c) Management revenue: Revenue arises from managing administrative affairs on behalf of subsidiaries and other related parties and is shown as a deduction to ‘selling expenses’, ‘management fees’ and ‘operating costs’. Management revenue is determined based on agreed upon terms and payment collection is 60~90 days after monthly billings.

B. Purchases and other expenses

	Years ended December 31,	
	2019	2018
Purchases of goods:		
Subsidiaries		
- CSH	\$ 2,239,443	\$ 1,462,730
- PROCASE	651,432	679,145
- Other subsidiaries	542	2,725
Other related parties	18,915	48,350
Other expenses:		
Subsidiaries (service expense)	-	2,877
Other related parties (management service expense)	3,179	2,057
	<u>\$ 2,913,511</u>	<u>\$ 2,197,884</u>

- (a) Purchases of goods: No similar transaction can be compared with. Prices and terms are determined based on mutual agreements and payment term is 60 days after monthly billings.
- (b) Service expense: Service expenses paid by the Company to subsidiaries.
- (c) Management service expense: It arises from short-term leases of warehouse and management of warehouse by other related parties on behalf of the Company. Prices and terms are determined based on mutual agreements and payment term is 60 days after monthly billings.

C. Receivables from related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts receivable:		
Subsidiaries		
- CMI	\$ 937,272	\$ 755,690
- Other subsidiaries	63,786	29,359
	<u>1,001,058</u>	<u>785,049</u>
Other receivables		
Subsidiaries		
- PROCASE	26,079	26,362
- CSH	74,297	33,741
- CPT	2,621	13,262
- Other subsidiaries	3,810	6,135
Other related parties	8	234
	<u>106,815</u>	<u>79,734</u>
	<u>\$ 1,107,873</u>	<u>\$ 864,783</u>

(a) The receivables from related parties are unsecured in nature and bear no interest.

(b) Other receivables are amounts paid for purchase of materials and collection of royalties on behalf of subsidiaries and other related parties.

D. Payables to related parties

	<u>December 31, 2019</u>	<u>December 31, 2017</u>
Accounts payable:		
Subsidiaries		
- CSH	\$ 709,110	\$ 439,395
- PROCASE	131,169	120,301
Other related parties	4,612	6,008
	<u>844,891</u>	<u>565,704</u>
Other payables:		
Subsidiaries	-	28,390
Other related parties	590	669
	<u>590</u>	<u>29,059</u>
	<u>\$ 845,481</u>	<u>\$ 594,763</u>

(a) Accounts payable bear no interest.

(b) Other payables: The payables are service expenses paid by subsidiaries and mold fee.

E. Endorsements and guarantees provided to related parties

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Subsidiaries (Note)		
- PROCASE	\$ 4,000	\$ 7,000
- CLOUDWELL	5,600	5,600
- CMI	2,000	4,000
	<u>\$ 11,600</u>	<u>\$ 16,600</u>

Note: unit in thousands of USD.

(4) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 56,770	\$ 52,279
Post-employment benefits	156	346
	<u>\$ 56,926</u>	<u>\$ 52,625</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>	
Time deposits (shown as 'other current assets')	<u>\$ 3,000</u>	<u>\$ 1,000</u>	Customs duty guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Please refer to Note 6(23) for the details of operating lease arrangements.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

1. Please refer to Note 6(15) E(b) for the appropriation of earnings.
2. Please refer to Note 6(20) B for the resolution of employees' compensation and directors' and supervisors' remuneration for the year ended December 31, 2019.
3. For the consideration of cash flows and needs of local operations, the Company's Board of Directors is proposed to remit back NT\$550 million by way of cash dividend from Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company and MICOM Source Holding Company.

4. On March 17, 2020, for long-term development and planning, the Company's Board of Directors has approved the purchase of land and factory building, and authorized the Chairman of the Board to fully represent the Company to negotiate the transaction details with the vendor within the authorized limit and to sign the relevant documents.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to maintain an optimal financial structure and capital ratio in order to support operations and maximize interests for shareholders.

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 28,458	\$ 25,389
Financial assets at amortised cost		
Cash and cash equivalents	370,085	246,049
Accounts receivable (including related parties)	1,324,296	1,039,015
Other receivables (including related parties)	121,493	106,547
Other current assets	3,000	1,000
Guarantee deposits paid	549	533
	<u>\$ 1,847,881</u>	<u>\$ 1,418,533</u>
	<u>December 31, 2019</u>	<u>December 31, 2018</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 59,960	\$ 245,381
Accounts payable (including related parties)	1,076,807	756,717
Other accounts payable (including related parties)	268,812	250,579
	<u>\$ 1,405,579</u>	<u>\$ 1,252,677</u>
Lease liability (shown as current liabilities and non-current liabilities)	<u>\$ 931</u>	<u>\$ -</u>

B. Financial risk management policies

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

- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. 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. The Company is required to hedge its entire foreign exchange risk exposure with the Company treasury, and primarily hedge using natural hedge.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD. 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, 2019			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 57,384	29.98	\$ 1,720,372
<u>Non-monetary items</u>			
USD:NTD	8,458	29.98	253,559
EUR:NTD	284	33.59	9,540
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 30,539	29.98	\$ 915,559

December 31, 2018			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 40,867	30.72	\$ 1,255,434
<u>Non-monetary items</u>			
USD:NTD	8,936	30.72	274,515
EUR:NTD	2,034	35.20	71,598
GBP:NTD	32	38.88	1,242
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 28,486	30.72	\$ 875,090
HKD:RMB	383	3.92	1,501
RMB:NTD	1,264	4.47	5,650

- iv. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company:

Year ended December 31, 2019			
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	29.98	(\$ 26,099)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	29.98	\$ 14,574

Year ended December 31, 2018			
Exchange gain (loss)			
(Foreign currency: functional currency)	Foreign currency amount (in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.72	(\$ 2,727)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.72	\$ 7,943

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

Year ended December 31, 2019			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 17,204	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	9,156	-

Year ended December 31, 2018			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 12,554	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	8,751	-
HKD:RMB	1%	15	-
RMB:NTD	1%	57	-

Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.
- ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by \$285 and \$254, respectively, as a result of gains or losses on equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from short-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's borrowings are primarily at fixed rates. During the years ended December 31, 2019 and 2018, the Company's borrowings at variable rate were denominated in the USD.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated at amortised cost and at fair value through other comprehensive income.
- ii. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. Individual risk limits are set based on internal or external factors in accordance with limits set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.
- iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- vi. The Company classifies customers' accounts receivable in accordance with credit risk on trade. The Company applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.

- vii. The Company used the forecastability of The New Basel Capital Accord to adjust historical and timely information to assess the default possibility of accounts receivable. In 2019 and 2018, the loss allowance is as follows:

	Not past due	1 to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2019</u>				
Expected loss rate	0.03%	0.15%	2.61%	8.42%
Total book value	\$ 291,775	\$ 31,525	\$ 264	\$ -
Loss allowance	\$ -	\$ 299	\$ 27	\$ -
	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2019</u>				
Expected loss rate	37.28%	100.00%		
Total book value	\$ -	\$ -	\$ 323,564	
Loss allowance	\$ -	\$ -	\$ 326	
	Not past due	1 to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2018</u>				
Expected loss rate	0.13%	0.56%	6.31%	23.98%
Total book value	\$ 179,943	\$ 74,381	\$ 263	\$ -
Loss allowance	\$ -	\$ 617	\$ 26	\$ -
	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2018</u>				
Expected loss rate	74.51%	100.00%		
Total book value	\$ 25	\$ -	\$ 254,612	
Loss allowance	\$ 3	\$ -	\$ 646	

viii. Movements in relation to the Company applying the simplified approach to provide loss allowance for notes and accounts receivable are as follows:

	2019
	<u>Accounts receivable</u>
At January 1	\$ 646
Reversal of impairment loss	(320)
Derecognised	-
At December 31	<u>\$ 326</u>

	2018
	<u>Accounts receivable</u>
At January 1_IAS 39	\$ 15,141
Adjustments under new standards	-
At January 1_IFRS 9	15,141
Reversal of impairment loss	(201)
Derecognised	(14,294)
At December 31	<u>\$ 646</u>

For the years ended December 31, 2019 and 2018, reversal of impairment of accounts receivable that arise from customer contracts is \$320 and \$201, respectively.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating units of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The analysis is as follows:

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2019</u>				
Short-term borrowings	\$ 60,050	\$ -	\$ -	\$ -
Accounts payable	231,916	-	-	-
Accounts payable - related party	844,891	-	-	-
Other payables	268,222	-	-	-
Other payables - related party	590	-	-	-
Other current liabilities	684	-	-	-
Other non-current liabilities	-	317	-	-
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2018</u>				
Short-term borrowings	\$ 246,076	\$ -	\$ -	\$ -
Accounts payable	191,013	-	-	-
Accounts payable - related party	565,704	-	-	-
Other payables	221,520	-	-	-
Other payables - related party	29,059	-	-	-
Other current liabilities	60	-	-	-

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

- B. The carrying amounts of the Company's financial assets not measured at fair value, which are including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), other current assets, guarantee deposits paid, short-term borrowings, contract liabilities, accounts payable (including related parties) and other payables (including related parties), are approximate to their fair values.
- 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 are as follows:

(a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>28,458</u>	\$ <u>28,458</u>
December 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>25,389</u>	\$ <u>25,389</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. The fair value of the Company's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.
- ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. The following chart is the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019	2018
	<u>Equity securities</u>	<u>Equity securities</u>
January 1	\$ 25,389	\$ -
IFRS 9 transfer adjustments	-	31,625
Acquired in the year	3,069	-
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	(6,236)
At December 31	<u>\$ 28,458</u>	<u>\$ 25,389</u>

E. For the years ended December 31, 2019 and 2018, there was no transfer into or out from Level 3.

F. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 28,458	Market comparable companies	Price to book ratio multiple	1.37-4.41(1.68)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20% (20%)	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 25,389	Market comparable companies	Price to book ratio multiple	1.34- 3.33(1.50)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20% (20%)	The higher the discount for lack of marketability, the lower the fair value

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 285	\$ 285
	Discount for lack of marketability	±1%	-	-	(71)	(71)
			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 254	\$ 254
	Discount for lack of marketability	±1%	-	-	(64)	(64)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- 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 \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

For investees' disclosures, the financial statements of CLOUDWELL HOLDINGS., LLC. were audited by the investees' appointed auditors. Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 7.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

<u>Name of company</u>	<u>Counterparty</u>	<u>Accounts</u>	<u>Amount for 2019</u>	<u>Percentage representing the account of the company (%)</u>	<u>Note</u>
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Purchases	\$ 467,266	60	Note 1
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Accounts payable	52,749	42	Note 1
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Purchases	651,432	20	
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Accounts payable	131,169	12	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	2,239,443	67	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	709,110	66	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Other receivables	74,297	61	Note 2

Note 1: The Company purchased raw materials of iron pieces from the Dongguan Procace Electronic Co., Ltd., through the PROCASE & MOREX Corporation (Procace) for manufacturing computer cases.

Note 2: The Company purchased raw materials for the third-tier subsidiary, Chenbro Technology (Kunshan) Co., Ltd.

14. OPERATING SEGMENT INFORMATION

Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” Article 22, a company is not required to present operating segment information within the scope of IFRS 8, in the parent company only financial statements.

CHENBRO MICOM CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2019

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

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary (Note 6)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 6)	Provision of endorsements/ guarantees to the party in Mainland China (Note 6)	Footnote
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Inc.	2	\$ 704,001	\$ 123,600	\$ 59,960	\$ -	\$ -	2	\$ 2,112,004	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	2	704,001	176,960	167,888	126,411	-	5	2,112,004	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	PROCASE & MOREX Corporation	3	704,001	216,300	119,920	-	-	3	2,112,004	Y	N	N	Note 3

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

- (1) The Company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is as follows:

- (1) A company with which the Company does business
- (2) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company
- (4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares
- (5) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
- (6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages
- (7) Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", ceiling on accumulated endorsements/guarantees to others and limit on endorsements/guarantees to a single party was 60% and 20% of the Company's net assets, respectively.

Note 4: The maximum endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US\$4,000, \$5,600 and \$7,000 thousand for the year ended December 31, 2019, respectively.

Note 5: The outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US\$2,000 thousand, \$5,600 thousand and \$4,000 thousand for the year ended December 31, 2019, respectively.

CHENBRO MICOM CO., LTD.

Holding of marketable securities at the end of the period

December 31, 2019

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

Table 2

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2019				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
CHENBRO MICOM CO., LTD.	Diamond Creative Holding Limited	None	Non-current financial assets at fair value through other comprehensive income	1,100,000	\$28,458	14.29%	\$28,458	

CHENBRO MICOM CO., LTD.

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

Year ended December 31, 2019

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

Table 3

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	The Company’s subsidiary	Sales	\$ 3, 076, 480	64	OA 120 days	Note 1	Note 1	\$ 937,272	71	
CHENBRO MICOM CO., LTD.	Chenbro GmbH	The Company’s subsidiary	Sales	118, 464	2	90 days after monthly billing	Note 1	Note 1	63,786	5	
PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	651, 432	78	60 days after monthly billing	Note 1	Note 1	131,169	76	
Procace & Morex Corporation	Dongguan Procace Electronic Co., Ltd.	Parent-subsidiary company	Sales	163, 609	20	Based on agreement	Note 1	Note 1	40,908	24	
Dongguan Procace Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	Parent-subsidiary company	Sales	467, 266	27	Based on agreement	Note 1	Note 1	52,749	9	
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	2, 239, 443	77	60 days after monthly billing	Note 1	Note 1	709,110	77	
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	1, 227, 771	72	Based on agreement	Note 1	Note 1	507,986	90	

Note 1: Terms and prices for the abovementioned transactions are the same with third parties.

CHENBRO MICOM CO., LTD.

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

December 31, 2019

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

Table 4

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019 (Note 3)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts (Note 2)
					Amount	Action taken		
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Accounts receivable \$ 937,272	3.63	\$ -		\$ 443,982	\$ -
Procace & Morex Corporation	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 131,169	5.18	-		99,480	-
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 709,110	3.90	13,236	Subsequent collection	287,348	-
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable \$ 507,986	2.24	-		229,546	-

Note 1: Subsequent collections as of March 17, 2020.

Note 2: As the related parties have excellent credit condition, no allowance for doubtful accounts was recognised.

CHENBRO MICOM CO., LTD.
Significant inter-company transactions during the reporting period
Year ended December 31, 2019
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 5

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 5)
				General ledger account	Amount (Notes 3 and 6)	Transaction terms	
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Sales	\$ 3,076,480	Note 4	45
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	937,272	Note 4	15
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	2,239,443	Note 4	33
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	709,110	Note 4	11
2	Dongguan Procace Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	3	Sales	467,266	Note 4	7
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	1,227,771	Note 4	18
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Accounts receivable	507,986	Note 4	8
3	PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	2	Sales	651,432	Note 4	10
3	PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	2	Accounts receivable	131,169	Note 4	2
3	PROCASE & MOREX CORPORATION	Dongguan Procace Electronic Co., Ltd.	3	Sales	163,609	Note 4	2
3	CHENBRO MICOM CO., LTD.	Chenbro GmbH	1	Sales	118,464	Note 4	2

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Transaction amounts less than NT\$100 million or 20% of paid-in capital are not disclosed.

Note 4: There is no transaction similar to the above purchases and sales, which are determined in accordance with mutual agreement.

Note 5: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 6: Except for current profit (loss) for the year ended December 31, 2019 is translated using the quarterly average exchange rate in 2019, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2019.

CHENBRO MICOM CO., LTD.

Information on investees (not including investees in Mainland China)

Year ended December 31, 2019

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

Table 6

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2019			Net profit (loss) of the investee for the year ended December 31, 2019 (Note 5)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Notes 5 and 6)	Footnote
				Balance as at December 31, 2019 (Note 5)	Balance as at December 31, 2018 (Note 5)	Number of shares	Ownership (%)	Book value (Note 5)			
CHENBRO MICOM CO., LTD.	Micom Source Holding Company	Cayman Islands	Holding company	\$ 720,264	\$ 663,518	20,449,890	100	\$ 2,479,365	\$ 193,606	\$ 92,379	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	137,047	46,543	50,654	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro Europe B.V.	Netherlands	General trading company	-	2,837	-	-	-	-	-	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	116,512	1,909	1,909	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	9,540	3,707	3,721	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro UK Limited	UK	Marketing services	-	-	1	100	- (	47) (	47)	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Edge International Company Limited	Seychelles	Trading/ order taking company	-	-	-	-	-	-	-	Note 7
Micom Source Holding Company	Cloud International Company Limited	Samoa	Holding company	-	16,896	-	-	- (	3,425)	-	Notes 3, 4 and 5
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	193,461	193,461	6,452,738	100	68,079	329	-	Notes 3, 4 and 5
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	247,035	247,035	8,239,890	100	1,906,993	179,963	-	Notes 3, 4 and 5
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	529,840	473,684	35,346	100	600,700	17,373	-	Notes 3, 4 and 5
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Trading/ order taking company	254,830	254,830	35,502	100	589,964 (	941)	-	Notes 2, 4 and 5

Note 1: Investment income (loss) recognised for the year ended December 31, 2019 includes recognition and elimination of realised and unrealised gain (loss) on upstream transactions.

Note 2: The third-tier subsidiary of the Company and it's investment income / loss recognised by ADEPT International Company.

Note 3: The second-tier subsidiary of the Company and it's investment income / loss recognised by Micom Source Holding Company.

Note 4: The transactions were eliminated when preparing the consolidated financial statements.

Note 5: Except for current profit (loss) for the year ended December 31, 2019 which is translated using the quarterly average exchange rate in 2019, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2019.

Note 6: Investment income / loss recognised by the Company includes only that of the subsidiaries in which the Company directly invested and that of investees accounted for using equity method.

Note 7 :Edge International Company Limited was set up completed in December 31, 2019, and funds in place in February 2020.

CHENBRO MICOM CO., LTD.
Information on investments in Mainland China
Year ended December 31, 2019

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

Table 7

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Note 2)	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
CHENBRO MICOM (ShenZhen) Co., Ltd.	Trading and order taking	\$ 14,990	\$ 2	\$ 14,990	\$ -	\$ -	\$ 14,990	(\$ 1,224)	\$ 100	(\$ 1,224)	\$ -	\$ -	Notes 1, 8 and 9
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	299,800	2	299,800	-	-	299,800	170,428	100	170,428	1,812,880	302,406	Notes 3, 6 and 8
CHENBRO MICOM (BEIJING) CO., LTD.	Rendering technical service	25,860	2	-	-	-	-	(3)	100	(3)	225	-	Notes 5 and 8
Dongguan Procace Electronic Co., Ltd.	Manufacturing and processing of computer cases	376,009	2	89,820	-	-	89,820	2,762	100	2,762	566,351	-	Notes 4 and 8
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	62,958	2	-	-	-	-	13,830	100	13,830	122,222	-	Notes 3, 7 and 8

Investment method:

1. Directly invest in a company in Mainland China.

2. Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

3. Others.

Note 1: The Company reinvested through Cloud International Company Limited with earnings of Micom Source Holding Company.

Note 2: The investment income / loss of current period were audited by independent accounts of the Company.

Note 3: The Company reinvested through Amber International Company.

Note 4: The Company reinvested through Procace & Morex Corporation and AMAC International Company.

Note 5: The investee was established on June 6, 2014 and received RMB 6 million as capital which was remitted from the earnings of Chenbro Technology (Kunshan) Co., Ltd. on August 4, 2014.

Note 6: The Company distributed cash dividends of \$302,406 (net of taxation on earnings remitted from Mainland China) to the Company through the holding companies, Amber International Company and Micom Source Holding Company on October 17, 2014.

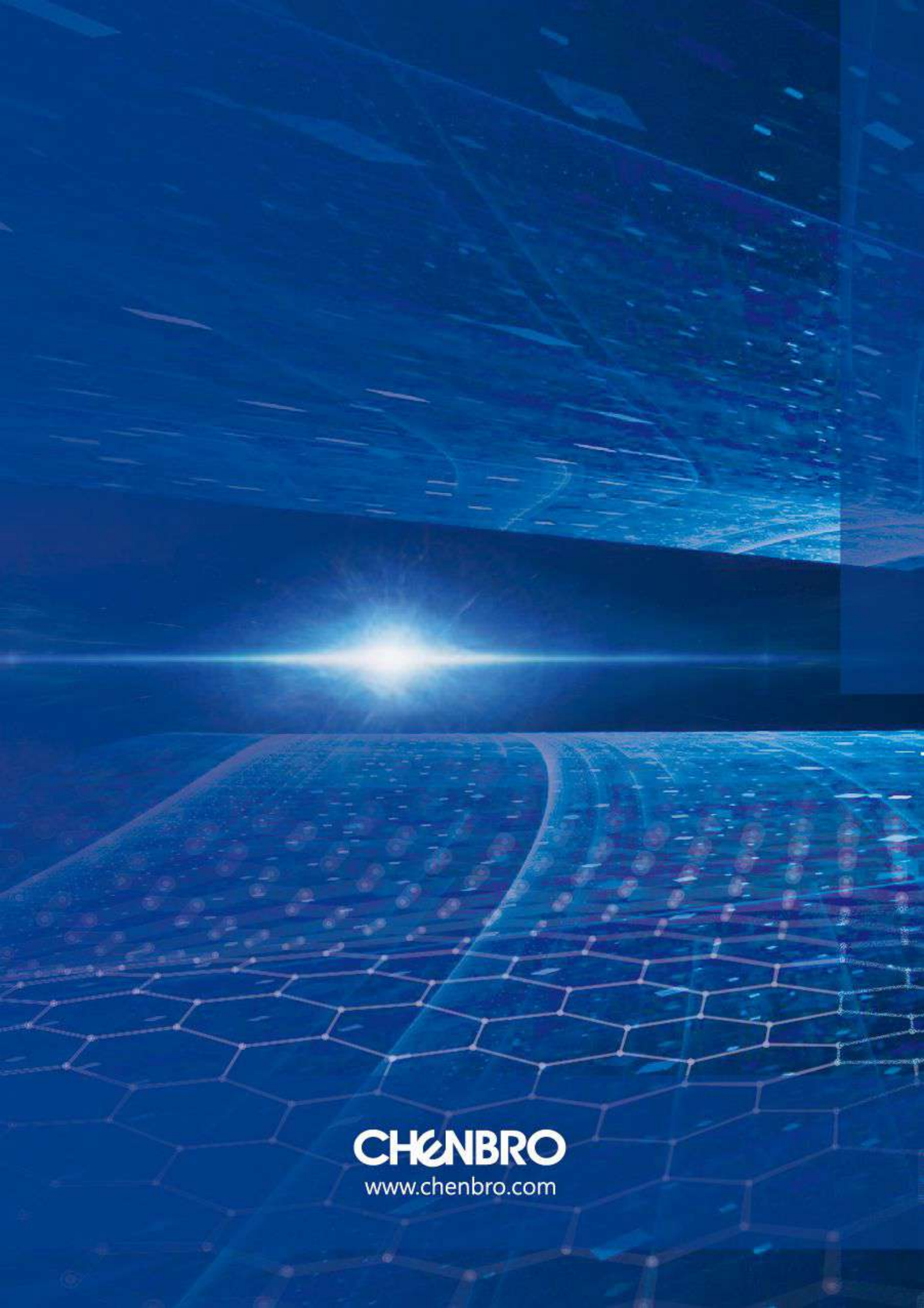
Note 7: The Company incorporated on October 8, 2016 and was reinvested by Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company at amount of USD\$ 2.1 million as capital of the Company on December 23, 2016.

Note 8: Except for current profit (loss) for the year ended December 31, 2019 translated using the quarterly average exchange rate in 2019, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2019.

Note 9: The liquidation of Chenbro Micom (Shenzhen) Co. was completed in August 2019.

Company name	December 31, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
CHENBRO MICOM CO., LTD.	\$ 404,610	\$ 413,971	\$ -

Note 10: Pursuant to the Gong-Zhi-Zi Order No. 10620430600, certificate for qualified operational headquarters, issued by Industrial Development Bureau, Ministry of Economic Affairs on November 20, 2017, there is no ceiling on accumulated investments in Mainland China for the period from November 15, 2017 to November 14, 2020.



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