

**CHENBRO MICOM CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
MARCH 31, 2021 AND 2020**

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

INDEPENDENT AUDITORS' REVIEW REPORT TRANSLATED FROM CHINESE

(21) PWCR 21000270

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Chenbro Micom Co., Ltd. and subsidiaries (the "Group") as at March 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of review

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

Basis for qualified conclusion

As explained in Note 4(3), the financial statements of insignificant consolidated subsidiaries were not reviewed by independent auditors. Total assets of these subsidiaries amounted to NT\$372,415 thousand and NT\$431,712 thousand, constituting 4% and 7% of the consolidated total assets as at March 31, 2021 and 2020, respectively, total liabilities amounted to NT\$197,697 thousand and NT\$165,779 thousand, constituting 5% and 7% of the consolidated total liabilities as at March 31, 2021 and 2020, respectively, and the total comprehensive income amounted to NT\$4,833 thousand and NT\$5,380 thousand, constituting (4%) and (7%) of the consolidated total comprehensive income for the three months then

ended, respectively.

Qualified conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of consolidated subsidiaries been reviewed by independent auditors as described in the *Basis for qualified conclusion* section above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2021 and 2020, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Penny Pan

Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

May 14, 2021

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 independent auditors’ report 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
MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2021 and 2020 are reviewed, not audited)

Assets		Notes	March 31, 2021		December 31, 2020		March 31, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,142,512	13	\$ 1,216,174	15	\$ 1,711,858	28
1136	Current financial assets at amortised cost	6(3) and 8	3,000	-	3,000	-	102,240	2
1150	Notes receivable, net	6(4) and 7	1,316	-	921	-	5,971	-
1170	Accounts receivable, net	6(4) and 7	1,783,263	21	1,751,605	22	1,207,601	20
1200	Other receivables	6(5) and 7	52,656	1	61,498	1	31,820	-
1220	Current income tax assets	6(26)	21,262	-	25,971	-	604	-
130X	Inventories	6(6)	1,568,309	19	1,429,726	18	1,009,405	16
1410	Prepayments		68,747	1	26,506	-	45,799	1
1470	Other current assets	8	2,964	-	5,195	-	8,507	-
11XX	Total current assets		<u>4,644,029</u>	<u>55</u>	<u>4,520,596</u>	<u>56</u>	<u>4,123,805</u>	<u>67</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	26,685	-	28,196	-	27,400	-
1535	Non-current financial assets at amortised cost	6(3) and 8	219,953	3	221,946	3	213,000	4
1600	Property, plant and equipment	6(7) and 8	3,299,270	39	3,056,216	38	1,568,652	26
1755	Right-of-use assets	6(8)	85,904	1	87,043	1	57,320	1
1780	Intangible assets	6(9)	24,928	-	12,004	-	13,284	-
1840	Deferred income tax assets	6(26)	49,414	1	69,459	1	65,279	1
1900	Other non-current assets	6(7)(10) and 8	50,434	1	41,656	1	69,760	1
15XX	Total non-current assets		<u>3,756,588</u>	<u>45</u>	<u>3,516,520</u>	<u>44</u>	<u>2,014,695</u>	<u>33</u>
1XXX	Total assets		<u>\$ 8,400,617</u>	<u>100</u>	<u>\$ 8,037,116</u>	<u>100</u>	<u>\$ 6,138,500</u>	<u>100</u>

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2021, DECEMBER 31, 2020 AND MARCH 31, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity		Notes	March 31, 2021		December 31, 2020		March 31, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(11)	\$ 937,951	11	\$ 849,069	11	\$ 60,460	1
2130	Current contract liabilities	6(20)	8,620	-	7,113	-	10,787	-
2170	Accounts payable		1,871,987	23	1,969,236	25	1,436,533	23
2180	Accounts payable - related parties	7	2,428	-	822	-	677	-
2200	Other payables	6(13) and 7	620,322	8	967,636	12	584,994	10
2230	Current income tax liabilities		96,456	1	92,527	1	196,538	3
2280	Current lease liabilities		9,732	-	9,967	-	3,057	-
2300	Other current liabilities	6(12)	11,335	-	11,437	-	11,518	-
21XX	Total current liabilities		3,558,831	43	3,907,807	49	2,304,564	37
Non-current liabilities								
2540	Long-term borrowings	6(12)	704,739	9	106,305	1	118,414	2
2570	Deferred income tax liabilities	6(26)	12,437	-	16,587	-	78,227	1
2580	Non-current lease liabilities		24,792	-	24,936	-	1,398	-
2600	Other non-current liabilities	6(14)	31,365	-	31,439	1	28,589	1
25XX	Total non-current liabilities		773,333	9	179,267	2	226,628	4
2XXX	Total liabilities		4,332,164	52	4,087,074	51	2,531,192	41
	Share capital	6(16)						
3110	Common stock		1,209,110	14	1,209,260	15	1,197,260	20
	Capital surplus	6(17)						
3200	Capital surplus		145,919	1	145,769	1	48,209	1
	Retained earnings	6(18)						
3310	Legal reserve		719,881	9	719,881	9	628,686	10
3320	Special reserve		224,552	3	224,552	3	213,156	4
3350	Unappropriated retained earnings		2,104,433	25	1,978,653	25	1,792,208	29
	Other equity interest	6(19)						
3400	Other equity interest		(355,947)	(4)	(348,763)	(4)	(287,211)	(5)
31XX	Equity attributable to owners of the parent		4,047,948	48	3,929,352	49	3,592,308	59
36XX	Non-controlling interests		20,505	-	20,690	-	15,000	-
3XXX	Total equity		4,068,453	48	3,950,042	49	3,607,308	59
	Significant contingent liabilities and unrecorded contract commitments	9						
	Significant events after the balance sheet date	6(18) and 11						
3X2X	Total liabilities and equity		\$ 8,400,617	100	\$ 8,037,116	100	\$ 6,138,500	100

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2021 AND 2020

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

		Notes	Three months ended March 31			
			2021		2020	
			AMOUNT	%	AMOUNT	%
Items						
4000	Operating revenue	6(20) and 7	\$ 1,818,927	100	\$ 1,337,275	100
5000	Operating costs	6(6)(25) and 7	(1,425,574)	(78)	(990,156)	(74)
5950	Net operating margin		393,353	22	347,119	26
	Operating expenses	6(25) and 7				
6100	Selling expenses		(75,040)	(4)	(76,055)	(6)
6200	General and administrative expenses		(100,120)	(6)	(97,919)	(7)
6300	Research and development expenses		(53,042)	(3)	(47,499)	(4)
6450	Expected credit impairment loss	12(2)	(579)	-	(135)	-
6000	Total operating expenses		(228,781)	(13)	(221,608)	(17)
6900	Operating profit		164,572	9	125,511	9
	Non-operating income and expenses					
7100	Interest income	6(3)(21)	5,353	-	6,996	1
7010	Other income	6(22)	3,451	-	12,897	1
7020	Other gains and losses	6(23)	(5,666)	-	18,530	1
7050	Finance costs	6(24)	(4,561)	-	(1,668)	-
7000	Total non-operating income and expenses		(1,423)	-	36,755	3
7900	Profit before income tax		163,149	9	162,266	12
7950	Income tax expense	6(26)	(37,554)	(2)	(27,306)	(2)
8200	Profit for the period		\$ 125,595	7	\$ 134,960	10

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2021 AND 2020

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

Items	Notes	Three months ended March 31			
		2021		2020	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8316 Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(19)	(\$ 1,511)	-	(\$ 1,058)	-
8310 Other comprehensive loss that will not be reclassified to profit or loss		(1,511)	-	(1,058)	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(19)	(20,068)	(1)	(26,482)	(2)
8399 Income tax relating to the components of other comprehensive income	6(19)(26)	3,418	-	(35,119)	(3)
8360 Other comprehensive loss that will be reclassified to profit or loss		(16,650)	(1)	(61,601)	(5)
8300 Total other comprehensive loss for the period		(\$ 18,161)	(1)	(\$ 62,659)	(5)
8500 Total comprehensive income for the period		\$ 107,434	6	\$ 72,301	5
Profit attributable to:					
8610 Owners of the parent		\$ 125,780	7	\$ 134,960	10
8620 Non-controlling interest		(185)	-	-	-
		\$ 125,595	7	\$ 134,960	10
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 107,619	6	\$ 72,301	5
8720 Non-controlling interest		(185)	-	-	-
		\$ 107,434	6	\$ 72,301	5
Earnings per share (in dollars)	6(27)				
9750 Basic earnings per share		\$ 1.05		\$ 1.13	
9850 Diluted earnings per share		\$ 1.04		\$ 1.12	

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent											
		Capital Reserves			Retained Earnings				Equity interest			Non-controlling interests	Total equity
		Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Capital Surplus, restricted stock	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Other equity		
Notes													
<u>2020</u>													
		\$ 1,197,260	\$ 41,987	\$ 6,222	\$ -	\$ 628,686	\$ 213,156	\$ 1,657,248	(\$ 218,316)	(\$ 6,236)	\$ -	\$ 3,520,007	\$ -
		-	-	-	-	-	-	134,960	-	-	-	134,960	-
	6(19)	-	-	-	-	-	-	-	(61,601)	(1,058)	-	(62,659)	(62,659)
		-	-	-	-	-	-	134,960	(61,601)	(1,058)	-	72,301	72,301
		-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	15,000	15,000
		\$ 1,197,260	\$ 41,987	\$ 6,222	\$ -	\$ 628,686	\$ 213,156	\$ 1,792,208	(\$ 279,917)	(\$ 7,294)	\$ -	\$ 3,592,308	\$ 15,000
<u>2021</u>													
		\$ 1,209,260	\$ 41,987	\$ 6,222	\$ 97,560	\$ 719,881	\$ 224,552	\$ 1,978,653	(\$ 254,006)	(\$ 6,498)	(\$ 88,259)	\$ 3,929,352	\$ 20,690
		-	-	-	-	-	-	125,780	-	-	-	125,780	(185)
	6(19)	-	-	-	-	-	-	-	(16,650)	(1,511)	-	(18,161)	(18,161)
		-	-	-	-	-	-	125,780	(16,650)	(1,511)	-	107,619	(185)
	6(15)(16)	(150)	-	-	150	-	-	-	-	-	-	-	-
	6(15)	-	-	-	-	-	-	-	-	-	10,977	10,977	-
		\$ 1,209,110	\$ 41,987	\$ 6,222	\$ 97,710	\$ 719,881	\$ 224,552	\$ 2,104,433	(\$ 270,656)	(\$ 8,009)	(\$ 77,282)	\$ 4,047,948	\$ 20,505

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31 2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 163,149	\$ 162,266
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	579	135
Depreciation	6(7)(8)(25)	90,861	49,440
Amortization	6(9)(25)	2,776	1,189
Interest expense	6(24)	4,561	1,668
Interest income	6(3)(21)	(5,353)	(6,996)
Loss on disposal of property, plant and equipment	6(23)	58	427
Share-based payments	6(15)	10,977	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(395)	(4,945)
Accounts receivable		(32,238)	428,464
Other receivables		11,247	38,363
Inventories		(142,067)	(41,738)
Prepayments		(42,241)	(23,962)
Other current assets		2,231	(3,996)
Changes in operating liabilities			
Current contract assets		1,507	4,163
Accounts payable		(97,249)	(314,841)
Accounts payable - related parties		1,606	(3,935)
Other payables		(41,438)	(79,168)
Other current liabilities		(183)	1,114
Other non-current liabilities		(70)	(57)
Cash (outflow) inflow generated from operations		(71,682)	207,591
Interest received		2,948	5,936
Interest paid		(4,827)	(1,702)
Income tax paid		(9,603)	(20,709)
Net cash flows (used in) from operating activities		(83,164)	191,116

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Three months ended March 31	
		2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		\$ -	(\$ 653,684)
Proceeds from disposal of financial assets at amortised cost		-	1,221,878
Acquisition of property, plant and equipment	6(28)	(657,262)	(40,862)
Proceeds from disposal of property, plant and equipment		6	-
Acquisition of intangible assets	6(9)(28)	(5,547)	(4,238)
(Increase) decrease in other non-current assets		(4,564)	5,843
Net cash flows (used in) from investing activities		(667,367)	528,937
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		2,700,254	-
Repayment of short-term borrowings		(2,611,372)	-
Proceeds from long-term borrowings (including current portion)		600,020	-
Repayment of long-term borrowings (including current portion)		(1,458)	(1,532)
Payment of the principal of lease liabilities	6(8)(29)	(2,584)	(1,103)
Decrease in guarantee deposits received	6(29)	(4)	(7)
Non-controlling interests cash inflow from establishment and capital increase of a subsidiary		-	15,000
Net cash flows from financing activities		684,856	12,358
Effect on foreign exchange difference		(7,987)	(9,118)
Net (decrease) increase in cash and cash equivalents		(73,662)	723,293
Cash and cash equivalents at beginning of period	6(1)	1,216,174	988,565
Cash and cash equivalents at end of period	6(1)	\$ 1,142,512	\$ 1,711,858

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2021 AND 2020

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

(REVIEWED, NOT AUDITED)

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 reported to the Board of Directors on May 14, 2021.

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 2021 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9’	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘Interest Rate Benchmark Reform - Phase 2’	January 1, 2021
Amendment to IFRS 16, ‘Covid-19-related rent concessions beyond June 30, 2021’	April 1, 2021 (Note)

Note: Earlier application from January 1, 2021 is allowed by the FSC.

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

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018 - 2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and 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 and the International Accounting Standard 34, "Interim financial reporting" as endorsed by the FSC.

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets 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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities 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. Accounting policies of subsidiaries are in consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2021	December 31, 2020	March 31, 2020	
Chenbro Micom Co., Ltd.	Micom Source Holding Company	Holding company	100	100	100	
Chenbro Micom Co., Ltd.	Chenbro Micom (USA) Incorporation	General trading company	100	100	100	
Chenbro Micom Co., Ltd.	CLOUDWELL HOLDINGS, LLC.	Real estate leasing company	100	100	100	Notes 1 and 6
Chenbro Micom Co., Ltd.	Chenbro GmbH	General trading company	100	100	100	Note 6
Chenbro Micom Co., Ltd.	Edge International Company Limited	Trading/Order taking company	-	-	100	Notes 2 and 6
Chenbro Micom Co., Ltd.	Chen-Feng Precision Co., Ltd.	Manufacturing of NCT	70	70	70	Notes 3 and 6
Micom Source Holding Company	Cloud International Company Limited	Holding company	-	-	100	Notes 4 and 6
Micom Source Holding Company	AMAC International Company	Holding company	100	100	100	Note 6
Micom Source Holding Company	AMBER International Company	Holding company	100	100	100	
Micom Source Holding Company	ADEPT International Company	Holding company	100	100	100	Note 5
AMBER International Company	Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing of computer cases	100	100	100	
AMBER International Company	ChenPower Information Technology (Shanghai) Co., Ltd.	General trading company	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2021	December 31, 2020	March 31, 2020	
ADEPT International Company	PROCASE & MOREX Corporation	Trading / Order taking company	100	100	100	Note 5
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	88	88	88	
AMAC International Company	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	12	12	12	

Note 1: Insignificant subsidiaries were consolidated in the statements based on the subsidiaries' unreviewed financial statements. On March 31, 2021 and 2020, the insignificant subsidiaries have total assets in the amounts of \$372,415 and \$431,712, and total liabilities in the amounts of \$197,697 and \$165,779, respectively. For the three months ended March 31, 2021 and 2020, the amounts of comprehensive loss were \$4,833 and \$5,380, respectively.

Note 2: Edge International Company Limited was established on December 31, 2019. The funds were in place in February 2020, but the company was dissolved under the resolution of the Board of Directors on May 12, 2020. The liquidation was completed in October 2020.

Note 3: Chen-Feng Precision Co., Ltd. was established on March 16, 2020. In addition, the investee increased its capital in November 2020. The Company participated in the capital increase proportionately to its ownership in the amount of \$21,000 as resolved by the Board of Directors. The process was completed in December 2020.

Note 4: On June 25, 2019, Cloud International Company Limited was dissolved under the resolution of the Board of Directors, and the liquidation was completed in April 2020.

Note 5: On May 12, 2020, ADEPT International Company was dissolved under the resolution of the Board of Directors.

Note 6: The financial statements of the entity as of and for the three months ended March 31, 2021 and 2020 were not reviewed by independent auditors as the entity did not meet the definition of a significant subsidiary.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All 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.
- D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(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	3～16 years
Leasehold improvements	5 years
Other equipment	2～12 years

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

- 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) 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.

C. Patents

Patents are stated at cost and amortised on a straight-line basis over its estimated useful life of 4

to 10 years.

(16) 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.

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

C. 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) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. Restricted stocks:
 - (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments

granted at the grant date, and are recognised as compensation cost over the vesting period.

- (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
- (c) For restricted stocks where employees do not have to pay to acquire those stocks, the Company will redeem at no consideration and retire the unvested stocks if employees resign during the vesting period.

(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.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an

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

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

(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) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(28) 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 March 31, 2021, the carrying amount of inventories was \$1,568,309.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Petty cash and cash on hand	\$ 331	\$ 266	\$ 300
Demand deposits	79,230	166,830	117,582
Checking account deposits	107,385	171,524	252,316
Time deposits (including foreign currencies)	113,840	9,760	85,560
Foreign currency deposits	841,726	867,794	1,256,100
	<u>\$ 1,142,512</u>	<u>\$ 1,216,174</u>	<u>\$ 1,711,858</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 restricted cash and cash equivalents to 'current financial assets at amortised cost', 'non-current financial assets at amortised cost', 'other current assets' and 'other non-current assets'. Details are provided in Note 8.

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

<u>Items</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Non-current items:			
Equity instruments			
Unlisted stocks	<u>\$ 26,685</u>	<u>\$ 28,196</u>	<u>\$ 27,400</u>

- 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 \$26,685, \$28,196 and \$27,400 as at March 31, 2021, December 31, 2020 and March 31, 2020, respectively.
- B. For the three months ended March 31, 2021 and 2020, the amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income was (\$1,511) and (\$1,058), respectively.
- C. As at March 31, 2021, December 31, 2020 and March 31, 2020, 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 \$26,685, \$28,196 and \$27,400, 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	March 31, 2021	December 31, 2020	March 31, 2020
Current items:			
Capital guaranteed financial products	\$ -	\$ -	\$ 102,240
Pledged bank deposits (including time deposits)	3,000	3,000	-
	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 102,240</u>
Non-current items:			
Time deposits	\$ 217,000	\$ 219,000	\$ 213,000
Pledged bank deposits (including time deposits)	2,953	2,946	-
	<u>\$ 219,953</u>	<u>\$ 221,946</u>	<u>\$ 213,000</u>

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

	Three months ended March 31,	
	2021	2020
Interest income	<u>\$ 2,334</u>	<u>\$ 4,829</u>

B. As at March 31, 2021, December 31, 2020 and March 31, 2020, 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 \$222,953, \$224,946 and \$315,240, respectively.

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

D. Information on financial assets at amortised cost pledged to others is provided in Note 8.

(4) Accounts and notes receivable

	March 31, 2021	December 31, 2020	March 31, 2020
Notes receivable	<u>\$ 1,316</u>	<u>\$ 921</u>	<u>\$ 5,971</u>
Accounts receivable	\$ 1,786,135	\$ 1,753,897	\$ 1,209,650
Less: Allowance for uncollectible accounts	(2,872)	(2,292)	(2,049)
	<u>\$ 1,783,263</u>	<u>\$ 1,751,605</u>	<u>\$ 1,207,601</u>

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

	March 31, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,547,931	\$ 1,316	\$ 1,548,932	\$ 921
Up to 30 days	171,819	-	138,764	-
31 to 90 days	51,838	-	54,167	-
91 to 180 days	7,764	-	12,034	-
Over 181 days	6,783	-	-	-
	<u>\$ 1,786,135</u>	<u>\$ 1,316</u>	<u>\$ 1,753,897</u>	<u>\$ 921</u>

	March 31, 2020	
	Accounts receivable	Notes receivable
Not past due	\$ 1,086,342	\$ 5,971
Up to 30 days	63,727	-
31 to 90 days	56,287	-
91 to 180 days	3,145	-
Over 181 days	149	-
	<u>\$ 1,209,650</u>	<u>\$ 5,971</u>

The above ageing analysis was based on past due date.

B. As of March 31, 2021, December 31, 2020, March 31, 2020 and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$1,787,451, \$1,754,818, \$1,215,621 and \$1,639,140, respectively.

C. The Group does not hold any collateral as security as at March 31, 2021, December 31, 2020 and March 31, 2020, and the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$1,316, \$921 and \$5,971 and accounts receivable was \$1,783,263, \$1,751,605 and \$1,207,601, respectively.

D. 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 March 31, 2021, December 31, 2020 and March 31, 2020, the related information is as follows:

March 31, 2021							
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	\$ 5,970	\$ 5,970	\$ 20,000	\$ -	\$ -	\$ -	-

December 31, 2020							
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	\$ 2,738	\$ 2,738	\$ 20,000	\$ -	\$ -	\$ -	-

March 31, 2020							
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	\$ 6,026	\$ 6,026	\$ 20,000	\$ -	\$ -	\$ -	-

Note: Shown as 'other receivables'.

B. The finance costs of the Group for the three months ended March 31, 2021 and 2020 were \$9 and \$9, respectively.

(6) Inventories

March 31, 2021			
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	\$ 379,000	(\$ 39,719)	\$ 339,281
Semi-finished goods	183,240	(14,496)	168,744
Work in process	199,092	(2,505)	196,587
Finished goods	926,935	(63,238)	863,697
	<u>\$ 1,688,267</u>	<u>(\$ 119,958)</u>	<u>\$ 1,568,309</u>

December 31, 2020			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 267,242	(\$ 14,939)	\$ 252,303
Semi-finished goods	136,546	(10,437)	126,109
Work in process	165,249	(1,805)	163,444
Finished goods	969,323	(81,453)	887,870
	<u>\$ 1,538,360</u>	<u>(\$ 108,634)</u>	<u>\$ 1,429,726</u>
March 31, 2020			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 289,563	(\$ 31,925)	\$ 257,638
Semi-finished goods	145,753	(18,552)	127,201
Work in process	150,990	(3,313)	147,677
Finished goods	543,463	(66,574)	476,889
	<u>\$ 1,129,769</u>	<u>(\$ 120,364)</u>	<u>\$ 1,009,405</u>

A. The cost of inventories recognised as expense for the period:

	Three months ended March 31,	
	2021	2020
Cost of goods sold	\$ 1,420,677	\$ 1,018,868
Sale of scraps	(7,291)	(438)
Loss on (gain on reversal of) decline in market value	12,188	(28,177)
Gain on physical inventory	-	(97)
	<u>\$ 1,425,574</u>	<u>\$ 990,156</u>

The Group reversed a previous inventory write-down because certain slow-moving inventories which were previously provided with allowance were subsequently sold.

B. The Group has no inventories pledged to others.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for facilities (Note)
<u>At January 1, 2021</u>												
Cost	\$ 1,335,410	\$ 1,738,155	\$ 621,473	\$ 490,241	\$ 36,308	\$ 30,211	\$ 25,105	\$ 60,756	\$ 49,943	\$ 151,562	\$ 4,539,164	\$ 11,194
Accumulated depreciation and impairment	-	(637,056)	(362,849)	(361,065)	(25,146)	(20,566)	(18,405)	(34,292)	(23,569)	-	(1,482,948)	-
	<u>\$ 1,335,410</u>	<u>\$ 1,101,099</u>	<u>\$ 258,624</u>	<u>\$ 129,176</u>	<u>\$ 11,162</u>	<u>\$ 9,645</u>	<u>\$ 6,700</u>	<u>\$ 26,464</u>	<u>\$ 26,374</u>	<u>\$ 151,562</u>	<u>\$ 3,056,216</u>	<u>\$ 11,194</u>
<u>2021</u>												
Opening net book amount	\$ 1,335,410	\$ 1,101,099	\$ 258,624	\$ 129,176	\$ 11,162	\$ 9,645	\$ 6,700	\$ 26,464	\$ 26,374	\$ 151,562	\$ 3,056,216	\$ 11,194
Additions	-	9,736	2,113	82,913	470	-	-	164	1,955	231,743	329,094	14,769
Disposals	-	(40)	(4)	-	-	-	-	(17)	(3)	-	(64)	-
Transfers (Note)	-	94,286	3,533	3,504	-	-	-	40,888	5,559	(136,164)	11,606	(8,122)
Depreciation charges	-	(24,833)	(10,393)	(45,079)	(889)	(1,024)	(590)	(3,063)	(2,237)	-	(88,108)	-
Effects of foreign exchange	140	(5,811)	(2,054)	(1,412)	2	(45)	(40)	(98)	(129)	(27)	(9,474)	(113)
Closing net book amount	<u>\$ 1,335,550</u>	<u>\$ 1,174,437</u>	<u>\$ 251,819</u>	<u>\$ 169,102</u>	<u>\$ 10,745</u>	<u>\$ 8,576</u>	<u>\$ 6,070</u>	<u>\$ 64,338</u>	<u>\$ 31,519</u>	<u>\$ 247,114</u>	<u>\$ 3,299,270</u>	<u>\$ 17,728</u>
<u>At March 31, 2021</u>												
Cost	\$ 1,335,550	\$ 1,830,930	\$ 621,760	\$ 604,336	\$ 36,805	\$ 30,117	\$ 24,914	\$ 101,297	\$ 57,106	\$ 247,114	\$ 4,889,929	\$ 17,728
Accumulated depreciation and impairment	-	(656,493)	(369,941)	(435,234)	(26,060)	(21,541)	(18,844)	(36,959)	(25,587)	-	(1,590,659)	-
	<u>\$ 1,335,550</u>	<u>\$ 1,174,437</u>	<u>\$ 251,819</u>	<u>\$ 169,102</u>	<u>\$ 10,745</u>	<u>\$ 8,576</u>	<u>\$ 6,070</u>	<u>\$ 64,338</u>	<u>\$ 31,519</u>	<u>\$ 247,114</u>	<u>\$ 3,299,270</u>	<u>\$ 17,728</u>

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

- The significant components of buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- The net difference of the transfers for this period resulted from transferring mold equipment made for customers from inventories amounting to \$3,484.

	Land	Buildings and structures	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for land and facilities (Note)
<u>At January 1, 2020</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>
<u>2020</u>												
Opening net book amount	\$ 210,674	\$ 962,201	\$ 206,772	\$ 111,984	\$ 3,153	\$ 10,067	\$ 9,760	\$ 17,170	\$ 18,961	\$ 8,069	\$ 1,558,811	\$ 80,182
Additions	-	9,697	13,146	4,344	49	2,190	-	184	1,260	914	31,784	7,866
Disposals	-	-	-	-	-	-	-	(427)	-	-	(427)	-
Transfers (Note)	-	-	30,100	8,175	-	-	-	-	-	(1,330)	36,945	(30,100)
Effects of foreign exchange	-	(21,160)	(8,246)	(13,984)	(406)	(905)	(568)	(1,575)	(1,185)	-	(48,029)	-
Depreciation charges	583	(6,844)	(2,657)	(1,014)	18	(48)	(63)	(128)	(190)	(89)	(10,432)	(79)
Closing net book amount	<u>\$ 211,257</u>	<u>\$ 943,894</u>	<u>\$ 239,115</u>	<u>\$ 109,505</u>	<u>\$ 2,814</u>	<u>\$ 11,304</u>	<u>\$ 9,129</u>	<u>\$ 15,224</u>	<u>\$ 18,846</u>	<u>\$ 7,564</u>	<u>\$ 1,568,652</u>	<u>\$ 57,869</u>
<u>At March 31, 2020</u>												
Cost	\$ 211,257	\$ 1,568,084	\$ 564,111	\$ 427,631	\$ 27,115	\$ 31,761	\$ 26,465	\$ 56,280	\$ 42,549	\$ 7,564	\$ 2,962,817	\$ 57,869
Accumulated depreciation and impairment	-	(624,190)	(324,996)	(318,126)	(24,301)	(20,457)	(17,336)	(41,056)	(23,703)	-	(1,394,165)	-
	<u>\$ 211,257</u>	<u>\$ 943,894</u>	<u>\$ 239,115</u>	<u>\$ 109,505</u>	<u>\$ 2,814</u>	<u>\$ 11,304</u>	<u>\$ 9,129</u>	<u>\$ 15,224</u>	<u>\$ 18,846</u>	<u>\$ 7,564</u>	<u>\$ 1,568,652</u>	<u>\$ 57,869</u>

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

- A. The significant components of 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 from inventories amounting to \$6,845.

(8) Leasing arrangements - lessee

- 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 and offices. Low-value assets pertain to coffee machine, printers and landscaping.
- C. The carrying amounts of right-of-use assets and the depreciation charge are as follows:

	March 31, 2021	December 31, 2020	March 31, 2020
	Carrying amount	Carrying amount	Carrying amount
Land	\$ 51,602	\$ 52,314	\$ 52,863
Buildings	28,304	30,275	1,502
Transportation	3,324	3,242	2,955
Others	2,674	1,212	-
	<u>\$ 85,904</u>	<u>\$ 87,043</u>	<u>\$ 57,320</u>

	Three months ended March 31,	
	2021	2020
	Depreciation charge	Depreciation charge
Land	\$ 239	\$ 235
Buildings	1,949	651
Transportation equipment	402	525
Others	163	-
	<u>\$ 2,753</u>	<u>\$ 1,411</u>

- D. For the three months ended March 31, 2021 and 2020, the additions to right-of-use assets were \$2,205 and \$792, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

	Three months ended March 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 184	\$ 59
Expense on short-term lease contracts	2,302	1,821
Expense on leases of low-value assets	299	95
Expense on variable lease payments	661	874

- F. For the three months ended March 31, 2021 and 2020, the Group's total cash outflow for leases was \$6,030 and \$3,952 (of which \$2,584 and \$1,103 represents payments of the principal of lease liabilities), respectively.

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

	<u>Trademarks</u>	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
<u>At January 1, 2021</u>				
Cost	\$ 579	\$ 44,154	\$ 2,576	\$ 47,309
Accumulated amortisation	(424)	(33,711)	(1,170)	(35,305)
	<u>\$ 155</u>	<u>\$ 10,443</u>	<u>\$ 1,406</u>	<u>\$ 12,004</u>
<u>2021</u>				
At January 1	\$ 155	\$ 10,443	\$ 1,406	\$ 12,004
Additions	-	13,403	46	13,449
Transfers (Note)	-	2,320	-	2,320
Amortisation charge	(12)	(2,311)	(453)	(2,776)
Effects of foreign exchange	-	(69)	-	(69)
At March 31	<u>\$ 143</u>	<u>\$ 23,786</u>	<u>\$ 999</u>	<u>\$ 24,928</u>
<u>At March 31, 2021</u>				
Cost	\$ 579	\$ 52,368	\$ 2,622	\$ 55,569
Accumulated amortisation	(436)	(28,582)	(1,623)	(30,641)
	<u>\$ 143</u>	<u>\$ 23,786</u>	<u>\$ 999</u>	<u>\$ 24,928</u>

Note: Transferred from prepayments for intangible assets (shown as 'other non-current assets').

	Trademarks	Computer software	Patents	Total
<u>At January 1, 2020</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>
<u>2020</u>				
At January 1	\$ 199	\$ 9,799	\$ 337	\$ 10,335
Additions	-	4,238	-	4,238
Amortisation charge	(12)	(1,160)	(17)	(1,189)
Effects of foreign exchange	-	(100)	-	(100)
At March 31	<u>\$ 187</u>	<u>\$ 12,777</u>	<u>\$ 320</u>	<u>\$ 13,284</u>
<u>At March 31, 2020</u>				
Cost	\$ 576	\$ 41,636	\$ 884	\$ 43,096
Accumulated amortisation	(389)	(28,859)	(564)	(29,812)
	<u>\$ 187</u>	<u>\$ 12,777</u>	<u>\$ 320</u>	<u>\$ 13,284</u>

Details of amortisation on intangible assets are as follows:

	Three months ended March 31,	
	2021	2020
Manufacturing cost	\$ 491	\$ 549
Selling expenses	127	21
Administrative expenses	580	319
Research and development expenses	1,578	300
	<u>\$ 2,776</u>	<u>\$ 1,189</u>

(10) Other non-current assets

	March 31, 2021	December 31, 2020	March 31, 2020
Prepayments for business facilities	\$ 17,728	\$ 11,194	\$ 8,589
Guarantee deposits paid	4,000	4,589	4,323
Prepayments for intangible assets	-	2,320	-
Prepayments for land purchases	-	-	49,280
Others	28,706	23,553	7,568
	<u>\$ 50,434</u>	<u>\$ 41,656</u>	<u>\$ 69,760</u>

(11) Short-term borrowings

Type of borrowings	March 31, 2021	Interest rate	Collateral
Short-term borrowings	\$ 736,686	0.70%~0.86%	A promissory note of the same amount was issued as collateral.
Short-term secured borrowings	201,265	1.003%	Accounts receivable was provided by the subsidiary, Chenbro Technology (Kunshan) Co., Ltd., as collateral.
	<u>\$ 937,951</u>		
Type of borrowings	December 31, 2020	Interest rate	Collateral
Short-term borrowings	<u>\$ 849,069</u>	0.65%~1.00%	A promissory note of the same amount was issued as collateral.
Type of borrowings	March 31, 2020	Interest rate	Collateral
Short-term borrowings	<u>\$ 60,460</u>	2.55%	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	March 31, 2021
Preferential Loans for Returning Taiwanese Businesses for the Purchase of Land in Taiwan (Note 1)	TWD 400,000 thousand; borrowing period is from January 15, 2021 to January 15, 2028; principal and interest are repayable monthly from February 15, 2023	1%	(Note 1)	\$ 400,000
Loans for Returning Overseas Taiwanese Businesses (Note 2)	TWD 187,020 thousand; borrowing period is from February 8, 2021 to February 8, 2031; principal and interest are repayable monthly from March 15, 2024	0.40%	(Note 2)	187,020
"	TWD 13,000 thousand; borrowing period is from January 15, 2021 to January 15, 2028; principal and interest are repayable monthly from February 15, 2024	0.40%	"	13,000

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2021
Installment payment for secured foreign currency borrowings (Note 3)	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	
				<u>111,856</u>
				711,876
Less: Current portion (shown as 'other current liabilities')				(<u>7,137</u>)
				<u>\$ 704,739</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2020
Installment payment for secured foreign currency borrowings (Note 2)	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	
				\$ 113,361
Less: Current portion (shown as 'other current liabilities')				(<u>7,056</u>)
				<u>\$ 106,305</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2020
Installment payment for secured foreign currency borrowings (Note 2)	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	
				\$ 125,699
Less: Current portion (shown as 'other current liabilities')				(<u>7,285</u>)
				<u>\$ 118,414</u>

Note 1: The Company applied for Preferential Loans for Returning Taiwanese Businesses for the Purchase of Land in Taiwan with the Bank of Taiwan in October 2020 and had drawn down the loan in January 2021. The total amount of the loan was \$400,000, and the loan term was 7 years after the first drawdown date. The interest rate of the loan was the floating

interest rate on a 2-year time deposit offered by the Bank of Taiwan plus 0.155% of annual interest and the markdown interest rate shall be no less than 1%. The loan is mainly for the purchase of land. The Company pledged land in Lucao Township, Chiayi County as collateral.

Note 2: The Company applied for Loans for Returning Overseas Taiwanese Businesses with the Bank of Taiwan in October 2020 and had drawn down part of the loan in January 2021. The total amount of the loan was \$1,344,000, and the loan term was 7 to 10 years after the first drawdown date. The interest rate of the loan was the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank less 0.445% of annual interest and the markdown interest rate shall be no less than 0.4%. The commission fee shall be paid by the National Development Fund at an annual interest of 0.5%, and the payment period shall not exceed 5 years. The loan is mainly for construction of plant, purchase of machinery and equipment and working capital. The Company pledged promissory note of the same amount as the loan, machinery and equipment purchased by the loan and buildings under completion as collateral.

If, during the contract period, there is a violation of any of the loan covenants, the budget of the National Development Fund may be frozen, there are changes in government policies, there is a need for capital procurement, or any other situation where the National Development Fund is not liable, the commission fee shall not be paid by the National Development Fund after notice and the interest rate of the loan shall be adjusted to the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank plus 0.055% of annual interest and the markdown interest rate shall be no less than 0.9%.

Note 3: 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 March 31, 2021, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(13) Other payables

	March 31, 2021	December 31, 2020	March 31, 2020
Wages and bonus payable	\$ 191,282	\$ 274,476	\$ 182,371
Remuneration due to supervisors and employee compensation	108,121	92,729	122,898
Payables for mold	73,799	77,497	64,633
Payables for export freight and customs clearance charges	29,893	36,371	42,331
Payables for machinery and equipment	25,371	35,873	2,841
Payables for processing fees	24,498	33,620	678
Payables for service fees	23,073	25,367	23,393
Payables for consumable goods	13,296	14,361	12,331
Payables for intangible assets	7,902	-	-
Payables for buildings and land purchases	-	303,010	-
Others	123,087	74,332	133,518
	<u>\$ 620,322</u>	<u>\$ 967,636</u>	<u>\$ 584,994</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) For the aforementioned pension plan, the Group recognised pension costs of \$52 and \$78 for the three months ended March 31, 2021 and 2020, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2022 amount to \$486.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) 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 and its domestic subsidiaries for the three months ended March 31, 2021 and 2020 were \$2,731 and \$2,289, respectively.
- (d) CLOUDWELL HOLDINGS, LLC., Chenbro GmbH, Cloud International Company Limited, AMAC International Company, AMBER International Company, ADEPT International Company, 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 Technology (Kunshan) Co., Ltd., ChenPower Information Technology (Shanghai) Co., Ltd. and Dongguan Procace Electronic Co., Ltd. for the three months ended March 31, 2021 and 2020 were \$8,731 and \$4,763, respectively. At the beginning of 2020, due to the impact of the Covid-19 pandemic in China, the local government has exempted pension insurance from February 2020 to December 2020.

(15) Share-based payment

- A. The Group’s share-based payment arrangements which have not expired as of March 31, 2021 were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting conditions
Restricted stocks to employees (Note 1)	2020.8.11	1,200 thousand shares	4 years	Graded vesting at a certain percentage after one year of service and achieving the required KPI (Note 2)

Note 1: During the vesting period, the restricted stocks issued by the Company cannot be sold, pledged, transferred, donated, collateralised, or disposed in any other method, except for inheritance, and the shareholders’ rights to attend, propose, speak and vote in the

shareholders' meeting are executed by the trust institution according to the agreement. Employees are entitled to the cash and stock dividends distributed by the Company. The distributed cash and stock dividends are treated as meeting the vesting conditions and are not required to be kept in the trust institution. This also applies to capital reduction. If employees resign during the vesting period, the Company will redeem those stocks but employees are not required to return the dividends received.

Note 2: The vesting percentage for the employee who has one, two, three and four years of service with the Company since the grant date and achieves the performance condition is 25% each year.

B. Details of the above restricted stocks to employees are as follows:

	2021	2020
	Quantity of stocks (in thousands)	Quantity of stocks (in thousands)
Restricted stocks at the beginning of period	1,200	-
Retired during the period	(15)	-
Restricted stocks at the end of period	1,185	-

C. The fair value of restricted stocks granted on grant date is measured based on the stock price on the grant date and the estimated annual employee turnover rate. Relevant information is as follows:

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected option life	Fair value per unit (in dollars)
Restricted stocks to	2020.8.11	\$91.3	-	4 years	\$91.3

D. Expenses incurred on share-based payment transactions are shown below:

	Three months ended March 31,	
	2021	2020
Equity-settled	\$ 10,977	\$ -

(16) Ordinary shares

As of March 31, 2021, 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 \$1,209,110, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding (shares in thousands) are as follows:

	2021	2020
At January 1	\$ 120,926	\$ 119,726
Retirement of restricted stocks	(15)	-
At March 31	<u>\$ 120,911</u>	<u>\$ 119,726</u>

(17) 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.

(18) 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 Order No. Financial-Supervisory-Securities-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets

are used, disposed of or reclassified subsequently.

- E. On May 14, 2021, the shareholders during their meeting resolved the appropriations of 2020 earnings, and on June 23, 2020, the shareholders during their meeting resolved the appropriations of 2019 earnings as follows:

	Year ended December 31, 2020		Year ended December 31, 2019	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 97,474	\$ -	\$ 91,195	\$ -
Special reserve	35,952	-	11,396	-
Cash dividends to shareholders	483,644	4.00	550,739	4.60
	<u>\$ 617,070</u>	<u>\$ 4.00</u>	<u>\$ 653,330</u>	<u>\$ 4.60</u>

(19) Other equity items

	2021			
	Currency translation	Unrealised losses on valuation	Other, unearned compensation	Total
At January 1	(\$ 254,006)	(\$ 6,498)	(\$ 88,259)	(\$ 348,763)
Valuation adjustment	-	(1,511)	-	(1,511)
Employee restricted shares:				
- Transferred to expenses	-	-	10,977	10,977
Currency translation differences:				
- Group	(20,068)	-	-	(20,068)
- Tax on Group	3,418	-	-	3,418
At March 31	<u>(\$ 270,656)</u>	<u>(\$ 8,009)</u>	<u>(\$ 77,282)</u>	<u>(\$ 355,947)</u>
	2020			
	Currency translation	Unrealised losses on valuation	Other, unearned compensation	Total
At January 1	(\$ 218,316)	(\$ 6,236)	\$ -	(\$ 224,552)
Valuation adjustment	-	(1,058)	-	(1,058)
Currency translation differences:				
- Group	(26,482)	-	-	(26,482)
- Tax on Group	(35,119)	-	-	(35,119)
At March 31	<u>(\$ 279,917)</u>	<u>(\$ 7,294)</u>	<u>\$ -</u>	<u>(\$ 287,211)</u>

(20) Operating revenue

A. The Group derives revenue from the transfer of control of goods to customers in the following major product types:

	Three months ended March 31,	
	2021	2020
Server cases, peripheral products and components	\$ 1,773,101	\$ 1,280,587
Personal computer cases	45,826	56,688
	<u>\$ 1,818,927</u>	<u>\$ 1,337,275</u>

B. Contract liabilities

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

	March 31, 2021	December 31, 2020
	\$ 8,620	\$ 7,113
Contract liabilities - sale of products		
	March 31, 2020	January 1, 2020
	\$ 10,787	\$ 6,624
Contract liabilities - sale of products		

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

	Three months ended March 31,	
	2021	2020
Contract liabilities - sale of products	\$ 1,066	\$ 464

(21) Interest income

	Three months ended March 31,	
	2021	2020
Interest income from bank deposits	\$ 3,019	\$ 2,167
Interest income from financial assets measured at amortised cost	2,334	4,829
	<u>\$ 5,353</u>	<u>\$ 6,996</u>

(22) Other income

	Three months ended March 31,	
	2021	2020
Tariff subsidy income	\$ -	\$ 8,830
Other income, others	3,451	4,067
	<u>\$ 3,451</u>	<u>\$ 12,897</u>

(23) Other gains and losses

	Three months ended March 31,	
	2021	2020
Loss on disposal of property, plant and equipment	(\$ 58)	(\$ 427)
Net currency exchange (loss) gain	(5,414)	18,842
Others	(194)	115
	<u>(\$ 5,666)</u>	<u>\$ 18,530</u>

(24) Finance costs

	Three months ended March 31,	
	2021	2020
Interest expense on bank borrowings	\$ 4,377	\$ 1,609
Interest expense on lease liabilities	184	59
	<u>\$ 4,561</u>	<u>\$ 1,668</u>

(25) Employee benefit, depreciation and amortisation expenses

	Three months ended March 31,	
	2021	2020
Wages and salaries	\$ 264,578	\$ 210,918
Share-based payment	10,977	-
Labour and health insurance fees	11,422	8,606
Pension costs	11,514	7,130
Other personnel expenses	21,228	14,732
Employee benefit expense	<u>\$ 319,719</u>	<u>\$ 241,386</u>
Depreciation charges	<u>\$ 90,861</u>	<u>\$ 49,440</u>
Amortisation charges	<u>\$ 2,776</u>	<u>\$ 1,189</u>

- A. According to the Articles of Incorporation of the Company and its domestic subsidiaries, a ratio of profit of the current year distributable, shall be distributed as employees' compensation and directors' and supervisors' remuneration. For the Company, the ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration. For the domestic subsidiaries, the ratio shall not be lower than 5% for employees' compensation. Employees' compensation and directors' and supervisors' remuneration 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 three months ended March 31, 2021 and 2020, employees' compensation were accrued at \$11,507 and \$12,288, respectively; while directors' and supervisors' remuneration were accrued at \$3,385 and \$3,614, respectively. The aforementioned amounts were recognised in

salary expenses.

For the year ended December 31, 2020, employees' compensation and directors' and supervisors' remuneration amounted to \$71,485 and \$21,744 as resolved by the Board of Directors on March 23, 2021, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to \$500 and \$0, respectively. The differences had been accounted for as changes in estimates in profit or loss for 2021.

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.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31,	
	2021	2020
Current tax:		
Current tax on profits for the period	\$ 34,987	\$ 19,743
Prior year income tax over estimation	(16,746)	-
Total current tax	18,241	19,743
Deferred tax:		
Origination and reversal of temporary differences	19,313	7,563
Total deferred tax	19,313	7,563
Income tax expense	\$ 37,554	\$ 27,306

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

	Three months ended March 31,	
	2021	2020
Currency translation differences	(\$ 3,418)	\$ 35,119

- B. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.
- C. The subsidiary-Chen-Feng Precision Co., Ltd. was established on March 4, 2020. Its income tax returns have not been assessed and approved by the Tax Authority.
- D. The Company had applied for investment of repatriated offshore funds back in Taiwan in 2020 and had paid 8% of the income tax. The Company will apply for 4% of tax refund after it completes the substantive investment and obtains the certificate issued by the Ministry of Economic Affairs. The aforementioned tax refund expected to be collected amounting to \$18,002 was shown as 'current tax assets'.

(27) Earnings per share

Three months ended March 31, 2021			
	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	\$ 125,780	119,726	\$ 1.05
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 125,780	-	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	895	
Restricted stocks	-	170	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 125,780	120,791	\$ 1.04
Three months ended March 31, 2020			
	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	\$ 134,960	119,726	\$ 1.13
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 134,960	-	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,117	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 134,960	120,843	\$ 1.12

(28) Supplemental cash flow information

A. Purchase of property, plant and equipment:

	Three months ended March 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 340,700	\$ 68,729
Add: Opening balance of payable on equipment	35,873	4,132
Opening balance of payable on land and building purchased	303,010	-
Ending balance of prepayments for business facilities	17,728	8,589
Ending balance of prepayment for land purchases	-	49,280
Less: Opening balance of prepayments for business facilities	(11,194)	(30,902)
Opening balance of prepayment for land purchases	-	(49,280)
Ending balance of payable on equipment	(25,371)	(2,841)
Transferred from inventories	(3,484)	(6,845)
Cash paid during the period	<u>\$ 657,262</u>	<u>\$ 40,862</u>

B. Acquisition of intangible assets

	Three months ended March 31,	
	2021	2020
Acquisition of intangible assets	\$ 15,769	\$ 4,238
Less: Opening balance of prepayment for intangible assets	(2,320)	-
Ending balance of prepayment for intangible assets	(7,902)	-
Cash paid during the period	<u>\$ 5,547</u>	<u>\$ 4,238</u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2021	\$ 849,069	\$ 113,361	\$ 34,903	\$ 519	\$ 997,852
Changes in cash flow from financing activities	88,882	598,562	(2,584)	(4)	684,856
Impact of changes in foreign exchange rate	-	(47)	-	-	(47)
Changes in other non-cash items	-	-	2,205	-	2,205
At March 31, 2021	<u>\$ 937,951</u>	<u>\$ 711,876</u>	<u>\$ 34,524</u>	<u>\$ 515</u>	<u>\$ 1,684,866</u>

	Short-term borrowings	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2020	\$ 59,960	\$ 126,411	\$ 4,766	\$ 586	\$ 191,723
Changes in cash flow from financing activities	-	(1,532)	(1,103)	(7)	(2,642)
Impact of changes in foreign exchange rate	500	820	-	-	1,320
Changes in other non-cash items	-	-	792	-	792
At March 31, 2020	<u>\$ 60,460</u>	<u>\$ 125,699</u>	<u>\$ 4,455</u>	<u>\$ 579</u>	<u>\$ 191,193</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

Name of related party	Relationship with the Group
Chen-Source Inc.	Other related party
SUPPER LASERS INDUSTRY CO., LTD.	Other related party

(3) Significant related party transactions

A. Operating revenue

	Three months ended March 31,	
	2021	2020
Sales:		
Other related parties	<u>\$ 78</u>	<u>\$ 8</u>

Goods are sold based on normal prices and terms. Payment term is 60~90 days after monthly billings.

B. Purchases and other expenses

	Three months ended March 31,	
	2021	2020
Purchases:		
Other related parties	\$ 2,190	\$ 680
Other expenses:		
Other related parties	<u>1,327</u>	<u>1,052</u>
	<u>\$ 3,517</u>	<u>\$ 1,732</u>

(a) Purchases: No similar transaction can be compared with. Prices and terms are determined based on mutual agreements and payment term is 60~90 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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Notes receivable: (shown as 'notes receivable')	\$ 63	\$ 195	\$ -
Accounts receivable: (shown as 'accounts receivable')			
Other related parties	26	38	8
Other receivables- payment (shown as 'other receivables')			
Other related parties	34	23	1
	<u>\$ 123</u>	<u>\$ 256</u>	<u>\$ 9</u>

The receivables from related parties are unsecured in nature and bear no interest.

D. Payables to related parties

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
Accounts payable:			
Other related parties	\$ 2,428	\$ 822	\$ 677
Other payables - other expenses: (shown as 'other payables')			
Other related parties	970	877	736
	<u>\$ 3,398</u>	<u>\$ 1,699</u>	<u>\$ 1,413</u>

(a) Accounts payable bear no interest.

(b) Other payables are payments made by other related parties on behalf of the Company.

(4) Key management compensation

	<u>Three months ended March 31,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 15,714	\$ 18,279
Post-employment benefits	128	106
Share-based payments	4,665	-
	<u>\$ 20,507</u>	<u>\$ 18,385</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	March 31, 2021	December 31, 2020	March 31, 2020	
Time deposits (shown as 'current financial assets at amortised cost' and 'other current assets')	\$ 3,000	\$ 3,000	\$ 4,000	Customs duty guarantee
Cash in banks (shown as 'non-current financial assets at amortised cost' and 'other non-current assets')	\$ 2,953	\$ 2,946	\$ 3,122	Long-term borrowings (Note 1)
Land and buildings	\$ 754,665	\$ 755,251	\$ 212,171	Long-term borrowings (Notes 1 and 2)
Accounts receivable (Note 3)	\$ 249,805	\$ -	\$ -	Short-term borrowings

Note 1: 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.

Note 2: The Company applied for Loans for Returning Overseas Taiwanese Businesses and Preferential Loans for Returning Taiwanese Businesses for the Purchase of Land in Taiwan with the Bank of Taiwan in October 2020 and pledged promissory note of the same amount as the loan, machinery and equipment purchased from the loan, land in Lucao Township, Chiayi County and buildings under completion as collateral.

Note 3: The subsidiary, Chenbro Technology (Kunshan) Co., Ltd., pledged its accounts receivable from the parent company, Chenbro Micom Co., Ltd., as collateral and was eliminated when preparing the consolidated financial statements.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(18) E for the appropriation earnings.

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>March 31, 2021</u>	<u>December 31, 2020</u>	<u>March 31, 2020</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 26,685	\$ 28,196	\$ 27,400
Financial assets at amortised cost			
Cash and cash equivalents	1,142,512	1,216,174	1,711,858
Financial assets at amortised cost	222,953	224,946	315,240
Notes receivable	1,316	921	5,971
Accounts receivable	1,783,263	1,751,605	1,207,601
Other receivables	52,656	61,498	31,820
Other current assets	-	-	3,000
Guarantee deposits paid	4,000	4,589	4,323
Other non-current assets	-	-	3,122
	<u>\$ 3,233,385</u>	<u>\$ 3,287,929</u>	<u>\$ 3,310,335</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 937,951	\$ 849,069	\$ 60,460
Accounts payable (including related parties)	1,874,415	1,970,058	1,437,210
Other payables	620,322	967,636	584,994
Long-term borrowings (including current portion)	711,876	113,361	125,699
Guarantee deposits received	515	519	579
Other current liabilities	3,683	3,862	3,824
	<u>\$ 4,148,762</u>	<u>\$ 3,904,505</u>	<u>\$ 2,212,766</u>
Lease liabilities	<u>\$ 34,524</u>	<u>\$ 34,903</u>	<u>\$ 4,455</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:

March 31, 2021				
	Foreign currency amount (in thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 63,652	28.54	\$	1,816,628
USD:RMB	25,445	6.58		726,638
<u>Non-monetary items</u>				
USD:NTD	13,961	28.54		398,438
EUR:NTD	130	33.48		4,359
RMB:NTD	515,877	4.34		2,238,908
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$ 37,665	28.54	\$	1,074,959
USD:RMB	17,527	6.58		500,522

December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 52,234	28.48	\$ 1,487,624
USD:RMB	32,494	6.50	925,104
<u>Non-monetary items</u>			
USD:NTD	10,968	28.48	312,363
EUR:NTD	300	35.02	10,505
RMB:NTD	510,928	4.38	2,237,863
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 29,827	28.48	\$ 849,473
USD:RMB	10,151	6.50	288,999
March 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 51,908	30.23	\$ 1,569,179
USD:RMB	14,488	7.09	436,771
<u>Non-monetary items</u>			
USD:NTD	7,231	30.23	218,583
EUR:NTD	3,574	33.24	11,768
RMB:NTD	461,785	4.26	1,967,204
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 21,900	30.23	\$ 662,037
USD:RMB	8,431	7.09	254,170

- 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:

Three months ended March 31, 2021				
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	\$ 375	28.54	\$	10,710
USD:RMB	265	6.58		7,576
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	(\$ 289)	28.54	(\$	8,258)
USD:RMB	(223)	6.58	(	6,366)
Three months ended March 31, 2020				
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	\$ 136	30.23	\$	4,102
USD:RMB	185	7.09		5,600
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	(\$ 164)	30.23	(\$	4,948)
USD:RMB	(114)	7.09	(	3,441)

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

Three months ended March 31, 2021			
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%	\$ 18,166	\$ -
USD:RMB	1%	7,266	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	10,750	-
USD:RMB	1%	5,005	-

Three months ended March 31, 2020			
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%	\$ 15,692	\$ -
USD:RMB	1%	4,368	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	6,620	-
USD:RMB	1%	2,542	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.
- ii. Shares were 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 three months ended March 31, 2021 and 2020 would have increased/decreased by \$267 and \$274 as a result of gains or losses on equity investment at fair value through other comprehensive income, respectively.

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 three months ended March 31, 2021 and 2020, the Group's borrowings were denominated in the USD and NTD.

(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 of financial assets at amortised cost and debt instruments stated at fair value through other comprehensive income.
- 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. As of three months ended March 31, 2021 and 2020, 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>March 31, 2021</u>				
Expected loss rate	0.03%	0.03%-0.07%	0.03%-0.57%	0.03%-2.18%
Total book value	\$ 1,547,931	\$ 223,657	\$ 7,764	\$ 6,783
Loss allowance	\$ -	\$ 1,582	\$ 615	\$ 675

	271 to 360 days past due	Over 360 days past due	Total	
<u>March 31, 2021</u>				
Expected loss rate	0.03%-100%	100.00%		
Total book value	\$ -	\$ -	\$ 1,786,135	
Loss allowance	\$ -	\$ -	\$ 2,872	
	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2020</u>				
Expected loss rate	0.03%	0.03%-0.14%	0.03%-1.14%	0.03%-7.05%
Total book value	\$ 1,548,932	\$ 192,931	\$ 12,034	\$ -
Loss allowance	\$ -	\$ 1,272	\$ 1,020	\$ -
	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2020</u>				
Expected loss rate	0.03%-100%	100.00%		
Total book value	\$ -	\$ -	\$ 1,753,897	
Loss allowance	\$ -	\$ -	\$ 2,292	
	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>March 31, 2020</u>				
Expected loss rate	0.03%	0.03%-0.11%	0.03%-2.36%	0.03%-8.39%
Total book value	\$ 1,086,342	\$ 120,014	\$ 3,145	\$ 149
Loss allowance	\$ -	\$ 1,714	\$ 320	\$ 15
	271 to 360 days past due	Over 360 days past due	Total	
<u>March 31, 2020</u>				
Expected loss rate	0.03%-100%	100.00%		
Total book value	\$ -	\$ -	\$ 1,209,650	
Loss allowance	\$ -	\$ -	\$ 2,049	

viii. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	Three months ended March 31,	
	2021	2020
	Accounts receivable	Accounts receivable
At January 1	\$ 2,292	\$ 1,901
Provision of impairment loss	579	135
Effect of exchange rate changes	1	13
At March 31	\$ 2,872	\$ 2,049

For the three months ended March 31, 2021 and 2020, impairment of accounts receivable arising from customer contracts amounted to \$579 and \$135, respectively.

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The analysis is as follows:

Non-derivative financial liabilities:

<u>March 31, 2021</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	\$ 939,339	\$ -	\$ -	\$ -
Accounts payable	1,871,987	-	-	-
Accounts payable - related party	2,428	-	-	-
Other payables	620,322	-	-	-
Lease liabilities	10,330	18,466	6,936	-
Other current liabilities	3,683	-	-	-
Long-term borrowings (including current portion)	17,210	56,074	291,431	408,424
Guarantee deposits received	515	-	-	-

Non-derivative financial liabilities:

<u>December 31, 2020</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	\$ 849,344	\$ -	\$ -	\$ -
Accounts payable	1,969,236	-	-	-
Accounts payable - related party	822	-	-	-
Other payables	967,636	-	-	-
Lease liabilities	10,526	18,312	8,030	-
Other current liabilities	3,862	-	-	-
Long-term borrowings (including current portion)	11,187	22,373	22,373	89,494
Guarantee deposits received	519	-	-	-

Non-derivative financial liabilities:

<u>March 31, 2020</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	\$ 60,541	\$ -	\$ -	\$ -
Accounts payable	1,436,533	-	-	-
Accounts payable - related party	677	-	-	-
Other payables	584,994	-	-	-
Lease liabilities	3,246	1,269	332	-
Other current liabilities	3,824	-	-	-
Long-term borrowings (including current portion)	11,874	23,748	23,748	100,930
Guarantee deposits received	409	170	-	-

- 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 (shown as other non-current assets), other current assets, other non-current assets, short-term borrowings, accounts payable (including related parties), other payables, lease liabilities, long-term borrowings (including current portion) and guarantee deposits received (shown as other current liabilities and other non-current liabilities), are approximate to their fair values.
- C. The related information on 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 on the nature of the assets and liabilities is as follows:

March 31, 2021	<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	\$ <u>-</u>	\$ <u>-</u>	\$ <u>26,685</u>	\$ <u>26,685</u>
December 31, 2020	<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	\$ <u>-</u>	\$ <u>-</u>	\$ <u>28,196</u>	\$ <u>28,196</u>
March 31, 2020	<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	\$ <u>-</u>	\$ <u>-</u>	\$ <u>27,400</u>	\$ <u>27,400</u>

(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 three months ended March 31, 2021 and 2020:

	2021	2020
	<u>Equity securities</u>	<u>Equity securities</u>
January 1	\$ 28,196	\$ 28,458
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(1,511)	(1,058)
At March 31	<u>\$ 26,685</u>	<u>\$ 27,400</u>

- E. For the three months ended March 31, 2021 and 2020, 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 on 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 March 31, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (median)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 26,685	Market comparable companies	Price to book ratio multiple	1.20-3.08 (1.27)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	25% (25%)	The higher the discount for lack of marketability, the lower the fair value

	<u>Fair value at December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (first quartile)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 28,196	Market comparable companies	Price to book ratio multiple	1.33-2.69 (1.33)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	25% (25%)	The higher the discount for lack of marketability, the lower the fair value
	<u>Fair value at March 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (first quartile)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 27,400	Market comparable companies	Price to book ratio multiple	0.89-2.69 (1.29)	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 on profit or loss or on other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			March 31, 2021			
			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%	\$ -	\$ -	\$ 267	(\$ 267)
	Discount for lack of marketability	±1%	-	-	89	(89)
			December 31, 2020			
			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%	\$ -	\$ -	\$ 282	(\$ 282)
	Discount for lack of marketability	±1%	-	-	94	(94)
			March 31, 2020			
			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%	\$ -	\$ -	\$ 274	(\$ 274)
	Discount for lack of marketability	±1%	-	-	69	(69)

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: Please refer to table 3.
- 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 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Counterparties' information are disclosed based on subsidiaries' financial statements, which were not reviewed by independent auditors. 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 7.

(3) Information on investments in Mainland China

- A. Basic information: Please refer to table 8.
- B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

Name of company	Counterparty	Accounts	Amount 2021	Percentage representing the account of the company (%)	Note
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Sales	\$ 32,220	3	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	638,587	72	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	687,096	75	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Accounts payable	42,787	5	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Purchases	93,701	11	

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

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 and equipment, as well as the distribution methods and customer categories are alike, the Company and subsidiaries' chief operating decision-maker has assessed that the Company and its subsidiaries only have 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) Information about segment profit or loss, assets and liabilities

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, the company and subsidiaries has only one reportable operating segment, thus, the reportable information is in agreement with those in the consolidated financial statements.

(3) 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.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Three months ended March 31, 2021

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	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of March 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2021 (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.	CLOUDWELL HOLDINGS, LLC.	2	\$ 809,590	\$ 159,824	\$ 111,857	\$ -	\$ -	3.95	\$ 2,428,769	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 CLOUDWELL HOLDINGS, LLC. was \$5,600 thousand for the three months ended March 31, 2021, respectively.

Note 5: The outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to CLOUDWELL HOLDINGS, LLC. was \$5,600 thousand for the three months ended March 31, 2021, respectively.

Note 6: Fill in 'Y' for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period

March 31, 2021

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 March 31, 2021				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	\$26,685	14.29%	\$26,685	

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more

Three months ended March 31, 2021

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

Table 3

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHENBRO MICOM CO., LTD.	Machouhou Industry Park's productive plant	February 2, 2021	\$ 1,208,529	Based on the contract schedule (Note)	San Min Construction Development Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Price comparison and price negotiation	Expansion of production capacity	None

Note : As of March 31, 2021, the company has paid \$184,380.

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

Three months ended March 31, 2021

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

Table 4

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	\$ 692, 209	64	OA 120 days	Note 1	Note 1	\$ 964,052	73	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	638, 587	77	60 days after monthly billing	Note 1	Note 1	687,096	72	Note 2
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	392, 179	80	Based on agreement	Note 1	Note 1	573,611	92	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

March 31, 2021

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

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2021 (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 \$ 964,052	2.96	\$ 67,966	Subsequent collection	\$ 324,953	\$ -
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Other receivables \$ 3,031	Not applicable	-		772	-
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 687,096	3.95	-	Subsequent collection	283,800	-
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable \$ 573,611	2.52	-		224,093	-

Note 1: Subsequent collections as of May 14, 2021.

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
Three months ended March 31, 2021
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 6

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, 6 and 7)	Transaction terms	
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Sales	\$ 692,209	Note 4	38
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	964,052	Note 4	11
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	638,587	Note 4	35
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	687,096	Note 4	8
2	Dongguan Procise Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	392,179	Note 4	22
2	Dongguan Procise Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Accounts receivable	573,611	Note 4	7

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 three months ended March 31, 2021 is translated using the quarterly average exchange rate in 2021, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at March 31, 2021.

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)

Three months ended March 31, 2021

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

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2021			Net profit (loss) of the investee for the three months ended March 31, 2021 (Note 4)	Investment income (loss) recognised by the Company for the three months ended March 31, 2021 (Notes 4 and 5)	Footnote
				Balance as at March 31, 2021 (Note 4)	Balance as at December 31, 2020 (Note 4)	Number of shares	Ownership (%)	Book value (Note 4)			
CHENBRO MICOM CO., LTD.	Micom Source Holding Company	Cayman Islands	Holding company	\$ 720,264	\$ 720,264	22,323,002	100	\$ 2,212,370	\$ 20,645	\$ 3,048	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	285,188	51,884	47,238	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	113,250	510	510	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	4,359 (	5,694) (	5,698)	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chen-Feng Precession Co., Ltd.	Taiwan	Manufacturing of NCT	56,000	56,000	5,600,000	70	47,844 (	617) (	432)	Note 6
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	184,169	184,169	6,452,738	100	73,458 (	1,444)	-	Notes 3 and 4
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	235,170	235,170	8,239,890	100	1,625,516	33,442	-	Notes 3 and 4
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	450,932	450,932	35,346	100	564,813 (	11,338)	-	Notes 3, 4 and 7
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Trading/ order taking company	242,590	242,590	35,502	100	537,995 (	10,654)	-	Notes 2, 4 and 5

Note 1: Investment income (loss) recognised for the three months ended March 31, 2021 includes recognition and elimination of realised and unrealised gain (loss) on upstream transactions.

Note 2: The indirect reinvestment company of the Company and it's investment income / loss recognised by ADEPT International Company.

Note 3: The indirect reinvestment company of the Company and it's investment income / loss recognised by Micom Source Holding Company.

Note 4: Except for current profit (loss) for the three months ended March 31, 2021 which is translated using the quarterly average exchange rate in 2020, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at March 31, 2021.

Note 5: 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 6: Chen-Feng Precision Co., Ltd. was established on March 4, 2020.

Note 7: ADEPT International Company was dissolved under the resolution of the Board of Directors on May 12, 2020.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Three months ended March 31, 2021

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

Table 8

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, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2021	Net income of investee for the three months ended March 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2021 (Note 1)	Book value of investments in Mainland China as of March 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	\$ 285,400	\$ 2	\$ 285,400	\$ -	\$ -	\$ 285,400	\$ 24,271	\$ 100	\$ 24,271	\$ 1,432,314	\$ 767,130	Notes 2, 4, 5 and 7
Dongguan Procace Electronic Co., Ltd.	Manufacturing and processing of computer cases	357,949	2	85,506	-	-	85,506	(12,040)	100	(12,040)	611,220	-	Notes 3 and 7
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	59,934	2	-	-	-	-	9,399	100	9,399	195,374		Notes 2, 6 and 7

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 investment income / loss of current period were audited by independent accounts of the Company.

Note 2: The Company reinvested through Amber International Company.

Note 3: The Company reinvested through Procace & Morex Corporation and AMAC International Company.

Note 4: 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 5: The Company distributed cash dividends of \$464,724 (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 May 28, 2020.

Note 6: 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 7: Except for current profit (loss) for the three months ended March 31, 2021 translated using the quarterly average exchange rate in 2020, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at March 31, 2021.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2021	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 8)
CHENBRO MICOM CO., LTD.	\$ 370,906	\$ 394,088	\$ -

Note 8: Pursuant to the Gong-Zhi-Zi Order No. 10920436020, certificate for qualified operational headquarters, issued by the Industrial Development Bureau, Ministry of Economic Affairs on February 2, 2020, there is no ceiling on accumulated investments in Mainland China for the period from November 26, 2020 to November 25, 2023.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Major shareholders information

March 31, 2021

Table 9

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Chen Fengming	13,614,433	11.25
Pengwei Investment Holdings	12,209,000	10.09
Lianmei Investment	11,907,000	9.84
Chen Meichi	9,656,009	7.98
Minguang Investment Holding	9,243,967	7.64