

**CHENBRO MICOM CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REVIEW REPORT
SEPTEMBER 30, 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 21001983

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Chenbro Micom Co., Ltd. and subsidiaries (the "Group") as at September 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the related consolidated statements of changes in equity and of cash flows for the nine 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\$409,260 thousand and NT\$397,584 thousand, constituting 4% and 5% of the consolidated total assets as at September 30, 2021 and 2020, respectively, total liabilities amounted to NT\$147,465 thousand and NT\$162,602 thousand, constituting 2% and 4% of the consolidated total liabilities as at September 30, 2021 and 2020, respectively, and the total comprehensive income (loss) amounted to NT\$5,071 thousand, NT\$5,320

thousand, (NT\$6,386) thousand and NT\$5,336 thousand, constituting 2%, 2%, (1%) and 1% of the consolidated total comprehensive income for the three months and nine 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 September 30, 2021 and 2020, and of its consolidated financial performance for the three months and nine months then ended and its consolidated cash flows for the nine 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

November 9, 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 report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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

CHENBRO MICOM CO., LTD.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Assets		Notes	September 30, 2021		December 31, 2020		September 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,104,400	11	\$ 1,216,174	15	\$ 1,453,698	18
1136	Current financial assets at amortised cost	6(3) and 8	10,000	-	3,000	-	3,000	-
1150	Notes receivable, net	6(4) and 7	8,280	-	921	-	857	-
1170	Accounts receivable, net	6(4) and 7	2,365,406	23	1,751,605	22	1,791,477	23
1200	Other receivables	6(5) and 7	45,104	1	61,498	1	43,475	1
1220	Current income tax assets	6(27)	25,327	-	25,971	-	18,607	-
130X	Inventories	6(6)	2,039,874	20	1,429,726	18	1,242,457	16
1410	Prepayments		141,573	1	26,506	-	40,632	-
1460	Non-current assets or disposal groups classified as held for sale, net	6(11)	-	-	-	-	213,325	3
1470	Other current assets		4,505	-	5,195	-	8,330	-
11XX	Total current assets		<u>5,744,469</u>	<u>56</u>	<u>4,520,596</u>	<u>56</u>	<u>4,815,858</u>	<u>61</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	37,375	-	28,196	-	24,968	-
1535	Non-current financial assets at amortised cost	6(3) and 8	219,460	2	221,946	3	216,510	3
1600	Property, plant and equipment	6(7) and 8	4,032,566	39	3,056,216	38	2,407,762	31
1755	Right-of-use assets	6(8)	83,002	1	87,043	1	214,724	3
1780	Intangible assets	6(9)	21,539	-	12,004	-	13,000	-
1840	Deferred income tax assets	6(27)	54,521	1	69,459	1	55,618	1
1900	Other non-current assets	6(7)(10)	148,295	1	41,656	1	92,969	1
15XX	Total non-current assets		<u>4,596,758</u>	<u>44</u>	<u>3,516,520</u>	<u>44</u>	<u>3,025,551</u>	<u>39</u>
1XXX	Total assets		<u>\$ 10,341,227</u>	<u>100</u>	<u>\$ 8,037,116</u>	<u>100</u>	<u>\$ 7,841,409</u>	<u>100</u>

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CHENBRO MICOM CO., LTD.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2021, DECEMBER 31, 2020 AND SEPTEMBER 30, 2020
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2021 and 2020 are reviewed, not audited)

Liabilities and Equity		Notes	September 30, 2021		December 31, 2020		September 30, 2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(12)	\$ 1,108,838	11	\$ 849,069	11	\$ 892,458	11
2130	Current contract liabilities	6(21)	17,947	-	7,113	-	8,467	-
2150	Notes payable		2,399	-	-	-	2,961	-
2170	Accounts payable		2,528,687	24	1,969,236	25	1,990,823	26
2180	Accounts payable - related parties	7	2,440	-	822	-	387	-
2200	Other payables	6(14) and 7	823,398	8	967,636	12	1,038,374	13
2230	Current income tax liabilities		81,976	1	92,527	1	40,334	1
2280	Current lease liabilities		10,521	-	9,967	-	17,699	-
2300	Other current liabilities	6(13)	11,748	-	11,437	-	11,418	-
21XX	Total current liabilities		<u>4,587,954</u>	<u>44</u>	<u>3,907,807</u>	<u>49</u>	<u>4,002,921</u>	<u>51</u>
Non-current liabilities								
2540	Long-term borrowings	6(13)	1,698,832	17	106,305	1	110,422	2
2570	Deferred income tax liabilities	6(27)	14,502	-	16,587	-	13,464	-
2580	Non-current lease liabilities		22,274	-	24,936	-	149,874	2
2600	Other non-current liabilities	6(15)	33,192	-	31,439	1	28,822	-
25XX	Total non-current liabilities		<u>1,768,800</u>	<u>17</u>	<u>179,267</u>	<u>2</u>	<u>302,582</u>	<u>4</u>
2XXX	Total liabilities		<u>6,356,754</u>	<u>61</u>	<u>4,087,074</u>	<u>51</u>	<u>4,305,503</u>	<u>55</u>
Equity								
Share capital								
3110	Common stock	6(17)	1,208,610	12	1,209,260	15	1,209,260	15
Capital surplus								
3200	Capital surplus	6(18)	146,419	2	145,769	1	145,769	2
Retained earnings								
3310	Legal reserve	6(19)	817,355	8	719,881	9	719,881	9
3320	Special reserve		260,504	3	224,552	3	224,552	3
3350	Unappropriated retained earnings		1,880,274	18	1,978,653	25	1,633,390	21
Other equity interest								
3400	Other equity interest	6(20)	(348,924)	(4)	(348,763)	(4)	(409,930)	(5)
31XX	Equity attributable to owners of the parent		<u>3,964,238</u>	<u>39</u>	<u>3,929,352</u>	<u>49</u>	<u>3,522,922</u>	<u>45</u>
36XX	Non-controlling interests		<u>20,235</u>	<u>-</u>	<u>20,690</u>	<u>-</u>	<u>12,984</u>	<u>-</u>
3XXX	Total equity		<u>3,984,473</u>	<u>39</u>	<u>3,950,042</u>	<u>49</u>	<u>3,535,906</u>	<u>45</u>
3X2X	Total liabilities and equity		<u>\$ 10,341,227</u>	<u>100</u>	<u>\$ 8,037,116</u>	<u>100</u>	<u>\$ 7,841,409</u>	<u>100</u>

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

CHENBRO MICOM CO., LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(UNAUDITED)

	Items	Notes	Three months ended September 30		2020		Nine months ended September 30		2020	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(21) and 7	\$ 2,646,237	100	\$ 2,113,588	100	\$ 6,803,402	100	\$ 5,649,699	100
5000	Operating costs	6(6)(26) and 7	(2,117,247)	(80)	(1,572,008)	(74)	(5,405,454)	(80)	(4,189,711)	(74)
5950	Net operating margin		528,990	20	541,580	26	1,397,948	20	1,459,988	26
	Operating expenses	6(26) and 7								
6100	Selling expenses		(83,379)	(3)	(84,487)	(4)	(231,324)	(3)	(238,672)	(4)
6200	General and administrative expenses		(114,645)	(4)	(106,403)	(5)	(311,531)	(5)	(315,979)	(6)
6300	Research and development expenses		(51,770)	(2)	(62,181)	(3)	(158,279)	(2)	(166,129)	(3)
6450	Expected credit impairment (loss) gain	12(2)	(760)	-	(886)	-	370	-	48	-
6000	Total operating expenses		(250,554)	(9)	(253,957)	(12)	(700,764)	(10)	(720,732)	(13)
6900	Operating profit		278,436	11	287,623	14	697,184	10	739,256	13
	Non-operating income and expenses									
7100	Interest income	6(3)(22)	5,190	-	4,649	-	15,887	-	17,209	-
7010	Other income	6(23)	3,816	-	26,332	1	9,542	-	92,513	2
7020	Other gains and losses	6(24)	2,417	-	(29,656)	(1)	(28,141)	-	(44,783)	(1)
7050	Finance costs	6(25)	(6,087)	-	(3,456)	-	(13,638)	-	(6,766)	-
7000	Total non-operating income and expenses		5,336	-	(2,131)	-	(16,350)	-	58,173	1
7900	Profit before income tax		283,772	11	285,492	14	680,834	10	797,429	14
7950	Income tax expense	6(27)	(68,708)	(3)	(52,513)	(2)	(162,598)	(2)	(169,973)	(3)
8200	Profit for the period		\$ 215,064	8	\$ 232,979	12	\$ 518,236	8	\$ 627,456	11

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CHENBRO MICOM CO., LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)
(UNAUDITED)

Items	Notes	Three months ended September 30				Nine months ended September 30			
		2021		2020		2021		2020	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income									
Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2)(20)							
		\$ 5,197	-	\$ 1,175	-	\$ 9,179	-	(\$ 3,490)	-
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss								
		5,197	-	1,175	-	9,179	-	(3,490)	-
Components of other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(20)							
		(902)	-	35,589	2	(46,628)	(1)	(27,262)	-
8399	Income tax relating to the components of other comprehensive income	6(20)(27)							
		8	-	(3,529)	-	4,357	-	(52,663)	(1)
8360	Other comprehensive income (loss) that will be reclassified to profit or loss								
		(894)	-	32,060	2	(42,271)	(1)	(79,925)	(1)
8300	Total other comprehensive income (loss) for the period								
		\$ 4,303	-	\$ 33,235	2	(\$ 33,092)	(1)	(\$ 83,415)	(1)
8500	Total comprehensive income for the period								
		\$ 219,367	8	\$ 266,214	14	\$ 485,144	7	\$ 544,041	10
Profit attributable to:									
8610	Owners of the parent								
		\$ 215,209	8	\$ 233,846	12	\$ 518,691	8	\$ 629,472	11
8620	Non-controlling interest								
		(145)	-	(867)	-	(455)	-	(2,016)	-
		\$ 215,064	8	\$ 232,979	12	\$ 518,236	8	\$ 627,456	11
Comprehensive income attributable to:									
8710	Owners of the parent								
		\$ 219,512	8	\$ 267,081	14	\$ 485,599	7	\$ 546,057	10
8720	Non-controlling interest								
		(145)	-	(867)	-	(455)	-	(2,016)	-
		\$ 219,367	8	\$ 266,214	14	\$ 485,144	7	\$ 544,041	10
Earnings per share (in dollars)									
9750	Basic earnings per share	6(28)							
		\$ 1.80		\$ 1.95		\$ 4.33		\$ 5.26	
9850	Diluted earnings per share								
		\$ 1.79		\$ 1.94		\$ 4.29		\$ 5.22	

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

CHENBRO MICOM CO., LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent											
		Capital Reserves				Retained Earnings			Other Equity Interest				

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

CHENBRO MICOM CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 680,834	\$ 797,429
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment gain	12(2)	(370)	(48)
Depreciation	6(7)(8)(26)	255,867	168,373
Amortization	6(9)(26)	9,825	3,749
Interest expense	6(25)	13,638	6,766
Interest income	6(22)	(15,887)	(17,209)
Loss on disposal of property, plant and equipment	6(24)	633	257
Gains arising from lease modifications	6(8)(24)	(30)	-
Share-based payments	6(16)	32,931	7,597
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net	(	7,359)	169
Accounts receivable	(	613,412)	(155,179)
Other receivables		8,619	30,192
Inventories	(	611,920)	(332,676)
Prepayments	(	115,067)	(18,795)
Other current assets		690	(3,819)
Changes in operating liabilities			
Current contract liabilities		10,834	1,843
Notes payable		2,399	2,961
Accounts payable		559,451	239,449
Accounts payable - related parties		1,618	(4,225)
Other payables		7,111	(62,123)
Other current liabilities		272	1,121
Other non-current liabilities		1,761	249
Cash inflow generated from operations		222,438	666,081
Interest received		23,662	12,665
Interest paid	(	12,344)	(5,908)
Income tax paid	(155,295)	(382,610)
Net cash flows from operating activities		78,461	290,228

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CHENBRO MICOM CO., LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine months ended September 30 2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 7,000)	(\$ 1,367,544)
Proceeds from disposal of financial assets at amortised cost		-	2,032,692
Acquisition of property, plant and equipment	6(29)	(1,516,413)	(735,185)
Proceeds from disposal of property, plant and equipment		2,571	238
Acquisition of intangible assets	6(9)(29)	(13,582)	(6,479)
Decrease in other non-current assets		3,589	2,016
Net cash flows used in investing activities		(1,530,835)	(74,262)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(30)	5,498,673	837,006
Repayment of short-term borrowings	6(30)	(5,236,958)	-
Proceeds from long-term borrowings (including current portion)	6(30)	1,600,190	-
Repayment of long-term borrowings (including current portion)	6(30)	(4,282)	(4,532)
Payment of the principal of lease liabilities	6(8)(30)	(8,246)	(5,089)
Decrease in guarantee deposits received	6(30)	(8)	(80)
Cash dividends paid to shareholders	6(19)	(483,644)	(550,739)
Non-controlling interests cash inflow from establishment and capital increase of a subsidiary		-	15,000
Net cash flows from financing activities		1,365,725	291,566
Effect on foreign exchange difference		(25,125)	(42,399)
Net (decrease) increase in cash and cash equivalents		(111,774)	465,133
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)	\$ 1,104,400	\$ 1,453,698

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

CHENBRO MICOM CO., LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 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 November 9, 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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2022 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendment to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendment to IAS 37, 'Onerous contracts – cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018-2020	January 1, 2022

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

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

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

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

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 are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2020, except for the compliance statement, basis of preparation, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. 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.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2020.

(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:

The basis for preparation of consolidated financial statements is the same as the consolidated financial statements for the year ended December 31, 2020.
- B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2021	December 31, 2020	September 30, 2020	
Chenbro Micom Co., Ltd.	Micom Source Holding Company	Holding company	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2021	December 31, 2020	September 30, 2020	
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	Note 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	-	-	-	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	
ADEPT International Company	PROCASE & MOREX Corporation	Holding company	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2021	December 31, 2020	September 30, 2020	
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 September 30, 2021 and 2020, the insignificant subsidiaries have total assets in the amounts of \$409,260 and \$397,584, and total liabilities in the amounts of \$147,465 and \$162,602, respectively. For the three months and nine months ended September 30, 2021 and 2020, the amounts of comprehensive income (loss) were \$5,071, \$5,320, (\$6,386) and \$5,336, 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 nine months ended September 30, 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) Employee benefits

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 under a defined benefit plan.

(5) Income tax

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.

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 September 30, 2021, the carrying amount of inventories was \$2,039,874.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Petty cash and cash on hand	\$ 654	\$ 266	\$ 489
Demand deposits	94,314	166,830	355,063
Checking account deposits	153,130	171,524	147,243
Time deposits (including foreign currencies)	111,982	9,760	9,540
Foreign currency deposits	744,320	867,794	941,363
	<u>\$ 1,104,400</u>	<u>\$ 1,216,174</u>	<u>\$ 1,453,698</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' and 'non-current financial assets at amortised cost'. Details are provided in Note 8.

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

Items	September 30, 2021	December 31, 2020	September 30, 2020
Non-current items:			
Equity instruments			
Unlisted stocks	\$ 37,375	\$ 28,196	\$ 24,968

- 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 \$37,375, \$28,196 and \$24,968 as at September 30, 2021, December 31, 2020 and September 30, 2020, respectively.
- B. For the three months ended September 30, 2021 and 2020 and nine months ended September 30, 2021 and 2020, the amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income (loss) was \$5,197, \$1,175, \$9,179 and (\$3,490), respectively.
- C. As at September 30, 2021, December 31, 2020 and September 30, 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 \$37,375, \$28,196 and \$24,968, 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	September 30, 2021	December 31, 2020	September 30, 2020
Current items:			
Pledged bank deposits (including time deposits)	\$ 10,000	\$ 3,000	\$ 3,000
Non-current items:			
Time deposits	\$ 216,577	\$ 219,000	\$ 213,500
Pledged bank deposits (including time deposits)	2,883	2,946	3,010
	\$ 219,460	\$ 221,946	\$ 216,510

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

	Three months ended September 30,	
	2021	2020
Interest income	\$ 2,369	\$ 3,192
	Nine months ended September 30,	
	2021	2020
Interest income	\$ 7,030	\$ 10,075

B. As at September 30, 2021, December 31, 2020 and September 30, 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 \$229,460, \$224,946 and \$219,510, 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

	September 30, 2021	December 31, 2020	September 30, 2020
Notes receivable	<u>\$ 8,280</u>	<u>\$ 921</u>	<u>\$ 857</u>
Accounts receivable	\$ 2,367,309	\$ 1,753,897	\$ 1,793,293
Less: Allowance for uncollectible accounts	(1,903)	(2,292)	(1,816)
	<u>\$ 2,365,406</u>	<u>\$ 1,751,605</u>	<u>\$ 1,791,477</u>

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

	September 30, 2021		December 31, 2020	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 2,083,177	\$ 8,280	\$ 1,548,932	\$ 921
Up to 30 days	200,698	-	138,764	-
31 to 90 days	77,027	-	54,167	-
91 to 180 days	5,017	-	12,034	-
Over 181 days	1,390	-	-	-
	<u>\$ 2,367,309</u>	<u>\$ 8,280</u>	<u>\$ 1,753,897</u>	<u>\$ 921</u>

	September 30, 2020	
	Accounts receivable	Notes receivable
Not past due	\$ 1,649,170	\$ 857
Up to 30 days	100,711	-
31 to 90 days	37,774	-
91 to 180 days	5,343	-
Over 181 days	295	-
	<u>\$ 1,793,293</u>	<u>\$ 857</u>

The above ageing analysis was based on past due date.

B. As of September 30, 2021, December 31, 2020, September 30, 2020 and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$2,375,589, \$1,754,818, \$1,794,150 and \$1,639,140, respectively.

C. The Group does not hold any collateral as security as at September 30, 2021, December 31, 2020

and September 30, 2020, and the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$8,280, \$921 and \$857 and accounts receivable was \$2,365,406, \$1,751,605 and \$1,791,477, 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. There were no outstanding accounts receivable factoring as of September 30, 2021. As of December 31, 2020 and September 30, 2020, the related information is as follows:

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	\$ -	\$ -	\$ -	-
September 30, 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	\$ 8,204	\$ 8,204	\$ 20,000	\$ -	\$ -	\$ -	-

Note: Shown as 'other receivables'.

B. The finance costs of the Group for the three months ended September 30, 2021 and 2020 and nine months ended September 30, 2021 and 2020 were \$3, \$16, \$29 and \$40, respectively.

(6) Inventories

September 30, 2021			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 518,018	(\$ 47,874)	\$ 470,144
Semi-finished goods	245,424	(18,648)	226,776
Work in progress	283,117	(1,391)	281,726
Finished goods	1,129,064	(67,836)	1,061,228
	<u>\$ 2,175,623</u>	<u>(\$ 135,749)</u>	<u>\$ 2,039,874</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 progress	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>
September 30, 2020			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 289,389	(\$ 23,546)	\$ 265,843
Semi-finished goods	125,239	(12,334)	112,905
Work in progress	150,606	(761)	149,845
Finished goods	766,301	(52,437)	713,864
	<u>\$ 1,331,535</u>	<u>(\$ 89,078)</u>	<u>\$ 1,242,457</u>

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

Three months ended September 30,		
	2021	2020
Cost of goods sold	\$ 2,116,561	\$ 1,568,085
Sale of scraps	(9,381)	(1,994)
Loss on decline in market value	10,067	6,182
Gain on physical inventory	-	(265)
	<u>\$ 2,117,247</u>	<u>\$ 1,572,008</u>

	Nine months ended September 30,	
	2021	2020
Cost of goods sold	\$ 5,398,259	\$ 4,239,332
Sale of scraps	(22,772)	(5,697)
Loss on (gain on reversal of) decline in market value	30,021	(43,061)
Gain on physical inventory	(54)	(863)
	<u>\$ 5,405,454</u>	<u>\$ 4,189,711</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	-	10,473	8,839	160,123	899	150	-	5,791	3,254	1,048,000	1,237,529	121,304
Disposals	-	(40)	(3,135)	-	-	(3)	-	(21)	(5)	-	(3,204)	-
Transfers (Note)	-	94,286	6,647	3,525	-	-	-	41,503	6,087	(140,153)	11,895	(10,123)
Depreciation charges	-	(65,339)	(30,603)	(127,641)	(2,555)	(2,842)	(1,709)	(9,522)	(7,196)	-	(247,407)	-
Effects of foreign exchange	(1,470)	(13,958)	(3,521)	(2,524)	(36)	(66)	(113)	(245)	(236)	(294)	(22,463)	(65)
Closing net book amount	<u>\$ 1,333,940</u>	<u>\$ 1,126,521</u>	<u>\$ 236,851</u>	<u>\$ 162,659</u>	<u>\$ 9,470</u>	<u>\$ 6,884</u>	<u>\$ 4,878</u>	<u>\$ 63,970</u>	<u>\$ 28,278</u>	<u>\$ 1,059,115</u>	<u>\$ 4,032,566</u>	<u>\$ 122,310</u>
<u>At September 30, 2021</u>												
Cost	\$ 1,333,940	\$ 1,812,436	\$ 623,363	\$ 676,676	\$ 36,424	\$ 30,197	\$ 24,770	\$ 106,752	\$ 58,656	\$ 1,059,115	\$ 5,762,329	\$ 122,310
Accumulated depreciation	-	(685,915)	(386,512)	(514,017)	(26,954)	(23,313)	(19,892)	(42,782)	(30,378)	-	(1,729,763)	-
	<u>\$ 1,333,940</u>	<u>\$ 1,126,521</u>	<u>\$ 236,851</u>	<u>\$ 162,659</u>	<u>\$ 9,470</u>	<u>\$ 6,884</u>	<u>\$ 4,878</u>	<u>\$ 63,970</u>	<u>\$ 28,278</u>	<u>\$ 1,059,115</u>	<u>\$ 4,032,566</u>	<u>\$ 122,310</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 \$1,772.
- Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Nine months ended
	September 30, 2021
Amount capitalised	<u>\$ 2,701</u>
Range of the interest rates for capitalisation	0.4% ~ 1%

	Land	Buildings and structures	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Leasehold improvements	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>\$ -</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	853,946	174,612	42,341	6,690	278	2,945	-	3,476	6,278	1,878	-	1,092,444	77,243
Disposals	-	-	(10)	-	-	(5)	-	(479)	-	(1)	-	(495)	-
Transfers (Note)	49,280	-	29,922	71,852	-	622	-	(423)	-	-	(6,698)	144,555	(79,824)
Transfers to non- current assets held for sale	(140,737)	(72,588)	-	-	-	-	-	-	-	-	-	(213,325)	-
Depreciation charges	-	(56,987)	(26,869)	(58,092)	(1,205)	(3,012)	(1,819)	(5,137)	(308)	(3,595)	-	(157,024)	-
Effects of foreign exchange	(2,053)	(11,491)	(1,801)	(1,278)	(54)	(41)	(81)	(162)	-	(153)	(90)	(17,204)	(350)
Closing net book amount	<u>\$ 971,110</u>	<u>\$ 995,747</u>	<u>\$ 250,355</u>	<u>\$ 131,156</u>	<u>\$ 2,172</u>	<u>\$ 10,576</u>	<u>\$ 7,860</u>	<u>\$ 14,445</u>	<u>\$ 5,970</u>	<u>\$ 17,090</u>	<u>\$ 1,281</u>	<u>\$ 2,407,762</u>	<u>\$ 77,251</u>
<u>At September 30, 2020</u>													
Cost	\$ 971,110	\$ 1,601,796	\$ 594,551	\$ 483,080	\$ 26,841	\$ 33,022	\$ 26,440	\$ 58,325	\$ 6,278	\$ 43,244	\$ 1,281	\$ 3,845,968	\$ 77,251
Accumulated depreciation and impairment	-	(606,049)	(344,196)	(351,924)	(24,669)	(22,446)	(18,580)	(43,880)	(308)	(26,154)	-	(1,438,206)	-
	<u>\$ 971,110</u>	<u>\$ 995,747</u>	<u>\$ 250,355</u>	<u>\$ 131,156</u>	<u>\$ 2,172</u>	<u>\$ 10,576</u>	<u>\$ 7,860</u>	<u>\$ 14,445</u>	<u>\$ 5,970</u>	<u>\$ 17,090</u>	<u>\$ 1,281</u>	<u>\$ 2,407,762</u>	<u>\$ 77,251</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 \$64,731.
- D. No borrowing costs for property, plant and equipment were capitalised for this period.

(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:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 50,508	\$ 52,314	\$ 52,043
Buildings	23,307	30,275	157,662
Transportation equipment	6,820	3,242	3,736
Others	2,367	1,212	1,283
	<u>\$ 83,002</u>	<u>\$ 87,043</u>	<u>\$ 214,724</u>

	<u>Three months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 236	\$ 233
Buildings	1,742	6,502
Transportation equipment	730	543
Others	153	69
	<u>\$ 2,861</u>	<u>\$ 7,347</u>

	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 712	\$ 699
Buildings	5,406	8,977
Transportation equipment	1,891	1,564
Others	451	109
	<u>\$ 8,460</u>	<u>\$ 11,349</u>

- D. For the three months ended September 30, 2021 and 2020 and nine months ended September 30, 2021 and 2020, the additions to right-of-use assets were \$1,898, \$136,813, \$8,601 and \$167,895, respectively.

E. Information on profit or loss in relation to lease contracts is as follows:

	Three months ended September 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	170	596
Expense on short-term lease contracts	2,313	2,581
Expense on leases of low-value assets	237	138
Expense on variable lease payments	776	907
Gain on lease modification	-	-
	Nine months ended September 30,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	549	815
Expense on short-term lease contracts	6,991	6,307
Expense on leases of low-value assets	783	334
Expense on variable lease payments	2,040	2,614
Gain on lease modification	30	-

F. The Group early terminated the building leasing contract in April 2021. Right-of-use assets and lease liabilities have decreased by \$2,433 and \$2,463, respectively, and the gain on lease modification of \$30 was recognised.

G. For the nine months ended September 30, 2021 and 2020, the Group's total cash outflow for leases was \$18,609 and \$15,159 (of which \$8,246 and \$5,089 represents payments of the principal of lease liabilities), respectively.

H. 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.

I. 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	61	15,226	1,865	17,152
Transfers (Note)	-	2,320	-	2,320
Amortisation charge	(36)	(8,401)	(1,388)	(9,825)
Effects of foreign exchange	-	(112)	-	(112)
At September 30	<u>\$ 180</u>	<u>\$ 19,476</u>	<u>\$ 1,883</u>	<u>\$ 21,539</u>
<u>At September 30, 2021</u>				
Cost	\$ 640	\$ 48,616	\$ 4,441	\$ 53,697
Accumulated amortisation	(460)	(29,140)	(2,558)	(32,158)
	<u>\$ 180</u>	<u>\$ 19,476</u>	<u>\$ 1,883</u>	<u>\$ 21,539</u>

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

	<u>Trademarks</u>	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
<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	-	4,868	1,611	6,479
Amortisation charge	(35)	(3,529)	(185)	(3,749)
Effects of foreign exchange	-	(65)	-	(65)
At September 30	<u>\$ 164</u>	<u>\$ 11,073</u>	<u>\$ 1,763</u>	<u>\$ 13,000</u>
<u>At September 30, 2020</u>				
Cost	\$ 576	\$ 46,612	\$ 2,495	\$ 49,683
Accumulated amortisation	(412)	(35,539)	(732)	(36,683)
	<u>\$ 164</u>	<u>\$ 11,073</u>	<u>\$ 1,763</u>	<u>\$ 13,000</u>

Details of amortisation on intangible assets are as follows:

	Three months ended September 30,	
	2021	2020
Manufacturing cost	\$ 474	\$ 552
Selling expenses	237	29
Administrative expenses	636	429
Research and development expenses	2,196	351
	<u>\$ 3,543</u>	<u>\$ 1,361</u>
	Nine months ended September 30,	
	2021	2020
Manufacturing cost	\$ 1,304	\$ 1,640
Selling expenses	522	71
Administrative expenses	1,836	1,048
Research and development expenses	6,163	990
	<u>\$ 9,825</u>	<u>\$ 3,749</u>

(10) Other non-current assets

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Prepayments for business facilities	\$ 122,310	\$ 11,194	\$ 77,251
Guarantee deposits paid	4,599	4,589	7,984
Prepayments for intangible assets	1,432	2,320	-
Others	19,954	23,553	7,734
	<u>\$ 148,295</u>	<u>\$ 41,656</u>	<u>\$ 92,969</u>

(11) Non-current assets held for sale and discontinued operations

The assets related to the property located in Zhonghe Dist., New Taipei City have been reclassified as disposal group held for sale following the resolution of the Company's Board of Directors on November 12, 2019 to sell the property for the Company's long-term development and plan. The completion date for the transaction is expected by October 2020. The assets of the disposal group held for sale as at September 30, 2020 amounted to \$213,325. Additionally, the Company relocated the office to Xinzhuang Dist., New Taipei City following the resolution of the Company's Board of Directors on September 5, 2020 and emptied the main assets in the original office before September 30, 2020.

Assets of disposal group held for sale:

	<u>September 30, 2020</u>
Property, plant and equipment	<u>\$ 213,325</u>

No impairment loss was recognised as a result of the remeasurement of the disposal group held for sale at the lower of its carrying amount or fair value less costs to sell.

(12) Short-term borrowings

Type of borrowings	September 30, 2021	Interest rate	Collateral
Short-term borrowings	\$ 829,318	0.70%~0.95%	A promissory note of the same amount was issued as collateral.
Short-term secured borrowings	279,520	0.656%~0.757%	Please refer to Note 8.
	<u>\$ 1,108,838</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	September 30, 2020	Interest rate	Collateral
Short-term borrowings	<u>\$ 892,458</u>	0.73%~1.00%	A promissory note of the same amount was issued as collateral.

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 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 734,480 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)	734,480

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2021
Loans for Returning Overseas Taiwanese Businesses (Note 2)	TWD 15,900 thousand; borrowing period is from January 15, 2021 to January 15, 2028; principal and interest are repayable monthly from February 15, 2024	0.40%	(Note 2)	15,900
"	TWD 77,810 thousand; borrowing period is from June 15, 2021 to June 15, 2028; principal and interest are repayable monthly from June 15, 2024	0.40%	"	77,810
Secured borrowings	TWD 372,000 thousand; borrowing period is from August 20, 2021 to August 20, 2036; principal and interest are repayable monthly from August 20, 2024	1%	Real estate located in Xinzhuang Dist., New Taipei City	372,000
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>105,737</u>
Less: Current portion (shown as 'other current liabilities')				1,705,927
				(<u>7,095</u>)
				<u>\$ 1,698,832</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')				(7,056)
				<u>\$ 106,305</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 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	\$ 117,565
Less: Current portion (shown as 'other current liabilities')				(7,143)
				<u>\$ 110,422</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. The total amount of the loan was \$1,344,000. In July 2021, the Company applied for an adjustment of loan amount to \$2,656,000, 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 with the loan proceeds 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 September 30, 2021, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(14) Other payables

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Wages and bonus payable	\$ 216,612	\$ 274,476	\$ 224,467
Payables for machinery and equipment	181,238	35,873	11,774
Payables for mold	117,118	77,497	53,700
Remuneration due to supervisors and employee compensation	57,596	92,729	68,890
Payables for export freight and customs clearance charges	46,795	36,371	51,311
Payables for service fees	21,367	25,367	23,805
Payables for consumable goods	9,055	14,361	20,081
Payables for processing fees	8,166	33,620	30,783
Payables for intangible assets	5,002	-	-
Payables for buildings and land purchases	-	303,010	426,510
Others	160,449	74,332	127,053
	<u>\$ 823,398</u>	<u>\$ 967,636</u>	<u>\$ 1,038,374</u>

(15) 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 \$38, \$78, \$127 and \$236 for the three months ended September 30, 2021 and 2020, and nine months ended September 30, 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 and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) 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 September 30, 2021 and 2020, and nine months ended September 30, 2021 and 2020 were \$2,820, \$2,605, \$8,269 and \$7,392, respectively.

(d) Micom Source Holding Company, 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 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 September 30, 2021 and 2020, and nine months ended September 30, 2021 and 2020 were \$9,283, \$463, \$26,606 and \$5,339, 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.

(16) Share-based payment

A. The Group's share-based payment arrangements which have not expired as of September 30, 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	-
Issued during the period	-	1,200
Redeemed during the period (Note)	(72)	-
Vested during the period	(279)	-
Retired during the period	(65)	-
Restricted stocks at the end of period	<u>784</u>	<u>1,200</u>

Note: For the three months ended September 30, 2021, the Company redeemed 72 thousand shares of restricted stocks to employees, which have not been retired as of September 30, 2021.

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 employees	2020.8.11	\$91.3	-	4 years	\$91.3

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

	Three months ended September 30,	
	2021	2020
Equity-settled	\$ <u>10,977</u>	\$ <u>7,597</u>
	Nine months ended September 30,	
	2021	2020
Equity-settled	\$ <u>32,931</u>	\$ <u>7,597</u>

(17) Ordinary shares

As of September 30, 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
Issuance of restricted stocks	-	1,200
Redemption of restricted stocks to employees yet to be retired	(72)	-
Retirement of restricted stocks	(65)	-
At September 30	120,789	120,926

(18) Capital surplus

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

(19) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior 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 and June 23, 2020, the shareholders during their meeting resolved the appropriations of the 2020 and 2019 earnings, respectively, as follows:

	<u>Year ended December 31, 2020</u>		<u>Year ended December 31, 2019</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
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>

(20) Other equity items

	<u>2021</u>			
	<u>Currency translation</u>	<u>Unrealised losses on valuation</u>	<u>Other, unearned compensation</u>	<u>Total</u>
At January 1	(\$ 254,006)	(\$ 6,498)	(\$ 88,259)	(\$ 348,763)
Valuation adjustment	-	9,179	-	9,179
Employee restricted shares:				
- Transferred to expenses	-	-	32,931	32,931
Currency translation differences:				
- Group	(46,628)	-	-	(46,628)
- Tax on Group	4,357	-	-	4,357
At September 30	<u>(\$ 296,277)</u>	<u>\$ 2,681</u>	<u>(\$ 55,328)</u>	<u>(\$ 348,924)</u>

	2020			
	Currency translation	Unrealised losses on valuation	Other, unearned compensation	Total
At January 1	(\$ 218,316)	(\$ 6,236)	\$ -	(\$ 224,552)
Valuation adjustment	-	(3,490)	-	(3,490)
Employee restricted shares:				
- Issued employee restricted ordinary shares	-	-	(109,560)	(109,560)
- Transferred to expenses	-	-	7,597	7,597
Currency translation differences:				
- Group	(27,262)	-	-	(27,262)
- Tax on Group	(52,663)	-	-	(52,663)
At September 30	<u>(\$ 298,241)</u>	<u>(\$ 9,726)</u>	<u>(\$ 101,963)</u>	<u>(\$ 409,930)</u>

(21) 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 September 30,	
	2021	2020
Server cases, peripheral products and components	\$ 2,590,326	\$ 2,093,063
Personal computer cases	55,911	20,525
	<u>\$ 2,646,237</u>	<u>\$ 2,113,588</u>
	Nine months ended September 30,	
	2021	2020
Server cases, peripheral products and components	\$ 6,652,063	\$ 5,492,080
Personal computer cases	151,339	157,619
	<u>\$ 6,803,402</u>	<u>\$ 5,649,699</u>

B. Contract liabilities

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

	September 30, 2021	December 31, 2020
Contract liabilities - sale of products	<u>\$ 17,947</u>	<u>\$ 7,113</u>
	September 30, 2020	January 1, 2020
Contract liabilities - sale of products	<u>\$ 8,467</u>	<u>\$ 6,624</u>

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

	Three months ended September 30,	
	2021	2020
Contract liabilities - sale of products	\$ -	\$ 166
	Nine months ended September 30,	
	2021	2020
Contract liabilities - sale of products	\$ 1,070	\$ 632

(22) Interest income

	Three months ended September 30,	
	2021	2020
Interest income from bank deposits	\$ 2,821	\$ 1,457
Interest income from financial assets measured at amortised cost	2,369	3,192
	<u>\$ 5,190</u>	<u>\$ 4,649</u>
	Nine months ended September 30,	
	2021	2020
Interest income from bank deposits	\$ 8,857	\$ 7,134
Interest income from financial assets measured at amortised cost	7,030	10,075
	<u>\$ 15,887</u>	<u>\$ 17,209</u>

(23) Other income

	Three months ended September 30,	
	2021	2020
Tariff subsidy income	\$ -	\$ 23,976
Other income, others	3,816	2,356
	<u>\$ 3,816</u>	<u>\$ 26,332</u>
	Nine months ended September 30,	
	2021	2020
Tariff subsidy income	\$ -	\$ 64,744
Other income, others	9,542	27,769
	<u>\$ 9,542</u>	<u>\$ 92,513</u>

(24) Other gains and losses

		Three months ended September 30,	
		2021	2020
Loss on disposal of property, plant and equipment	(\$	24)	(\$ 310)
Gains arising from lease modifications		-	-
Net currency exchange gain (loss)		2,646	(28,860)
Others	(	205)	(486)
	\$	<u>2,417</u>	<u>(\$ 29,656)</u>
		Nine months ended September 30,	
		2021	2020
Loss on disposal of property, plant and equipment	(\$	633)	(\$ 257)
Gains arising from lease modifications		30	-
Net currency exchange loss	(	26,974)	(42,712)
Others	(	564)	(1,814)
	(\$	<u>28,141</u>)	<u>(\$ 44,783)</u>

(25) Finance costs

		Three months ended September 30,	
		2021	2020
Interest expense on bank borrowings	\$	5,917	\$ 2,860
Interest expense on lease liabilities		170	596
	\$	<u>6,087</u>	<u>\$ 3,456</u>
		Nine months ended September 30,	
		2021	2020
Interest expense on bank borrowings	\$	13,089	\$ 5,951
Interest expense on lease liabilities		549	815
	\$	<u>13,638</u>	<u>\$ 6,766</u>

(26) Employee benefit, depreciation and amortisation expenses

		Three months ended September 30,	
		2021	2020
Wages and salaries	\$	297,590	\$ 294,575
Share-based payment		10,977	7,597
Labour and health insurance fees		12,029	12,924
Pension costs		12,096	3,146
Other personnel expenses		22,639	18,374
Employee benefit expense	\$	<u>355,331</u>	<u>\$ 336,616</u>
Depreciation charges	\$	<u>97,603</u>	<u>\$ 70,170</u>
Amortisation charges	\$	<u>3,543</u>	<u>\$ 1,361</u>

	Nine months ended September 30,	
	2021	2020
Wages and salaries	\$ 839,630	\$ 763,591
Share-based payment	32,931	7,597
Labour and health insurance fees	33,819	28,748
Pension costs	35,002	12,967
Other personnel expenses	65,777	57,097
Employee benefit expense	<u>\$ 1,007,159</u>	<u>\$ 870,000</u>
Depreciation charges	<u>\$ 255,867</u>	<u>\$ 168,373</u>
Amortisation charges	<u>\$ 9,825</u>	<u>\$ 3,749</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 September 30, 2021 and 2020, and nine months ended September 30, 2021 and 2020, employees' compensation were accrued at \$17,658, \$20,418, \$44,506 and \$53,233, respectively; while directors' and supervisors' remuneration were accrued at \$5,341, \$6,006, \$13,090 and \$15,657, 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.

(27) Income tax

A. Income tax expense

(a) Components of income tax expense:

		Three months ended September 30,	
		2021	2020
Current tax:			
Current tax on profits for the period	\$	82,235	\$ 48,388
Prior year income tax (over) under estimation		-	-
Total current tax		82,235	48,388
Deferred tax:			
Origination and reversal of temporary differences	(	13,527)	4,125
Total deferred tax	(	13,527)	4,125
Income tax expense	\$	68,708	\$ 52,513

		Nine months ended September 30,	
		2021	2020
Current tax:			
Current tax on profits for the period	\$	176,203	\$ 230,154
Prior year income tax (over) under estimation	(	30,815)	4,902
Total current tax		145,388	235,056
Deferred tax:			
Origination and reversal of temporary differences		17,210	(65,083)
Total deferred tax		17,210	(65,083)
Income tax expense	\$	162,598	\$ 169,973

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

		Three months ended September 30,	
		2021	2020
Currency translation differences	(\$	8)	\$ 3,529

		Nine months ended September 30,	
		2021	2020
Currency translation differences	(\$	4,357)	\$ 52,663

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 return has not yet 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%~10% of the income tax. The Company will apply for 4%~5% 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 \$22,010 was shown as ‘current tax assets’.

(28) Earnings per share

	Three months ended September 30, 2021		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ <u>215,209</u>	119,877	\$ <u>1.80</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 215,209		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	237	
Restricted stocks	-	88	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ <u>215,209</u>	<u>120,202</u>	\$ <u>1.79</u>

Three months ended September 30, 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	\$ 233,846	119,726	\$ 1.95
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 233,846		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	603	
Restricted stocks	-	38	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 233,846	120,367	\$ 1.94
Nine months ended September 30, 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	\$ 518,691	119,777	\$ 4.33
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 518,691		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	850	
Restricted stocks	-	176	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 518,691	120,803	\$ 4.29

Nine months ended September 30, 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	\$ 629,472	119,726	\$ 5.26
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 629,472		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	920	
Restricted stocks	-	13	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 629,472	120,659	\$ 5.22

(29) Supplemental cash flow information

Investing activities with partial cash payments:

A. Purchase of property, plant and equipment:

	Nine months ended September 30,	
	2021	2020
Purchase of property, plant and equipment	\$ 1,249,424	\$ 1,236,999
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	122,310	77,251
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	(181,238)	(11,774)
Ending balance of payable on land and building purchased	-	(426,510)
Transferred from inventories	(1,772)	(64,731)
Cash paid during the period	\$ 1,516,413	\$ 735,185

B. Acquisition of intangible assets

	Nine months ended September 30,	
	2021	2020
Acquisition of intangible assets	\$ 19,472	\$ 6,479
Add: Opening balance of prepayment for intangible assets	1,432	-
Less: Opening balance of prepayment for intangible assets	(2,320)	-
Ending balance of prepayment for intangible assets	(5,002)	-
Cash paid during the period	<u>\$ 13,582</u>	<u>\$ 6,479</u>

(30) 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	261,715	1,595,908	(8,246)	(8)	1,849,369
Impact of changes in foreign exchange rate	(1,946)	(3,342)	-	-	(5,288)
Changes in other non-cash items	-	-	6,138	-	6,138
At September 30, 2021	<u>\$ 1,108,838</u>	<u>\$ 1,705,927</u>	<u>\$ 32,795</u>	<u>\$ 511</u>	<u>\$ 2,848,071</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	837,006	(4,532)	(5,089)	(80)	827,305
Impact of changes in foreign exchange rate	(4,508)	(4,314)	1	-	(8,821)
Changes in other non-cash items	-	-	167,895	-	167,895
At September 30, 2020	<u>\$ 892,458</u>	<u>\$ 117,565</u>	<u>\$ 167,573</u>	<u>\$ 506</u>	<u>\$ 1,178,102</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 September 30,	
	2021	2020
Sales:		
Other related parties	\$ 176	\$ 128
	Nine months ended September 30,	
	2021	2020
Sales:		
Other related parties	\$ 359	\$ 395

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 September 30,	
	2021	2020
Purchases:		
Other related parties	\$ 3,864	\$ 616
Other expenses:		
Other related parties	1,426	1,068
	\$ 5,290	\$ 1,684
	Nine months ended September 30,	
	2021	2020
Purchases:		
Other related parties	\$ 7,780	\$ 2,979
Other expenses:		
Other related parties	4,171	3,174
	\$ 11,951	\$ 6,153

(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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Notes receivable:			
Other related parties	\$ 134	\$ 195	\$ -
Accounts receivable:			
Other related parties	116	38	134
Other receivables - payment on behalf of others:			
Other related parties	-	23	-
	<u>\$ 250</u>	<u>\$ 256</u>	<u>\$ 134</u>

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

D. Payables to related parties

	<u>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
Accounts payable:			
Other related parties	\$ 2,440	\$ 822	\$ 387
Other payables - other expenses:			
Other related parties	1,637	877	1,390
	<u>\$ 4,077</u>	<u>\$ 1,699</u>	<u>\$ 1,777</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 September 30,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 13,870	\$ 15,739
Post-employment benefits	141	102
Share-based payments	3,750	2,912
	<u>\$ 17,761</u>	<u>\$ 18,753</u>
	<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Short-term employee benefits	\$ 41,638	\$ 49,667
Post-employment benefits	333	313
Share-based payments	12,623	2,912
	<u>\$ 54,594</u>	<u>\$ 52,892</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	September 30, 2021	December 31, 2020	September 30, 2020	
Time deposits (shown as 'current financial assets at amortised cost')	\$ 10,000	\$ 3,000	\$ 3,000	Customs duty guarantee
Cash in banks (shown as 'non-current financial assets at amortised cost')	\$ 2,883	\$ 2,946	\$ 3,010	Long-term borrowings (Note 1)
Land and buildings	\$ 1,211,401	\$ 755,251	\$ 202,199	Long-term borrowings (Notes 1, 2 and 3)
Accounts receivable (Note 4)	\$ 350,200	\$ -	\$ -	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: In August 2021, the Company signed a long-term borrowing contract for a credit line of \$372,000 with Bank of Taiwan. The contract requires the Company to pledge land and buildings located on Xinzhuang District, New Taipei City as mortgage.

Note 4: 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

A. On December 22, 2020, the Company entered into a plant construction contract (mechatronic, fire safety and air conditioning) with RUEY LAN ENGINEERING CO., LTD. for the total price of \$289,500 (tax included). As of September 30, 2021, the Company has made a payment of \$133,170.

B. On February 2, 2021, the Company entered into a contract for plant construction on its own land in Chiayi County Machohou Industry Park with SAN MIN CONSTRUCTION DEVELOPMENT CO., LTD. for the total price of \$1,208,529 (tax included). As of September 30, 2021, the Company has made a payment of \$785,767, and the amount of payment that has been billed but not yet paid was \$157,109 (shown as other payables).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to 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>September 30, 2021</u>	<u>December 31, 2020</u>	<u>September 30, 2020</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 37,375	\$ 28,196	\$ 24,968
Financial assets at amortised cost			
Cash and cash equivalents	1,104,400	1,216,174	1,453,698
Financial assets at amortised cost	229,460	224,946	219,510
Notes receivable	8,280	921	857
Accounts receivable	2,365,406	1,751,605	1,791,477
Other receivables	45,104	61,498	43,475
Guarantee deposits paid	4,599	4,589	7,984
	<u>\$ 3,794,624</u>	<u>\$ 3,287,929</u>	<u>\$ 3,541,969</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 1,108,838	\$ 849,069	\$ 892,458
Notes payable	2,399	-	2,961
Accounts payable (including related parties)	2,531,127	1,970,058	1,991,210
Other payables	823,398	967,636	1,038,374
Long-term borrowings (including current portion)	1,705,927	113,361	117,565
Guarantee deposits received	511	519	506
Other current liabilities	4,653	3,862	3,769
	<u>\$ 6,176,853</u>	<u>\$ 3,904,505</u>	<u>\$ 4,046,843</u>
Lease liabilities	<u>\$ 32,795</u>	<u>\$ 34,903</u>	<u>\$ 167,573</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:

September 30, 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	\$ 71,309	27.85	\$ 1,985,956
USD:RMB	34,838	6.46	970,238
<u>Non-monetary items</u>			
USD:NTD	18,349	27.85	511,028
EUR:NTD	310	32.32	10,025
RMB:NTD	527,401	4.31	2,273,099
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 55,940	27.85	\$ 1,557,929
USD:RMB	23,105	6.46	643,474
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

September 30, 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	\$ 50,292	29.10	\$ 1,463,497
USD:RMB	27,129	6.81	788,874
<u>Non-monetary items</u>			
USD:NTD	9,267	29.10	269,680
EUR:NTD	275	34.15	9,393
RMB:NTD	511,000	4.27	2,181,969
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 26,815	29.10	\$ 780,317
USD:RMB	11,649	6.81	338,738

- iv. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended September 30, 2021 and 2020, and nine months ended September 30, 2021 and 2020 amounted to \$2,646, (\$28,860), (\$26,974) and (\$42,712), respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Nine months ended September 30, 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%	\$ 19,860	\$ -
USD:RMB	1%	9,702	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	15,579	-
USD:RMB	1%	6,435	-

Nine months ended September 30, 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%	\$ 14,635	\$ -
USD:RMB	1%	7,889	-
RMB:NTD	1%	2	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	7,803	-
USD:RMB	1%	3,387	-

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 nine months ended September 30, 2021 and 2020 would have increased/decreased by \$374 and \$250 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 nine months ended September 30, 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 equity 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 the provision matrix and loss rate methodology to estimate expected credit loss.
- 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 September 30, 2021, December 31, 2020 and September 30, 2020, the loss allowance is as follows:

	<u>Not past due</u>	<u>Up to 90 days past due</u>	<u>91 to 180 days past due</u>	<u>181 to 270 days past due</u>
<u>September 30, 2021</u>				
Expected loss rate	0.03%	0.03%-0.40%	0.03%-5.48%	0.03%-22.76%
Total book value	\$ 2,083,177	\$ 277,725	\$ 5,017	\$ 244
Loss allowance	\$ -	\$ 1,286	\$ 480	\$ 23
	<u>271 to 360 days past due</u>	<u>Over 360 days past due</u>	<u>Total</u>	
<u>September 30, 2021</u>				
Expected loss rate	0.03%-100%	100.00%		
Total book value	\$ 1,146	\$ -	\$ 2,367,309	
Loss allowance	\$ 114	\$ -	\$ 1,903	
	<u>Not past due</u>	<u>Up to 90 days past due</u>	<u>91 to 180 days past due</u>	<u>181 to 270 days past due</u>
<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	\$ -

	<u>271 to 360 days past due</u>	<u>Over 360 days past due</u>	<u>Total</u>	
<u>December 31, 2020</u>				
Expected loss rate	0.03%-100%	100.00%		
Total book value	\$ -	\$ -	\$ 1,753,897	
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,292</u>	
	<u>Not past due</u>	<u>Up to 90 days past due</u>	<u>91 to 180 days past due</u>	<u>181 to 270 days past due</u>
<u>September 30, 2020</u>				
Expected loss rate	0.03%	0.03%-0.05%	0.03%-1.12%	0.03%-7.05%
Total book value	\$ 1,649,170	\$ 138,485	\$ 5,343	\$ 295
Loss allowance	<u>\$ -</u>	<u>\$ 1,072</u>	<u>\$ 714</u>	<u>\$ 30</u>
	<u>271 to 360 days past due</u>	<u>Over 360 days past due</u>	<u>Total</u>	
<u>September 30, 2020</u>				
Expected loss rate	0.03%-100%	100.00%		
Total book value	\$ -	\$ -	\$ 1,793,293	
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,816</u>	

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

	<u>2021</u>	<u>2020</u>
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 2,292	\$ 1,901
Reversal of impairment loss	(370)	(48)
Effect of exchange rate changes	(19)	(37)
At September 30	<u>\$ 1,903</u>	<u>\$ 1,816</u>

For the nine months ended September 30, 2021 and 2020, gains on impairment of accounts receivable arising from customer contracts amounted to \$370 and \$48, respectively.

(c) Liquidity risk

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

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>September 30, 2021</u>				
Short-term borrowings	\$ 1,109,870	\$ -	\$ -	\$ -
Notes payable	2,399	-	-	-
Accounts payable	2,528,687	-	-	-
Accounts payable - related party	2,440	-	-	-
Other payables	823,398	-	-	-
Lease liabilities	11,103	19,341	3,545	-
Other current liabilities	4,653	-	-	-
Long-term borrowings (including current portion)	23,094	211,675	587,967	987,405
Guarantee deposits received	511	-	-	-

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2020</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:

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>September 30, 2020</u>				
Short-term borrowings	\$ 893,152	\$ -	\$ -	\$ -
Notes payable	2,961	-	-	-
Accounts payable	1,990,823	-	-	-
Accounts payable - related party	387	-	-	-
Other payables	1,038,374	-	-	-
Lease liabilities	19,513	41,436	38,063	75,885
Other current liabilities	3,769	-	-	-
Long-term borrowings (including current portion)	11,430	22,860	22,860	91,442
Guarantee deposits received	506	-	-	-

- 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, 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, notes payable, 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:

September 30, 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>37,375</u>	\$ <u>37,375</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>

September 30, 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	\$ -	\$ -	\$ 24,968	\$ 24,968

(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 nine months ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
	<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	9,179	(3,490)
At September 30	<u>\$ 37,375</u>	<u>\$ 24,968</u>

- E. For the nine months ended September 30, 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 September 30, 2021</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	\$ 37,375	Market comparable companies	Price to book ratio multiple	1.06-4.44 (1.51)	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

	Fair value at September 30, 2020	Valuation technique	Significant unobservable input	Range (first quartile)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 24,968	Market comparable companies	Price to book ratio multiple	0.99-1.26 (1.13)	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:

			September 30, 2021					
			Recognised in profit or loss			Recognised in other comprehensive income		
			Favourable change	Unfavourable change	Favourable change	Unfavourable change		
	Input	Change						
Financial assets								
Equity instrument	Price to book ratio multiple	±1%	\$	-	\$	-	\$	374 (\$ 374)
	Discount for lack of marketability	±1%		-		-	125 (	125)

			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)
			September 30, 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%	\$ -	\$ -	\$ 250	(\$ 250)
	Discount for lack of marketability	±1%	-	-	62	(62)

(4) Impact of the COVID-19 pandemic on the Company

Due to the slowdown of the COVID-19 pandemic in the US and China and the impact of global economic recovery, the Group's consolidated operating revenue for the nine months ended September 30, 2021 increased by \$1,153,703 year over year, representing a growth rate of 20.4%. Based on the Group's assessment, there was no significant impact on the Group's financial and other risks due to the pandemic.

The Group has implemented staggered work schedules and work from home according to characteristics of each department and enhanced disinfection at workplace and common area in accordance with preventive measures imposed by the government. In addition to strengthening preventive measures, the Group continued paying attention to the development of the pandemic situation, and updated the relevant contingency measures in a rolling manner in response to the challenges of the pandemic and to ensure that its overall operations will not be affected by the pandemic. Consequently, the pandemic has no significant impact on the Group's operations and production activities as the Group has a good understanding and control over each risk.

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 in the third quarter of 2021	Percentage representing the account of the company (%)	Note
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Sales	\$ 87,731	2	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Accounts receivable	69,244	4	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	2,407,545	70	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	941,231	67	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Purchases	376,826	11	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Accounts payable	104,900	7	

(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

Nine months ended September 30, 2021

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

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed			Maximum outstanding endorsement/ guarantee amount as of September 30, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 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
		Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party										
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	2	\$ 792,848	\$ 159,824	\$ 155,960	\$ 105,737	\$ -	3.93	\$ 2,378,543	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 nine months ended September 30, 2021.

Note 5: The outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to CLOUDWELL HOLDINGS, LLC. was \$5,600 thousand for the nine months ended September 30, 2021.

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

September 30, 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 September 30, 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	\$ 37,375	14.29%	\$ 37,375	

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

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

Nine months ended September 30, 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 September 30, 2021, the company has paid \$785,767, and the amount of payment that has been billed but not yet paid was \$157,109..

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

Nine months ended September 30, 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	Parent-subsidiary company	Sales	\$ 2, 663, 724	61	T/T 120 days	Note 1	Note 1	\$ 1,040,404	62	Note 2
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Parent-subsidiary company	Sales	146, 073	3	T/T 45 days	Note 1	Note 1	88,675	5	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	2, 407, 545	82	60 days after monthly billing	Note 1	Note 1	941,231	81	Note 2
Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	376, 826	21	60 days after monthly billing	Note 1	Note 1	104,900	15	Note 2
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	1, 413, 238	79	90 days after monthly billing	Note 1	Note 1	577,940	84	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

September 30, 2021

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

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 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 \$ 1,040,404	3.64	\$ -		\$ 503,451	\$ -
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 941,231	4.15	23,352	Subsequent collection	350,011	-
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable \$ 577,940	3.02	-		189,607	-
Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 104,900	5.08	-		62,244	-

Note 1: Subsequent collections as of November 9, 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
Nine months ended September 30, 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	\$ 2,663,724	Note 4	39
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	1,040,404	Note 4	10
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	2,407,545	Note 4	35
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	941,231	Note 4	9
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	1,413,238	Note 4	21
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Accounts receivable	577,940	Note 4	6
2	Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	376,826	Note 4	6
2	Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	104,900	Note 4	1

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 nine months ended September 30, 2021 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 September 30, 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)

Nine months ended September 30, 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 September 30, 2021			Net profit (loss) of the investee for the nine months ended September 30, 2021 (Note 4)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2021 (Notes 4 and 5)	Footnote
				Balance as at September 30, 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	\$ 2,271,259	\$ 68,511	\$ 77,622	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	399,525	213,938	207,446	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	111,503	1,502	1,502	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	10,025 (	1,966) (	2,100)	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	47,214 (	1,517) (	1,062)	
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	179,716	179,716	6,452,738	100	74,736	363	-	Notes 3 and 4
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	229,484	229,484	8,239,890	100	1,648,544	67,733	-	Notes 3 and 4
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	440,030	440,030	35,346	100	572,697	428	-	Notes 3, 4 and 6
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Holding company	236,725	236,725	35,502	100	547,249	2,483	-	Notes 2, 4 and 5

Note 1: Investment income (loss) recognised for the nine months ended September 30, 2021 includes recognition and elimination of realised and unrealised gain (loss) on upstream transactions.

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

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

Note 4: Except for current profit (loss) for the nine months ended September 30, 2021 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 September 30, 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: 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

Nine months ended September 30, 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 nine months ended September 30, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2021	Net income of investee for the nine months ended September 30, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2021 (Note 1)	Book value of investments in Mainland China as of September 30, 2021	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	\$ 278,500	\$ 2	\$ 278,500	\$ -	\$ -	\$ 278,500	\$ 40,460	\$ 100	\$ 40,460	\$ 1,438,655	\$ 767,130	Notes 2, 4, 5 and 7
Dongguan Procace Electronic Co., Ltd.	Manufacturing and processing of computer cases	349,295	2	83,439	-	-	83,439	3,048	100	3,048	621,897	-	Notes 3 and 7
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	58,485	2	-	-	-	-	28,067	100	28,067	212,547		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 nine months ended September 30, 2021 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 September 30, 2021.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 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.	\$ 361,939	\$ 370,635	\$ -

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

September 30, 2021

Table 9

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Chen Fengming	13,614,433	11.26
Pengwei Investment Holdings	12,350,000	10.21
Lianmei Investment	11,907,000	9.85
Chen Meichi	9,656,009	7.98
Minguang Investment Holding	9,243,967	7.64