# CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS AND

## INDEPENDENT AUDITORS' REPORT

## DECEMBER 31, 2021 AND 2020

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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' REPORT TRANSLATED FROM CHINESE

(21)PWCR 21004437

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

## *Opinion*

We have audited the accompanying consolidated balance sheets of Chenbro Micom Co., Ltd. and subsidiaries (the "Group") as at December 31, 2021 and 2020, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (please refer to the *Other matter* section), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

## *Basis for opinion*

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of the other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2021 consolidated financial statements are stated as follows:

**Valuation of inventories**

Description

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of allowance for inventory valuation losses. As of December 31, 2021, the Group's inventory cost and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$2,532,891 thousand and NT$134,160 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of computer peripheral equipment. As technology changes rapidly and the life cycle of electronic products is short, inventories may become obsolete within a short period. The Group measures inventories at the lower of cost and net realisable value, and assesses whether the value of inventories has declined. For inventories exceeded certain period and individually identified as obsolete, its net realisable value was calculated from the historical information of individual inventory clearance which was periodically reviewed by management. As the value of inventory is significant, the inventory items are numerous, and the accounting estimates are subject to management's judgement, we considered the valuation of inventories a key audit matter.

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

1. Obtained the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses are consistent for all periods. Assessing the estimation determined by the management and relevant accounting estimates of allowance for inventory loss.
2. Obtained an understanding of judgement logic of parameters in the inventory cost and net realisable value calculation report and verified the logical calculation accuracy of report..
3. Assessing the reasonableness of obsolete loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.
4. Verifying details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.
5. Obtaining details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.

**Existence of sales revenue**

Description

Please refer to Note 4(26) for the accounting policies on revenue recognition and Note 6(20) for details of revenue. The Group is primarily engaged in manufacturing and sales of computer peripheral equipment. The Group's trading counterparties are mostly world-renowned companies and are based on the long-term business partnership. The Group is primarily engaged in manufacturing and sales of computer peripheral equipment. The Group's trading counterparties are mostly world-renowned companies, with whom the Group has long-term business partnership. As the global demand for servers continues to increase, the Group is committed to increasing sales revenue. Therefore, there were significant changes in the sales revenue breakdown of the Group's top 10 trading counterparties. In addition, revenue of the Group's top 10 trading counterparties reached 70% of the total sales revenue. As the newly top 10 and significant changes in revenue of top 10 trading counterparties are significant to the consolidated financial statements, we considered the existence of such sales revenue a key audit matter.

How our audit addressed the matter

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

1. Assessing the revenue cycle and performing tests to determine that the Group's revenue process is conducted in accordance with the internal control procedures.
2. Checking the related industry background in respect of the newly top 10 trading counterparties.
3. Obtaining and selecting samples to verify related vouchers of the sales revenue from the newly top 10 and significant changes in revenue of top 10 trading counterparties and confirming that the sales revenue transactions of these trading counterparties actually occurred.
4. Examining details of sales returns and discounts from the newly top 10 and significant changes in revenue of top 10 trading counterparties that occurred after the balance sheet date and confirming whether there were no significant sales returns and discounts occurred.

**Additions of property, plant and equipment**

Description

In order to satisfy the market demand, the Group continuously enlarged plant and increased the production line and caused increase of capital expenditure. Please refer to Note 4(13) for accounting policies on property, plant and equipment, Note 6(7) for details of property, plant and equipment. Because the addition amount of property, plant and equipment was material, thus, we consider the addition of property, plant and equipment as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures relative to the above key audit matter:

1. Obtained the Groups' addition procedures on property, plant and equipment, exampled purchase contract and invoice of property, plant and equipment to confirm transactions had been adequately approved and the accuracy of accounted amount.
2. Sampled the verification report of property, plant and equipment to confirm the assets was in usable state and the adequacy of timing of listing in the property catalogue and the accuracy of depreciation timing.
3. Obtained an understanding of the reason that unfinished construction and equipment under acceptance did not reach usable state and sampled and observed physical counts to confirm the existence of unfinished construction and equipment under acceptance.

## *Other matter – Reference to the audits of other auditors*

We did not audit the 2020 financial statements of the subsidiary, CLOUDWELL HOLDINGS, LLC., which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts and information disclosed in Note 13 included in respect of this subsidiary, is based solely on the reports of the other auditors. Total assets of the subsidiary amounted to NT$228,133 thousand, constituting 3% of the consolidated total assets as at December 31, 2020, respectively, and the operating revenue both amounted to NT$0 thousand, constituting 0% of the consolidated total operating revenue for the years then ended.

### *Other matter – Parent company only financial reports*

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of Chenbro Micom Co., Ltd. as at and for the years ended December 31, 2021 and 2020.

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

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

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

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

### *Auditors' responsibilities for the audit of the consolidated financial statements*

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

As part of an audit in accordance with the generally accepted auditing standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk

of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Penny Pan Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2022

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | December 31, 2021 AMOUNT | % | December 31, 2020 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 1,437,185 | 13 | $ 1,216,174 | 15 |
| 1136 | Current financial assets at amortised cost, net | 6(3) and 8 | 10,000 | - | 3,000 | - |
| 1150 | Notes receivable, net | 6(4) and 7 | 25,808 | - | 921 | - |
| 1170 | Accounts receivable, net | 6(4) and 7 | 2,346,573 | 21 | 1,751,605 | 22 |
| 1200 | Other receivables | 6(5) and 7 | 95,129 | 1 | 61,498 | 1 |
| 1220 | Current income tax assets | 6(26) | 25,011 | - | 25,971 | - |
| 130X | Inventories | 6(6) | 2,398,731 | 21 | 1,429,726 | 18 |
| 1410 | Prepayments | | 152,349 | 2 | 26,506 | - |
| 1470 | Other current assets | | 4,123 | - | 5,195 | - |
| 11XX | **Total current assets** | | 6,494,909 | 58 | 4,520,596 | 56 |
| | **Non-current assets** | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(2) | 47,803 | - | 28,196 | - |
| 1535 | Non-current financial assets at amortised cost | 6(3) and 8 | 3,951 | - | 221,946 | 3 |
| 1600 | Property, plant and equipment | 6(7) and 8 | 4,450,022 | 40 | 3,056,216 | 38 |
| 1755 | Right-of-use assets | 6(8) | 80,992 | 1 | 87,043 | 1 |
| 1780 | Intangible assets | 6(9) | 19,145 | - | 12,004 | - |
| 1840 | Deferred income tax assets | 6(26) | 52,409 | - | 69,459 | 1 |
| 1900 | Other non-current assets | 6(7)(10) | 103,764 | 1 | 41,656 | 1 |
| 15XX | **Total non-current assets** | | 4,758,086 | 42 | 3,516,520 | 44 |
| 1XXX | **Total assets** | | $ 11,252,995 | 100 | $ 8,037,116 | 100 |

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2021 AMOUNT | % | December 31, 2020 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term borrowings | 6(11) | $ 1,076,474 | 9 | $ 849,069 | 11 |
| 2130 | Current contract liabilities | 6(20) | 13,001 | - | 7,112 | - |
| 2150 | Notes payable | | 80,526 | 1 | - | - |
| 2170 | Accounts payable | 7 | 2,994,287 | 27 | 1,970,059 | 25 |
| 2200 | Other payables | 6(12) and 7 | 761,033 | 7 | 967,636 | 12 |
| 2230 | Current income tax liabilities | | 95,620 | 1 | 92,527 | 1 |
| 2280 | Current lease liabilities | | 10,370 | - | 9,967 | - |
| 2320 | Long-term liabilities, current portion | 6(13) | 7,117 | - | 7,056 | - |
| 2399 | Other current liabilities, others | | 5,074 | - | 4,381 | - |
| 21XX | **Total current liabilities** | | 5,043,502 | 45 | 3,907,807 | 49 |
| | **Non-current liabilities** | | | | | |
| 2540 | Long-term borrowings | 6(13) | 1,962,658 | 18 | 106,305 | 1 |
| 2570 | Deferred income tax liabilities | 6(26) | 21,552 | - | 16,587 | - |
| 2580 | Non-current lease liabilities | | 20,024 | - | 24,936 | - |
| 2600 | Other non-current liabilities | 6(14) | 28,622 | - | 31,439 | 1 |
| 25XX | **Total non-current liabilities** | | 2,032,856 | 18 | 179,267 | 2 |
| 2XXX | **Total liabilities** | | 7,076,358 | 63 | 4,087,074 | 51 |
| | Share capital | 6(16) | | | | |
| 3110 | Share capital | | 1,207,885 | 11 | 1,209,260 | 15 |
| | Capital surplus | 6(17) | | | | |
| 3200 | Capital surplus | | 147,144 | 2 | 145,769 | 1 |
| | Retained earnings | 6(18) | | | | |
| 3310 | Legal reserve | | 817,355 | 7 | 719,881 | 9 |
| 3320 | Special reserve | | 260,504 | 2 | 224,552 | 3 |
| 3350 | Unappropriated retained earnings | | 2,039,001 | 18 | 1,978,653 | 25 |
| | Other equity interest | 6(19) | | | | |
| 3400 | Other equity interest | | ( 315,067) | ( 3) | ( 348,763) | ( 4) |
| 31XX | **Equity attributable to owners of the parent** | | 4,156,822 | 37 | 3,929,352 | 49 |
| 36XX | **Non-controlling interests** | | 19,815 | - | 20,690 | - |
| 3XXX | **Total equity** | | 4,176,637 | 37 | 3,950,042 | 49 |
| | Significant contingent liabilities and unrecorded contract commitments | 9 | | | | |
| | Significant events after the balance sheet date | 6(18) and 11 | | | | |
| 3X2X | **Total liabilities and equity** | | $ 11,252,995 | 100 | $ 8,037,116 | 100 |

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | | | Year ended December 31 | | | |
|---|---|---|---|---|---|---|
| | | | 2021 | | 2020 | |
| | Items | Notes | AMOUNT | % | AMOUNT | % |
| 4000 | Operating revenue | 6(20) and 7 | $ 9,423,020 | 100 | $ 7,544,545 | 100 |
| 5000 | Operating costs | 6(6)(25) and 7 | ( 7,579,154) | ( 80) | ( 5,612,927) | ( 74) |
| 5950 | Net operating margin | | 1,843,866 | 20 | 1,931,618 | 26 |
| | Operating expenses | 6(25) and 7 | | | | |
| 6100 | Selling expenses | | ( 323,689) | ( 3) | ( 312,474) | ( 4) |
| 6200 | General and administrative expenses | | ( 433,349) | ( 5) | ( 429,363) | ( 6) |
| 6300 | Research and development expenses | | ( 203,912) | ( 2) | ( 225,897) | ( 3) |
| 6450 | Expected credit impairment loss | 12(2) | ( 534) | - | ( 691) | - |
| 6000 | Total operating expenses | | ( 961,484) | ( 10) | ( 968,425) | ( 13) |
| 6900 | Operating profit | | 882,382 | 10 | 963,193 | 13 |
| | Non-operating income and expenses | | | | | |
| 7100 | Interest income | 6(3)(21) | 20,840 | - | 22,065 | - |
| 7010 | Other income | 6(22) | 45,472 | - | 98,262 | 1 |
| 7020 | Other gains and losses | 6(23) | ( 46,214) | - | 129,677 | 2 |
| 7050 | Finance costs | 6(24) | ( 16,490) | - | ( 10,044) | - |
| 7000 | Total non-operating income and expenses | | 3,608 | - | 239,960 | 3 |
| 7900 | **Profit before income tax** | | 885,990 | 10 | 1,203,153 | 16 |
| 7950 | Income tax expense | 6(26) | ( 213,964) | ( 2) | ( 229,606) | ( 3) |
| 8200 | **Profit for the year** | | $ 672,026 | 8 | $ 973,547 | 13 |

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

| | Items | Notes | 2021 AMOUNT | 2021 % | 2020 AMOUNT | 2020 % |
|---|---|---|---|---|---|---|
| | **Other comprehensive income** | | | | | |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 8311 | Gain (loss) on remeasurement of defined benefit plan | 6(14) | $ 5,646 | - | ($ 2,653) | - |
| 8316 | Unrealised gain (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(2)(19) | 19,607 | - | ( 262) | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(26) | ( 1,129) | - | 531 | - |
| 8310 | Other comprehensive income (loss) that will not be reclassified to profit or loss | | 24,124 | - | ( 2,384) | - |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | 6(19) | ( 33,228) | - | 19,155 | - |
| 8399 | Income tax relating to the components of other comprehensive income | 6(19)(26) | 3,409 | - | ( 54,845) | ( 1) |
| 8360 | Other comprehensive loss that will be reclassified to profit or loss | | ( 29,819) | - | ( 35,690) | ( 1) |
| 8300 | **Other comprehensive income for the year** | | ($ 5,695) | - | ($ 38,074) | ( 1) |
| 8500 | **Total comprehensive income for the period** | | $ 666,331 | 8 | $ 935,473 | 12 |
| | Profit, attributable to: | | | | | |
| 8610 | Owners of the parent | | $ 672,901 | 8 | $ 976,857 | 13 |
| 8620 | Non-controlling interest | | ( 875) | - | ( 3,310) | - |
| | | | $ 672,026 | 8 | $ 973,547 | 13 |
| | Comprehensive income attributable to: | | | | | |
| 8710 | Owners of the parent | | $ 667,206 | 8 | $ 938,783 | 12 |
| 8720 | Non-controlling interest | | ( 875) | - | ( 3,310) | - |
| | | | $ 666,331 | 8 | $ 935,473 | 12 |
| | Earnings per share (in dollars) | 6(27) | | | | |
| 9750 | Basic earnings per share | | $ 5.62 | | $ 8.16 | |
| 9850 | Diluted earnings per share | | $ 5.56 | | $ 8.08 | |

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

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

| | | Equity attributable to owners of the parent | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Capital Reserves | | | Retained Earnings | | | Other equity interest | | | | | |
| | Notes | Share capital - common stock | Total capital surplus, additional paid-in capital | Treasury stock transactions | Capital Surplus, restricted stock | Legal reserve | Special reserve | Unappropriated retained earnings | Financial statements translation differences of foreign operations | Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income | Other equity, others | Total | Non-controlling interests | Total equity |
| 2020 | | | | | | | | | | | | | | |
| Balance at January 1, 2020 | | $ 1,197,260 | $ 41,987 | $ 6,222 | $ - | $ 628,686 | $ 213,156 | $ 1,657,248 | ($ 218,316) | ($ 6,236) | $ - | $ 3,520,007 | $ - | $ 3,520,007 |
| Profit for the year | | - | - | - | - | - | - | 976,857 | - | - | - | 976,857 | ( 3,310) | 973,547 |
| Other comprehensive loss for the period | 6(2)(19) | - | - | - | - | - | - | ( 2,122) | ( 35,690) | ( 262) | - | ( 38,074) | - | ( 38,074) |
| Total comprehensive income | | - | - | - | - | - | - | 974,735 | ( 35,690) | ( 262) | - | 938,783 | ( 3,310) | 935,473 |
| Distribution of 2019 earnings | 6(18) | | | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | 91,195 | - | ( 91,195) | - | - | - | - | - | - |
| Special reserve | | - | - | - | - | - | 11,396 | ( 11,396) | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | - | - | ( 550,739) | - | - | - | ( 550,739) | - | ( 550,739) |
| Non-controlling interests cash inflow from establishment and capital increase of a subsidiary | | - | - | - | - | - | - | - | - | - | - | - | 24,000 | 24,000 |
| Share-based payment | 6(15) | 12,000 | - | - | 97,560 | - | - | - | - | - | ( 88,259) | 21,301 | - | 21,301 |
| Balance at December 31, 2020 | | $ 1,209,260 | $ 41,987 | $ 6,222 | $ 97,560 | $ 719,881 | $ 224,552 | $ 1,978,653 | ($ 254,006) | ($ 6,498) | ($ 88,259) | $ 3,929,352 | $ 20,690 | $ 3,950,042 |
| 2021 | | | | | | | | | | | | | | |
| Balance at January 1, 2021 | | $ 1,209,260 | $ 41,987 | $ 6,222 | $ 97,560 | $ 719,881 | $ 224,552 | $ 1,978,653 | ($ 254,006) | ($ 6,498) | ($ 88,259) | $ 3,929,352 | $ 20,690 | $ 3,950,042 |
| Profit for the year | | - | - | - | - | - | - | 672,901 | - | - | - | 672,901 | ( 875) | 672,026 |
| Other comprehensive income (loss) | 6(2)(19) | - | - | - | - | - | - | 4,517 | ( 29,819) | 19,607 | - | ( 5,695) | - | ( 5,695) |
| Total comprehensive income | | - | - | - | - | - | - | 677,418 | ( 29,819) | 19,607 | - | 667,206 | ( 875) | 666,331 |
| Distribution of 2020 earnings | 6(18) | | | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | 97,474 | - | ( 97,474) | - | - | - | - | - | - |
| Special reserve | | - | - | - | - | - | 35,952 | ( 35,952) | - | - | - | - | - | - |
| Cash dividends | | - | - | - | - | - | - | ( 483,644) | - | - | - | ( 483,644) | - | ( 483,644) |
| Share-based payment | 6(15) | ( 1,375) | 22,662 | - | ( 21,287) | - | - | - | - | - | 43,908 | 43,908 | - | 43,908 |
| Balance at December 31, 2021 | | $ 1,207,885 | $ 64,649 | $ 6,222 | $ 76,273 | $ 817,355 | $ 260,504 | $ 2,039,001 | ($ 283,825) | $ 13,109 | ($ 44,351) | $ 4,156,822 | $ 19,815 | $ 4,176,637 |

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

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

| | Notes | Year ended December 31 2021 | 2020 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 885,990 | $ 1,203,153 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Expected credit impairment loss | 12(2) | 535 | 691 |
| Depreciation | 6(7)(8)(25) | 325,008 | 216,889 |
| Amortization | 6(9)(25) | 13,490 | 5,329 |
| Interest expense | 6(24) | 16,490 | 10,044 |
| Interest income | 6(21) | ( 20,840 ) | ( 22,065 ) |
| Loss (gain) on disposal of property, plant and equipment | 6(23) | 1,300 | ( 213,716 ) |
| Gains arising from lease modifications | 6(23) | ( 30 ) | ( 7,159 ) |
| Loss on disposal of investments | 6(23) | - | 437 |
| Share-based payments | 6(15) | 43,908 | 21,301 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable, net | | ( 24,887 ) | 105 |
| Accounts receivable | | ( 595,483 ) | ( 115,783 ) |
| Other receivables | | ( 51,284 ) | 7,615 |
| Inventories | | ( 976,049 ) | ( 525,945 ) |
| Prepayments | | ( 125,843 ) | ( 4,669 ) |
| Other current assets | | 1,072 | ( 3,684 ) |
| Changes in operating liabilities | | | |
| Current contract liabilities | | 5,889 | 488 |
| Notes payable | | 80,526 | - |
| Accounts payable | | 1,024,228 | 218,685 |
| Accounts payable - related parties | | - | ( 4,612 ) |
| Other payables | | ( 2,996 ) | ( 32,877 ) |
| Other current liabilities | | 693 | 1,257 |
| Increase in other non-current liabilities | | 2,809 | 200 |
| Cash inflow generated from operations | | 604,526 | 755,684 |
| Interest received | | 38,493 | 22,075 |
| Interest paid | | ( 14,264 ) | ( 9,769 ) |
| Income tax paid | | ( 185,616 ) | ( 437,402 ) |
| Net cash flows from operating activities | | 443,139 | 330,588 |

(Continued)

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

| | Notes | Year ended December 31 2021 | 2020 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of financial assets at amortised cost | | ($ 7,000 ) | ($ 1,373,964 ) |
| Proceeds from disposal of financial assets at amortised cost | | 217,000 | 2,042,235 |
| Acquisition of property, plant and equipment | 6(28) | ( 1,997,953 ) | ( 1,436,957 ) |
| Proceeds from disposal of property, plant and equipment | | 2,684 | 431,694 |
| Acquisition of intangible assets | 6(9)(28) | ( 14,808 ) | ( 9,205 ) |
| Decrease (increase) in other non-current assets | | 3,124 | ( 8,750 ) |
| Net cash flows used in investing activities | | ( 1,796,953 ) | ( 354,947 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from short-term borrowings | | 6,891,193 | 4,909,812 |
| Repayment of short-term borrowings | | ( 6,663,788 ) | ( 4,120,703 ) |
| Increase in short-term borrowings (including current portion) | | 1,866,400 | - |
| Repayment of long-term borrowings (including current portion) | | ( 5,684 ) | ( 6,971 ) |
| Payment of the principal of lease liabilities | 6(8) | ( 10,678 ) | ( 7,385 ) |
| Guarantee deposits received | | 20 | ( 67 ) |
| Payment of cash dividends | 6(18) | ( 483,644 ) | ( 550,739 ) |
| Non-controlling interests cash inflow from establishment and capital increase of a subsidiary | | - | 24,000 |
| Net cash flows from financing activities | | 1,593,819 | 247,947 |
| Effect on foreign exchange difference | | ( 18,994 ) | 4,021 |
| Net increase in cash and cash equivalents | | 221,011 | 227,609 |
| Cash and cash equivalents at beginning of year | 6(1) | 1,216,174 | 988,565 |
| Cash and cash equivalents at end of year | 6(1) | $ 1,437,185 | $ 1,216,174 |

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were reported to the Board of Directors on March 15, 2022.

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 2022 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9' | January 1, 2022 |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2' | January 1, 2022 |
| Amendment to IFRS 16, 'Covid-19-related rent concessions beyond June 30, 2021' | April 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.

(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:

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

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

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

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

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture' | To be determined by International Accounting Standards Board |
| IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendments to IFRS 17, 'Insurance contracts' | January 1, 2023 |
| Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information' | 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 in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs")

(2) Basis of preparation

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

   (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries are in consistency with the policies adopted by the Group.

   (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

B. Subsidiaries included in the consolidated financial statements:

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) December 31, 2021 | Ownership (%) December 31, 2020 | Description |
|---|---|---|---|---|---|
| Chenbro Micom Co., Ltd. | Micom Source Holding Company | Holding company | 100 | 100 | |
| Chenbro Micom Co., Ltd. | Chenbro Micom (USA) Incorporation | General trading company | 100 | 100 | |
| Chenbro Micom Co., Ltd. | CLOUDWELL HOLDINGS, LLC. | Real estate leasing company | 100 | 100 | Note 1 |
| Chenbro Micom Co., Ltd. | Chenbro GmbH | General trading company | 100 | 100 | |
| Chenbro Micom Co., Ltd. | Chen-Feng Precision Co., Ltd. | Manufacturing of NCT | 70 | 70 | |
| Micom Source Holding Company | AMAC International Company | Holding company | 100 | 100 | |
| Micom Source Holding Company | AMBER International Company | Holding company | 100 | 100 | |
| Micom Source Holding Company | ADEPT International Company | Holding company | 100 | 100 | Note 2 |
| AMBER International Company | Chenbro Technology (Kunshan) Co., Ltd. | Manufacturing of computer cases | 100 | 100 | |
| AMBER International Company | ChenPower Information Technology (Shanghai) Co., Ltd. | General trading company | 100 | 100 | |
| ADEPT International Company | PROCASE & MOREX Corporation | Holding company | 100 | 100 | Note 2 |
| PROCASE & MOREX Corporation | Dongguan Procase Electronic Co., Ltd. | Manufacturing of computer cases | 88 | 88 | |

| Name of investor | Name of subsidiary | Main business activities | Ownership (%) December 31, 2021 | Ownership (%) December 31, 2020 | Description |
|---|---|---|---|---|---|
| AMAC International Company | Dongguan Procase Electronic Co., Ltd. | Manufacturing of computer cases | 12 | 12 | |

Note 1: The financial statements of the subsidiary which reflect total assets of $228,133, constituting 3% of the consolidated total assets as of December 31, 2020, and net operating revenues of $0, constituting 0% of the consolidated total net operating revenue for the years then ended, were audited by the subsidiary's appointed independent accountants.

Note 2: On May 12, 2020, the Board of Directors of ADEPT International Company approved to dissolve, the liquidation was in process.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

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

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.

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

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

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

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

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

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

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

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

(9) Accounts and notes receivable

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has not retained control of the financial asset.

(12) Inventories

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

(13) Property, plant and equipment

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

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

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

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

| | |
|---|---|
| Buildings and structures | 5～50 years |
| Machinery and equipment | 6～12 years |
| Mold equipment | 2～10 years |
| Computer communication equipment | 3～5 years |
| Testing equipment | 3～10 years |
| Transportation equipment | 5 years |
| Office equipment | 3～10 years |
| Leasehold improvements | 5 years |
| Other equipment | 3～5 years |

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

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

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

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

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

(15) Intangible assets

A. Trademarks

Separately acquired trademarks are stated at historical cost. Trademarks have a finite useful life and are amortised on a straight-line basis over their estimated useful life of 10 years.

B. Computer software

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

C. Patents

Patents are stated at cost and amortised on a straight-line basis over its estimated useful life of 4 to 10 years.

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services.

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

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

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

(21) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

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

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

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

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

(22) Employee share-based payment

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

B. Restricted stocks:

(a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

(b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

(c) For restricted stocks where employees do not have to pay to acquire those stocks, the Company will redeem at no consideration and retire the unvested stocks if employees resign during the vesting period.

(23) Income tax

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

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

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

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

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Share capital

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

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

(25) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

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

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

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

(27) Government grants

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

(28) Operating segments

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

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

The preparation of these consolidated financial statements does not require management to make critical judgements in applying the Group's accounting policies. The management makes critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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

As of December 31, 2021, the carrying amount of inventories was $2,398,731.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Petty cash and cash on hand | $ 248 | $ 266 |
| Demand deposits | 225,588 | 166,830 |
| Checking account deposits | 140,027 | 171,524 |
| Time deposits (including foreign currencies) | 112,755 | 9,760 |
| Foreign currency deposits | 958,567 | 867,794 |
| | $ 1,437,185 | $ 1,216,174 |

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 | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Non-current items: | | |
| Equity instruments | | |
| Unlisted stocks | $ 47,803 | $ 28,196 |

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 $47,803 and $28,196 as at December 31, 2021 and 2020, respectively.

B. For the year ended December 31, 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 $19,607 and ($262), respectively.

C. As at December 31, 2021 and 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 $47,803 and $28,196, respectively.

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

(3) Financial assets at amortised cost

| Items | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Current items: | | |
| Pledged bank deposits (including time deposits) | $ 10,000 | $ 3,000 |
| Non-current items: | | |
| Time deposits | $ - | $ 219,000 |
| Pledged bank deposits (including time deposits) | 3,951 | 2,946 |
| | $ 3,951 | $ 221,946 |

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

| | Years ended December 31, 2021 | 2020 |
|---|---|---|
| Interest income | $ 8,582 | $ 12,455 |

B. As at December 31, 2021 and 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 $13,951 and $224,946, 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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Notes receivable | $ 25,808 | $ 921 |
| Accounts receivable | $ 2,349,380 | $ 1,753,897 |
| Less: Allowance for uncollectible accounts | ( 2,807) | ( 2,292) |
| | $ 2,346,573 | $ 1,751,605 |

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

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Accounts receivable | Notes receivable | Accounts receivable | Notes receivable |
| Not past due | $ 2,059,116 | $ 25,808 | $ 1,548,932 | $ 921 |
| Up to 30 days | 214,584 | - | 138,764 | - |
| 31 to 90 days | 68,692 | - | 54,167 | - |
| 91 to 180 days | 6,932 | - | 12,034 | - |
| Over 181 days | 56 | - | - | - |
| | $ 2,349,380 | $ 25,808 | $ 1,753,897 | $ 921 |

The above ageing analysis was based on past due date.

B. As of December 31, 2021, December 31, 2020 and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to $2,375,188, $1,754,818 and $1,639,140, respectively.

C. The Group does not hold any collateral as security as at December 31, 2021 and 2020, and the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was $25,808 and $921 and accounts receivable was $2,346,573 and $1,751,605, 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 December 31, 2022. As of December 31, 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 | $ - | $ - | $ - | - |

Note: Shown as 'other receivables'.

B. The finance costs of the Group for the years ended December 31, 2021 and 2020 were $29 and $45, respectively.

(6) Inventories

| | December 31, 2021 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss and obsolete and slow-moving inventories | Book value |
| Raw materials | $ 508,796 | ($ 53,094) | $ 455,702 |
| Semi-finished goods | 279,266 | ( 23,265) | 256,001 |
| Work in progress | 243,212 | ( 899) | 242,313 |
| Finished goods | 1,501,617 | ( 56,902) | 1,444,715 |
| | $ 2,532,891 | ($ 134,160) | $ 2,398,731 |

| | 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 |
| | $ 1,538,360 | ($ 108,634) | $ 1,429,726 |

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

| | Years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Cost of goods sold | $ 7,575,422 | $ 5,664,638 |
| Sale of scraps | ( 24,312) | ( 12,058) |
| Loss on (gain on reversal of) decline in market value | 28,421 | ( 38,446) |
| Gain on physical inventory | ( 377) | ( 1,207) |
| | $ 7,579,154 | $ 5,612,927 |

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) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At January 1, 2021 | | | | | | | | | | | | |
| 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) | - |
| | $ 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 |
| 2021 | | | | | | | | | | | | |
| 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 | - | 11,497 | 17,462 | 199,505 | 5,116 | 6,354 | - | 6,278 | 4,857 | 1,460,377 | 1,711,446 | 75,211 |
| Disposals | - | (40) | (3,745) | - | (1) | (3) | - | (190) | (5) | - | (3,984) | - |
| Transfers (Note) | - | 94,286 | 13,418 | 3,525 | - | - | - | 41,503 | 6,087 | (142,223) | 16,596 | (9,552) |
| Depreciation charges | - | (85,631) | (41,133) | (154,914) | (3,503) | (3,724) | (2,237) | (12,871) | (9,842) | - | (313,855) | - |
| Effects of foreign exchange | (1,866) | (10,477) | (2,111) | (1,483) | (44) | (47) | (43) | (172) | (131) | (23) | (16,397) | 461 |
| Closing net book amount | $ 1,333,544 | $ 1,110,734 | $ 242,515 | $ 175,809 | $ 12,730 | $ 12,225 | $ 4,420 | $ 61,012 | $ 27,340 | $ 1,469,693 | $ 4,450,022 | $ 77,314 |
| At December 31, 2021 | | | | | | | | | | | | |
| Cost | $ 1,333,544 | $ 1,820,724 | $ 634,518 | $ 718,433 | $ 40,548 | $ 36,460 | $ 24,914 | $ 107,031 | $ 60,500 | $ 1,469,693 | $ 6,246,365 | $ 77,314 |
| Accumulated depreciation | - | (709,990) | (392,003) | (542,624) | (27,818) | (24,235) | (20,494) | (46,019) | (33,160) | - | (1,796,343) | - |
| | $ 1,333,544 | $ 1,110,734 | $ 242,515 | $ 175,809 | $ 12,730 | $ 12,225 | $ 4,420 | $ 61,012 | $ 27,340 | $ 1,469,693 | $ 4,450,022 | $ 77,314 |

Note: Prepayments for 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 $7,044.

D. 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:

| | Years ended December 31, 2021 |
|---|---|
| Amount capitalised | $ 7,024 |
| 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 | Others | Unfinished construction and equipment under acceptance | Total | Prepayments for facilities (Note) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At January 1, 2020 | | | | | | | | | | | | |
| 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) | - |
| | $ 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 |
| 2020 | | | | | | | | | | | | |
| 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 | 1,219,692 | 284,391 | 54,505 | 8,755 | 10,025 | 2,167 | - | 17,291 | 12,512 | 151,391 | 1,760,729 | 13,410 |
| Disposals | (140,737) | (72,589) | (3,513) | - | - | (13) | (614) | (485) | (27) | - | (217,978) | - |
| Transfers (Note) | 49,280 | - | 34,983 | 72,189 | - | 1,406 | - | (425) | 1,157 | (7,892) | 150,698 | (79,967) |
| Depreciation charges | - | (75,404) | (37,846) | (65,422) | (1,923) | (4,064) | (2,498) | (7,167) | (6,433) | - | (200,757) | - |
| Effects of foreign exchange | (3,499) | 2,500 | 3,723 | 1,670 | (93) | 82 | 52 | 80 | 204 | (6) | 4,713 | (111) |
| Closing 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 | $ 13,514 |
| At December 31, 2020 | | | | | | | | | | | | |
| 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 | $ 13,514 |
| Accumulated depreciation | - | (637,056) | (362,849) | (361,065) | (25,146) | (20,566) | (18,405) | (34,292) | (23,569) | - | (1,482,948) | - |
| | $ 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 | $ 13,514 |

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 $70,731.

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:

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| | Carrying amount | | Carrying amount | |
| Land | $ | 50,248 | $ | 52,314 |
| Buildings | | 22,394 | | 30,275 |
| Transportation equipment | | 6,137 | | 3,242 |
| Others | | 2,213 | | 1,212 |
| | $ | 80,992 | $ | 87,043 |

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Depreciation charge | | Depreciation charge | |
| Land | $ | 950 | $ | 937 |
| Buildings | | 6,955 | | 12,954 |
| Transportation equipment | | 2,643 | | 2,062 |
| Others | | 605 | | 179 |
| | $ | 11,153 | $ | 16,132 |

D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were $8,632 and $174,227, respectively.

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

| | Years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Items affecting profit or loss | | |
| Interest expense on lease liabilities | 695 | 1,194 |
| Expense on short-term lease contracts | 9,219 | 7,162 |
| Expense on leases of low-value assets | 1,024 | 497 |
| Expense on variable lease payments | 2,678 | 3,618 |
| Gain on lease modification | 30 | 7,159 |

F. The Group early terminated the building leasing contract in April 2022. 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 years ended December 31, 2021 and 2020, the Group's total cash outflow for leases was $24,294 and $19,856 (of which $10,678 and $7,385 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

| | Trademarks | Computer software | Patents | Total |
|---|---|---|---|---|
| At January 1, 2021 | | | | |
| Cost | $ 579 | $ 44,154 | $ 2,576 | $ 47,309 |
| Accumulated amortisation | ( 424) | ( 33,711) | ( 1,170) | ( 35,305) |
| | $ 155 | $ 10,443 | $ 1,406 | $ 12,004 |
| 2021 | | | | |
| At January 1 | $ 155 | $ 10,443 | $ 1,406 | $ 12,004 |
| Additions | 61 | 15,635 | 2,682 | 18,378 |
| Transfers (Note) | - | 2,320 | - | 2,320 |
| Amortisation charge | ( 48) | ( 11,453) | ( 1,989) | ( 13,490) |
| Effects of foreign exchange | - | ( 67) | - | ( 67) |
| At December 31 | $ 168 | $ 16,878 | $ 2,099 | $ 19,145 |
| At December 31, 2021 | | | | |
| Cost | $ 640 | $ 57,775 | $ 5,258 | $ 63,673 |
| Accumulated amortisation | ( 472) | ( 40,897) | ( 3,159) | ( 44,528) |
| | $ 168 | $ 16,878 | $ 2,099 | $ 19,145 |

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

| | Trademarks | Computer software | Patents | Total |
|---|---|---|---|---|
| At January 1, 2020 | | | | |
| Cost | $ 576 | $ 41,868 | $ 884 | $ 43,328 |
| Accumulated amortisation | ( 377) | ( 32,069) | ( 547) | ( 32,993) |
| | $ 199 | $ 9,799 | $ 337 | $ 10,335 |
| 2020 | | | | |
| At January 1 | $ 199 | $ 9,799 | $ 337 | $ 10,335 |
| Additions | 3 | 5,190 | 1,692 | 6,885 |
| Amortisation charge | ( 47) | ( 4,659) | ( 623) | ( 5,329) |
| Effects of foreign exchange | - | 113 | - | 113 |
| At December 31 | $ 155 | $ 10,443 | $ 1,406 | $ 12,004 |
| At December 31, 2020 | | | | |
| Cost | $ 579 | $ 44,154 | $ 2,576 | $ 47,309 |
| Accumulated amortisation | ( 424) | ( 33,711) | ( 1,170) | ( 35,305) |
| | $ 155 | $ 10,443 | $ 1,406 | $ 12,004 |

Details of amortisation on intangible assets are as follows:

| | Years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Manufacturing cost | $ 1,866 | $ 2,158 |
| Selling expenses | 795 | 133 |
| Administrative expenses | 2,511 | 1,695 |
| Research and development expenses | 8,318 | 1,343 |
| | $ 13,490 | $ 5,329 |

(10) Other non-current assets

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Prepayments for business facilities | $ 77,314 | $ 11,194 |
| Guarantee deposits paid | 6,894 | 4,589 |
| Prepayments for intangible assets | 1,432 | 2,320 |
| Others | 18,124 | 23,553 |
| | $ 103,764 | $ 41,656 |

(11) Short-term borrowings

| Type of borrowings | December 31, 2021 | Interest rate | Collateral |
|---|---|---|---|
| Short-term borrowings | $ 799,768 | 0.70%~0.90% | A promissory note of the same amount was issued as collateral. |
| Short-term secured borrowings | 276,706 | 0.656%~0.741% | Please refer to Note 8. |
| | $ 1,076,474 | | |

| Type of borrowings | December 31, 2020 | | Interest rate | Collateral |
|---|---|---|---|---|
| Short-term borrowings | $ | 849,069 | 0.65%~1.00% | A promissory note of the same amount was issued as collateral. |

(12) Other payables

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Wages and bonus payable | $ | 215,491 | $ | 274,476 |
| Payables for machinery and equipment | | 128,048 | | 35,873 |
| Payables for mold | | 94,158 | | 77,497 |
| Remuneration due to supervisors and employee compensation | | 76,639 | | 92,729 |
| Payables for export freight and customs clearance charges | | 40,468 | | 36,371 |
| Payables for service fees | | 12,629 | | 25,367 |
| Payables for consumable goods | | 8,785 | | 14,361 |
| Payables for processing fees | | 2,105 | | 33,620 |
| Payables for intangible assets | | 5,002 | | - |
| Payables for buildings and land purchases | | - | | 303,010 |
| Others | | 177,708 | | 74,332 |
| | $ | 761,033 | $ | 967,636 |

(13) Long-term borrowings

| Type of borrowings | Borrowing period and repayment term | Interest rate | Collateral | December 31, 2021 | |
|---|---|---|---|---|---|
| Preferential Loans for Returning Taiwanese Businesses for the Purchase of Land in Taiwan (Note 1) | TWD 400,000 thousand; borrowing period is from January 15, 2021 to January 15, 2028; principal and interest are repayable monthly from February 15, 2023 | 1% | (Note 1) | $ | 400,000 |
| Loans for Returning Overseas Taiwanese Businesses (Note 2) | TWD 1,000,690 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) | | 1,000,690 |

| Type of borrowings | Borrowing period and repayment term | Interest rate | Collateral | December 31, 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 | 103,375 |
| | | | | 1,969,775 |
| Less: Current portion (shown as ‘other current liabilities’) | | | | ( 7,117) |
| | | | | $ 1,962,658 |

| 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) |
| | | | | $ 106,305 |

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 December 31, 2021, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(14) Pensions

A. Defined benefit plan

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

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Present value of defined benefit obligations | $ 36,922 | $ 49,729 |
| Fair value of plan assets | ( 12,030) | ( 18,810) |
| Net liability recognised in the balance sheet (shown as 'other non-current liabilities') | $ 24,892 | $ 30,919 |

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

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| Year ended December 31, 2021 | | | |
| Balance at January 1 | $ 49,729 | ($ 18,810) | $ 30,919 |
| Current service cost | 59 | - | 59 |
| Interest expense (income) | 149 | ( 57) | 92 |
| | 49,937 | ( 18,867) | 31,070 |
| Remeasurements: | | | |
| Return on plan assets | - | ( 281) | ( 281) |
| Change in demographic assumptions | 28 | - | 28 |
| Change in financial assumptions | ( 725) | - | ( 725) |
| Experience adjustments | ( 4,668) | - | ( 4,668) |
| | ( 5,365) | ( 281) | ( 5,646) |
| Pension fund contribution | - | ( 532) | ( 532) |
| Benefits paid | ( 7,650) | 7,650 | - |
| Balance at December 31 | $ 36,922 | ($ 12,030) | $ 24,892 |

| | Present value of defined benefit obligations | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| Year ended December 31, 2020 | | | |
| Balance at January 1 | $ 46,043 | ($ 17,562) | $ 28,481 |
| Current service cost | 116 | - | 116 |
| Interest expense (income) | 322 | ( 123) | 199 |
| | 46,481 | ( 17,685) | 28,796 |
| Remeasurements: | | | |
| Return on plan assets | - | ( 595) | ( 595) |
| Change in financial assumptions | 1,383 | - | 1,383 |
| Experience adjustments | 1,865 | - | 1,865 |
| | 3,248 | ( 595) | 2,653 |
| Pension fund contribution | - | ( 530) | ( 530) |
| Benefits paid | - | - | - |
| Balance at December 31 | $ 49,729 | ($ 18,810) | $ 30,919 |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company’s defined benefit pension plan in accordance with the Fund’s annual investment and utilisation plan and the “Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor

Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

| | Years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Discount rate | 0.60% | 0.30% |
| Future salary increases | 3.00% | 3.00% |

Assumptions regarding future mortality experience for the years ended December 31, 2021 and 2020 are set based on the statics and experience of the 6th and the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

| | Discount rate | | Future salary increases | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| December 31, 2021 | | | | |
| Effect on present value of defined benefit obligation | ($ 560) | $ 579 | $ 506 | ($ 493) |
| December 31, 2020 | | | | |
| Effect on present value of defined benefit obligation | ($ 873) | $ 902 | $ 786 | ($ 766) |

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

(f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2022 amount to $1,089.

(g) As of December 31, 2021, the weighted average duration of the retirement plan is 7 years. The maturity analysis of pension payment was as follows:

| | | |
|---|---|---|
| Within 1 year | $ | 13,826 |
| 1-2 year(s) | | 1,915 |
| 2-5 years | | 3,294 |
| Over 5 years | | 7,480 |
| | $ | 26,515 |

B. Defined contribution plan

(a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) Other overseas companies have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees’ salaries and wages. Other than the periodic contribution, the overseas companies have no further obligations.

(c) The pension costs under the defined contribution pension plan of the Company and its domestic subsidiaries for the years ended December 31, 2021 and 2020 were $11,312 and $10,111, 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 Procase Electronic Co., Ltd. for the years ended December 31, 2021 and 2020 were $35,923 and $5,747, respectively. At the beginning of 2020, due to the influence of the Covid-19 pandemic in China, the local government has exempted pension insurance from February 2020 to December 2020.

(15) Share-based payment

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

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

Note 1: During the vesting period, the restricted stocks issued by the Company cannot be sold, pledged, transferred, donated, collateralised, or disposed in any other method, except for inheritance, and the shareholders’ rights to attend, propose, speak and vote in the shareholders’ meeting are executed by the trust institution according to the agreement. Employees are entitled to the cash and stock dividends distributed by the Company. The distributed cash and stock dividends are treated as meeting the vesting conditions and are not required to be kept in the trust institution. This also applies to capital reduction. If employees resign during the vesting period, the Company will redeem those stocks but employees are not required to return the dividends received.

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

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

| | 2021 | 2020 |
|---|---|---|
| | Quantity of stocks (in thousands) | Quantity of stocks (in thousands) |
| Restricted stocks at the beginning of period | 1,200 | - |
| Issued during the period | - | 1,200 |
| Redeemed during the period (Note) | ( 11) | - |
| Vested during the period | ( 279) | - |
| Retired during the period | ( 137) | - |
| Restricted stocks at the end of period | 773 | 1,200 |

Note: For the years ended December 31, 2021, the Company redeemed 11 thousand shares of restricted stocks to employees, which have not been retired as of December 31, 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:

| | Years ended December 31, 2021 | Years ended December 31, 2020 |
|---|---|---|
| Equity-settled | $ 43,908 | $ 21,301 |

(16) Ordinary shares

As of December 31, 2021, the Company's authorised capital was $1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was $1,207,885, 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 | ( 11) | - |
| Retirement of restricted stocks | ( 137) | - |
| At December 31 | 120,778 | 120,926 |

(17) Capital surplus

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

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital. The remaining shall take into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.

B. The Company's dividend policy is based on the current profit and consideration of the Company's growth in the future, capital budget plan and capital needs as well as consideration of shareholders' interest and long-term financial plan, etc. Earnings can be distributed to shareholders as cash dividends or stock dividends. Cash dividends shall account for at least 10% of the total dividends distributed. If cash dividends are lower than $0.20 (in dollars) per share, stock dividends will be issued instead.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

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

(b) The amount of $65,573 previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

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

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

F. On March 15, 2022, the Board of Directors has proposed the appropriations of the 2021 earnings as follows:

| | Year ended December 31, 2021 | |
|---|---|---|
| | Amount | Dividend per share (in dollars) |
| Legal reserve | $ 67,742 | $ - |
| Special reserve | 10,212 | - |
| Cash dividends to shareholders | 362,309 | 3.00 |
| | $ 440,263 | $ 3.00 |

As of March 15, 2022, the abovementioned appropriation of 2021 earnings has not yet been resolved by the shareholders.

(19) Other equity items

| | 2021 | | | |
|---|---|---|---|---|
| | Currency translation | Unrealised losses on valuation | Other, unearned compensation | Total |
| At January 1 | ($ 254,006) | ($ 6,498) | ($ 88,259) | ($ 348,763) |
| Valuation adjustment | - | 19,607 | - | 19,607 |
| Employee restricted shares: | | | | |
| - Transferred to expenses | - | - | 43,908 | 43,908 |
| Currency translation differences: | | | | |
| - Group | ( 33,228) | - | - | ( 33,228) |
| - Tax on Group | 3,409 | - | - | 3,409 |
| At December 31 | ($ 283,825) | $ 13,109 | ($ 44,351) | ($ 315,067) |

| | 2020 | | | |
|---|---|---|---|---|
| | Currency translation | Unrealised losses on valuation | Other, unearned compensation | Total |
| At January 1 | ($ 218,316) | ($ 6,236) | $ - | ($ 224,552) |
| Valuation adjustment | - | ( 262) | - | ( 262) |
| Employee restricted shares: | | | | |
| - Issued empployee restricted ordinary shares | - | - | ( 109,560) | ( 109,560) |
| - Transferred to expenses | - | - | 21,301 | 21,301 |
| Currency translation differences: | | | | |
| - Group | 19,155 | - | - | 19,155 |
| - Tax on Group | ( 54,845) | - | - | ( 54,845) |
| At December 31 | ($ 254,006) | ($ 6,498) | ($ 88,259) | ($ 348,763) |

(20) Operating revenue

A. Please refer to Note 14(6) for details of disaggregation of revenue from contracts with customers based on geographical regions.

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

| | Years ended December 31, | |
| --- | --- | --- |
| | 2021 | 2020 |
| Server cases, peripheral products and components | $ 9,246,822 | $ 7,345,609 |
| Personal computer cases | 176,198 | 198,936 |
| | $ 9,423,020 | $ 7,544,545 |

B. Contract liabilities

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

| | December 31, 2021 | December 31, 2020 | January 1, 2020 |
| --- | --- | --- | --- |
| Contract liabilities - sale of products | $ 13,001 | $ 7,113 | $ 6,624 |

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

| | Years ended December 31, | |
| --- | --- | --- |
| | 2021 | 2020 |
| Contract liabilities - sale of products | $ 1,070 | $ 988 |

(21) Interest income

| | Years ended December 31, | |
| --- | --- | --- |
| | 2021 | 2020 |
| Interest income from bank deposits | $ 12,258 | $ 9,610 |
| Interest income from financial assets measured at amortised cost | 8,582 | 12,455 |
| | $ 20,840 | $ 22,065 |

(22) Other income

| | Years ended December 31, | |
| --- | --- | --- |
| | 2021 | 2020 |
| Tariff subsidy income | $ - | $ 64,696 |
| Gains on write-off of past due payable | 37,549 | - |
| Government grant revenues | 5,718 | 13,035 |
| Other income, others | 2,205 | 20,531 |
| | $ 45,472 | $ 98,262 |

(23) Other gains and losses

| | Years ended December 31, 2021 | 2020 |
|---|---|---|
| (Loss) gain on disposal of property, plant and equipment | ($ 1,300) | $ 213,716 |
| Loss on disposal investments | - | ( 437) |
| Gains arising from lease modifications | 30 | 7,159 |
| Net currency exchange loss | ( 39,524) | ( 88,015) |
| Others | ( 5,420) | ( 2,746) |
| | ($ 46,214) | $ 129,677 |

(24) Finance costs

| | Years ended December 31, 2021 | 2020 |
|---|---|---|
| Interest expense on bank borrowings | $ 15,795 | $ 8,850 |
| Interest expense on lease liabilities | 695 | 1,194 |
| | $ 16,490 | $ 10,044 |

(25) Employee benefit, depreciation and amortisation expenses

| | Years ended December 31, 2021 | 2020 |
|---|---|---|
| Wages and salaries | $ 989,787 | $ 1,043,160 |
| Share-based payment | 43,908 | 21,301 |
| Labour and health insurance fees | 47,893 | 41,672 |
| Pension costs | 47,386 | 16,173 |
| Other personnel expenses | 90,490 | 79,399 |
| Employee benefit expense | $ 1,219,464 | $ 1,201,705 |
| Depreciation charges | $ 325,008 | $ 216,889 |
| Amortisation charges | $ 13,490 | $ 5,329 |

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 years months ended December 31, 2021 and 2020, employees' compensation were accrued at $59,221 and $70,985, respectively; while directors' and supervisors' remuneration were accrued at $17,418 and $21,744, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2021, employees' compensation and directors' and supervisors' remuneration amounted to $58,569 and $17,226 as resolved by the Board of Directors on March 15, 2021, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to $652 and $192, respectively. The differences had been accounted for as changes in estimates in profit or loss for 2022.

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

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | Years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Current tax: | | |
| Current tax on profits for the period | $ 222,071 | $ 299,921 |
| Prior year income tax (over) under estimation | ( 32,402) | 7,137 |
| Total current tax | 189,669 | 307,058 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 24,295 | ( 77,452) |
| Total deferred tax | 24,295 | ( 77,452) |
| Income tax expense | $ 213,964 | $ 229,606 |

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

| | Years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Currency translation differences | ($ 3,409) | $ 54,845 |
| Remeasurement of defined benefit obligations | $ 1,129 | ($ 531) |

B. Reconciliation between income tax expense and accounting profit:

| | Years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Tax calculated based on profit before tax and statutory tax rate (Note) | $ 269,185 | $ 325,804 |
| Prior year income tax under (over) estimation | ( 32,402) | 7,137 |
| Expenses disallowed by tax regulation | 2,278 | 1,508 |
| Acquisition of cash dividends distributed by foreign investee company accounted for using equity method | 8,018 | 18,589 |
| Effect from deduction or exemption for substantive investment from repatriated offshore funds | ( 4,009) | ( 57,810) |
| Tax exempt income from sales of land | - | ( 30,384) |
| Land value increment tax | - | 6,177 |
| Temporary differences not recognised as deferred tax liabilities | ( 48,099) | ( 47,029) |
| Taxable loss not recognised as deferred tax assets | 562 | 2,199 |
| Others | 18,431 | 3,415 |
| Income tax expense | $ 213,964 | $ 229,606 |

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

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

| | 2021 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| -Deferred tax assets: | | | | |
| Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories | $ 10,039 | $ 1,508 | $ - | $ 11,547 |
| Unrealised gain on inter-affiliate accounts | 16,854 | 1,349 | - | 18,203 |
| Unrealised gross profit | 743 | 53 | - | 796 |
| Allowance for bad debts | 2,634 | 607 | - | 3,241 |
| Unused compensated absences | 3,079 | ( 1,364) | - | 1,715 |
| Pension expense payable | 6,837 | - | ( 1,129) | 5,708 |
| Pension expense that exceeds the limit for tax purpose | 1,831 | 73 | - | 1,904 |
| Unrealised exchange loss | 2,543 | ( 2,176) | - | 367 |
| Unrealised warranty provision | 3,681 | ( 2,543) | - | 1,138 |
| Others | 21,218 | ( 13,428) | - | 7,790 |
| | $ 69,459 | ($ 15,921) | ($ 1,129) | $ 52,409 |
| -Deferred tax liabilities: | | | | |
| Investment income | ( 13,176) | ( 10,985) | 3,409 | ( 20,752) |
| Book-tax difference of depreciation charges on fixed assets | ( 3,238) | 2,636 | - | ( 602) |
| Others | ( 173) | ( 25) | - | ( 198) |
| | ($ 16,587) | ($ 8,374) | $ 3,409 | ($ 21,552) |

| | 2020 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| -Deferred tax assets: | | | | |
| Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories | $ 17,882 | ($ 7,843) | $ - | $ 10,039 |
| Unrealised gain on inter-affiliate accounts | 22,724 | ( 5,870) | - | 16,854 |
| Unrealised gross profit | - | 743 | - | 743 |
| Allowance for bad debts | 2,655 | ( 21) | - | 2,634 |
| Unused compensated absences | 3,439 | ( 360) | - | 3,079 |
| Pension expense payable | 6,306 | - | 531 | 6,837 |
| Pension expense that exceeds the limit for tax purpose | 1,788 | 43 | - | 1,831 |
| Unrealised exchange loss | 2,320 | 223 | - | 2,543 |
| Unrealised warranty provision | 2,012 | 1,669 | - | 3,681 |
| Others | 7,534 | 13,684 | - | 21,218 |
| | $ 66,660 | $ 2,268 | $ 531 | $ 69,459 |
| -Deferred tax liabilities: | | | | |
| Investment income | ( 34,821) | 76,490 | ( 54,845) | ( 13,176) |
| Book-tax difference of depreciation charges on fixed assets | ( 1,955) | ( 1,283) | - | ( 3,238) |
| Others | ( 150) | ( 23) | - | ( 173) |
| | ($ 36,926) | $ 75,184 | ($ 54,845) | ($ 16,587) |

D. Expiration dates and amounts of unrecognised deferred tax assets for the subsidiary-Chen-Feng Precision Co., Ltd. are as follows:

| December 31, 2021 | | | | |
|---|---|---|---|---|
| Year incurred | Amount filed/ assessed | Unused amount | Deferred tax assets | Expiry year |
| 2021 | $ 2,810 | $ 2,810 | $ 2,810 | 2031 |
| 2020 | 10,995 | 10,995 | 10,995 | 2030 |

| December 31, 2020 | | | | |
|---|---|---|---|---|
| Year incurred | Amount filed/ assessed | Unused amount | Deferred tax assets | Expiry year |
| 2020 | $ 10,995 | $ 10,995 | $ 10,995 | 2030 |

E. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the temporary differences unrecognised as deferred tax liabilities were $395,500 and $363,643, respectively.

F. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.

G. The subsidiary-Chen-Feng Precision Co., Ltd. was established on March 4, 2020. Its income tax returns have not been assessed and approved by the Tax Authority.

H. The Company had applied for investment of repatriated offshore funds back in Taiwan in 2021 and 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 $21,113 and $18,002 was shown as 'current tax assets'.

(27) Earnings per share

| | Years ended December 31, 2021 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 672,901 | 119,834 | $ 5.62 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 672,901 | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 947 | |
| Restricted stocks | - | 241 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 672,901 | 121,022 | $ 5.56 |

| | Years ended December 31, 2020 | | |
|---|---|---|---|
| | Amount after tax | Weighted average number of ordinary shares outstanding (shares in thousands) | Earnings per share (in dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 976,857 | 119,726 | $ 8.16 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 976,857 | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | - | 1,053 | |
| Restricted stocks | - | 75 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 976,857 | 120,854 | $ 8.08 |

(28) Supplemental cash flow information

Investing activities with partial cash payments:

A. Purchase of property, plant and equipment:

| | Years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Purchase of property, plant and equipment | $ 1,728,042 | $ 1,911,427 |
| 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 | 77,314 | 11,194 |
| 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 | ( 128,048) | ( 35,873) |
| Ending balance of payable on land and building purchased | - | ( 303,010) |
| Transferred from inventories | ( 7,044) | ( 70,731) |
| Cash paid during the period | $ 1,997,953 | $ 1,436,957 |

B. Acquisition of intangible assets

| | Years ended December 31, 2021 | 2020 |
|---|---|---|
| Acquisition of intangible assets | $ 20,698 | $ 6,885 |
| Add: Opening balance of prepayment for intangible assets | 1,432 | 2,320 |
| Less: Opening balance of prepayment for intangible assets | ( 2,320) | - |
| Ending balance of prepayment for intangible assets | ( 5,002) | - |
| Cash paid during the period | $ 14,808 | $ 9,205 |

C. The subsidiary-Edge International Company limited was liquidated in October 2020 and accordingly, the Group lost control over the subsidiary. The information on cash returned and relevant assets and liabilities is as follows:

| | Year ended December 31, 2020 |
|---|---|
| Cash returned | $ 14,327 |
| Carrying amounts of the assets and liabilities of Edge International Company limited | |
| Cash | $ 14,327 |
| Total net assets | $ 14,327 |

(29) Changes in liabilities from financing activities

| | Short-term borrowings | Long-term borrowings | Lease liabilities | Guarantee deposits received | Liabilities from financing activities-gross |
|---|---|---|---|---|---|
| At January 1, 2021 | $ 849,069 | $ 113,361 | $ 34,903 | $ 519 | $ 997,852 |
| Changes in cash flow from financing activities | 227,405 | 1,860,716 | ( 10,678) | 20 | 2,077,463 |
| Impact of changes in foreign exchange rate | - | ( 4,302) | - | - | ( 4,302) |
| Changes in other non-cash items | - | - | 6,169 | - | 6,169 |
| At December 31, 2021 | $ 1,076,474 | $ 1,969,775 | $ 30,394 | $ 539 | $ 3,077,182 |

| | 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 | 789,109 | ( 6,971) | ( 7,385) | ( 67) | 774,686 |
| Impact of changes in foreign exchange rate | - | ( 6,079) | 1 | - | ( 6,078) |
| Changes in other non-cash items | - | - | 37,521 | - | 37,521 |
| At December 31, 2020 | $ 849,069 | $ 113,361 | $ 34,903 | $ 519 | $ 997,852 |

## 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

| | Years ended December 31, 2021 | Years ended December 31, 2020 |
|---|---|---|
| Sales: | | |
| Other related parties | $ 693 | $ 540 |

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

B. Purchases and other expenses

| | Years ended December 31, 2021 | Years ended December 31, 2020 |
|---|---|---|
| Purchases: | | |
| Other related parties | $ 9,437 | $ 3,988 |
| Other expenses: | | |
| Other related parties | 5,846 | 4,416 |
| | $ 15,283 | $ 8,404 |

(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

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Notes receivable: | | | | |
| Other related parties | $ | 365 | $ | 195 |
| Accounts receivable: | | | | |
| Other related parties | | 103 | | 38 |
| Other receivables - payment on behalf of others: | | | | |
| Other related parties | | 5 | | 23 |
| | $ | 473 | $ | 256 |

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

D. Payables to related parties

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Accounts payable: | | | | |
| Other related parties | $ | 2,098 | $ | 822 |
| Other payables - other expenses: | | | | |
| Other related parties | | 1,811 | | 877 |
| | $ | 3,909 | $ | 1,699 |

(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

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| Short-term employee benefits | $ | 50,067 | $ | 65,124 |
| Post-employment benefits | | 407 | | 438 |
| Share-based payments | | 15,734 | | 9,053 |
| | $ | 66,208 | $ | 74,615 |

## 8. PLEDGED ASSETS

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

| | Book value | | |
|---|---|---|---|
| Pledged asset | December 31, 2021 | December 31, 2020 | Purpose |
| Time deposits (shown as 'current financial assets at amortised cost') | $ 10,000 | $ 3,000 | Customs duty guarantee |
| Cash in banks (shown as 'non-current financial assets at amortised cost') | $ 3,951 | $ 2,946 | Long-term borrowings (Note 1) |
| Land and buildings | $ 1,208,725 | $ 755,251 | Long-term borrowings (Notes 1, 2 and 3) |
| Accounts receivable (Note 4) | $ 347,247 | $ - | 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). In addition, on January 11, 2022, the Company contracted a supplemental construction payment in the amount of $81,800 (tax included), the adjusted total contract price was $371,300 (tax included). As of December 31, 2021, the Company has made a payment of $248,970.

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). In addition, on March 15, 2022, the Company contracted a supplemental construction payment in the amount of $63,420 (tax included), the adjusted total contract price was $1,271,949 (tax included). As of December 31, 2021, the Company has made a payment of $978,908.

C. Except for the related construction of new plant, the Company had contracted and not yet incurred related capital expenditure of property, plant and equipment in the amount of $113,596.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 15, 2022, the Board of Directors of the Company resolved the followings:

A. Please refer to Note 6(26) B for the resolution of employees' compensation and directors' and supervisors' remuneration for the year ended December 31, 2021.

B. Please refer to Note 6(18) F for the appropriation of 2021 earnings.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to maintain an optimal financial structure and capital ratio in order to support operations and maximise interests for shareholders.

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2021 | | December 31, 2020 | |
|---|---|---|---|---|
| Financial assets | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Designation of equity instrument | $ | 47,803 | $ | 28,196 |
| Financial assets at amortised cost | | | | |
| Cash and cash equivalents | | 1,437,185 | | 1,216,174 |
| Financial assets at amortised cost | | 13,951 | | 224,946 |
| Notes receivable | | 25,808 | | 921 |
| Accounts receivable | | 2,346,573 | | 1,751,605 |
| Other receivables | | 95,129 | | 61,498 |
| Guarantee deposits paid | | 6,894 | | 4,589 |
| | $ | 3,973,343 | $ | 3,287,929 |

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Financial liabilities | | |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | $ 1,076,474 | $ 849,069 |
| Notes payable | 80,526 | - |
| Accounts payable (including related parties) | 2,994,287 | 1,970,058 |
| Other payables | 761,033 | 967,636 |
| Long-term borrowings (including current | 1,969,775 | 113,361 |
| Guarantee deposits received | 539 | 519 |
| Other current liabilities | 5,074 | 3,862 |
| | $ 6,887,708 | $ 3,904,505 |
| Lease liabilities | $ 30,394 | $ 34,903 |

B. Financial risk management policies

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

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury, and primarily hedge using natural hedge.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | December 31, 2021 | | |
|---|---|---|---|
| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 70,323 | 27.68 | $ 1,946,541 |
| USD:RMB | 39,992 | 6.38 | 1,106,979 |
| Non-monetary items | | | |
| USD:NTD | 14,685 | 27.68 | 406,493 |
| EUR:NTD | 357 | 31.32 | 11,193 |
| RMB:NTD | 553,668 | 4.34 | 2,402,918 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 57,099 | 27.68 | $ 1,580,500 |
| USD:RMB | 22,397 | 6.38 | 619,949 |

| | December 31, 2020 | | |
|---|---|---|---|
| | Foreign currency amount (in thousands) | Exchange rate | Book value (NTD) |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 52,234 | 28.48 | $ 1,487,624 |
| USD:RMB | 32,494 | 6.50 | 925,104 |
| Non-monetary items | | | |
| USD:NTD | 10,968 | 28.48 | 312,363 |
| EUR:NTD | 300 | 35.02 | 10,505 |
| RMB:NTD | 510,928 | 4.38 | 2,237,863 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 29,827 | 28.48 | $ 849,473 |
| USD:RMB | 10,151 | 6.50 | 288,999 |

iv. The total exchange loss, including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2021 and 2020, amounted to $39,524 and $88,015, respectively.

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

| | Years ended December 31, 2021 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 19,465 | $ - |
| USD:RMB | 1% | 11,070 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | 15,805 | - |
| USD:RMB | 1% | 6,199 | - |

| | Years ended December 31, 2020 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| (Foreign currency: functional currency) | | | |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 14,876 | $ - |
| USD:RMB | 1% | 9,251 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | 8,495 | - |
| USD:RMB | 1% | 2,890 | - |

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 years ended December 31, 2021 and 2020 would have increased/decreased by $478 and $282 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

A. The Group’s interest rate risk primarily arises from various borrowings. Borrowings with variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. For the year ended December 31, 2021, the Group’s borrowings were issued at fixed rate and are denominated in NTD. For the year ended December 31, 2020, the Group has no borrowings issued at fixed rate.

B. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2021 would have increased/decreased by $141. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable 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 December 31, 2021 and 2020, the loss allowance is as follows:

| | Not past due | Up to 90 days past due | 91 to 180 days past due | 181 to 270 days past due |
|---|---|---|---|---|
| December 31, 2021 | | | | |
| Expected loss rate | 0.03% | 0.03%-0.2% | 0.03%-2.8% | 0.03%-11.51% |
| Total book value | $ 2,059,116 | $ 283,276 | $ 6,932 | $ 56 |
| Loss allowance | $ - | $ 2,107 | $ 694 | $ 6 |

| | 271 to 360 days past due | Over 360 days past due | Total |
|---|---|---|---|
| December 31, 2021 | | | |
| Expected loss rate | 0.03%-100% | 100.00% | |
| Total book value | $ - | $ - | $ 2,349,380 |
| Loss allowance | $ - | $ - | $ 2,807 |

| | Not past due | Up to 90 days past due | 91 to 180 days past due | 181 to 270 days past due |
|---|---|---|---|---|
| December 31, 2020 | | | | |
| Expected loss rate | 0.03% | 0.03%-0.14% | 0.03%-1.14% | 0.03%-7.05% |
| Total book value | $ 1,548,932 | $ 192,931 | $ 12,034 | $ - |
| Loss allowance | $ - | $ 1,272 | $ 1,020 | $ - |

| | 271 to 360 days past due | Over 360 days past due | Total |
|---|---|---|---|
| December 31, 2020 | | | |
| Expected loss rate | 0.03%-100% | 100.00% | |
| Total book value | $ - | $ - | $ 1,753,897 |
| Loss allowance | $ - | $ - | $ 2,292 |

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

| | Years ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | Accounts receivable | Accounts receivable |
| At January 1 | $ 2,292 | $ 1,901 |
| Reversal of impairment loss | 535 | 691 |
| Effect of exchange rate changes | ( 20) | ( 300) |
| At December 31 | $ 2,807 | $ 2,292 |

For the years ended December 31, 2021 and 2020, gains on impairment of accounts receivable arising from customer contracts amounted to $535 and $691, respectively.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The table below analyses the Group's non-derivative financial liabilities based on the remaining period at the balance sheet date to the contractual maturity date. The analysis is as follows:

Non-derivative financial liabilities:

| December 31, 2021 | Less than 1 year | Between 1 and 3 years | Between 3 and 5 years | Over 5 years |
|---|---|---|---|---|
| Short-term borrowings | $1,077,890 | $ - | $ - | $ - |
| Notes payable | 80,526 | - | - | - |
| Accounts payable | 2,994,287 | - | - | - |
| Accounts payable - related party | - | - | - | - |
| Other payables | 761,033 | - | - | - |
| Lease liabilities | 11,036 | 18,488 | 1,890 | - |
| Other current liabilities | 5,074 | - | - | - |
| Long-term borrowings (including current portion) | 22,970 | 225,066 | 649,809 | 1,166,236 |
| Guarantee deposits received | 539 | - | - | - |

Non-derivative financial liabilities:

| December 31, 2020 | Less than 1 year | Between 1 and 3 years | Between 3 and 5 years | Over 5 years |
|---|---|---|---|---|
| Short-term borrowings | $ 849,344 | $ - | $ - | $ - |
| Accounts payable | 1,970,059 | - | - | - |
| Accounts payable - related party | - | - | - | - |
| Other payables | 967,636 | - | - | - |
| Lease liabilities | 10,526 | 18,312 | 8,030 | - |
| Other current liabilities | 10,918 | - | - | - |
| Long-term borrowings (including current portion) | 11,187 | 22,373 | 22,373 | 89,494 |
| Guarantee deposits received | 519 | - | - | - |

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 lialibities 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:

| December 31, 2021 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ - | $ - | $ 47,803 | $ 47,803 |

| December 31, 2020 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | $ - | $ - | $ 28,196 | $ 28,196 |

(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 years ended December 31, 2021 and 2020:

| | 2021 | 2020 |
|---|---|---|
| | Equity securities | Equity securities |
| 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 | 19,607 | ( 262) |
| At December 31 | $ 47,803 | $ 28,196 |

E. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.

F. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

G. The following is the qualitative information on significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

| | Fair value at December 31, 2021 | Valuation technique | Significant unobservable input | Range (first quartile) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | $ 47,803 | Market comparable companies | Price to book ratio multiple | 1.45-6.61 (1.8) | 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 December 31, 2020 | Valuation technique | Significant unobservable input | Range (first quartile) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | $ 28,196 | Market comparable companies | Price to book ratio multiple | 1.15-7.84 (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 |

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:

| | | | December 31, 2021 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | Price to book ratio multiple | ±1% | $ - | $ - | $ 478 | ($ 478) |
| | Discount for lack of marketability | ±1% | - | - | 159 | ( 159) |

| | | | 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) |

(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 years ended December 31, 2021 increased by $1,878,475 year over year, representing a growth rate of 24.9%. 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 2021 | Percentage representing the account of the company (%) | Note |
|---|---|---|---|---|---|
| Chenbro Micom Co., Ltd. | Dongguan Procase Electronic Co., Ltd. | Sales | $ 108,352 | 2 | |
| Chenbro Micom Co., Ltd. | Chenbro Technology (Kunshan) Co., Ltd. | Purchases | 3,458,311 | 71 | |
| Chenbro Micom Co., Ltd. | Chenbro Technology (Kunshan) Co., Ltd. | Accounts payable | 953,643 | 61 | |
| Chenbro Micom Co., Ltd. | Dongguan Procase Electronic Co., Ltd. | Purchases | 533,967 | 11 | |
| Chenbro Micom Co., Ltd. | Dongguan Procase Electronic Co., Ltd. | Accounts payable | 116,703 | 8 | |
| Chenbro Micom Co., Ltd. | Chenbro Technology (Kunshan) Co., Ltd. | Other receivables | 42,636 | 2 | Note |
| Chenbro Micom Co., Ltd. | Dongguan Procase Electronic Co., Ltd. | Other receivables | 51,764 | 3 | Note |

Note: Amounts paid for purchase of materials on behalf of the Company's subsidiary.

(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) Measurement of segment information

The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4. The Group's segment profit (loss) is measured with the operating income (loss), which is used as a basis for the Group in assessing the performance of the operating segments.

(3) Information about segment profit or loss, assets and liabilities

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

(4) Reconciliation for segment income (loss)

The segment operating profit provided to the chief operating decision-maker is measured in a manner consistent with that used for the statement of comprehensive income. Amounts of total assets and total liabilities of segments are not provided to the chief operating decision–maker to make strategic decisions. There is no difference between the presentation of segment report and income statement and accordingly, no reconciliation is required to be disclosed.

(5) Information on product

Details of revenue balance is as follows:

| | Years ended December 31, 2021 | Years ended December 31, 2020 |
|---|---|---|
| Server cases and components of peripheral products | $ 9,246,822 | $ 7,345,609 |
| Personal computer cases | 176,198 | 198,936 |
| | $ 9,423,020 | $ 7,544,545 |

(6) Geographical information

Geographical information for the years ended December 31, 2021 and 2020 is as follows:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Sales revenue | Non-current assets | Sales revenue | Non-current assets |
| China | $ 3,883,306 | $ 1,106,236 | $ 3,475,366 | $ 1,136,028 |
| US | 3,534,653 | 213,939 | 2,244,936 | 200,970 |
| Taiwan | 567,832 | 3,332,574 | 964,154 | 1,853,738 |
| Singapore | 382,467 | - | 83,495 | - |
| Others | 1,054,762 | 1,174 | 776,594 | 1,594 |
| | $ 9,423,020 | $ 4,653,923 | $ 7,544,545 | $ 3,192,330 |

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2021 and 2020 is as follows:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | Sales revenue | Percentage of consolidated net operating income | Sales revenue | Percentage of consolidated net operating income |
| Company C | $ 1,470,157 | 16% | $ 1,494,091 | 20% |
| Company B | 1,386,130 | 15% | 937,706 | 12% |
| Company A | 1,274,819 | 14% | 760,211 | 10% |
| Company D | 966,762 | 10% | 478,300 | 6% |
| Company E | 408,859 | 4% | 1,099,368 | 15% |

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2021

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

Table 1

| Number (Note 1) | Endorser/ guarantor | Party being endorsed/guaranteed: Company name | Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2) | Limit on endorsements/ guarantees provided for a single party | Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4) | Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5) | Actual amount drawn down | Amount of endorsements/ guarantees secured with collateral | Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company | Ceiling on total amount of endorsements/ guarantees provided | Provision of endorsements/ guarantees by parent company to subsidiary (Note 6) | Provision of endorsements/ guarantees by subsidiary to parent company (Note 6) | Provision of endorsements/ guarantees to the party in Mainland China (Note 6) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 0 | CHENBRO MICOM CO., LTD. | CLOUDWELL HOLDINGS, LLC. | 2 | $ 831,364 | $ 159,824 | $ 155,008 | $ 103,375 | $ - | 3.73 | $ 2,494,093 | 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 year ended Deceember 31, 2021.

Note 5: The outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to CLOUDWELL HOLDINGS, LLC. was $5,600 thousand for the year ended December 31, 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

December 31, 2021

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

Table 2

| | | | | As of December 31, 2021 | | | | |
|---|---|---|---|---|---|---|---|---|
| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | Number of shares | Book value | Ownership (%) | Fair value | Footnote |
| CHENBRO MICOM CO., LTD. | Diamond Creative Holding Limited | None | Non-current financial assets at fair value through other comprehensive income | 1,100,000 | $ 47,803 | 14.29% | $ 47,803 | |

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2021

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

Table 3

| | | | | | | | If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below: | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Real estate acquired by | Real estate acquired | Date of the event | Transaction amount (Note 1) | 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 | $ 1,271,949 | Based on the contract schedule (Note 2) | 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 1: On February 2, 2021, the Company entered into a contract at the total price of $1,208,529 (tax included). In addition, on March 15, 2022, the Company contracted a supplemental construction payment in the amount of $63,420 (tax included), the adjusted total contract price was $1,271,949 (tax included).

Note 2 : As of December 31, 2021, the company has paid $978,908.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2021

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

Table 4

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| CHENBRO MICOM CO., LTD. | Chenbro Micom (USA) Incorporation | Parent-subsidiary company | Sales | $ 3,793,048 | 62 | T/T 120 days | Note 1 | Note 1 | $ 991,689 | 59 | Note 2 |
| CHENBRO MICOM CO., LTD. | Chenbro GmbH | Parent-subsidiary company | Sales | 199,735 | 3 | 90 days after monthly billing | Note 1 | Note 1 | 83,306 | 5 | Note 2 |
| CHENBRO MICOM CO., LTD. | Dongguan Procase Electronic Co., Ltd. | Parent-subsidiary company | Sales | 108,352 | 2 | 60 days after monthly billing | Note 1 | Note 1 | - | - | Note 2 |
| Chenbro Technology (Kunshan) Co., Ltd. | CHENBRO MICOM CO., LTD. | Parent-subsidiary company | Sales | 3,458,311 | 81 | 60 days after monthly billing | Note 1 | Note 1 | 953,643 | 72 | Note 2 |
| Dongguan Procase Electronic Co., Ltd. | CHENBRO MICOM CO., LTD. | Parent-subsidiary company | Sales | 533,967 | 20 | 60 days after monthly billing | Note 1 | Note 1 | 116,703 | 15 | Note 2 |
| Dongguan Procase Electronic Co., Ltd. | ChenPower Information Technology (Shanghai) Co., Ltd. | Affiliate | Sales | 2,101,649 | 79 | 90 days after monthly billing | Note 1 | Note 1 | 670,699 | 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

December 31, 2021

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

Table 5

| Creditor | Counterparty | Relationship with the counterparty | Balance as at December 31, 2021 (Note 3) | Turnover rate | Overdue receivables: Amount | Overdue receivables: Action taken | Amount collected subsequent to the balance sheet date (Note 1) | Allowance for doubtful accounts (Note 2) |
|---|---|---|---|---|---|---|---|---|
| CHENBRO MICOM CO., LTD. | Chenbro Micom (USA) Incorporation | Parent-subsidiary company | Accounts receivable $ 991,689 | 3.99 | $ 758 | Subsequent collection | $ 443,346 | $ - |
| Chenbro Technology (Kunshan) Co., Ltd. | CHENBRO MICOM CO., LTD. | Parent-subsidiary company | Accounts receivable $ 953,643 | 4.43 | - | | 396,731 | - |
| Dongguan Procase Electronic Co., Ltd. | ChenPower Information Technology (Shanghai) Co., Ltd. | Affiliate | Accounts receivable $ 670,699 | 3.13 | - | | 365,042 | - |
| Dongguan Procase Electronic Co., Ltd. | CHENBRO MICOM CO., LTD. | Parent-subsidiary company | Accounts receivable $ 116,703 | 5.10 | - | | 116,703 | - |

Note 1: Subsequent collections as of March 15, 2022.
Note 2: As the related parties have excellent credit condition, no allowance for doubtful accounts was recognised.
Note 3: The transactions were eliminated when preparing the consolidated financial statements.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2021

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

Table 6

| | | | | Transaction | | | |
|---|---|---|---|---|---|---|---|
| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | General ledger account | Amount (Notes 3, 6 and 7) | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 5) |
| 0 | CHENBRO MICOM CO., LTD. | Chenbro Micom (USA) Incorporation | 1 | Sales | $ 3,793,048 | Note 4 | 40 |
| 0 | CHENBRO MICOM CO., LTD. | Chenbro Micom (USA) Incorporation | 1 | Accounts receivable | 991,689 | Note 4 | 9 |
| 0 | CHENBRO MICOM CO., LTD. | Chenbro GmbH | 1 | Sales | 199,735 | Note 4 | 2 |
| 0 | CHENBRO MICOM CO., LTD. | Dongguan Procase Electronic Co., Ltd. | 1 | Sales | 108,352 | Note 4 | 1 |
| 1 | Chenbro Technology (Kunshan) Co., Ltd. | CHENBRO MICOM CO., LTD. | 2 | Sales | 3,458,311 | Note 4 | 37 |
| 1 | Chenbro Technology (Kunshan) Co., Ltd. | CHENBRO MICOM CO., LTD. | 2 | Accounts receivable | 953,643 | Note 4 | 8 |
| 2 | Dongguan Procase Electronic Co., Ltd. | ChenPower Information Technology (Shanghai) Co., Ltd. | 3 | Sales | 2,101,649 | Note 4 | 22 |
| 2 | Dongguan Procase Electronic Co., Ltd. | ChenPower Information Technology (Shanghai) Co., Ltd. | 3 | Accounts receivable | 670,699 | Note 4 | 6 |
| 2 | Dongguan Procase Electronic Co., Ltd. | CHENBRO MICOM CO., LTD. | 2 | Sales | 533,967 | Note 4 | 6 |
| 2 | Dongguan Procase Electronic Co., Ltd. | CHENBRO MICOM CO., LTD. | 2 | Accounts receivable | 116,703 | 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 year ended December 31, 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 December 31, 2021.

Note 7: The transactions were eliminated when preparing the consolidated financial statements.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investees (not including investees in Mainland China)

Year ended December 31, 2021

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

Table 7

| | | | | Initial investment amount | | Shares held as at December 31, 2021 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Investor | Investee | Location | Main business activities | Balance as at December 31, 2021 (Note 4) | Balance as at December 31, 2020 (Note 4) | Number of shares | Ownership (%) | Book value (Note 4) | Net profit (loss) of the investee for the year ended December 31, 2021 (Note 4) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Notes 4 and 5) | Footnote |
| CHENBRO MICOM CO., LTD. | Micom Source Holding Company | Cayman Islands | Holding company | $ 720,264 | $ 720,264 | 22,323,002 | 100 | $ 2,376,437 | $ 179,858 | $ 166,968 | Notes 1 and 4 |
| CHENBRO MICOM CO., LTD. | Chenbro Micom (USA) Incorporation | USA | General trading company | 32,408 | 32,408 | 10,000,000 | 100 | 295,159 | 132,119 | 129,094 | Notes 1 and 4 |
| CHENBRO MICOM CO., LTD. | Cloudwell Holdings, LLC. | USA | Real estate leasing company | 109,365 | 109,365 | 3,600,000 | 100 | 111,334 | 2,017 | 2,017 | Notes 4 and 5 |
| CHENBRO MICOM CO., LTD. | Chenbro GmbH | Germany | General trading company | 9,019 | 9,019 | 250,000 | 100 | 11,193 | ( 1,297) | ( 1,479) | 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 | 46,235 | ( 2,915) | ( 2,041) | |
| Micom Source Holding Company | AMAC International Company | Cayman Islands | Holding company | 178,619 | 178,619 | 6,452,738 | 100 | 79,872 | 4,980 | - | Notes 3 and 4 |
| Micom Source Holding Company | AMBER International Company | Cayman Islands | Holding company | 228,083 | 228,083 | 8,239,890 | 100 | 1,733,607 | 141,302 | - | Notes 3 and 4 |
| Micom Source Holding Company | ADEPT International Company | British Virgin Islands | Holding company | 437,344 | 437,344 | 35,346 | 100 | 609,667 | 33,589 | - | Notes 3, 4 and 6 |
| ADEPT International Company | PROCASE & MOREX Corporation | British Virgin Islands | Holding company | 235,280 | 235,280 | 35,502 | 100 | 584,904 | 36,329 | - | Notes 2, 4 and 5 |

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

Note 2: The indirect reinvestment company of the Company and 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 year ended December 31, 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 Decmber 31, 2021.

Note 5: Investment income / loss recognised by the Company includes only that of the subsidiaries in which the Company directly invested and that of investees accounted for using equity method.

Note 6: On May 12, 2020, the Board of Directors of ADEPT International Company approved to dissolve, the liquidation was in process.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2021

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

Table 8

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021 | Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Net income of investee for the year ended December 31, 2021 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 1) | Book value of investments in Mainland China as of December 31, 2021 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Chenbro Technology (Kunshan) Co., Ltd. | Manufacturing and processing of computer cases | $ 276,800 | $ 2 | $ 276,800 | $ - | $ - | $ 276,800 | $ 104,607 | $ 100 | $ 104,607 | $ 1,512,817 | $ 767,130 | Notes 2, 4, 5 and 7 |
| Dongguan Procase Electronic Co., Ltd. | Manufacturing and processing of computer cases | 347,163 | 2 | 82,929 | - | - | 82,929 | 41,528 | 100 | 41,528 | 664,705 | - | Notes 3 and 7 |
| ChenPower information Technology (Shang Hai) Co., Ltd. | Trading and order taking | 58,128 | 2 | - | - | - | - | 39,437 | 100 | 39,437 | 225,396 | | 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 Procase & 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 year ended December 31, 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 December 31, 2021.

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 8) |
|---|---|---|---|
| CHENBRO MICOM CO., LTD. | $ 359,729 | $ 368,373 | $ - |

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

December 31, 2021

Table 9

| Name of major shareholders | Shares | |
|---|---|---|
| | Number of shares held | Ownership (%) |
| Chen Fengming | 13,614,433 | 11.27 |
| Pengwei Investment Holdings | 12,350,000 | 10.22 |
| Lianmei Investment | 11,907,000 | 9.85 |
| Chen Meichi | 9,656,009 | 7.99 |
| Minguang Investment Holding | 9,243,967 | 7.65 |