



**CHENBRO**  
勤誠興業股份有限公司

Chenbro Micom Co., Ltd.

# 2020 Annual Report

Stock Code : 8210

*Leading Brand in Enclosure Solution*

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None

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## Table of Contents

1.	Letter to Shareholders .....	2
2.	Company Profile .....	8
3.	Company Governance Report	
	I. Organization.....	11
	II. Information on the Company's Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of the Company's Divisions and Branches.....	19
	III. Remuneration Paid During the Most Recent Fiscal Year to Directors, Supervisors, President, and Vice Presidents.....	20
	IV. Implementation of Corporate Governance .....	28
	V. Information on CPA Professional Fees .....	90
	VI. Information on Replacement of CPAs .....	90
	VII. Company Chairperson, President, or Any Manager in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm .....	91
	VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report) by a Director, Supervisor, Manager or Shareholder with a Stake of More than 10 Percent.....	92
	IX. Relationship Information, If Among the Company's Ten Largest Shareholders, Any One Is a Related Party or a Relative Within the Second Degree of Kinship of Another .....	92
	X. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company .....	93
4.	Fundraising	
	I. Capital Stock and Shares .....	95
	II. Corporate Bonds .....	100
	III. Preferred Shares .....	100
	IV. Global Depository Receipts .....	100
	V. Employee Stock Options .....	100
	VI. New Restricted Employee Shares .....	101
	VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies .....	104
	VIII. Implementation of Capital Utilization Plan .....	104
5.	Operational Overview	
	I. Business Activities .....	106
	II. Analysis of the Market as well as Production and Marketing Situation.....	113
	III. Information of Employees in the Last Two Years and as of the Publication Date of the Annual Report.....	119
	IV. Environmental Protection Expenditure .....	120
	V. Labor-management relations .....	120
	VI. Important Contracts .....	125
6.	Financial Overview	
	I. Condensed balance sheet, statement of comprehensive income, and CPAs' name and audit opinion for the last five years .....	127
	II. Financial Analyses for the Last Five Fiscal Years .....	131

III. Audit Committee's Review Report of the Financial Statements in the Most Recent Year .....	133
IV. The Most Recent Year's Financial Statements Including Independent Auditors' Audit Report .....	133
V. Parent Company-Only Financial Statement for the Most Recent Fiscal Year, Certified by CPAs .....	133
VI. In the Most Recent Year and Up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliated Enterprises and the Impact on the Company's Financial Position .....	133
7. Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks	
I. Financial Position .....	135
II. Financial Performance .....	135
III. Cash Flow .....	137
IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Year .....	137
V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Reinvestment Profitability, and Investment Plans for Coming Year .....	138
VI. Risk Analysis and Assessment. ....	138
VII. Other Important Matters.....	144
8. Special Disclosure	
I. Information on the Affiliated Enterprises .....	146
II. Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report .....	152
III. Holding or Disposal of Shares of the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report .....	152
IV. Other Supplementary Information .....	152
V. In the Most Recent Year and up to the Date of Publication of the Annual Report, Any Event that Has a Significant Impact on Shareholders' Equity or Securities Prices As Specified in Subparagraph 2, Paragraph 3 of Article 36 of the Act .....	152

# Chapter 1

## Letter to Shareholders

- I. Operating Performance in 2020
- II. Outline of the 2021 Business Plan
- III. Future Development Strategy
- IV. Impact of External Competition  
Environment, Legal Environment, and  
Overall Business Environment



# Chapter 1 Letter to Shareholders

Dear Shareholders,

Looking back on 2020, the outbreak of the COVID-19 pandemic has had an unprecedented impact on the global economy and trade. The lockdown of cities and countries caused not only forced factories to shut down but led to the disruption of supply chains, the plunge of people's daily consumption, and impact on tens of thousands of job opportunities and personal lives. Work patterns and business operating models have undergone tremendous changes. Digital transformation and cloud services have become inevitable trends. Remote work and various online services have become the new norm in daily life, accelerating the growth of the cloud industry.

Meanwhile, facing the fluctuations in the economic and trade environment and the crisis of supply chain disruption, the technology manufacturing industry is the first to bear the brunt. Localization and regionalization of supply chains is an inevitable strategy to reduce operational risks. As a result, Chenbro has accelerated a flexible layout of its production bases. Not only has it set up an NCT plant in northern Taiwan to meet the needs for rapid proofing and a wide variety of products in a small number, but the new plant in Chiayi is also expected to start its contribution by the end of 2021. In addition to diversifying the risk of production site concentration, it strives to satisfy customers' demand for continuous growth, while following the development trends of the industry and capitalizing on its advantages of highly customized and flexible manufacturing.

Although 2020 was a year full of fear and anxiety, it was also a year of resilience and fearlessness. With the efforts of its team, Chenbro faced the severe test of the pandemic as a whole, completed the relocation to the new headquarters, and established a new manufacturing base, and took the initiative to release the Company's first sustainability report. It also hit a new high of NT\$7.54 billion in the annual revenue with an annual growth rate of 10.37%, which again demonstrated Chenbro's determination to make continuous breakthroughs and achieve sustainable development in all aspects.

Looking ahead to 2021, it will be a year of unbalanced recovery. Benefiting from the demand for cloud services, Chenbro is still optimistic about the growing trend of the industry and will focus on increasing the market share of system integrators, standard products, and other Omni-channels, while putting great emphasis on engagement with customers and market layout, to demonstrate Chenbro's core values. Furthermore, the Company will continue to optimize operational efficiency through lean management, invest in research and development (R&D) and innovation strategies, grasp business opportunities, and pursue a win-win outcome with partners, to become a leading business of electromechanical integration solutions in the global cloud industry. Chenbro will strive hard to provide a human-compatible, innovative, and valuable integrated platform. The following is a summary of Chenbro's operating performance in 2020 and the 2021 outlook:

## I. 2020 operating performance

### (I) Financial results

#### 1. Results of the business plan

Unit; NT\$ thousand

Description	2020	2019	Amount of increase (decrease)	Increase (decrease) (%)
Operating revenue	7,544,545	6,835,443	709,102	10.37
Net gross operating profit	1,931,618	2,096,126	(164,508)	-7.85
Operating income	963,193	1,128,923	(165,730)	-14.68
Net income before tax	1,203,153	1,153,406	49,747	4.31
Net income	973,547	911,951	61,596	6.75
Net income attributable to owners of the parent company	976,857	911,951	64,906	7.12

#### 2. Budget execution

According to the current laws and regulations, the Company did not prepare public financial estimates for 2020.

#### 3. Financial income and expenditure and profitability analysis

Item		2020	2019
Financial structure (%)	Debt ratio	50.85	45.05
	Long-term funds to property, plant and equipment	134.43	237.74
Liquidity (%)	Current ratio	115.68	161.86
	Quick ratio	78.28	124.78
	Interest coverage ratio (times)	12,078.82	13,256.22
Return on investment (%)	Return on assets (ROA) (%)	13.64	15.03
	Return on equity (ROE) (%)	26.23	27.28
	Operating income to paid-in capital (%)	79.65	94.29
	Pre-tax income to paid-in capital (%)	99.49	96.34
	Net profit margin (%)	12.95	13.34
	Earnings per share (NTD)	8.16	7.62

### (II) Research and Development

Adhering to the spirit of innovation, Chenbro continues to improve its R&D capabilities and develop new products, while attaching great importance to the protection of intellectual property rights. As of 2020, it has filed 496 patent applications and obtained 408 patents in Taiwan, the U.S., and mainland China.

In 2020, Chenbro was also engaged in the development of and application for new patents for various products and acquired a total of another 45 patents worldwide. The products range from rack-mounted chassis structures, storage structures, cable management structures, component fixed structures to system modularization applications, etc. Chenbro has also made breakthroughs in new materials, barebone system planning, precision, support strength, stability and energy conservation, heat dissipation technology, and user-friendliness. Chenbro has continued to expand its layout in the AI, AIoT, 5G, and cloud industries, and continues to invest resources, learn and grow through many interdisciplinary exchanges, and improve product system integration and verification capabilities. Through modularized design, and enhancement of flexible design and manufacturing, it strives to pursue the maximum sharing of various parts and accessories, to greatly shorten the time for product development and verification, reduce the cost of customers' development molds, meet the market trends of a variety of products in a small number, and increase the added value of products to maintain market competitiveness.

## II. Overview of 2021 Business Plan

### (I) Management Principles

Looking ahead, Chenbro will continue to optimize the existing products and develop brand-new products that are in line with the market needs by means of its core technology. The lean management model introduced three years ago has led to significant improvements in process and productivity, as well as inventory reduction. Together with the value management system (AVM), the Company conducts a comprehensive review of operation costs, develops the ability for stock-taking, and continues to promote the concept of accountability, so as to create a positive work environment. With an equal focus on corporate governance and corporate culture, the Company aims to improve operational performance and creates maximum profits for the Company.

1. The expansion of emerging markets and application fields, expansion of the layout of product lines, flexible production, and differentiation will be the development trends of technology in the future. The Company will leverage its competitive technologies to consolidate its position.
2. The Company will enhance the competence of senior, middle-aged, and young talents, improve the quality of human resources, and promote the corporate mission, vision, and core values of the Company through lean management and the concept of accountability. The Company will enhance the corporate foundation and financial management, stabilize the operation to think globally while acting locally.
3. The Company will continue to optimize and digitize the business process to improve the speed and efficiency of internal and external feedback and response while strengthening the corporate foundation.
4. The Company will strengthen corporate governance and, perform audits actively for supervision and management, seek to maximize shareholders' interests, and implement corporate social responsibility so as to move toward sustainable development.

### (II) Sales volume forecast and basis

Main products	Sales volume in 2021 (thousand units)
Personal computer chassis	363
Server chassis	1,900



### **(III) Key production and sales strategy**

#### **1. Sales strategy**

Capitalizing on a diversified business model, Chenbro provides diversified services based on customer needs and takes "R&D and design capabilities" as its core advantage. Adopting the three business models, namely ODM/JDM, OTS, and OEM Plus to expand the depth and breadth of customer cooperation is what differentiates Chenbro from other chassis manufacturers that only provide ODM services or white-label chassis products. Chenbro has unique positioning on the market and adopts flexible and diverse business models to serve customers of different regions and sizes. It also sells through different channels to become a leader in the white-label market while expanding the joint development and the ODM business to provide the best customized mechanical solutions. It also strengthens interdisciplinary alliances, improves professional service teams, and capitalizes on its fast advantages in manufacturing a variety of products in a small number, while deepening partnership with customers based on sharing, altruism, and win-win collaboration.

#### **2. Production strategy**

Chenbro integrates the manufacturing capabilities of each production base, applies customer-oriented strategies, provides more flexible delivery services, and cooperates with customers' product development and verification needs to ensure high quality and rapid response to meet customers' needs. The Company will also increase investment in the mold manufacturing center to further enhance mold development and manufacturing capabilities, to lay a foundation for manufacturing capabilities. Meanwhile, the Company will continue to implement lean management and AVIM, continuously optimize operating procedures and reasonable working methods and overcome hidden dangers of rising labor costs, all the while continuing to increase investment in key process automation to achieve the optimization of quality and cost. It will also implement the FAST strategy (flexibility, automation, speed, and transparency) thoroughly, and conduct in-depth improvement and optimization in terms of quality, safety, efficiency, cost, etc., and carry out smart manufacturing and transformation into information-oriented automated factories. The Company will strive to minimize costs through lean management and maximize profits with AVIM, to achieve a win-win outcome with customers.

#### **3. R&D strategy**

Look ahead, in terms of research strategy, Chenbro will set up a forward-looking R&D center to train R&D technical talents, research high-strength, lightweight materials and efficient heat dissipation solutions, to get prepared for the advent of the 5G era, cloud data centers, edge computing, and AIoT, and other relevant applications. It will also continue to promote the growth of server demand while making breakthroughs in the development of new products and innovative patented technologies, as well as researching and introducing the concept of concept engineering to develop products that better meet customers' needs. The Company will work to form strategic alliances with high-quality corporate partners to provide customers with more complete and suitable customized enclosure solutions. In the meantime, Chenbro will continue to move towards modularization, flexibility, and green and high-efficiency, to achieve automated production and assembly. In addition to the in-depth development of customers in the U.S. and China, it will continue to expand and develop a wider global development layout in Europe and South Korea.

### **III. Future development strategy**

Looking ahead to 2021, Chenbro will continue to adhere to its business philosophy of "diligence, humbleness, and honesty", with the vision of being "the leading business in electromechanical integration solutions in the global cloud industry". Building on the four core values of "integrity, innovation, consensus, and altruism", Chenbro will be committed to "launching new products and new technologies or services", "improving production efficiency", "expanding emerging markets or application fields", and "developing the competence of senior, middle-aged, and young talents", to provide a human-compatible, innovative, and valuable integrated platform.

With the mature development of artificial intelligence (AI), Internet of Things (IoT), and cloud server industries, Chenbro will focus on data centers, industrial personal computers (IPCs), AI, IoT, 5G applications, and other fields with innovative business models and competitive products. Chenbro will deepen the development of emerging markets, increase the market share of servers, storage servers, IPCs, and personal computer chassis products. In addition to further developing the two regional markets of China and the U.S, Chenbro will step into the markets of Europe, India, Australia, and the ASEAN region, to achieve its business goals with the full dedication of the entire company's employees at home and abroad.

### **IV. Effect of external competition, the legal environment, and the overall business environment**

Since its incorporation, Chenbro has been facing ever-changing and highly competitive competition, and it has made improvements constantly as it believes that only by improving the R&D capabilities will it mitigate the impact of the external competitive environment. In response to the legal impact and the amendment to government laws and regulations, Chenbro takes appropriate measures and relevant legal responses, and amends and designs regulations comprehensively. In terms of the overall business environment, the cost structure has been affected by the increase in international raw materials, labor costs in mainland China, and rising energy prices in recent years. Only by developing a good reputation and strictly controlling costs will it gain the most competitive advantage in the market using reasonable pricing. Therefore, flexible adjustment to the production and sales structure, strict cost control, and the control of accounts receivable are the most important issues for the Company. The pressure of price competition in the market, new laws issued by competent securities authorities, international environmental protection laws, and the rapidly changing global business environment will all cause an impact on the Company's revenue performance. In response to the changes in the environment above, the Company prepare reports in compliance with the new laws issued by the competent securities authorities and requires suppliers and its products to comply with international environmental protection laws, improve production processes, and enhance production capacity to reduce production costs, and manages customers' needs in real-time to plan for the purchase of raw materials so as to enhance the overall competitiveness.

What is mentioned above is the overview of the 2020 operating performance and the 2021 outlook. We sincerely appreciate your support and recognition. The Chenbro team as a whole will continue to strive for progress and create results to share with you.

Wish you good health and pleasure

Chairperson: Mei-chi Chen

President: Ya-nan Chen

Accounting Supervisor: Chia-lin Chih

# Chapter 2

## Company Profile

- I. Date of Incorporation
- II. Company History

# Chapter 2 Company Profile

Chenbro Micom Co., Ltd. (hereinafter referred to as the "Company") was established in December 1983 with the approval of the Ministry of Economic Affairs. The main business items of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are computer application software design engineering, computer supplies and peripheral equipment import and export trade, as well as R&D, manufacturing, processing, and trading business of the main system of peripheral computer equipment as well as its supplies and consumables.

## I. Date of Incorporation

December 5, 1983

## II. Company History

1983	Established a company in Taipei City with a registered capital of NT\$500,000
1984	Capital increase of NT\$1.5 million in cash, with the registered capital amounting to NT\$2 million Launched the sale of Disk Puncher (the Company's first product) Completed the research and development (R&D) of pullable XT chassis and and posted advertisements in export-oriented magazines (the first computer chassis manufacturer to post such advertisements)
1985	Launched full AT chassis (the world's first tower computer chassis)
1986	Increased capital by NT\$5 million in cash, with the registered capital amounting to NT\$7 million Invested NT\$16 million to purchase an office on Hangzhou North Road.
1987	Completed the development and launch of middle tower and slim all-in-one computer chassis
1988	Capital increase of NT\$18 million in cash, with the registered capital amounting to NT\$25 million Invested NT\$20 million to purchase an office in Zhonghe
1990	Increased capital by NT\$50 million in cash, with the registered capital amounting to 75 million Invested NT\$40 million to purchase a factory in Zhonghe and completed the installation of a computer chassis assembly line Launched the first-phase chassis for servers and lan stations
1994	Invested NT\$60 million to purchase a plastic injection plant in Taoyuan to produce plastic panels and computer peripherals Launched AT case with slide in-out mechanism
1996	Taoyuan factory obtained ISO 9002 international quality certification Launched a series of ATX and server cases
1997	Launched net PC and NLX cases on the market
1998	Established Chenbro Europe as a marketing center in Europe Capitalization of earnings of NT\$30 million and cash capital increase of NT\$30 million, with the registered capital amounting to NT\$135 million
1999	Cash capital increase of NT\$25 million and capitalization of earnings of NT\$142.3 million, alongside an initial public offering, with the registered capital amounting to NT\$302.3 million Invested NT\$160 million to purchase a new office in Zhonghe Won the 38th place in the Best Business Performance rating organized by the Commonwealth magazine
2000	Capitalization of earnings of NT\$161 million with the registered capital amounting to NT\$463.3 million Established the Cayman Chenbro Holding Company to invest in overseas companies and wholly-owned Chinese enterprises to become a corporate manufacturing center. Established Chenbro U.S. as a marketing center in the Americas
2001	Capitalization of capital surplus of NT\$37.06 million, with the registered capital amounting to NT\$500.37 million The Taoyuan Plant's production was not in line with economic benefits, hence production was terminated, and the idle plant and equipment were rented out.

2002	Capitalization of earnings of NT\$40.03 million, with the registered capital amounting to NT\$540.4 million
2003	Invested in Chenbro Technology (Kunshan) Co, Ltd. through an overseas holding company as a manufacturing center in eastern China. Applied for listing in Taipei Exchange (TPEX)
2004	Capitalization of earnings and capital surplus of NT\$63.19 million, with the registered capital amounting to NT\$603.59 million
2005	Stocks are listed for trading in TPEX Capitalization of earnings and employee bonuses of NT\$100.66 million, with the registered capital amounting to NT\$704.25 million
2006	Capitalization of earnings and employee bonuses of NT\$115.46 million, with the registered capital amounting to NT\$819.71 million
2007	Capitalization of earnings and employee bonuses of NT\$135.66 million, with the registered capital amounting to NT\$955.37 million Invested in Dongguan Procace Electronic Co., Ltd. through an overseas holding company as a manufacturing center in southern China
2008	Capitalization of earnings and employee bonuses of NT\$159.74 million, with the registered capital amounting to NT\$1.11511 billion
2011	Capitalization of earnings of NT\$39.95 million, with the registered capital amounting to NT\$1.15506 billion Delisted from TPEX and Listed on Taiwan Stock Exchange (TWSE) instead on December 1
2012	Capitalization of earnings of NT\$46.2 million with the registered capital amounting to NT\$1.20126 billion Invested in the establishment of Chenbro Huan-Xing Technology (Shenzhen) Co., Ltd. through the overseas holding company, responsible for marketing business in China
2013	Invested NT\$82.09 million to purchase a new office in Zhonghe A U.S. subsidiary invested US\$7.94 million to purchase new plants and offices to facilitate overseas business expansion Invested CNY 18.73 million to purchase an office in Beijing to provide timely services to local customers
2014	Chenbro Technology (Kunshan) Co, Ltd. invested in the establishment of Chenbro Huan-Xing Technology (Beijing) Co., Ltd. as a R&D technology center
2015	Invested in the establishment of the subsidiary Chenbro GmbH in German; won the 24th National Award of Outstanding SMEs
2016	Invested in the establishment of ChenPower Information Technology (Shang Hai) Co., Ltd. Beijing branch through the overseas holding company, responsible for marketing in China
2017	The grand opening of Shanghai Creativity Center; the third phase project of Chenbro Technology (Kunshan) Co, Ltd. was officially put into operation
2018	Won the Red Dot Award Winner, SGS ISO 9001 Plus Award-Performance Management Award Won the 3rd Sports Enterprise Certification Award launched by the Ministry of Education and the 2018 Middle-Standing Enterprises Award of CSR Benchmarking Enterprises of the CommonWealth magazine
2019	Won the CHR Healthy Corporate Citizen-Excellence Award in Health Activity Invested NT\$500.084 million to purchase a new office in Fuduxin, Xinzhuang
2020	Invested in the establishment of an NCT factory with Chen-Feng Precision Co., Ltd. investing NT\$35 million, 70% of the equity
2021	Invested in establishment of a new factory on the phase 1 production land in the Machouhou Industrial Park, Chiayi

# Chapter 3

## Corporate Governance Report

- I. Organization
- II. Information on the Company's Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of the Company's Divisions and Branches
- III. Remuneration Paid During the Most Recent Fiscal Year to Directors, Supervisors, President, and Vice Presidents
- IV. Implementation of Corporate Governance
- V. Information on CPA Professional Fees
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- VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report) by a Director, Supervisor, Manager or Shareholder with a Stake of More than 10 Percent
- IX. Relationship Information, If Among the Company's Ten Largest Shareholders, Any One Is a Related Party or a Relative Within the Second Degree of Kinship of Another
- X. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company

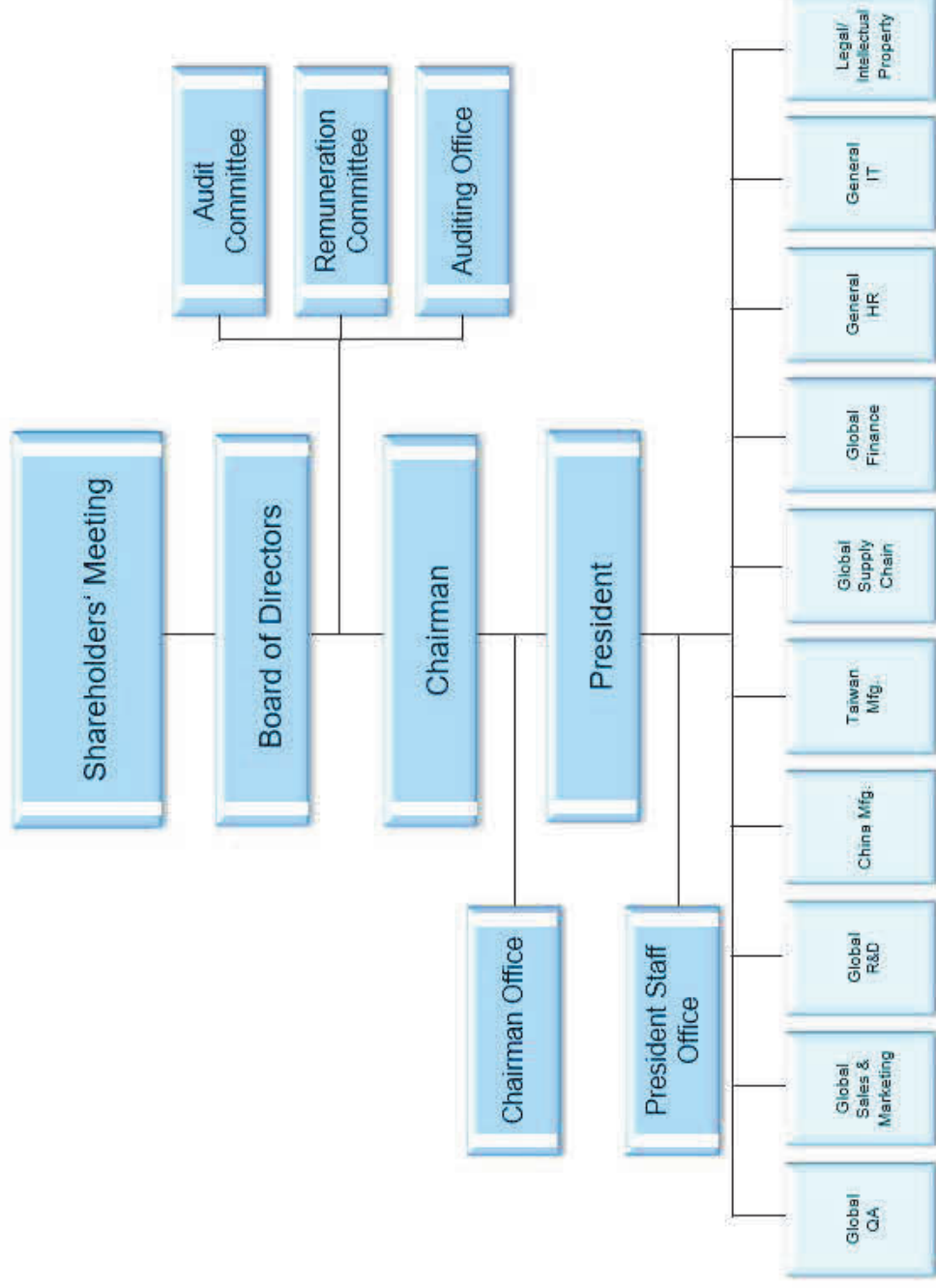


# Chapter3 Corporate Governance Report

## I. Organization

(I) Organizational Chart

### Global Organization Chart



## (II) Functions of Major Divisions

Division	Major Functions
Chairman's Office	Outline the corporate development vision and blueprint. Shape the corporate culture. Encourage employees to innovate. Promote corporate ESG commitments.
President's Office	Assist the President in coordinating with the Company's overall operating strategy, planning, preparing statistics, doing follow-ups, etc.
Global Sales Division	Develop and execute the Company's global business plans. Ensure that the Company's business achieves profitability and sustainable growth. Provide world-class customer services and maintain strategic business partnerships with customers. Develop new markets and new customers, and continue to develop the Company year by year.
Global Research and Development Division	Responsible for new product R&D, improve production technology, and strengthen customer-oriented concepts and module design capabilities. Promote innovative technological research.
Global Product Marketing Division	Collect industry intelligence and conduct analyses, study emerging markets and potential target customers, plan company product roadmap. Set product prices, ensure product gross margins, and coordinate production and sales strategies. Coordinate and communicate product marketing activities and focus on the implementation direction of relevant departments. Manage the Company's official website and social media, as well as plan and manage trade shows and distributors' events. Manage strategic partnership and public relations. Responsible for research on product appearance trends, user experience, and material application, and communication of visual image of the Company and the products, as well as design marketing materials.
Manufacturing Center in China	Responsible for server and computer case manufacturing. Responsible for analysis and supervision of factory operating performance. Produce a variety of (customized) products in a small number and provide services. Promote lean production and automated production to provide fast and accurate delivery and supply capabilities. Responsible for computer case and server manufacturing and sales, as well as development of manufacturing technology and efficiency. Responsible for new models, new manufacturing processes, the quality of mass-produced models, and the operation of quality systems. Responsible for storage environment, industrial safety, occupational health and risk management, and compliance with relevant laws and regulations. Responsible for energy saving and cost reduction, social care, assistance to the disadvantaged, green energy use, and resource recycling and regeneration.
Global Quality Assurance Division	Establish and manage a global quality operation system. Responsible for global customer quality management. Responsible for supplier management. Carry out product quality assessment on products under development and manage the quality of existing products. Resolve relevant issues and provide customer support (FAE/RMA).
Standard Product Project Development Division	Responsible for development, planing, and implementation of standard products and their derivative models, and launch on time. Responsible for new product development project budget and cost planning and control. Responsible for interdepartmental communication and coordination for new product development. Responsible for new product specifications, cost evaluation, and assistance in providing quotations.
Global Supply Chain Management Division	Provide guidance to suppliers, manufacturers, and subcontractor for collaboration to meet the basic requirements of the Company's orders, quality, cost, etc., and continue to seek suppliers who can grow together, benefit each other, and become the Company's future long-term partners in the future.

Division	Major Functions
Business Operations Division	Assist with the establishment of interdepartmental operating models, linking sales and operating departments to achieve performance goals.
Global Information Division	Plan the development goals and strategy implementation of the entire group's information business; assist in the digitization of and development of standard operation procedures for the group's business development, and maintain the Company's information security and provide real-time big data information to facilitate business management analysis.
Global Finance Division	Build a high-efficiency and high-quality financial platform, provide transparent and credible financial information, conduct operational analysis, and develop improvement plans, to achieve good corporate governance through rigorous control and auditing. Provides long-term investment and financing-related financial decision-making assessments, as well as planning for applicable taxes, while responsible for credit risk control and financial crisis prediction models to reduce corporate risks. Responsible for holding board meetings and shareholders' meetings, stock affairs management operations, and ex-dividend operations.
Global Human Resources Division	Cooperate with the Company's strategic development needs to plan and execute human resources strategies, so that the Company's human assets can be continuously strengthened to ensure the Company's sustainable operation; formulate performance management and training development policies and regulations to improve organizational performance and core capabilities; draft labor safety and health policies, provide staff and personnel services, and develop a good labor-management environment.
Legal Affairs & Intellectual Property Division	Review various contracts, provide legal advice, manage patents, trademarks, and other intellectual property rights, handle legal proceedings, dispute cases, and analyze relevant laws and regulations.
Audit Office	Conduct internal control self-evaluation review and internal audit-related announcements and reports, formulate annual internal control audit plans, complete monthly items to be audited, and prepare audit reports, including internal control audits of the headquarters and subsidiaries; or conduct ad-hoc audits and improvement tracking according to the board of directors and senior management's requirements, . Check and review the deficiencies of the internal control system, measure the effectiveness and efficiency of the operation, and provide improvement suggestions in a timely manner and produce a follow-up report to ensure the continuous and effective implementation of the internal control system while serving as the basis for the revision of the internal control system.

## II. Information on the Company's Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of the Company's Divisions and Branches

### (I) Directors and Supervisors

1. Name, gender, nationality or place of registration, education and major experience, current positions in the Company and other companies served concurrently, date elected/appointed, term of office, date first elected, shareholdings of the person, his/her spouse, minors, and by nominee arrangement, professional qualifications, and independence status:

Date: March 16, 2021

Title	Nationality/ Place of registration	Name	Gender	Date elected	Term of office	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement		Major experience (education)	Current positions in the Company and other companies served concurrently	Executives, directors, or supervisors who are spouse or relative within the second degree of kinship			Note (Note 1)
							Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%			Title	Name	Relationship	
Chairperson	ROC	Mei-chi Chen	Female	Jun. 23, 2020	3 years	Jul. 6, 2009	9,656,009	8.07	9,656,009	7.99	2,009,000	1.66	12,209,000	10.10	EMBA, National Taiwan University Department of Money and Banking, National Chengchi University	Chairperson of the Company Director, Peng Wei Investment Chairperson, Lian-mei Investment Ltd. Director, Chen-Source Inc. Chairperson, Chen-Feng Precision Co., Ltd.	Executive assistance to Chairman	Tsun- yen Lee	Relative-in- law	N/A
Director	ROC	Chung-pao Wu	Male	Jun. 23, 2020	3 years	Jun. 26, 2009	0	0.00	0	0.00	0	0.00	0	0.00	Master's, International Business, National Taiwan University Chairperson, Protech Systems Co., Ltd.	Chairperson, Protech Systems Co. Independent Director, Marktech International Corp. Independent Director, Eva Airways Corporation Director, CPC Corporation, Taiwan	N/A	N/A	N/A	N/A
Director	ROC	Tsun-yen Lee	Female	Jun. 23, 2020	3 years	Jun. 26, 2009	5,296,029	4.42	5,306,029	4.39	13,614,433	11.26	0	0.00	Business Department, Taipei Municipal Shilin High School of Commerce Chairperson, Ming-kwong Investment Co., Ltd.	Executive assistance to Chairman Chairwoman of Ming-kwong Investment Co., Ltd. Chairperson, Chung-chiao Capital Management Co. Director, Chen-Source Inc. Chairperson, Chin-yueh Technology Co. Independent Director, HIM International Music Inc. Chairperson, Chung-hsin Development Co.	Chairperson	Mei-chi Chen	Relative-in- law	N/A
Director	ROC	Yu-ling Tsai	Female	Jun. 23, 2020	3 years	Jun. 23, 2020	0	0	0	0	0	0	0	0	Bachelor of Laws, National Taiwan University General Counsel, IBM Greater China General Counsel, IBM Taiwan Judge of Taipei Shilin, Taoyuan, Changhua, and other local courts	Co-founder, Lee, Tsai & Partners Chairwoman, Taiwan Fintech Association Chairwoman, Taiwan Women on Boards Association Director, Chilitina Holding Limited Director (representative of Tone Investments Ltd.), Jess-link Products Co., Ltd. Chairwoman, J-Reach Co., Ltd. Director, Le Gala International, Ltd. Supervisor, Huanan University Supervisor, Artificial Intelligence Foundation Director, K.T. Li Foundation for Development of Science and Technology Member of Smart City Committee of Taipei City Government Member of the International Affairs Committee of Taipei City Government Member of the Data Governance Committee of Taipei City Government Advisor, Taipei City Government	N/A	N/A	N/A	N/A

Title	Nationality/ Place of registration	Name	Gender	Date elected	Term of office	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement		Major experience (education)	Current positions in the Company and other companies served concurrently	Executives, directors, or supervisors who are spouse or relative within the second degree of kinship			Note (Note 1)
							Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%			Title	Name	Relationship	
Director	ROC	Te-feng Wu	Male	Jun. 23, 2020	3 years	Jun. 23, 2020	0	0.00	0	0.00	0	0.00	0	0.00	EMBA Program, National Taiwan University Master of Commerce, Fudan University Deputy Director and Chief Strategist, PricewaterhouseCoopers Taiwan (PwC Taiwan) Chairman, EyesMedia Co., Ltd.	Chairman, Chunghwa Tax Research Center Director, Taifeng Co., Ltd. Director, Taiwan Star Telecom Corporation Limited Honorary Chairman, Chungghwa Institute of Int'l Taxation Chief Strategic Adviser, Int Tech Co., Ltd. Associate Professor, Department of Accounting, Dongwu University Associate Professor, Department of Business Administration, Cheng Yuan Christian University	N/A	N/A	N/A	N/A
Independent Director	ROC	An-pang Tsao	Male	Jun. 23, 2020	3 years	Jun. 20, 2014	0	0.00	0	0.00	0	0.00	0	0.00	MBA, Illinois Institute of Technology, Chicago, USA CEO and President, D-Link Corporation Sales Director, DEC, Asia Pacific Hong Kong region Head of e-commerce Channels, IBM, Asia Pacific Australia Specialist for Taiwan Region Sales Development & Head of Development Strategy Cooperation, IBM	Chairman, GCR Col. Ltd. Chairperson Director, AVer Information Inc. Director, Faraday Motor Co., Ltd.	N/A	N/A	N/A	N/A
Independent Director	ROC	Wen-cheng Huang	Male	Jun. 23, 2020	3 years	May. 27, 2011	0	0.00	0	0.00	0	0.00	0	0.00	Bachelor of Mechanical Engineering, National Cheng Kung University MBA, National ChengChi University President, China Motor Corporation Vice CEO, Yulon-group Co., Ltd. Chairman, Automotive Research & Testing Center	Chairman, Global Fortune Investment Corp. Chairman, Kuo-fu Global Fortune Management Co., Ltd. Independent Director, YFY Inc. Independent Director, Chenbro Micom Co., Ltd. Representative of institutional director, Aces Electronics Co., Ltd. Independent Director, Entire Technology Co., Ltd. Supervisor, ezTravel Co. Ltd. Supervisor, ezTravel Travel Agency Co., Ltd. Director, eLAND Information Co., Ltd. Chairman, Kuo-fu Global Fortune Management Co., Ltd. Representative of institutional director, Phoenix Innovation Investment Corporation, Director, Consense & Associates, Inc.	N/A	N/A	N/A	N/A
Independent Director	ROC	Wei-shun Cheng	Male	Jun. 23, 2020	3 years	Jun. 23, 2020	0	0	0	0	0	0	0	0	Master's, Accounting, Northern Illinois University Chief Financial Officer & Executive Vice President, AU Optronics Corporation Representative Director, Darwin Precisions Corporation Director, Lextar Electronics Corporation Chairman, Hsiang-ta Materials Co., Ltd. Vice Chairman, AUO Crystal Corp. Representative of Institutional Director & President, Kang-li Investment Co., Ltd. Representative of Institutional Director & President, Lung-li Investment Co., Ltd.	Director, Shirre Lab Co. Independent Director, Daxin Materials Corp. Independent Director, Raydlum Semiconductor Corporation Independent Director, Unictron Technologies Corporation	N/A	N/A	N/A	N/A

Title	Nationality/ Place of registration	Name	Gender	Date elected	Term of office	Date first elected	Shareholding when elected		Current shareholding		Spouse & minor shareholding		Shareholding by nominee arrangement		Major experience (education)	Current positions in the Company and other companies served concurrently	Executives, directors, or supervisors who are spouse or relative within the second degree of kinship			Note (Note 1)
							Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%			Title	Name	Relationship	
Independent Director	ROC	Chung-hsing Huang	Male	Jun. 23, 2020	3 years	Jun. 23, 2020	0	0	0	0	0	0	0	0	Ph.D, Business Administration, University of Texas-Austin Vice Dean, College of Management National Taiwan University Guest professor, College of Management Tunghai University Supervisor, Test-Rite International Co., Ltd. (2908 TT) Chairman, Dotcom Charity Foundation	Independent Director, Huxen Corporation Independent Director, Medical Imaging Corporation Independent Director, Avary Holding (Shenzhen) Co., Limited	N/A	N/A	N/A	N/A
Independent Director	ROC	Kuei-ying Hsu (Note 2)	Female	Jun. 20, 2017	3 years	Jun. 29, 2004	0	0	0	0	0	0	0	0	Department of Accounting Soochow University Head of Finance Department, Lite-on Semiconductor Corporation (resigned on June 17, 2000)	N/A	N/A	N/A	N/A	N/A
Supervisor	ROC	Li-Jung Huang (Note 2)	Female	Jun. 20, 2017	3 years	Jun. 27, 2002	826,946	0.69	43,000	0.04	0	0	0	0	Soochow University Director, Schering-Plough Taiwan	N/A	N/A	N/A	N/A	N/A
Supervisor	ROC	Ya-Mi Li (Note 2)	Female	Jun. 20, 2017	3 years	Oct 20, 1999	181,334	0.15	200,334	0.17	0	0	0	0	Christ's College Taipei Rutgers The State University of New Jersey (degree not obtained) President, of Acron Iterational Ltd.	Director, Ancore Technology Corporation	N/A	N/A	N/A	N/A
Supervisor	ROC	Chen-hsiang Chen (Note 2)	Male	Jun. 20, 2017	3 years	Jun. 27, 2002	126,224	0.11	126,224	0.10	0	0	0	0	Ph.D, National Taiwan University Associate Professor, Ming Chuan University	N/A	N/A	N/A	N/A	N/A

Note 1: No Chairperson and Vice President or persons with equivalent positions (the top manager) are the same person or are in a spousal relationship or within first degree of kinship at the Company.

Note 2: On June 23, 2020, the Company decided to set up an Audit Committee to replace the supervisors. Independent director Kuei-ying Hsu and supervisors Li-jung Huang, Ya-Mi Li, and Chen-hsiang Chen were dismissed on June 23, 2020.

**(2) Any director or supervisor is a representative of an institutional shareholder: None**

**(3) A major shareholder is a juridical person as in (2): None**



#### (4) Professional knowledge and independence information of directors and supervisors

Date: March 16, 2021

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Status of Independence (Note 2)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12		
Name																	
Mei-chi Chen			✓							✓				✓	✓	✓	N/A
Tsun-yen Lee			✓							✓				✓	✓	✓	1
Chung-pao Wu										✓	✓	✓	✓	✓	✓	✓	2
Yu-ling Tsai				✓						✓	✓	✓	✓	✓	✓	✓	N/A
Te-feng Wu	✓		✓							✓	✓	✓	✓	✓	✓	✓	N/A
Wen-cheng Huang										✓	✓	✓	✓	✓	✓	✓	2
An-pang Tsao										✓	✓	✓	✓	✓	✓	✓	1
Wei-shun Cheng				✓						✓	✓	✓	✓	✓	✓	✓	3
Chung-hsing Huang	✓									✓	✓	✓	✓	✓	✓	✓	2
Kuei-ying Hsu (Note 1)										✓	✓	✓	✓	✓	✓	✓	N/A
Li-jung Huang (Note 1)										✓	✓	✓	✓	✓	✓	✓	N/A
Ya-mi Li (Note 1)										✓	✓	✓	✓	✓	✓	✓	N/A
Chen-hsiang Chen (Note 1)	✓									✓	✓	✓	✓	✓	✓	✓	N/A

Note 1: On June 23, 2020, the Company decided to set up an Audit Committee to replace the supervisors. Independent director Kuei-ying Hsu and supervisors Li-jung Huang, Ya-mi Li, and Chen-hsiang Chen were dismissed on June 23, 2020.

Note 2: Each director and supervisor who meet the following qualifications 2 years before assumption of office and during the office shall put a "✓" in the box below each condition code.✓

- (1) Not an employee of the Company or any of its affiliated enterprises.
- (2) Not a director or supervisor of the Company or its affiliates (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (3) Not a director, spouse, minor children thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company in the name of others or with top ten ownership.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of an institutional shareholder who directly holds more than 5% of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (7) Not a director, supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Security and Exchanges Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.
- (10) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
- (11) Not been a person of any conditions defined in Article 30 of the Company Act.
- (12) Not a governmental or juridical person or its representative as defined in Article 27 of the Company Act.

## (II) Information on President, Vice Presidents, Assistant Vice Presidents, and Heads of the Company's Divisions and Branches

Date: March 16, 2021

Title	Nationality	Name	Gender	Date elected	Shareholdings		Spouse & minor shareholdings		Shareholding by nominee arrangement		Experience (education)	Other concurrent positions	Managers with a spousal relationship or within the second degree of kinship			Note (Note 1)
					Number of shares	%	Number of shares	%	Number of shares	%			Title	Name	Relationship	
Chairperson	ROC	Mei-chi Chen	Female	Jun. 23, 2020	9,656,009	7.99	2,009,000	1.66	12,209,000	10.10	EMBA, National Taiwan University Department of Money and Banking, National Chengchi University	Chairperson of the Company Director, Peng Wei Investment Chairperson, Lian-mei Investment Ltd. Director, Chen-Source Inc. Chairperson, Chen-Feng Precision Co., Ltd.	Executive assistance to Chairman	Tsun-yen Lee	Relative-in-law	N/A
President	ROC	Ya-nan Chen	Female	Jul. 2, 2018	214	0.00	0	0.00	0	0.00	Department of Foreign Languages and Literatures, National Taiwan University Intel Microelectronics Asia Lic, Taiwan Branch (USA) LSI Corporation NetApp (hong kong) Limited Taiwan Branch	N/A	N/A	N/A	N/A	N/A
Global Sales Division Vice President	Hong Kong	Chien-nan Hsu	Male	Jul. 2, 2018	150,000	0.12	0	0.00	0	0.00	Department of Mechanical Engineering, The Hong Kong Polytechnic University Intel Asia-Pacific Research & Development Ltd, Shanghai, China Astec Customer Power (HK) Ltd., Hong Kong, China Tectrol Inc., Toronto, Canada Astec Customer Power (HK) Ltd., Hong Kong, China	N/A	N/A	N/A	N/A	N/A
Vice President, Global Research and Development Division	ROC	Yu-tzu Huang	Male	Aug. 1, 2019	64,833	0.05	52	0.00	0	0.00	Department of Applied Foreign Languages, Lunghwa University of Science and Technology Department of Mechanical Engineering, National Kaohsiung University of Applied Sciences Ranbon Electronic Industrial Co., Ltd.	N/A	N/A	N/A	N/A	N/A
Assistant Vice President in Accounting, Global Finance and Accounting Division	ROC	Chia-ling Chih	Female	Sep. 30, 2008	51,999	0.04	0	0.00	0	0.00	EMBA, National Taiwan University/Department of Accounting, Soochow University Motorola Solutions, Inc.	N/A	N/A	N/A	N/A	N/A
Assistant Vice President in Finance, Global Finance and Accounting Division	Malaysia	Wan-ming Huang	Male	Aug. 28, 2020	0	0.00	2,000	0.00	0	0.00	Department of Finance, National Sun Yat-sen University International CSRC Investment Holdings Co., Avery Dennison Ris Taiwan Ltd.	N/A	N/A	N/A	N/A	N/A
Vice President, Manufacturing Division, Taiwan	ROC	Ming-chi Li	Male	Oct. 15, 2020	0	0.00	1,000	0.00	0	0.00	Institute of Mechanical Engineering, National Taiwan University of Science and Technology Xiamen Hongfa Electroacoustic Co., Ltd. Darwin Precisions Corporation	N/A	N/A	N/A	N/A	N/A
Assistant Vice President, Global Product Marketing Division (Note 2)	ROC	Tsung-min Lin	Male	Jan. 1, 2015	470	0.00	0	0.00	0	0.00	Institute of Mechanical Engineering, National Taiwan University of Science and Technology Chenbro Micom (USA) Inc. Chenbro GmbH Advantech Co., Ltd.	N/A	N/A	N/A	N/A	N/A
Global Chief Financial Officer (Note 3)	ROC	Ke-ti Tsou	Male	Oct. 13, 2016	0	0.00	0	0.00	0	0.00	EMBA, Guanghua School of Management, Peking University Head of Finance Department, LITE-ON Technology, China Chief Financial Officer, Everrich Energy Corporation	N/A	N/A	N/A	N/A	N/A

Note 1: In case that the President or an equivalent position (top manager) is assumed concurrently by the Chairman, or by his/her spouse or a relative within one degree of kinship, the reason, reasonableness, necessity, and countermeasures (such as increasing the number of independent directors, and more than half of the directors not concurrently serving as employees or managers) shall be described.

Note 2: Tsung-min Lin, Assistant Vice President, Global Product Marketing Division, resigned on Feb. 29, 2020.

Note 3: Ke-ti Tsou, Global Chief Financial Officer, resigned on Aug. 31, 2020

### III. Remuneration Paid During the Most Recent Fiscal Year to Directors, Supervisors, President, and Vice Presidents

#### (1) Remuneration of directors and including independent directors (disclosure of name with individual corresponding bracket)

December 31, 2020; unit: NT\$ thousand

Title	Name	Directors' Remuneration						The Sum of A, B, C and D as a Percentage of Earnings After Tax (%) (Note 10)		Relevant Remuneration Received by Directors Who are Also Employees						Sum of (A+B+C+D+E+F+G) as a Percentage of Net Income After Tax (%) (Note 10)		Remuneration Received from Investee or parent company other than the Company's subsidiaries (Note 11)
		Compensation (A) (Note 2)		Pension (B)	Directors' Consideration (C) (Note 3)		Professional practice payments (D) (Note 4)	Companies in the financial statements (Note 7)		Salary, Bonuses, and Allowances (E) (Note 5)		Pension (F)		Employee compensation (G) (Note 6)		The Company	Companies in the financial statements (Note 7)	
		The Company	Companies in the financial statements (Note 7)		The Company	Companies in the financial statements (Note 7)		The Company	Companies in the financial statements (Note 7)	The Company	Companies in the financial statements (Note 7)	The Company	Companies in the financial statements (Note 7)	Amount of Cash	Amount of Stock			
Director	Mei-chi Chen																	
	Chung-pao Wu																	
	Tsun-yen Lee	0	0	0	0	9,783	9,783	54	54	1.01%	3,300	12	12	0	256	0	1.37%	1.37%
	Yu-ling Tsai																	
	Te-feng Wu																	
Independent Director	Wen-cheng Huang																	
	An-pang Tsao																	
	Wei-shun Cheng	0	0	0	0	8,515	8,515	63	63	0.88%	0	0	0	0	0	0	0.88%	0.88%
	Chung-hsing Huang																	
	Kuei-ying Hsu (Note 12)																	

1. Independent director Kuei-ying Hsu was dismissed on June 23, 2020.

2. Except as otherwise disclosed herein, the directors of the Company have received other remunerations for providing services (in a non-employee capacity, such as an advisor) to any of the companies in the consolidated financial statements in the most recent year.

3. Please explain the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration received and the factors, such as job responsibilities, risks, and the time devoted.

(1). Honoraria: Honoraria are paid with reference to the standards of the industry and according to the attendance of the directors and supervisors at board meetings, and the payment is NT\$3,000 per attendance.

(2) Remuneration of directors and supervisors: It is handled in accordance with Article 24 of the Company's Articles of Incorporation. If the Company makes a profit for the year, no more than 3% of the balance shall be allocated as remuneration to directors and supervisors. The remuneration to directors and supervisors shall be reported to the shareholders' meeting. However, when the Company still has accumulated losses, it shall reserve an amount of compensation in advance, and then allocate the remuneration to directors and supervisors in proportion to the percentage in the preceding paragraph. The board of directors shall draft a proposal for the distribution of remuneration to directors and supervisors, and the remuneration to directors and supervisors after the report is submitted to the shareholders' meeting shall be distributed and paid according to their positions and years of service. Remuneration can only be distributed when the Company has a surplus in its final accounts, so it will not cause risks to the Company's future operations. Since the net income after tax this year increased compared with last year, the increase in the remuneration for each director this year compared with last year is reasonable. Although the net income after tax for the current period increased compared with last year, it is reasonable that the remuneration for directors and supervisors provided after the gains on one-off disposal of property is deducted is lower than the amount last year.

**Table of Remuneration Ranges**

The Remuneration Ranges of the Directors	Name of Director			
	Sum of (A+B+C+D)		Sum of (A+B+C+D+E+F+G)	
	The Company (Note 8)	Companies in the financial statements (Note 9) H	The Company (Note 8)	Companies in the financial statements (Note 9) I
Less than NT\$1,000,000				
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)	Wei-shun Cheng/Yu-ling Tsai/Te-feng Wu/Chung-hsing Huang/kuei-ying Hsu (Note 12)	Wei-shun Cheng/Yu-ling Tsai/Te-feng Wu/Chung-hsing Huang/kuei-ying Hsu (Note 12)	Wei-shun Cheng/Yu-ling Tsai/Te-feng Wu/Chung-hsing Huang/kuei-ying Hsu (Note 12)	Wei-shun Cheng/Yu-ling Tsai/Te-feng Wu/Chung-hsing Huang/kuei-ying Hsu (Note 12)
NT\$2,000,000 (included) ~NT\$3,500,000(excluded)	Chung-pao Wu/Wen-cheng Huang/An-pang Tsao/Tsun-yen Lee/Mei-chi Chen	Chung-pao Wu/Wen-cheng Huang/An-pang Tsao/Tsun-yen Lee/Mei-chi Chen	Chung-pao Wu/Wen-cheng Huang/An-pang Tsao	Chung-pao Wu/Wen-cheng Huang/An-pang Tsao
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)			Tsun-yen Lee	Tsun-yen Lee
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)			Mei-chi Chen	Mei-chi Chen
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)				
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)				
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)				
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)				
Over NT\$100,000,000				
Total	10 persons	10 persons	10 persons	10 persons

Note 1: Directors' names shall be identified by one (institutional shareholders shall be identified by the institutional shareholder's name and representative's individually), and general director and independent director shall be indicated separately, and the amounts of various payments are disclosed in an aggregate manner. If a director concurrently serves as the President or Vice President, he/she shall be listed in this table and the table (3) following table "The Remuneration Ranges of the President and Deputy Vice Presidents".

Note 2: The remuneration to directors in 2020 (including director's salary, duty allowance, severance pay, bonuses, rewards, etc.).

Note 3: The allocation of remuneration to directors for 2020 is based on the amount approved by the board of directors in 2021.

Note 4: The directors' professional practice payments in 2020 (including honoraria, special allowance, various allowances, and provision of such tangible objects as dormitory and company cars, etc.). If housing, vehicle, or other means of transportation, or personal expenses are provided, the nature and cost of such assets provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments, excluding the relevant compensation paid to chauffeurs, shall be disclosed. It is in the amount of NT\$ 1,331 thousand.

Note 5: Salary, duty allowance, severance pay, bonuses, rewards, honoraria, special allowance, various allowances, and provision of such tangible objects as dormitory and company cars received by the directors who acted as employees concurrently (including president, vice president, managers, and employees) in 2020. If housing, vehicle, or other means of transportation, or personal expenses are provided, the nature and cost of such assets provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments, excluding the relevant compensation paid to chauffeurs, shall be disclosed. It is in the amount of NT\$ 1,331 thousand.

Any salary listed under IFRS 2 Share-Based Payment, including employee stock warrants, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.

Note 6: In 2021, as approved by the board of directors, a total of NT\$71,485 thousand of employee remuneration for the directors was allocated for 2020, which will be reported to the 2021 shareholders' meeting, so the directors listed above are serving as employees concurrently (including serving as the President, Vice Presidents, other managers, and employees concurrently). The amount of employee remuneration (including stock and cash) this year is based on the proportion of the actual distribution amount last year.

Note 7: The aggregate of each remuneration to the Company's directors by the companies included into the consolidated financial statements (including the Company) shall be disclosed.

Note 8: The director's name in each corresponding bracket is disclosed for the aggregate of each remuneration to each director by the Company.

Note 9: The director's name in each corresponding bracket is disclosed for the aggregate of each remuneration to each director by the companies included into the consolidated financial statements (including the Company).

Note 10: The net income after tax here is based on the International Financial Reporting Standards adopted by the Company, and the net income after tax in the individual financial statements for 2020 is NT\$976,857 thousand.

Note 11: a. This column shall specify whether the Company's supervisors have received remuneration from investees or parent company other than subsidiaries (if none, please fill in "none").

b. If the Company's directors have received remuneration from investees or parent company other than subsidiaries, said remuneration received shall be included in column I of the table of remuneration ranges, and the column title shall be changed to "parent company and all investees".

c. The remuneration shall refer to the compensation, remuneration, (including remuneration to employees, directors, and supervisors), and professional practice payments received by the Company's directors who acted as directors, supervisors, or managers of investees or parent company other than subsidiaries.

Note 12: Independent director Kuei-ying Hsu was dismissed on June 23, 2020.

\* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act; thus, the purpose of this table is for information disclosure only, rather than for taxation purposes



## (2) Remuneration to Supervisors (name is disclosed in corresponding range of aggregate remuneration)

December 31, 2020 Unit: NT\$ thousand

Title	Name	Remuneration to Supervisors					Sum of (A+B+C+D) as a percentage of net income after tax (Note 8)		Remuneration from investees or parent company other than subsidiaries (Note 9)
		Remuneration (A) (Note 2)		Consideration (B) (Note 3)		Professional practice payments (C) (Note 4)			
		The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)	The Company	All companies included in the financial statements (Note 5)		
Supervisor	Li-jung Huang (Note 1)								
Supervisor	Ya-mi Li (Note 1)	0	0	3,446	3,446	27	27	0.36%	0.36%
Supervisor	Chen-hsiang Chen (Note 1)								

Note 1: The Company established an Audit Committee to replace the supervisors on June 23, 2020. Therefore, the supervisors were dismissed on June 23, 2020. The period of the remuneration disclosed is from January 1, 2020 to June 22, 2020.

## Table of Remuneration Ranges

The Remuneration Ranges of the Supervisors	Name	
	Sum of (A+B+C)	
	The Company (Note 6)	All companies included in the financial statements (Note 7) D
Less than NT\$1,000,000		
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)	Li-jung Huang/Ya-mi Li/Chen-hsiang Chen (Note 10)	Li-jung Huang/Ya-mi Li/Chen-hsiang Chen (Note 10)
NT\$2,000,000 (included) ~ NT\$3,500,000(excluded)		
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)		
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)		
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)		
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)		
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)		
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)		
Over NT\$100,000,000		
Total	3 persons	3 persons

Note 1: The name of supervisors shall be identified individually, and the various payments shall be disclosed in an aggregate manner.

Note 2: The remuneration to supervisors in 2020 (including supervisors' salary, duty allowance, severance pay, bonuses, rewards, etc.).

Note 3: The 2020 remuneration allocated refers to supervisors' remuneration approved by the board of directors in 2020.

Note 4: The supervisors' professional practice payments in 2020 (including honoraria, special allowance, various allowances, and provision of such tangible objects as dormitory and company cars, etc.). If housing, vehicle, or other means of transportation, or personal expenses are provided, the nature and cost of such assets provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a chauffeur is provided, disclose compensation paid to the chauffeur in a note; however, do not calculate such as part of the remuneration of the supervisors.

Note 5: The aggregate of the remunerations to each supervisor by the companies included into the consolidated financial statements (including the Company)

Note 6: The supervisor's name in each corresponding bracket is disclosed for the aggregate of each remuneration to each supervisor by the Company.

Note 7: The aggregate of the remunerations to each supervisor by the companies included into the consolidated financial statements (including the Company) shall be disclosed, and the supervisors' name shall be disclosed in their corresponding brackets.

Note 8: The net income after tax here is based on the International Financial Reporting Standards adopted by the Company, and the net income after tax in the individual financial statements for 2020 is NT\$976,957 thousand.

Note 9: a. This column shall specify whether the Company's supervisors have received remuneration from investees or parent company other than subsidiaries (if none, please fill in "none").

b. If the Company's supervisors have received remuneration from investees or parent company other than subsidiaries, said remuneration received shall be included in column D of the table of remuneration ranges, and the column title shall be changed to "parent company and all investees".

c. The remuneration shall refer to the compensation, remuneration, (including remuneration to employees, directors, and supervisors), and professional practice payments received by the Company's supervisors who acted as directors, supervisors, or managers of investees or parent company other than subsidiaries.

Note 10: The Company established an Audit Committee to replace the supervisors on Jun. 23, 2020. Therefore, the supervisors were dismissed on Jun. 23, 2020. The period of the remuneration disclosed is from Jan. 1, 2020 to Jun. 22, 2020.

\* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act, thus the purpose of this table is for information disclosure only, rather than taxation purpose.

(3) Remuneration to President and Vice Presidents (name is disclosed in corresponding range of aggregate remuneration)

December 31, 2020 Currency Unit: NT\$ thousand

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and special allowance, etc. (C) (Note 3)		Employee compensation (D) (Note 4)			The sum of A, B, C, and D as a percentage of net income after tax (%) (Note 8)	Remuneration from any Investee or parent company other than subsidiaries (Note 9)	
		The Company	Companies in the financial statements (Note 5)	The Company	Companies in the financial statements (Note 5)	The Company	Companies in the financial statements (Note 5)		Companies in the financial statements (Note 5)				
							Amount of Cash	Amount of Stock		Amount of Cash			Amount of Stock
President	Ya-nan Chen	10,868	16,514	266	423	11,005	15,586	16,753	0	16,753	0	5.04	0
Vice President	Yu-tzu Huang												
Vice President	Chien-nan Hsu												
Vice President	Ming-chi Li												
Global Chief Financial Officer	Ke-ti Tsou (Note 1)												

Note 1: Ke-ti Tsou, Global Chief Financial Officer, resigned on Aug. 31, 2020

\* Any positions equivalent to president or vice president (e.g. President, CEO, or Director, etc.) shall be disclosed, regardless of job titles.

Table of Remuneration Ranges

The Remuneration Ranges of the President and Deputy Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	All companies included in the financial statements (Note 7)
Less than NT\$1,000,000	Ming-chi Li	Ming-chi Li
NT\$1,000,000 (included) ~ NT\$2,000,000 (excluded)		
NT\$2,000,000 (included) ~ NT\$3,500,000(excluded)		
NT\$3,500,000 (included) ~ NT\$5,000,000 (excluded)	Ke-ti Tsou (Note 10)	Ke-ti Tsou (Note 10)
NT\$5,000,000 (included) ~ NT\$10,000,000 (excluded)	Yu-tzu Huang	Yu-tzu Huang
NT\$10,000,000 (included) ~ NT\$15,000,000 (excluded)		Chien-nan Hsu
NT\$15,000,000 (included) ~ NT\$30,000,000 (excluded)	Ya-nan Chen	Ya-nan Chen
NT\$30,000,000 (included) ~ NT\$50,000,000 (excluded)		
NT\$50,000,000 (included) ~ NT\$100,000,000 (excluded)		
Over NT\$100,000,000		
Total	4 persons	5 persons

Note 1: The name of President or Vice Presidents shall be identified individually, and the various payments shall be disclosed in an aggregate manner. If a director concurrently serves as the President or Vice President, he/she shall be listed in this table and (1) Table of Remuneration Ranges of Directors (Including Independent Directors).

Note 2: The salary, duty allowance, and severance paid to the President and Vice Presidents in 2020.

Note 3: The bonus, rewards, honoraria, special allowance, various allowances, and provision of such tangible objects as dormitory and cars, as well as other remunerations, received by the President and Vice Presidents in 2020. If housing, vehicle, or other means of transportation, or personal expenses are provided, the nature and cost of such assets provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a chauffeur is provided, disclose compensation paid to the chauffeur in a note; however, do not calculate such as part of the remuneration of the President and Vice Presidents. In addition, any salary listed under IFRS 2 Share-Based Payment, including employee stock warrants, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.

Note 4: The employee compensation distribution in 2020. After the board of directors approved the distribution of employee compensation in 2021 in the amount of amount NT\$71,485 thousand, the distribution situation will be reported to the 2021 shareholders' meeting, so the amount of employee compensation (including stock and cash) for the President and Vice Presidents listed above is calculated based on percentage of the actual amount distributed last year. The net income after tax here is based on the International Financial Reporting Standards adopted by the Company, and the net income after tax in the individual financial statements for 2020 is NT\$976,857 thousand.

Note 5: The aggregate of all remunerations paid to the Company's President and Vice Presidents by all companies included in the consolidated financial statements (including the Company) shall be disclosed.

Note 6: The aggregate of the remunerations to each President and Vice Presidents by the Company; the President's and Vice Presidents' name shall be disclosed in their corresponding brackets.

Note 7: The aggregate of the remunerations to each President and Vice Presidents by the companies included into the consolidated financial statements (including the Company) shall be disclosed, and the President's and Vice Presidents' name shall be disclosed in their corresponding brackets.

Note 8: The net income after tax here refers to the net income after tax in the most recent year. For those with the International Financial Reporting Standards adopted, the net income after tax refers to the net income after tax in the standalone or individual financial statements in the most recent year.

Note 9: a. This column shall specify whether the Company's President and Vice Presidents have received remuneration from investees or parent company other than subsidiaries (if none, please fill in "none").  
b. If the Company's President or Vice Presidents have received remuneration from investees or parent company other than subsidiaries, said remuneration received shall be included in column E of the table of remuneration ranges, and the column title shall be changed to "parent company and all investees".  
c. The remuneration shall refer to the compensation, remuneration, (including remuneration to employees, directors, and supervisors), and professional practice payments received by the Company's President and Vice Presidents who acted as directors, supervisors, or managers of investees or parent company other than subsidiaries.

Note 10: Ke-ti Tsou, Global Chief Financial Officer, resigned on Aug. 31, 2020.

\* The remuneration contents disclosed in this table are different from the concept of income specified in the Income Tax Act; thus, the purpose of this table is for information disclosure only, rather than for taxation purposes

#### (4) Name of managers who receive employee compensation and the distribution

December 31, 2020 Unit: NT\$ Thousand						
	Job Title (Note 1)	Name (Note 1)	Amount of Stock	Amount of Cash	Total	Ratio of total amount to net income after tax (%)
Manager	President	Ya-nan Chen				
	Vice President, Global Sales Division	Chien-nan Hsu				
	Global Chief Financial Officer	Ke-ti Tsou (Note 5)				
	Vice President, Global Research and Development Division	Yu-tzu Huang	0	21,495	21,495	2.36
	Assistant Vice President, Global Accounting Division	Chia-ling Chih				
	Assistant Vice President, Global Finance Division	Wan-ming Huang				
	Vice President, Department of Manufacturing, Taiwan	Ming-chi Li				

Note 1: The Company discloses individual names and titles, but may disclose the distribution of earnings in an aggregate manner.

Note 2: The scope of application for managers, as per the Letter Tai-Tsai-Cheng-San No. 0920001301 dated March 27, 2003, shall be defined as follows:

- (1) President and equivalents;
- (2) Vice president and equivalents;
- (3) Assistant vice president and equivalents;
- (4) Chief of financial department;
- (5) Chief of accounting department;

(6) Any other persons in charge of the Company's affairs and entitled to sign instruments on behalf of the Company.

Note 3: If any director, President or Vice President has received employee bonus (including stock dividend and cash dividend), please complete table 1 and also this table.

Note 4: The actual amount of employee compensation for 2019 was distributed in 2020.

Note 5: Ke-ti Tsou, Global Chief Financial Officer, resigned on Aug. 31, 2020.

## **(5) Analysis of total remuneration, as a percentage of net income stated in the individual financial statements, as paid by the Company and all other companies included in the consolidated financial statements during the past two fiscal years to directors, supervisors, the President, and Vice Presidents and description of remuneration policies, standards, and packages, the procedure for determining remuneration, and connection between business performance and future risks**

### **1. Total remuneration as a percentage of net income after tax:**

Title	Total remuneration as a percentage of net income after tax			
	2019		2020	
	The Company	Consolidated financial statements	The Company	Consolidated financial statements
Director	1.27	1.27	1.37	1.37
Independent Director	0.89	0.89	0.88	0.88
Supervisor	0.88	0.88	0.36	0.36
President and Vice Presidents	3.55	4.56	3.98	5.04

Note 1: The amount of employee bonuses and the remuneration of directors and supervisors for the managers for 2020 are calculated based on the proportion of the amount actually distributed last year.

Note 2: As the shareholders' meeting decided to set up an Audit Committee to replace the supervisors on June 23, 2020, the supervisors were dismissed on June 23, 2020, and the current year's remuneration was paid in proportion to the number of days in office.

Note 3: The net income after tax here refers to the net income after tax in the amount of NT\$ 976,857 thousand in the Company's 2020 individual financial statements with IFRS adopted, and the net income after tax in the 2019 individual financial statements with IFRS adopted were in the amount of NT\$911,951 thousand.

### **2. The policies, standards, packages, the procedure for determining remuneration, and connection between business performance and future risks:**

#### **(1) Director and supervisors:**

A. Honoraria: It is based on the standard in the industry and paid according to the directors' and supervisors' attendance at board meetings, and the payment is NT\$3,000 per attendance.

B. Remuneration of directors/supervisors : It is handled in accordance with Article 24 of the Articles of Incorporation of the Company. If the Company makes a profit at the end of the year, it shall allocate no more than 3% as the remuneration of the directors and supervisors. The distribution of remuneration to directors and supervisors shall be reported to the shareholders' meeting. However, when the Company still has accumulated losses, it shall reserve an amount of compensation in advance, and then allocate the remuneration to directors and supervisors in proportion to the percentage in the preceding paragraph. The board of directors shall draft a proposal for the distribution of remuneration to directors and supervisors, and the remuneration to directors and supervisors after the report is submitted to the shareholders' meeting shall be distributed and paid according to their positions and years of service. Remuneration can only be distributed when the Company has a surplus in its final accounts, so it will not cause risks to the Company's future operations.

#### **(2) President and Vice Presidents**

The Company's remuneration policy is determined based on the scope of authority of the position in the Company, and the contribution to the company's operation by the Remuneration Committee with reference to the average salary level of the position in the industry. The procedure for determining remuneration includes not only considering the overall operating performance of the Company but also considering the achievement of individual targets and individual contribution to the Company's performance, so as to provide reasonable remuneration. Since the payment of remuneration is based on the Company's current operating performance, it will not cause future operating risks to the Company.

## IV. Implementation of Corporate Governance

### (I) Operations of board of directors

A total of 7 (A) board meetings were held in 2020. The attendance of the directors and supervisors is as follows:

Title	Name	Actual attendance (B)	By Proxy	Actual attendance (%) [B/A] (Note 1)	Note
Chairperson	Mei-chi Chen	7	0	100	Re-elected on Jun. 23, 2020
Director	Tsun-yen Lee	7	0	100	Re-elected on Jun. 23, 2020
Director	Chung-pao Wu	7	0	100	Re-elected on Jun. 23, 2020
Director	Yu-ling Tsai	3	1	75	First elected on Jun. 23, 2020
Director	Te-feng Wu	4	0	100	First elected on Jun. 23, 2020
Independent Director	An-pang Tsao	7	0	100	Re-elected on Jun. 23, 2020
Independent Director	Wen-cheng Huang	7	0	100	Re-elected on Jun. 23, 2020
Independent Director	Chung-hsing Huang	4	0	100	First elected on Jun. 23, 2020
Independent Director	Wei-shun Cheng	4	0	100	First elected on Jun. 23, 2020
Independent Director	Kuei-ying Hsu	3	0	100	Dismissed on Jun. 23, 2020
Supervisor	Chen-hsiang Chen	3	0	100	Dismissed on Jun. 23, 2020
Supervisor	Li-jung Huang	3	0	100	Dismissed on Jun. 23, 2020
Supervisor	Ya-mi Li	3	0	100	Dismissed on Jun. 23, 2020

Other matters to be noted:

I. With regard to the implementation of the board of directors, if any of the following circumstances occur, the dates, terms of the meetings, contents of motions, all independent directors' opinions and the Company's handling of such opinions shall be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act: None.

(II) Any recorded or written board resolutions regarding which independent directors have objections or reservations to be noted in addition to the above: None. See pages 30-33.

II. Recusals of directors from voting due to conflicts of interests: None.

III. The evaluation cycles, evaluation periods, scope and method of evaluation, and contents of evaluation for the board of directors' performance self-evaluation (peer evaluation), as well as the implementation of the board of directors' evaluation:

The Company passed the Rules of the Board of Directors Performance Evaluation on March 17, 2020. The 2020 performance evaluation results showed that the board of directors was operating well as a whole, in line with corporate governance requirements, and the functions of the board of directors and safeguarded shareholders' equity were effectively strengthened. The results were reported to the board of directors and archived on March 23, 2021, and the relevant evaluation information is as follows:



Frequency	Period	Scope	Method	Content	Evaluation results
Once a year	2020.1.1~2020.12.31	Board of Directors	Self-evaluation	1. Degree of participation in the Company's operation 2. Improvement in the board's decision making quality 3. Composition and structure of the board 4. Selection and continuing education of the directors 5. Internal control	The overall average score was 4.74 points (out of 5 points), and the evaluation results were excellent, indicating that the Company's board of directors has fulfilled its responsibility to guide and supervise the Company's strategy, major business, and risk management. The overall operation was adequate in line with the spirit of corporate governance to effectively strengthen the functions of the board of directors and safeguard shareholders' equity.
Once a year	2020.1.1~2020.12.31	Board members	Self-evaluation	1. Management of the Company's goals and tasks 2. Perception of the director's roles and responsibilities 3. Degree of participation in the Company's operation 4. Management and communication of the internal relations 5. Expertise and continuing education of the directors 6. Internal control	The overall average score was 4.67 points (out of 5 points), and the evaluation results were excellent, indicating that the directors of the Company had positive reviews on the efficiency and effectiveness of the operation of various evaluation indicators.
Once a year	2020.1.1~2020.12.31	Functional Committees	Self-evaluation	1. Degree of participation in the Company's operation 2. Perception of the functional committees' roles and responsibilities 3. Improvement in the functional committees' decision making quality 4. Composition and selection of functional committees 5. Internal control	The average score of the committees was 4.97 points (out of 5 points), and the evaluation results were excellent, indicating that all functional committee members have fulfilled their responsibilities, and the overall operation was adequate in line with the requirements of corporate governance to enhance the functions of the board of directors effectively.

IV. Measures taken during the current year and past year in order to strengthen the functions of the board of directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

(I) Improve the functions of board of directors:

(1) Chenbro believes that a well-established governance system and an efficient board of directors are the foundation of corporate governance. Based on this principle, the Company has established a Remuneration Committee. After the re-election of directors and supervisors in 2020, the Audit Committee was established and the supervisor was abolished, to assist the board of directors in performing its duties and strengthen management functions.

(2) Please refer to pages 36–39 and 42 for the composition and responsibilities of the board of directors.

(II) Assessment of the implementation: The Company adheres to information transparency consistently. In 2020, the board of directors met 7 times. The average actual attendance rate of directors reached 100%. A team of CPAs was invited to attend in non-voting capacity to provide opinions and held 4 investor conferences in 2020 to improve investors' recognition of the Company.

V. Composition and responsibilities of supervisors:

(I) Communication with the Company's employees and shareholders: The supervisors may, when they deem it necessary, communicate directly with employees or shareholders.

(II) Communication between supervisors, the internal chief audit officer, and CPAs (such as the matters, methods, and results regarding the Company's finance and business):

1. The supervisors have no objection to the audit report submitted by the chief audit officer to supervisors in the following month after completion of each audit.
2. The chief audit officer attends regular board meetings, where he/she reports on audit tasks, and to which supervisors have had no objections.
3. Supervisors engage in face-to-face communication and communication in writing with CPAs on finances from time to time.

VI. Where supervisors attending the board meetings have expressed opinions, the date of the meeting, term of session, content of proposals, resolution results, and the company's responses to such opinions shall be specified:

None. Please refer to pages 30 to 32.

Note 1:

\* If a director or supervisor resigns before the end of a fiscal year, the resignation date shall be noted in the "Note" column. His or her attendance rate (%) is calculated on the basis of number of board meetings held during his or her tenure and number of such meetings attended.

\* If a director or supervisor is re-elected before the end of a fiscal year, the names of the current and previous directors or supervisors shall be entered and their appointment status and re-election date shall be noted in the "Note" column. Their attendance rate (%) to board meetings is calculated based on the number of meetings called and the actual number of meetings they attended, during the term of office.

## Independent directors' opinions on material proposals or resolution results

Board of Directors	Proposal content and subsequent response	Circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors' dissenting or qualified opinion	Supervisors' dissenting or qualified opinion
13th term 16th meeting 2020.01.10	1. The Company's Remuneration Committee met on January 10, 2020 to resolve managers' salaries and year-end bonuses.	V	N/A	N/A
	2. The Company's 2020 business plan and budget.	V	N/A	N/A
	3. In the case of the Company's sale of the property on the Jianyi Road, Zhonghe District, in order to meet the actual business needs, the Chairperson of the Company is fully authorized to handle the relevant matters.	V	N/A	N/A
	Independent director's opinion: None			
	The Company's response to independent directors's opinions: None			
	Resolution result: All the directors present passed the resolution			
13th term 17 <sup>th</sup> meeting 2020.03.17	1. Amendment to part of the text of Company's Internal Control Self-assessment Operating Procedures.	V	N/A	N/A
	2. The Company's 2019 Statement on Internal Control System.	V	N/A	N/A
	3. The Company's 2019 financial statements and the Company's 2019 business report prepared by itself.	V	N/A	N/A
	4. The Company's 2019 earnings distribution proposal.	V	N/A	N/A
	5. The Remuneration Committee of the Company met on March 17, 2020 to resolve the allocation of 2020 remuneration to employees, directors, and supervisors.	V	N/A	N/A
	6. The Remuneration Committee of the Company met on March 17, 2020 to resolve to formulate the Company's Rules of the Board of Directors Performance Evaluation.	V	N/A	N/A
	7. The Remuneration Committee of the Company met on March 17, 2020 to resolve the proposal for appropriation of stock ownership trust for annual performance.	V	N/A	N/A
	8. The Remuneration Committee of the Company met on March 17, 2020 to resolve the restricted stock system proposal.	V	N/A	N/A
	9. The Company replaced CPAs due to the internal rotation of PwC Taiwan.	V	N/A	N/A
	10. Appraisal of the independence of CPAs.	V	N/A	N/A
	11. Formulated the shareholder proposal operations for the 2020 annual general meeting.	V	N/A	N/A
	12. The Company's discussion matters and proposals for the 2020 annual general meeting.	V	N/A	N/A
	13. Determined matters related to acceptance of director candidate nomination by shareholders (including independent directors).	V	N/A	N/A
	14. The Company's comprehensive re-election of directors.	V	N/A	N/A
	15. The Company's amendment to the Articles of Incorporation.	V	N/A	N/A
	16. The Company's amendment to the Regulations Governing the Acquisition and Disposal of Assets.	V	N/A	N/A
	17. The Company's amendment to the Procedures Governing Loaning of Funds to Others.	V	N/A	N/A
	18. The Company's amendment to the Operating Procedures for Endorsements and Guarantees.	V	N/A	N/A
	19. The Company's amendment to the Rules of Procedures for Shareholders' Meetings	V	N/A	N/A

Board of Directors	Proposal content and subsequent response	Circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors' dissenting or qualified opinion	Supervisors' dissenting or qualified opinion
	20. The Company's amendment to the Rules of Election of Directors and Supervisors	V	N/A	N/A
	21. The Company's amendment to the Corporate Governance Best Practice Principles	V	N/A	N/A
	22. The Company planned to issue cash dividends from Chenbro Technology (Kunshan) Co, Ltd.	V	N/A	N/A
	23. The Company planned to purchase land and factories.	V	N/A	N/A
	24. In order to make the use of funds more flexibly, the Company planned to extend the credit line of NT\$240 million with the Zhonghe Branch, Bank of Taiwan.	V	N/A	N/A
	25. The Company planned to withdraw the endorsement/guarantee worth US\$4 million for Procace & Morex Corp.	V	N/A	N/A
	Independent director's opinion: None			
	The Company's response to independent directors's opinions: None			
	Resolution result: All the directors present passed the resolution			
13th term 18th meeting 2020.05.12	1. The Remuneration Committee of the Company met on May 12, 2020 to resolve the distribution of remuneration of directors, supervisors, and the managers.	V	N/A	N/A
	2. The Company amend some of the texts of the internal control system.	V	N/A	N/A
	3. Discussed the reason for shareholder proposals not included in the agenda of the annual general meeting for the shareholder proposal operations for the 2020 annual general meeting	V	N/A	N/A
	4. Added the discussion matters and proposals for the Company's 2020 annual general meeting.	V	N/A	N/A
	5. Reviewed the qualification of candidates for directors and independent directors to be re-elected at the company's 2020 annual general meeting.	V	N/A	N/A
	6. The Company planned to amend the Corporate Social Responsibility Best Practice Principles.	V	N/A	N/A
	7. The Company planned to amend the Corporate Social Responsibility Best Practice Principles.	V	N/A	N/A
	8. The Company planned to amend the Ethical Corporate Management Best Practice Principles.	V	N/A	N/A
	9. The Company planned to amend the Code of Ethical Conduct.	V	N/A	N/A
	10. The Company planned to amend the Procedures for Handling Material Inside Information.	V	N/A	N/A
	11. The Company planned to amend the Regulations Governing Procedure for Board of Directors Meetings.	V	N/A	N/A
	12. The Company planned to amend the Rules Governing the Scope of Powers of Independent Directors.	V	N/A	N/A
	13. The Company planned to formulate the Audit Committee Charter.	V	N/A	N/A
	14. The Company is an integrated investment structure, so it proposed to close the subsidiary Edge International Company Limited in Seychelles and the subsidiary Adept International Company Ltd. in British Virgin Islands.	V	N/A	N/A
	15. In order to make use of funds more flexibly, the Company planned to extend the credit line of US\$6 million with Citibank Taiwan.	V	N/A	N/A

Board of Directors	Proposal content and subsequent response	Circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors' dissenting or qualified opinion	Supervisors' dissenting or qualified opinion
	16. In order to make use of funds more flexibly, the Company planned to extend the credit line of NT\$200 million with Cathay United Bank.	V	N/A	N/A
	17. In order to make use of funds more flexibly, the Company planned to take out a credit line of NT\$200 million with CTBC Bank.	V	N/A	N/A
	18. For foreign exchange trading and risk hedging, the Company planned to extend CTBC Bank's foreign currency derivative financial facility of US\$500,000.	V	N/A	N/A
	Independent director's opinion: None			
	The Company's response to independent directors's opinions: None			
	Resolution result: All the directors present passed the resolution			
14th term 1st meeting 2020.06.23	1. Elected a new Chairperson.	V	N/A	N/A
	2. Appointed members of the 4th Remuneration Committee.	V	N/A	N/A
	Independent director's opinion: None			
	The Company's response to independent directors's opinions: None			
	Resolution result: All the directors present passed the resolution			
14th term 2nd meeting 2020.08.11	1. Amended the Company's Remuneration Committee Charter.	V	N/A	N/A
	2. Approved the proposal for new restricted employee shares regarding the number of shares allocated to managers.	V	N/A	N/A
	3. Extended the guarantee/endorsement worth US\$ 2 million for Chenbro Micom (USA) Inc.	V	N/A	N/A
	Independent director's opinion: None			
	The Company's response to independent directors's opinions: None			
	Resolution result: All the directors present passed the resolution			
14th term 3rd meeting 2020.09.05	1. Approved the ratification of the change of the financial officer.	V	N/A	N/A
	Independent director's opinion: None			
	The Company's response to independent directors's opinions: None			
	Resolution result: All the directors present passed the resolution			
14th term 4th meeting 2020.11.10	1. Drafted the Company's 2021 audit plan.	V	N/A	N/A
	2. The Company planned to purchase property from Zhongmao Asset Development Co., Ltd.	V	N/A	N/A
	3. The Company planned to build a new plant and purchase equipment at the Chiayi factory.	V	N/A	N/A
	4. The Company planned to withdraw the endorsement/guarantee with US\$2 million for Chenbro Micom (USA) Inc.	V	N/A	N/A
	Independent director's opinion: None			
	The Company's response to independent directors's opinions: None			
	Resolution result: All the directors present passed the resolution			
14th term 5th meeting 2021.01.29	1. The Remuneration Committee of the Company met on January 29, 2021 to resolve the distribution of salaries and year-end bonuses to managers.	V	N/A	N/A
	2. Assessed CPAs' independence	V	N/A	N/A
	3. Amended the Company's Articles of Incorporation.	V	N/A	N/A
	4. Planned to recovery and cancelation of new restricted employee shares for capital reduction.	V	N/A	N/A
	5. Formulated the shareholder proposal operations for the 2021 annual general meeting.	V	N/A	N/A

Board of Directors	Proposal content and subsequent response	Circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors' dissenting or qualified opinion	Supervisors' dissenting or qualified opinion
	6. Matters related to the holding of the Company's 2021 annual general meeting.	V	N/A	N/A
	7. Proposal for increase of the financing limit for investment plans for purchasing land, building factories, purchasing new machinery and equipment, and mid-term working capital in response to the Ministry of Economic Affairs' "Action Plan for Welcoming Overseas Taiwanese Businesspeople to Invest in Taiwan".	V	N/A	N/A
	Independent director's opinion: None			
	The Company's response to independent directors' opinions: None			
	Resolution result: All the directors present passed the resolution			
14th term 6th session 2021.03.23	1. The Company's 2020 Statement on Internal Control System.	V	None	N/A
	2. The Company's 2020 business report and financial statements.	V	None	N/A
	3. The Company's 2020 earnings distribution proposal.	V	None	N/A
	4. The Company convened the Remuneration Committee on March 23, 2021, and resolved the 2020 employee compensation and the distribution of directors' and supervisors' remuneration.	V	None	N/A
	5. The Company planned to amend some of the rules and regulations.	V	None	N/A
	6. Added new proposals for the Company's 2021 annual general meeting.	V	None	N/A
	7. The Company planned to distribute US\$2.37 million from the capital surplus of Procace & Morex Corporation.	V	None	N/A
	8. The Company planned to issue a cash dividend of US\$2.42 million from ADEPT International Company.	V	None	N/A
	9. The company planned to issue cash dividends from Micom-Source Holding Co.	V	None	N/A
	10. The Company's amendment to the Articles of Incorporation.	V	None	N/A
	Independent director's opinion: None			
	The Company's response to independent directors' opinions: None.			
	Resolution result: All the directors present passed the resolution			

## (II) The status of operations of the Audit Committee or the supervisors' participation in board meetings

Annual key points and operations of the Audit Committee:

- The Audit Committee of the Company is composed of 4 independent directors. The committee aims to assist the board of directors in supervising the quality and integrity of the Company's implementation of accounting, auditing, financial reporting processes and financial control. Its main functions and responsibilities are listed below:
  - Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
  - Assess the validity of internal control system.
  - Establish or amend the process for acquisition or disposal of assets, the trading of derivatives, lending of loans to others, provision of guarantee/endorsement to others, and other material financial business activities in accordance to Article 36-1 regulations
  - Responsible for items relating to interests of directors.
  - Responsible for items related to trading of assets or derivative products.
  - Responsible for material loaning of funds, and provision of endorsements/guarantees.
  - Responsible for fundraising or issuing or private placement of equity-based securities.
  - Responsible for appointment, dismissal, and compensation of CPAs.
  - Responsible for appointment or dismissal of a finance officer, accounting officer, or chief internal auditor.
  - Annual financial statements and semi-annual financial statements.

(11) Other material information stipulated by the Company or competent authorities

2. The operation of the Audit Committee: The Audit Committee was established after the re-election of directors at the 2020 shareholders' meeting.

(1) The Audit Committee met 3 times in 2020. The attendance of the committee members was as follows:

Title	Name	Actual attendance (B)	By Proxy	Actual attendance (%) [B/A] (Note 1)	Note
Independent Director	An-pang Tsao	3	0	100	Note 1
Independent Director	Wen-cheng Huang	3	0	100	Note 1
Independent Director	Chung-hsing Huang	2	1	66.67	Note 1
Independent Director	Wei-shun Cheng	3	0	100	Note 1

Note 1: The Company established an Audit Committee to replace Supervisors on June 23, 2020 as resolved by the shareholders meeting.

(2) Other matters to be noted:

I. If two-thirds of all directors have passed a resolution but it was not approved by the Audit Committee, according to Article 14-5 of the Securities and Exchange Act, the Company shall specify the date of the board meeting, term of session, content of the resolution, the Audit Committee's resolution results, and the Company's response to such opinions: None.

II. Regarding recusals of independent directors from voting due to conflicts of interests, the name of the independent director, content of proposal, reasons for recusal, and status of participation in voting shall be specified: None.

III. Communications between the independent directors, the Company's chief internal auditor, and CPAs (such as the material matters, methods, and results regarding the Company's finance and business).

i. Communication methods between independent directors and chief internal auditor, and CPAs:

1. The Company's internal audit unit holds at least a regular meeting of the Audit Committee every quarter to report on audit work, audit results, and the tacking situation to independent directors.

2. The Company's CPAs report to independent directors regarding the review or audit results of the Company and its subsidiaries at home and abroad for the current quarter, internal control audit, the impact of the amendments to and release of IFRSs on the Company, and other relevant legal requirements, and communicate whether there are financial statement adjustment entries or legal amendments that affect the accounting method.

3. The chief internal auditor, CPAs, and independent directors can communicate directly with each other as needed at any time, and the communication channel is smooth.

ii. Summary of records of communication between independent directors and the chief internal auditor:

The independent directors of the Company engaged in smooth communication on the execution and effectiveness of audits.

Table of main matters communicated in 2020:

Date	Summary	Results	Results of the Company's response independent directors' opinions
Audit Committee meeting on Aug. 11, 2020	Report on the execution of internal audit business from June to August 2020	Approved as proposed	Independent directors had no opinion
Audit Committee meeting on Nov. 10, 2020	1. Report on the execution of internal audit business from September to November of 2020	Approved as proposed	Independent directors had no opinion
	2. Report on 2021 annual audit plan	Submitted to the board of directors after deliberation and approval	
Audit Committee meeting on Jan. 29, 2021	Report on the execution of internal audit business from January 2021	Approved as proposed	Independent directors had no opinion
Audit Committee meeting on Mar. 23, 2021	1. Report on the execution of internal audit business from February to March of 2021.	Approved as proposed	Independent directors had no opinion
	2. Report on the execution of 2020 Statement on Internal Control System.	Submitted to the board of directors after deliberation and approval	

iii. Summary of records of communication between independent directors and CPAs:

The independent directors of the Company engaged in smooth communication with CPAs.

Table of main matters communicated in 2020 to Mar.23,2021:

Date	Summary	Results	Results of the Company's response independent directors' opinions
Audit Committee meeting on Aug. 11, 2020	Report on audit results of consolidated financial statements for the second quarter of 2020, and discussion and communication on the impact of some new legal amendments.	Submitted to the board of directors after deliberation and approval	Independent directors had no opinion
Audit Committee meeting on Nov. 10, 2020	Report on audit results of consolidated financial statements for the third quarter of 2020, and discussion and communication on the impact of some new legal amendments.	Submitted to the board of directors after deliberation and approval	Independent directors had no opinion
Audit Committee meeting on Mar. 23, 2021	Report on audit results of 2020 consolidated financial statements and 2020 individual financial statements, and discussion and communication on the impact of some new legal amendments.	Submitted to the board of directors after deliberation and approval	Independent directors had no opinion



**(III) Corporate governance implementation status, deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed**

**Companies, and reasons thereof**

Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	
<b>I. Does the company establish and disclose the Corporate Governance Best-Practice Principles according to Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?</b>	V		The company has formulated the Corporate Governance Best Practice Principles, and each amendment is implemented after the resolution of the board of directors. There are relevant standards for protecting the rights and interests of shareholders, strengthening the functions of the board of directors, respecting the rights and interests of stakeholders, and improving information transparency. The Company's Corporate Governance Best Practice Principles is available on its website at <a href="http://www.chenbro.com">www.chenbro.com</a> , and has been disclosed on the Market Observatory Post System (MOPS) at <a href="https://mops.twse.com.tw/mops/web/index">https://mops.twse.com.tw/mops/web/index</a> .
<b>II. Shareholding structure &amp; shareholders' equity</b>	V		No major differences.
(I) Does the company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?	V		(I) In addition to entrusting a professional stock affairs agency to handle stock affairs, a point of contact between spokespersons and investors has been set up to properly handle shareholders' suggestions or disputes. In addition, a section for shareholders on the Company's webpage has been set up to respond to their feedback.
(II) Does the company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?	V		(II) The Company keeps abreast of and fully understands the structure of major shareholders through a professional stock affairs agency, and regularly files reports on changes in the equity of directors, supervisors, and managers.
(III) Does the company establish and enforce risk control and firewall systems with its affiliated businesses?	V		(III) The financial, business, and management powers and responsibilities between the affiliated enterprises are independent. The business between the affiliated enterprises is based on the principle of fairness and reasonableness, and handled in accordance with relevant operating standards.
(IV) Does the company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	V		(IV) The Company formulated the Procedures for Handling Material Inside Information on December 29, 2009, and made the third amendment on May 12, 2020 to prohibit the Company's insiders from using undisclosed information on the market to buy and sell securities.

Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
<b>III. Composition and responsibilities of the board of directors</b> (I) Has a policy of diversity been established and implemented for the composition of the board of directors?	V		<p>No major differences.</p> <p>(I) 1. In accordance with chapter 3 Strengthening the Functions of the Board of Directors of the Company's Corporate Governance Best Practice Principles, a diversification policy has been formulated. The nomination and selection of members of the Company's board of directors is in accordance with the Company's Articles of Incorporation, and the Company adopts a candidate nomination system. In addition to evaluating the education, experience, and qualifications of each candidate, the Company refers to the opinions of stakeholders and abides by the Rules of Election of Directors and Supervisors and the Company's Corporate Governance Best Practice Principles to ensure the diversity and independence of directors.</p> <p>2. The members of the board of directors of the Company are based on the diversity policy according to the Company's operation, operation type, and development needs. Among the 9 newly elected directors in 2020, there are 3 female directors; in addition to the diversity and gender equality, when directors are selected, the directors' management ability, crisis management ability, financial accounting expertise, and other abilities will be evaluated to meet the purpose of and implement the diversity policy of the director structure. For details of directors' specialty fields, please refer to Note 1 on page 41.</p> <p>3. The Company's directors serving as employees concurrently account for 22%, independent directors account for 44%, and female directors account for 33%; two independent directors have been in office for 6–9 years, and the other one for 12 years. Five are between 60 and 69 years old, and 1 was under 60 years old.</p> <p>4. Further information concerning the board diversity policy is disclosed on the Company's website and the MOPS website.</p>

Item	Implementation Status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(II) In addition to the Remuneration Committee and the Audit Committee established according to law, has the company voluntarily established other functional committees?		V	(II) The Company held a re-election in 2020 and the board of directors has set up an Audit Committee. In the future, other functional committees may be set up according to actual operational needs.	
(III) Has the company established standards to measure the performance of the board, and does the company implement such standards annually? Does it report the results of the performance evaluation to the board and use them as a reference for each director's remuneration and nomination of term renewal?		V	(III) In order to implement corporate governance and enhance the function of the Company's board of directors, the Company has formulated the Rules of the Board of Directors Performance Evaluation on Mar. 17, 2020. Performance evaluation will be conducted annually and regularly, and the results of the performance evaluation will be reported to the board of directors.	
(IV) Has the company implemented assessment of the independence of the CPAs regularly?	V		(IV) 1. According to Article 29 of the Company's Corporate Governance Best-Practice Principles, the independence of the appointed CPAs shall be assessed at least once a year. 2. The Company has formulated the Regulations for Selection and Review of Certified Public Accountants on Nov. 10, 201. 3. PwC Taiwan has reported on and declared the independence of its CPAs at the board meeting on March 23, 2021. Please refer to the description on page 42. 4. The Finance and Accounting Division of the Company evaluates the independence of CPAs once a year, and submitted the results to the board of directors on January 29, 2021, which were approved after deliberation. The CPAs met the Company's independence criteria in the assessment in the most recent year and are able to serve as the Company's CPAs. Please refer to the description on pages 43–44 for the CPA independence assessment questionnaire.	
<b>IV. Has the TWSE-Listed Company allocated a sufficient number of qualified corporate governance staff and appointed a person in charge of the affairs related to corporate governance (including but not limited to providing information required for directors'/supervisors' professional</b>	V		The board of directors resolved on Jun. 25, 2019 to appoint Chia-ling Chih, accounting officer, as the corporate governance officer. She has more than three years of experience in accounting in a publicly-listed company, and is responsible for supervising the personnel of the finance and accounting unit and concurrently in charge of	No major differences.

Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
service, assisting directors and supervisors in complying with laws and regulations, handling the matters concerning the board and annual general meeting in accordance with the law and making their records)?		<p>corporate governance-related affairs. Her main responsibility as a corporate governance officer is to handle matters related to board meetings and the shareholders' meeting in accordance with the law, prepare the board meeting and the shareholders meeting minutes, assist the directors and supervisors with their appointments and continuing education, provide directors and supervisors with necessary information and assistance for business execution, assist directors and supervisors with compliance so as to protect shareholders' rights and interests and strengthen the functions of the board of directors.</p> <p>Please refer to Note 4 on page 44 for the corporate governance officer's business execution and continuing education in 2020.</p>	
V. Does the company establish communication channels for its stakeholders (including but not limited to shareholders, employees, customers, and suppliers) or create a stakeholders section on its corporate website? Does the company promptly respond to the concerns of stakeholders regarding important corporate social responsibility issues?	V		No major differences.
VI. Does the company appoint a professional shareholder service agency to handle shareholder affairs?	V		No major differences.
VII. Information Disclosure (I) Does the company establish a website to disclose information on financial operations and corporate governance?  (II) Does the company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose	V  V	<p>(I) The Company places information related to annual financial business and corporate governance on the Company's website, and updates the information regularly. The website is <a href="http://www.chenbro.com">www.chenbro.com</a>.</p> <p>(II) The Company has established a Chinese and English website with a dedicated investor service page, and designated personnel to be responsible for the collection and maintenance</p>	No major differences.

Item	Implementation Status		Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reasons for Deviations
	Yes	No	
<p>company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)?</p> <p>(III) Does the company announce and declare the annual financial report within two months after the end of the fiscal year? Does it announce and declare the first, second and third quarter financial reports and operating conditions of each month as soon as possible before the prescribed period?</p>		<p>of company information, and implements the spokesperson system, and discloses the process of the investor conferences in which the Company has participated on the Company's website.</p> <p>(III) The Company completes the announcement and filing of the annual financial statements about 10 days before the deadline in accordance with the law. The first, second, and third quarter financial statements are completed around three days earlier, and the operating conditions of each month are also about three days earlier.</p>	
<p><b>VIII. Is there any other important information which facilitates a better understanding of the company's corporate governance practices (e.g. including but not limited to employee rights, employee wellbeing, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation standards, the implementation of customer policies, and purchasing of liability insurance for directors and supervisors)?</b></p>	V	Refer to pages 71–85 for details	No major differences.
<p><b>IX. Please specify the company's measures to improve the items listed in the corporate governance review result by Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved. (unnecessary for those who are not included in the evaluation):</b></p> <p>The results of the 6th (2020) Corporate Governance Evaluation Company have not announced. In the 5th (2019) Corporate Governance Evaluation, the Company ranked among 21%–35%, and will only specify the improvement of the items without scores obtained this year below:</p> <p>(1) The performance evaluation of the Company's directors has been approved by the board of directors on March 17, 2020, and the first review of the overall board of directors, board members, and functional committees was conducted on March 23, 2021. For the review results, please refer to pages 28-29.</p> <p>(2) The Company will continue to evaluate and consider possible improvements for items without scores obtained.</p>			

**Note 1: Disclosure of the implementation of the policy on diversity of board members**

Article 20 of the Corporate Governance Best Practice Principles formulated by the Company:

The Company's board of directors shall guide the Company's strategy, supervise the management, and be responsible to the Company and the shareholders' meeting. The various operations and arrangements of its corporate governance system shall ensure that the board of directors exercises its powers and responsibilities in accordance with laws and regulations, the Company's Articles of Incorporation, or the resolutions of the shareholders' meeting.

The Company's board structure shall consist of at least five directors, depending on the scale of the operation and development, the ownership of major shareholders, and actual operating needs.

The composition of the board of directors shall be based on the principle of diversity. The directors who also serve as managers of the Company shall not exceed one-third of the number of directors, and an appropriate diversification policy shall be drawn up based on its own operation, operation type, and development needs, including but not limited to the following two major aspects:

I. Basic requirements and values: Gender, age, nationality, and culture.

II. Professional knowledge and skills: Professional backgrounds (such as law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.

The board members shall generally have the knowledge, skills, and competencies required for performing their duties.

In order to achieve the ideal targets of corporate governance, the general abilities that the board of directors shall be equipped with are stated below:

I. Business judgment ability.

II. Accounting and financial analysis ability.

III. Business management ability.

IV. Crisis management ability.

V. Knowledge of the industry.

VI. International market perspective.

VII. Leadership.

VIII. Decision-making ability.

Diversified Core Competences Name of Director	Gender	Business Judgment	Accounting and Financial Analysis	Business Management	Crisis Management	Industry Knowledge	Global Market Perspective	Leadership	Decision-making	Law
Mei-chi Chen	Female	V		V	V	V	V	V	V	
Tsun-yen Lee	Female		V	V			V	V	V	
Yu-ling Tsai	Female	V			V	V	V	V	V	V
Chung-pao Wu	Male	V		V	V	V	V	V	V	V
Te-feng Wu	Male	V	V		V				V	
Chung-hsing Huang	Male	V		V		V	V	V	V	
Wei-shun Cheng	Male	V	V	V	V			V	V	
Wen-cheng Huang	Male	V	V	V	V	V	V	V	V	V
An-pang Tsao	Male	V		V	V	V	V	V	V	
Kuei-ying Hsu (Note 1)	Female		V	V			V		V	

Note 1: Independent director Kuei-ying Hsu was dismissed on June 23, 2020.

**Note 2: Statement on Independence of CPAs**

## **Independence of CPAs**

### **Independence**

- 1 Our team appointed and other professionals of the firm have complied with the relevant regulations of the Bulletin of Norm of Professional Ethics for Certified Public Accountant of the Republic of China No.10 regarding the independence for the audits performed this year, and have not violated relevant regulations that would affect the firm's independence.
2. We confirm that there has been no matter that affects the independence since the completion of the review and planning stage.



**Note 3: Questionnaire for assessment of CPAs' independence**

Evaluation Form for CPAs

Review Date: January 29, 2021

Parties reviewed: ☒ Current ☐ Candidate CPAs: Hui-ling Pan and Chun-yao Lin from PwC Taiwan

I. Assessment of criteria of independence: (Further understanding of the actual conditions will be required if "No" is checked for any of the criteria below)					
No.	Assessment Content	Please check			Note
		Yes	No	N/A	
01	The CPA or his or her spouse or minor child does not have the investment relationship or share financial interests with Chenbro.	✓			
02	The CPA or his or her spouse or minor child does not have borrowings from Chenbro. Normal transactions through financial institutions are not included.	✓			
03	The CPA firm does not submit an assurance service report for a financial information system of which it designs or assists in the effective operation.	✓			
04	The CPA or member of the audit service team does not serve as a director or manager or a position at Chenbro at present or in the last two years that has a significant influence on audit projects.	✓			
05	The non-audit services provided to Chenbro do not directly affect the important items of audit projects.	✓			
06	The CPA or member of the audit service team does not promote or act as a broker of the stocks or other securities issued by Chenbro.	✓			
07	The CPA or member of the audit service team does not represent Chenbro in defense of legal cases or other disputes with third parties, except for businesses permitted by law.	✓			
08	The CPA or member of the audit service team is not a spouse, direct blood relative, direct in-law, or relative within the second degree of kinship of any of Chenbro's directors, managers, or persons who have significant influence on audit projects.	✓			
09	The CPA does not have a CPA partner who has retired for less than one year and does not serve as a director or manager or a position that has a significant influence on audit projects at Chenbro.	✓			
10	The CPA or member of the audit service team does not receive gifts or special offers of great value from Chenbro or Chenbro's directors, managers, or major shareholders.	✓			
11	The CPA is currently not employed by the client or audited entity to perform routine work for which he or she receives a fixed salary, or currently serves as a director or supervisor thereof.	✓			
12	TWSE/TPEX-listed companies: The CPA has not provided audit services to the Company for seven consecutive years. Non-TWSE/TPEX-listed companies: The CPA has not provided audit services to the Company for ten consecutive years.	✓			

II. Review of Implementation of independence (Where a "No" is check in any of the following items, further understanding of the facts is required )					
No.	Assessment Content	Please check			Note
		Yes	No	N/A	
01	The CPA has recused him/herself from accepting the case if his/her service or he/she has a direct or material indirect relationship with or interest in the matter concerned that may affect his/her fairness and independence.			✓	Not applicable.
02	When the CPA conducts audit, inspection, review, or ad-hoc review, and produces an opinion, he or she maintains the substantive independence as well as the independence in form.	✓			
03	The members of the audit service team, other CPA partners, or shareholders of the accounting firm, the accounting firm, affiliated companies of the accounting firm also maintain their independence from the Company.	✓			
04	The CPA provides professional services in an honest and meticulous manner.	✓			
05	When performing professional services, the CPA maintains a fair and objective perspective, and has also avoided prejudice, conflicts of interest, or interest, which may affect professional judgment.	✓			
06	The CPA's integrity, fairness and objectivity have not been impaired by the lack or loss of independence.	✓			
III. Competency assessment (Further understanding of the actual conditions will be required if "No" is checked for any of the following criteria)					
No.	Assessment Content	Please check			Note
		Yes	No	N/A	
01	The CPA does not have disciplinary records from the disciplinary committee for the past two years. The CPA firm was involved in litigation cases in the recent two years.	✓			
02	The CPA firm in charge of the Company's audit services has a sufficient scale, resources, and regional coverage.	✓			
03	The CPA firm has clear quality control procedures with the aspects covered, including the level and main points of the audit procedures, the methods of handling audit issues and judgments, quality control inspections of independence, and risk management.	✓			
04	The CPA firm has promptly notified the audit committee of any material issues and developments in risk management, corporate governance, financial accounting, and relevant risk control.	✓			

**Note 4: The corporate governance officer's business execution and continuing education in 2020**

The board of directors resolved on Jun. 25, 2019 to appoint Chia-ling Chih, accounting officer, as the corporate governance officer. She has more than three years of experience in accounting in a publicly-listed company, and is responsible for supervising the personnel of the finance and accounting unit and concurrently in charge of corporate governance-related affairs. Her main responsibility as a corporate governance officer is to handle matters related to board meetings and the shareholders' meeting in accordance with the law, prepare the board meeting and the shareholders meeting minutes, assist the directors and supervisors with their appointments and continuing education, provide directors and supervisors with necessary information and assistance for business execution, assist directors and supervisors with compliance so as to protect shareholders' rights and interests and strengthen the functions of the board of directors. Please refer to page 81 for the continuing education.

**The business execution in 2020 is as follows:**

1. Assist independent directors and general directors in performing their duties by providing the necessary information and arranging for continuing education for directors:
  - (1) Review the confidentiality level of the relevant information and provide corporate information required by the directors to maintain smooth communication and interaction between directors and head of various departments.
  - (2) Assist independent directors and general directors in drawing up an annual plan for continuing education and arranging courses, based on the nature of the industry and the education, experience, and background of the directors.

2. Assist with matters related to the proceedings of the board meetings and shareholders' meetings as well as legal compliance regarding resolutions:
  - (1) Assist in reminding directors of the regulations to be complied with when performing their duties or officially voting on resolutions by the board of directors, and offer suggestions when the board of directors is going to vote on an illegal resolution.
  - (2) Review the release of material information of important resolutions after each board meeting and ensure the legality and correctness of the content of the material information, so as to ensure that investors keep abreast of correct transaction information in real-time.
3. Draft the agenda of a board meeting and notify the directors seven days in advance, convene the meeting and provide meeting materials, and remind directors in advance to recuse themselves from issues with conflicts of interest, if any, and complete the minutes of the board meeting within 20 days after a meeting.
4. Handle the pre-registration of the annual general meeting date in accordance with the law, prepare meeting notices, meeting handbooks, and minutes of proceedings in the specified period, and handle change registration matters in the case of amendments to the Articles of Incorporation or the re-election of directors.

#### (IV) Remuneration Committee

##### 1. Information of Remuneration Committee members

Title (Note 1)	Name	Criteria		Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience		Status of Independence (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Note
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Has Working Experience in the Areas of Finance, Commerce, Law, Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Independent Director	Wen-cheng Huang			V	V	V	V	V	V	V	V	V	V	V	Re-elected on Jun. 23, 2020
Independent Director	Chung-hsing Huang	V		V	V	V	V	V	V	V	V	V	V	V	First elected on Jun. 23, 2020
Independent Director	Wei-shun Cheng		V	V	V	V	V	V	V	V	V	V	V	V	First elected on Jun. 23, 2020
Independent Director	An-pang Tsao			V	V	V	V	V	V	V	V	V	V	V	Dismissed on Jun. 23, 2020
Independent Director	Kuei-ying Hsu			V	V	V	V	V	V	V	V	V	V	V	Dismissed on Jun. 23, 2020

Note 1: Please fill in director, independent director, or others in the column of Title.

Note 2: Please check the boxes below each condition code if a member meets the condition within two years prior to being elected and during his/her term of service.✓

(1) Not an employee of the Company or any of its affiliated enterprises.

(2) Not a director or supervisor of the Company or its affiliates (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary, or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).

(3) Not a director, spouse, minor children thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company in the name of others or with top ten ownership.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) Not a director, supervisor, or employee of an institutional shareholder who directly holds more than 5% of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations)).

(6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations)).

(7) Not a director, supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations)).

- (8) Not a director, supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Security and Exchanges Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.
- (10) Not a person under any conditions defined in Article 30 of the Company Act.

## 2. The Remuneration Committee's Responsibilities

The Remuneration Committee aims to assist the board of directors in implementing and evaluating the Company's overall remuneration and benefits policy, as well as the remuneration of directors and managers. The remuneration of Chenbro's directors and employee bonuses are based on the operating performance of the year, and are appropriated based on the percentages stipulated in the Company's Articles of Incorporation, and distributed in accordance with the distribution method set by the board of directors. The rest of the remuneration is determined based on the overall operating performance, with the salary and remuneration levels of publicly listed companies investigated, while with reference to the market salary survey report issued by a professional consulting company and the overall financial and business environment risk. Chenbro's Remuneration Committee is composed of three independent directors. According to the provisions of the Remuneration Committee Charter, the committee shall meet at least twice a year.

## 3. Operation status of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) The Remuneration Committee Term: June 23, 2020 to June 23, 2023. A total of 3 (A) meetings were held in the most recent year. The attendance of the members is as follows:

Title	Name	Attendance in Person (B)	By Proxy	Actual attendance rate % (B/A) (Note)	Note
Convener	Wen-cheng Huang	6	0	100%	Re-appointed on Jun. 23, 2020
Committee Member	Chung-hsing Huang	2	1	66.67%	Newly appointed on Jun. 23, 2020
Committee Member	Wei-shun Cheng	3	0	100%	Newly appointed on Jun. 23, 2020
Committee Member	An-pang Tsao	3	0	100%	Dismissed on Jun. 23, 2020
Committee Member	Kuei-ying Hsu	3	0	100%	Dismissed on Jun. 23, 2020
Other matters to be noted:					
I. If the board of directors declines to adopt or modifies a suggestion of the Remuneration Committee, the date of the meeting, term, summary of the proposal, resolution by the board of directors, and the Company's response to the Remuneration Committee's opinion shall be specified: None.					
II. For resolution(s) made by the Remuneration Committee with the committee members voicing opposing or reserved opinions on the record or in writing, please state the meeting date, term, contents of proposal, and opinions of all members, and the Company's response to said opinions: None. Refer to page 48.					

Note:

\* Where an independent director may be relieved from duties before the end of the fiscal year, please specify the date of his/her dismissal in the "Note" section. His/her actual attendance (%) at the committee meeting shall be calculated on the basis of the number of the meetings called and actual number of meetings he/she attended, during his/her term of office.

\* Where an election may be held for filling the vacancies of independent director before the end of the fiscal year, please list both the new and the former independent directors and specify if they are the former independent directors, or newly elected, re-elected, and also the date of the reelection. His or her attendance (%) is calculated on the basis of number of committee meetings held during his or her term of office and number of such meetings attended.

### The Remuneration Committee members' opinions of proposals or resolution results

Remuneration Committee	Proposal content and subsequent response	Resolution results	The Company's response to the Remuneration Committee's opinion
3rd term 8th meeting Jan.10,2020	Deliberated the distribution managers' salary and year-end bonuses.	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
3rd term 9th meeting Mar.17,2020	1. Deliberated the Company's allocation of 2019 employee compensation and the remuneration of directors and supervisors. 2. Deliberated the Company's Rules of the Board of Directors Performance Evaluation. 3. Deliberated the proposal for appropriation of stock ownership trust for annual performance. 4. Deliberated the Company's restricted stock system.	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
3rd term 10th meeting May.12,2020	Deliberated the Company's distribution of remuneration of directors and supervisors as well as managers for 2019	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
4rd term 1st meeting Aug.11,2020	1. Elected the convener of the 4th Remuneration Committee. 2. Amended the Company's Remuneration Committee Charter. 3. Passed the proposal for new restricted employee shares, regarding the number of the shares allocated to managers.	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
4th term 2nd meeting Jan.29,2021	1. The Company's distribution of the managers' salary and year-end bonuses.	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
4th term 3rd meeting Mar.23,2021	1. Deliberated the Company's allocation of 2020 employee compensation and the remuneration of directors and supervisors. 2. The Company's amendment to the Articles of Incorporation.	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.

**(V) Implementation of Corporate Social Responsibility and Deviations from the Corporate Social Responsibility Best-Practice Principles for the TWSE/GTSM Listed Companies and reasons thereof**

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
<b>I. Does the company follow materiality principle to conduct risk assessment for environmental, social, and corporate governance topics related to company operation, and establish risk management-related policy or strategy?</b>	V		I. The Company has formulated the Corporate Social Responsibility Best Practice Principles on April 29, 2015, and communicated with stakeholders through diverse channels, and identified material issues by means of a materiality analysis. It has published Chenbro's sustainability report in 2020 on the Company's official website to strengthen the exposure of corporate social responsibility information. The content disclosed covers the implementation of corporate governance, the development of a sustainable environment, the maintenance of social welfare, and the enhancement of corporate social responsibility. It also provides employees with a safe and healthy work environment in line with the International Bill of Human Rights, and is committed to eliminating environmental pollution in the manufacturing process and to social welfare activities to enhance the wellbeing of the society and fulfill its corporate social responsibilities.	No major differences.
<b>II. Has the company established a dedicated (concurrent) unit for implementing CSR? Does the board of directors authorize the senior management to be in charge of the unit, and report the implementation status to the board of directors?</b>	V		II. The corporate social responsibility is the highest guiding principle of the Company's sustainable development. The Company has formulated the Corporate Social Responsibility Best Practice Principles, the Code of Ethical Conduct, the Ethical Corporate Management Best Practice Principles, and the Corporate Governance Best Practice Principles, and organizes training and awareness-raising activities for new recruits and in-service employees regularly. At present, the Chairperson's Office and the	No major differences.



Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
<b>III. Environmental issues</b> (I) Has the company set an environmental management system designed in line with the industry characteristics?	V		<p>President's Office are concurrently responsible for coordinating and implementing activities and matters related to social responsibility. In 2020, the first edition of Chenbro's sustainability report was released. For details, please refer to the Company's official website.</p> <p><b>III. Environmental issues</b>            (I) The Company has established an ISO 14001 environmental management system in the factories, identified the Company's operating activities, products or services, as well as factors that may affect the environment, and evaluated the items that may have material impacts, while establish measurable targets, and reviewing the continuity and relevance of targets and management plans on a regular basis in line with environmental policies. The Company has established ISO 14604 greenhouse gas inventory standards at the factories in Kunshan, defined the boundaries of greenhouse gas emissions and quantified emissions data, implemented the procedures of inventory, internal audit, and verification, and completed the verification in 2021. Chenbro, as a global citizen, will develop improvement measures for greenhouse gas management, to reduce greenhouse gas emissions during the manufacturing process.</p>	No major differences.
(II) Does the company endeavor to upgrade the efficient use of various resources, and use recycled materials with low impact on the environment?	V		<p>(II) Chenbro controls and manages all raw material suppliers and complies with international regulations (e.g., EU RoHS 2.0, REACH, Prop65, and Responsible Mineral Sourcing), local government regulations, and customers' requirements. Chenbro's green</p>	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(III) Does the company evaluate the current and future potential risks and opportunities of climate change, and adopt countermeasures related to climate issues?	V		<p>product (GP) management system workflow starts from the production side (R&amp;D, procurement, outsourcing, production, inspection, testing, etc.) and it has established a control mechanism for hazardous substances to achieve the goal of "products without hazardous substances". As a citizen of the earth, Chenbro fulfills its social responsibilities, pays attention to the update of international regulations, and meets regulatory requirements; regularly updates the GP specifications and releases the information to the supply chain while explaining the control items and requirements to the supply chain ensure Chenbro's supply chain is in line with international regulations. To date, Chenbro has no record of violating environmental protection laws and regulations, and minimizes the impact of products on the environment during their life cycle.</p> <p>(III) In order to reduce the potential risks of climate change to corporate operations, the Company has been practicing "environmental protection, energy conservation, and love the earth" for a long time, pays attention to the impact of climate change on operating activities, and has listed it as one of the important risks for sustainable operations. The implementation of greenhouse gas emissions and greenhouse gas emissions is as follows. For more details, please refer to the Company's official website and Chenbro's 2019 sustainability report.</p> <p>1. Energy conservation and carbon reduction: (1) Electricity conservation:</p>	No major differences.

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			<p>i. Develop and strictly implement the start-stop mechanism and set standards for electrical equipment. For example, production equipment is shut down during meal time, and if the indoor temperature does not reach the specified value, it is prohibited from turning on the air conditioner.</p> <p>ii. Replace high-energy-consuming equipment with energy-saving equipment, such as the fixed-frequency stabilized pumps were replaced with variable-frequency pumps and fluorescent lamps with LEDs at dormitory buildings.</p> <p>iii. Conduct energy-saving retrofits for electrical equipment, such as installing time-controlled light-controlled switches for public area lighting (street lights, etc.).</p> <p>(2) Fuel conservation:</p> <p>i. Set and strictly implement the dormitory hot water supply period and temperature standards to reduce the fuel consumption of the boilers for hot water.</p> <p>ii. Develop and strictly implement the coordination of company vehicles in construction land, control the frequency of use of company vehicles, and promote the use of public transportation to reduce vehicle gasoline consumption.</p> <p>2. Greenhouse gas reduction:</p> <p>(1) Reach the direct greenhouse gas emission reduction targets by controlling the reduction of per capita fuel consumption.</p> <p>(2) Reduce greenhouse gas emissions by saving electricity and using solar power stations to produce renewable energy, and achieve the goal of reducing indirect greenhouse gas emissions.</p>	No major differences.

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(IV) Does the company collect data for greenhouse gas emissions, water consumption, and waste quantity in the past two years, and develop energy conservation, greenhouse gas emissions reduction, water consumption reduction, and other waste management policies?	V		<p>(IV) The Company has upheld the vision of "environmental protection, energy saving, love the earth" for a long time, pays attention to the impact of climate change on operating activities, and has listed it as one of the important risks to sustainable operation. The Company's implementation of energy saving, carbon reduction ,and greenhouse gas reduction is as follows:</p> <p>1. Headquarters promotes energy saving and carbon reduction activities in a centralized manner</p> <p>(1) Implement the principle that maintaining sufficient lighting in the office during the day to reduce the usage of office lamps and fully replace them with LED energy-saving lamps.</p> <p>(2) Promote environmental protection in the office, turn off the lights when not used, unplug appliances when not used, and keep the temperature of air-conditioned rooms not be too low, and should not turn on the lights of the office during lunchtime.</p> <p>(3) Electronic application forms are used to reduce the amount of paper used.</p> <p>2. Chenbro Technology (Kunshan) Co, Ltd. performs greenhouse gas inventory inspections in accordance with the ISO14064-1:2018 standard. In 2019, the inventory data passed the SGS verification and obtained the greenhouse gas verification certification. The 2020 greenhouse gas inventory has been completed, and the data are as follows:</p> <p>(1) Direct greenhouse gas emissions [Type 1]: 165.58 tons of carbon dioxide equivalent</p>	No major differences.

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			<p>(2) Indirect greenhouse gas emissions from energy inputs [Type 2]: 4134.86 tons of carbon dioxide equivalent</p> <p>(3) Indirect greenhouse gas emissions from transportation [Type 3]: 10.24 tons of carbon dioxide equivalent</p> <p>(4) Indirect greenhouse gas emissions from products used by the organization [Type 4]: 1806.56 tons of carbon dioxide equivalent</p> <p>(5) Indirect greenhouse gas emissions related to the use of the organization's products [Type 5]: Not quantified</p> <p>(6) Indirect greenhouse gas emissions from other sources [Type 6]: Not quantified</p> <p>(7) Quantified total emissions: 6117.23 tons of carbon dioxide equivalent</p> <p>3. The plant areas have a clear strategy for saving energy and resources, and have formulated various management measures, such as air-conditioning management regulations, and have strictly implemented them. The main energy-saving work in 2020 is as follows:</p> <p>(1) Continued to promote the energy efficient lighting work, gave priority to natural light sources, such as sunlight in the office area, invest NT\$78197.6 to replace the high-energy-consumption metal halide lamps in the warehouses with LED lamps, and replaced the lighting lamps in the waste recycling sheds with solar-powered lamps.</p> <p>(2) Strictly implemented air-conditioning management regulations. In offices and other non-production areas that do not require constant temperature, air conditioners shall only be turned on</p>	No major differences.

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			<p>when the indoor temperature is above 29 degrees Celsius in summer, and the temperature set shall not be less than 26 degrees Celsius; when the indoor temperature is below 15 degrees Celsius in winter, the temperature set shall not be not higher than 20 degrees Celsius.</p> <p>(3) Carried out the leak detection and repair project of water supply pipelines, investigated the leakage of buried pipelines, and found and repaired two leaking points, and reduced the waste of water resources.</p> <p>(4) Digitized the operations of product release, procurement, contact sheets, etc., to reduce the paper consumption of product release, contact, approval, and procurement sheets.</p> <p>4. In 2020, 954,900 kWh of solar power were purchased and used, and the results are as follows:</p> <p>(1) Saved coal: 385.8 tons</p> <p>(2) Reduced carbon dioxide emissions: 756.46 tons</p> <p>(3) Reduced sulfur dioxide emissions: 28.7 tons</p> <p>(4) Reduced NOX emissions: 14.3 tons</p> <p>5. Through the formulation and implementation of energy-saving management and control policies, energy-saving technological transformation and other means to reduce electricity and fuel consumption, and reduce greenhouse gas emissions, the results are as follows:</p> <p>(1) The electricity consumption based on revenue per unit for the whole year of 2020 was 79.938kwh/NT\$10,000, a decrease of 18.41% from 2019.</p>	No major differences.

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			<p>(2) Diesel consumption based on revenue per unit in 2020 was 0.223L/NT\$10,000, a decrease of 33.6% from 2019.</p> <p>(3) The greenhouse gas emissions based on revenue per unit for the whole year of 2020 was 0.07919 tons/NT\$10,000, a decrease of 25.22% from 2019.</p> <p>The eastern China factory attaches great importance to the impact of climate change on operating activities. In addition to continuously implementing policies for reduction, reuse, and recycling in production and daily life, it pays attention to the development and production of environmentally friendly and energy-saving products.</p> <p>6. Southern China factory</p> <p>(1) Carbon reduction target: In accordance with the regulations of the ISO14064 system, it formulated greenhouse gas emission management measures to comprehensively promote emission reduction work. The carbon reduction target for the whole factory in 2020 was to reduce carbon by another 1% in addition to the proportion of carbon reduction to revenue of 2019.</p> <p>(2) Electricity saving target: The target was to reduce electricity of the whole factory by another 0.5% from 2019 in addition to the proportion of electricity consumption to revenue of 2020 (that is, the proportion of total electricity consumption of the whole factory to revenue in 2020 was 11.5%).</p>	
<b>IV. Social issues</b>				



Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		<p>(I) The Company abides by relevant labor laws and respects internationally accepted basic labor human rights principles. The implementation is as follows:</p> <ol style="list-style-type: none"> <li>1. The Company has established the Personnel Management Methods and the Employee Work Rules.</li> <li>2. Provide employees with a complete education and training program and a good benefits system, such as: annual employee health checkup, marriage subsidy, maternity subsidy, etc.</li> <li>3. The Company is a member of the AAEON Foundation, and has set up an art corridor to provide employees with a comfortable work environment.</li> </ol>	No major differences.
(II) Has the company formulated and implemented reasonable employee benefits measures (including remuneration, leave, and other benefits), and appropriately reflected the operating performance or achievements in the employee compensation?	V		<p>(II) The Company takes sustainable operation as the goal, and employee salaries and rewards are linked to the Company's operating results. Salary adjustment ranges are based on the market levels and company performance. The Company regularly participates in salary surveys and sets salary better than the market levels. Rewards and bonuses are based on the Company's profitability and personal performance, and other rewards for retaining talents are being developed.</p> <p>2. The Company provides a variety of benefits programs to take care of employees, including bonuses for three major Taiwanese holidays, birthday/marriage/childbirth allowances, employee stock ownership trust, a year-end party, welfare committee activities, club activities and subsidies, high-value group insurance, and health check ups, parking subsidies, meal subsidies, and many other employee benefits.</p>	No major differences.

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(III) Does the company provide employees with a safe and healthy work environment, with regular safety and health training?	V		<p>(III) In line with the safety inspections of various government units, regular education and training are held as follows:</p> <ol style="list-style-type: none"> <li>1. Assign general affairs staff to participate in labor safety and health training courses regularly.</li> <li>2. Conduct annual fire safety inspections.</li> <li>3. Conduct public safety inspections of buildings every two years.</li> <li>4. Appoint cleaning companies to send dedicated personnel to provide services in the work environment.</li> <li>5. Regularly organize employee health checkups and advanced health checkups for senior executives.</li> <li>6. Occupational health and safety policy: Committed to establishing an occupational health and safety (ISO45001) management system to ensure that employees work in a healthy and harmless environment. We are well aware of those injuries and risks under corporate governance that may endanger the well-being of employees.</li> </ol>	No major differences.
(IV) Has the company established effective career development training programs for its employees?	V		<p>(IV) According to the Company's strategic development goals, the Company develops and manages the Company's required qualifications for each position, such as core competences, professional competences, management competences, language skills, experiences, etc., and defines in detail the performance level of each requirement, to create a consistent development goal for the Company and talent training, and to establish an employee training system and learning blueprint so as to implement effective talent training programs through internal and external training courses. In addition, it is expected to introduce digital learning systems and work with well-known domestic universities to jointly</p>	

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(V) Do the company's product and service comply with relevant regulations and international rules for customers' health and safety, privacy, sales, and labelling, and set policies to protect consumers' rights and consumer complaint procedures?	V		<p>develop a business strategic map for the senior management and launch relevant training programs for relevant departments at the universities.</p> <p>(V) Although the Company rarely directly faces end consumers, Chenbro still values consumers' voice and rights, and provides transparent and efficient complaint procedures and channels for the Company's products and services. The Company has set up a dedicated unit for customer services to be responsible for product service, solving customer problems, and relevant product warranty issues. The repair policy is based on the announcement on Chenbro's official website.</p> <p>Chenbro complies with international regulations and policies, and has announced the implementation of relevant policies on the Company's official website, including policies on quality, green commitment, corporate social responsibility, occupational health and safety, environment, and non-conflict minerals, and has obtained professional certifications including ISO 9001, ISO 14001, and ISO 45001.</p> <p>Products comply with ROHS, REACH, and other international environmental protection regulations, and follow ISO 11469 for the identification and labeling of plastic products.</p> <p>In order to protect consumers from unsafe products, the Company also conducts UL inspections on products, to meet customers' requirements and international safety standards and fulfill the obligations and services of the green environmental protection policy.</p>	No major differences

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
(VI) Does the company set supplier management policy and request suppliers to comply with relevant standards on the topics of environmental, occupational safety and health, or labor right, and their implementation status?	V		<p>(VI) Chenbro has established a Supplier Code of Conduct, which requires suppliers to prohibit any form of unfair labor treatment, and to implement the policy that all employees shall meet the legal working age. Meanwhile, it refers to international norms, such as the United Nations Guiding Principles on Business and Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and the Universal Declaration of Human Rights, and abides by the relevant laws and regulations of the countries and regions where Chenbro operates. The Chairperson of Chenbro is dedicated to public welfare and gender equality, and conveys this to the supply chain and draws up the contract on the declaration of human rights. In the future, Chenbro will require suppliers to implement the same rules and regulations for the suppliers they work with, and to include the requirements for the implementation of safety and health management operation in contracts with contractors, with contractor' obligations and responsibilities clearly defined. The Company will conduct risk assessment of the work environment and dangerous equipment to keep abreast of and eliminate the existence of hazardous factors in advance. Meanwhile, it will implement and establish an on-site inspection system, and conduct inspection and audits regularly and irregularly of safety requirements and risk, such as work environment safety protection measures, staff safety and health education records, and inspections of machinery and equipment before, during, and after the use, in order to build and increase the value of Chenbro' sustainable supply chain. For details of CSR achievements, please</p>	No major differences

Evaluation Item	Implementation Status			Deviations from Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations
	Yes	No	Summary	
			visit Chenbro's official website to download the Chenbro's sustainability report.	
V. Does the company refer to international reporting rules or guidelines to publish CSR report to disclose non-financial information of the Company? Has the said report acquired third-party certification or statement of assurance?		V	<p>The Company has formulated the Corporate Social Responsibility Best Practice Principles on April 29, 2015, which covers the implementation of corporate governance, the development of a sustainable environment, the maintenance of social welfare, the strengthening of disclosure of corporate social responsibility information, etc., and the relevant information is available in the Company's official website <a href="http://www.chenbro.com.tw/">http://www.chenbro.com.tw/</a></p> <p>In 2020, the Chenbro's Sustainability Report was published, which has not been certified by a third-party verification agency. In line with honesty and transparency, Chenbro inspected and disclosed the Company's management strategies and implementation results of sustainability issues for the first time. The specific achievements of Chenbro's implementation of social corporate responsibility have been highly recognized, and it has also been awarded the 2020 Middle-Standing Enterprises Award of CSR Benchmarking Enterprises of the CommonWealth magazine.</p>	No major differences.
<b>VI. If the company has established its corporate social responsibility code of practice according to "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies", please describe the operational status and differences:</b> The Company has established the Code of Ethical Conduct and the Ethical Corporate Management Best Practice Principles on March 24, 2014, and the Corporate Social Responsibility Best Practice Principles on April 29, 2015, to fulfill the spirit of corporate social responsibility, and the operating situation is no different from what is stipulated in the principles.				
<b>VII. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility:</b> Please refer to pages 82–85 of this annual report.				

**(VI) Observance of ethical management practices and deviation from the Ethical Corporate Management Best Practice Principles for the TWSE/GTSM Listed Companies and reasons thereof**

Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	
<b>I. Establishment of ethical corporate management policy and implementation measures</b> (I) Does the company formulate an ethical corporate management policy approved by the board of directors, and clearly indicate the ethical corporate management policies and practices in regulations and external documents? Does the board of directors and the senior management actively implement their commitment to ethical corporate management?	V		(I) 1. In order to improve the development of the Company on the basis of honesty and integrity, by integrating the business philosophy of integrity, transparency, and responsibility, the Company established the Code of Ethical Conduct and the Ethical Corporate Management Best Practice Principles on March 24, 2014, and established good corporate governance, a risk control mechanism, and perfect internal control to prevent the occurrence of unethical conduct, in order to create a sustainable business environment for the Company, and implement the Company's work rules and the Code of Ethical Conduct as required. The principles is available in the corporate governance section of the Company's website. 2. In April 2020, the Company offered education and training for all employees and offered the 3-hour course of Prevention of Insider Trading, which included how to prevent insider trading, the laws and regulations of Article 157 of the Securities and Exchange Act, and the case studies of corporate insider trading with 80 participants. The ethical conduct is also included as one of the performance evaluation criteria. 3. The Company's employee work rules and the Code of Ethical Conduct stipulate that employees shall not use their jobs to gain illegal benefits, accept entertainment, gifts, or kickbacks, embezzle company funds, engage in illegal behavior, conceal or seek illegal benefits, or accept gifts or rebates or other illegal interests, to prevent unethical conduct.

Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	
			<p>4. The Company also explicitly stipulates that personnel shall not engage in any lending, material asset transactions, guarantees, or other transactions that conflict with the Company's interests in the name of themselves or others, and when performing duties, they shall not request, agree to, deliver, or accept any form of gifts, entertainment, kickbacks, bribes, or other improper benefits for the benefit of themselves, the Company, or third parties.</p>
(II) Has the company developed systematic practices for assessing integrity risks? Does the company perform regular analyses and assessments of business activities that are prone to higher risk of unethical conduct, and implement preventions against unethical conduct that include at least the measures mentioned in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies?	V		<p>(II) The Company has formulated the Code of Ethical Conduct and the Ethical Corporate Management Best Practice Principles, as well as their regulatory operating procedures, guidelines, disciplinary actions, and a grievance system. It also announces the relevant rules and regulations and codes of conduct to employees, regularly offers education, training, and awareness-raising activities, while incorporating ethical conduct into one of the performance evaluation criteria.</p>
(III) Has the company established relevant policies that are duly enforced to prevent unethical conduct, provided implementation procedures, guidelines, consequences of violation, and complaint procedures, and periodically reviewed and revised such policies?	V		<p>(III) 1. Each donation and sponsorship fund of the Company must be reported to the level for approval to comply with internal operating procedures.  2. Offer education to internal employees about relevant rules and regulations to raise their awareness from time to time.  3. Encourage open and transparent communication on professional ethics. When employees encounter relevant problems, in addition to seeking advice from supervisors, they can also contact human resources for appropriate advice.  4. If employees are aware that there is an inconsistency suspected of noncompliance with professional ethics, they have the</p>



Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	
			responsibility to report to their immediate supervisors and human resources supervisors at any time.
<b>II. Implementation of ethical corporate management</b>			
(I) Does the company evaluate business partners' ethical records and include ethics-related clauses in the business contracts signed with the counterparties?	V		(I) Before Chenbro establishes a transaction with suppliers, it conducts a corporate credit evaluation of each supplier to ensure integrity management and suppliers shall include requirements for both parties to sign purchase contracts and relevant contracts, and conduct a quarterly audit to ensure that suppliers do comply with Chenbro's relevant regulations.
(II) Has the company established an exclusively (or concurrently) dedicated unit under the board of directors to implement ethical corporate management, and report to the board of directors on a regular basis (at least once per year) on the implementation of ethical corporate management policies as well as preventive measures against unethical conduct and on the supervision of the implementation ?	V		(II) The Company's ethical management operations are promoted or implemented by the Audit Department, Legal Affairs Department, Human Resources Department, Accounting Department, and Chairperson's Office, and the Chairperson's Office is responsible for compiling the implementation status.
(III) Does the company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	V		(III) 1. The Company has formulated regulations, including the Code of Conduct for Employees, the Rules of Procedure for the Board of Directors Meeting, and the Corporate Governance Best Practice Principles to prevent conflicts of interest. 2. When hiring new employees, the Company asks them to sign the New Employee Service Commitment, including compliance with professional ethics, integrity clauses, and conflicts of interest accual clauses, and a clause requiring all employees to proactively declare any conflicts of interest.

Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	
(IV) Has the company established an effective accounting system and internal control system? And does the internal audit unit draw up relevant audit plans based on the results of the risk assessment of unethical conduct, and audit compliance with the plans for preventing unethical conduct, or entrust CPAs to perform the audit?	V		<p>3. Employees can report through channels, such as their unit supervisors, audit supervisors, human resources supervisors, legal supervisors, or whistle-blowing mailboxes; outsiders can communicate with the management and legal supervisors through the whistle-blowing mailbox on the Company's external website.</p> <p>(IV) The Company ensures the correctness and integrity of the financial reporting process and relevant controls, and entrusts CPAs to perform audits. The Company also designs relevant internal control systems for operating objectives and risk management procedures. Internal audits are also performed in accordance with the annual audit plan, and the audit results are reported to the board of directors and the management, and the improvement results are tracked to implement ethical management and ensure compliance with laws and regulations. In order to pursue a good corporate culture and sound development, the Company has established the Ethical Corporate Management Best Practice Principles for directors, managers, and employees to comply with. It also prohibits unethical conduct in the code of conduct for employees as a code of conduct for employees in the group. The internal audit unit's must-audit items every year—compliance, which also includes checking the implementation of ethical management, and it shall prepare an audit report to the board of directors.</p>
	V		<p>(V) 1. The Company's new recruits training includes education and training on the code of conduct for employees to develop their</p>

Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	
			<p>concept and spirit of ethical management; the semi-annual performance evaluation also includes integrity as one of the employee evaluation items, and a meeting will be held before the performance evaluation to explain the evaluation to strengthen the employees' concept of ethical management.</p> <p>2. The Company's code of conduct for employees incorporates the spirit of the Ethical Corporate Management Best Practice Principles, and the principles are available on the Company's intranet for employees to check at any time.</p> <p>3. In April 2020, the 3-hour course of the Prevention of Insider Trading was offered to all employees, with a prosecutor from Hsinchu District Prosecutors Office invited to be a lecturer. The content included how to prevent insider trading, the laws and regulations of Article 157 of the Securities and Exchange Act, and case studies of insider trading, with 80 participants.</p>
<b>III. Grievance system</b> (I) Does the company establish both a reward/whistle-blowing system and convenient whistle-blowing channels? Are appropriate personnel assigned to handle accused parties?	V		<p>No major differences.</p>
			<p>(I) The Company attaches great importance to issues, such as establishing an honest and transparent corporate culture and promoting sound management. In order to combat counterfeit behavior, corruption, bribery, theft of company property, and leaks of company secrets, etc, when employees find illegal, unethical, dishonest behavior, or any other behavior suspected of violation, they have the responsibility and obligation to report to the management directly or indirectly. The Company also clearly stipulates in the code of conduct for employees that all violations shall be punished or responded to with a dismissal based on the severity of the violation, and it has established the Whistleblower Channels and Protection System Operating Procedures. The Company's heads of departments,</p>

Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	
(II) Does the company establish standard operating procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?		<p>Human Resources Division, and legal affairs and auditing units are the entities to accept complaints, and the Human Resources Division is the executive unit. The Human Resources Division has set up a reporting channel for employees to report violations discovered. If the matter reported by a whistleblower is proved to be true after investigation, those who meet the qualifications for rewards as in the work rules will also be awarded.</p>	No major differences
	V	<p>(II) 1. When the Company's heads of departments, Human Resources Division, and audit unit receive reports from employees, the Human Resources Division will investigate the matters reported. The investigation process of each complaint case is handled in a confidential manner. Personnel accepting, investigating, and participating in the handling of reported cases shall strictly observe the principle of confidentiality, and shall not disclose the name of the whistleblower and other relevant information sufficient to identify the identity of the whistleblower and the content of the case. If there is any violation, the Company may terminate his/her participation, impose disciplinary action, and hold him/her accountable according to the circumstances, and terminate his/her employment.</p> <p>2. According to the Company's Whistleblower Channels and Protection System Operating Procedures as in the code of conduct for employees, the Human Resources Division will comply with the confidentiality principle of non-disclosure of the investigation and interview all relevant personnel when conducting investigations and collect all kinds of factual</p>	

Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and reasons thereof
	Yes	No	
			<p>evidence as much as possible, to truly achieve the principle of fairness, impartiality, and non-disclosure.</p> <p>3. Form of complaint: In order to speed up the acceptance and investigation of each case, the whistleblower shall submit a report in a written form with his/her name included, and provide the real name, job title, identity, factual content, time and place of the event, and specific evidence available for investigation for the Company's verification. If a complaint is submitted verbally, the person or unit that accepts the case shall put it on record, and after the content is checked by or read to the whistleblower who confirms that the content is correct, it shall be signed or sealed by the whistleblower. If the content of the report is anonymous or without a real name, or legal, malicious attack, untrue, or lack of specific content, it shall not be accepted.</p>
(III) Does the company provide protection to whistleblowers against receiving improper treatment?	V		<p>(III) 1. The Company keeps the whistleblower and the report confidential, and shall not disclose it during the investigation. In addition, if the reported matter is verified to be true, the whistleblower will be protected and will not be dealt with unfavorably due to the fact that the whistleblower reports the fact. The Company has established the whistleblower protection system, the whistleblower channel and grievance procedure to protect the whistleblower from being treated unfavorably, to ensure the whistleblower's safety of life and property, right to work, and economic rights.</p> <p>2. Description of whistleblower's reporting channels: In order to ensure that the whistleblower's personal information is not leaked, the Company has set up a special mailbox for</p>

Evaluation item	Implementation Status		Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	
			Summary grievances. Employees in other subsidiaries shall report through the reporting channels of their companies. If their companies have not set up their own reporting channels, they can also use the following reporting channels. Email: chenbrolegal@chenbro.com (This mailbox can only be viewed by the legal affairs unit, and it handles external complaints from suppliers and customers.) HR's email address: wsb@chenbro.com (This mailbox is only accessible to the human resources unit, and it exclusively for internal cases, sexual harassment, and discrimination complaints.
<b>IV. Enhancing information disclosure</b> (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		No major differences.
<b>V. If the company has established its own ethical corporate management principles based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies, please describe the implementation and any deviations from the Principles:</b> The company has formulated the Code of Ethical Conduct and the Ethical Corporate Management Best Practice Principles on March 24, 2014, and there is no difference between the operating situation and the code and the principles.			
<b>VI. Other important information to facilitate better understanding of the company's ethical corporate management (e.g., review of and amendments to ethical corporate management policies)</b> The Company established the Ethical Corporate Management Best Practice Principles on March 24, 2014, and amended the principles on May 12, 2020.			

**(VII) The Company's Corporate Governance Best Practice Principles and disclosure and inquiry methods of relevant regulations**

Important regulations	Disclosure and inquiry methods
<p>Corporate Governance Best Practice Principles  Rules of Procedures for the Shareholders' Meetings  Rules of Procedures for the Board of Directors Meetings  Rules of Election of Directors  Terms and Conditions of Appointment of Independent Directors  Code of Ethical Conduct  Ethical Corporate Management Best Practice Principles  Remuneration Committee Charter  Corporate Social Responsibility Best Practice Principles  Articles of Incorporation  Procedures for Handling Material Inside Information  Whistleblower Channels and Protection System Operating Procedures  Regulations for the Acquisition and Disposal of Assets  Endorsement and Guarantee Regulations  Board of Directors Performance Evaluation Regulations  The Operating Procedures for Loaning of Funds to Others  Audit Committee Charter</p>	<p>MOPS:  <a href="http://mops.twse.com.tw/mops/index">http://mops.twse.com.tw/mops/index</a>; Query in the "Corporate Governance" section  The Company's website:  <a href="http://www.chenbro.com">http://www.chenbro.com</a></p>



## **(VIII) Other important information that is sufficient to enhance the understanding of corporate governance operations**

### **1. Employee rights and employee care**

The Company regards employees as the most important asset and provides challenging work for career development, a safe work environment, and high-quality compensation and benefits. In addition, employees are encouraged to exercise more, develop their own diverse habits, participate in family management and public welfare activities to give back to the society and maintain physical, mental health. The Company upholds the concept of people-centered management and co-prosperity between labor and management, and implements a human resource management system featuring motivation (rewards and a policy featuring right person in the right place), growth (complete training resources and opportunities), and achievement (professional competence demonstration space and appropriate career planning).

#### **■ Free from discrimination**

- (1) Recruiting disabled employees: Provide job opportunities for the disabled persons without restrictions on the number of openings, and arrange suitable positions based on their expertise, and recruit two disabled employees every month.
- (2) Equal management system: All employees are applicable to the same management system regardless of gender, race, age, nationality, and religious beliefs. For example, men and women have the same salary standards for the same job. Encourage employees to learn and grow in a diverse manner, provide equal development opportunities, and develop management or professional skills through a comprehensive and continuous training and promotion system divided by function, and further give them more challenging positions.
- (3) Recruiting fresh graduates: The Company provides job-seeking opportunities to fresh graduates, and has established a complete training plan, including professional training, expatriate internships, and soft power training.

#### **■ Human resource development**

- (1) Talent introduction: The important key to the success and growth of an enterprise comes from having a group of like-minded people with the same vision in their DNA to work together and move forward. In order to strengthen sustainable operation, the Company actively recruits outstanding talents at all levels and from various countries, and recruits them in a fair and open procedure and assigns them to suitable positions. The Company has established an internal NCG program to provide fresh graduates in the workplace with diverse learning opportunities and stages. In-house mentors are assigned to them for guidance, project discussion, competence training, and factory internships are provided, so that fresh graduates can quickly fit in with the workplace and surpass their peers quickly.
- (2) Chenbro Academy: The development of employees is inseparable from the growth of the Company. In order to actively cultivate high-quality talents, the Company provides diverse learning courses, including pre-employment training, professional competence, core functional competence, and management competence; has established a dedicated education and training unit, and hired professional human resource consultants to customize diverse courses for Chenbro, while continuing to increase the investment in employee learning and development, training internal lecturers, passing important knowledge and skills onto new recruits within the Company, and shaping a learning and development environment. In 2020, the total number of education and training courses held was nearly 17,624 hours, and the average training hours per person was about 98 hours. The total cost was NT\$17.8 million.
- (3) Strengthen diversified talents: In order to strengthen diversified talents, the Company encourages employees to develop through transfers and expatriation to increase professionalism and experience. Chenbro provides employees with dormitories for overseas branches and encourages them to bring their families over. The Company has established diverse clubs and subsidized NT\$1 million for the clubs every year to allow employees and their families to cultivate diverse skills and strengthen their health. In

2018 and 2020, it was Certified with Taiwan i Sports by the Sports Administration, and was were recognized with the Corporate Health Responsibility Award in 2019.

- (4) Salary and remuneration: Chenbro is determined to strive for high-quality talents, and the salary and remuneration policy is highly competitive. In addition to the salary, through various bonuses, such as project bonuses, performance bonuses, competition bonuses, year-end bonuses, and employee compensation (bonuses), to motivate employees to capitalize on their potential positively and actively.
- (5) Employee communication: Chenbro attaches importance to talent cultivation and retention, and adopts diverse employee communication channels, including monthly meetings, lunch meetings, labor-management meetings, other regular meetings, and satisfaction surveys to maintain transparency and two-way communication with employees; If an employee submits an application for resignation, the Human Resources Division will conduct a resignation interview with the person concerned to fully understand the reason and motivation of the employee's resignation, resolve his/her difficulties, and manage to retain him/her.
- (6) Corporate culture: In order to strengthen core values, set clear core competencies, definitions, and behavior indicators to ensure that employees' attitudes and behaviors can support the achievement of long-term goals. The Company regularly implements cultural shaping activities through holding study sessions, consensus camps, and new recruit sharing sessions to pass on the corporate culture.
- (7) Succession plan: The training for Chenbro's senior management successors includes four components: Management ability, professional ability, individual development plan (IDP), and job rotation. For example, it worked with three major EMBA courses with National Taiwan University in 2016 to allow senior executives to learn leadership skills, strategic planning skills, and new career development capabilities; sent senior executives to the National Taiwan University to attend the Global Executive Program to stay up-to-date with the international industry trends in real-time. The courses for senior executives were broad in vision and have economical efficiency, leading entrepreneurs to develop innovative business ideas and international management thinking. In the succession plan, in addition to professional competences, it pays special attention to senior executives' personal core abilities, vision and strategy, planning and organization, coaching and mentoring. Since 2018, we particularly hired external professional HR consultants to carry out the enhancement and trainings courses for the succession plan execution.

## **2. Investor relations**

The company has spokespersons and acting spokespersons, as well as a full-time point of contact for investor relations, as a channel for the Company to express opinions or reply to investors' questions. Contact by phone or email is available at any time. (Tel.: 02-82265500; email: [ir@chenbro.com](mailto:ir@chenbro.com))

The Company regularly discloses its important financial and business information, holds an investor conference every quarter, and releases material information in both Chinese and English simultaneously, and sets up official websites in both Chinese and English, participates in overseas roadshows, etc., and continues to improve the transparency of company information for investors to stay up-to-date with the Company's business information and development plans.

## **3. Supplier relationship**

Chenbro regards suppliers as long-term partners, and hopes to work with upstream and downstream suppliers to create a sustainable and co-prosperous value chain, and to make continuous progress in quality, technology, environment, human rights, and other aspects. In the future, based on the principles of sustainable development, Chenbro will pay more attention to the promotion of supply chain in governance, environment, and society, in order to work with partners to promote sustainable development. Therefore, in order to strengthen supplier green management, Chenbro has set policies and objectives, and formulated specific promotion methods for effective implementation, and introduced the Code of Conduct of the Responsible Business Alliance (RBA), with a focus on making positive contributions to society and the environment. Chenbro follows relevant laws and responsibilities to ensure that the work environment is

safe, employees are treated with respect and dignity, and the environment is properly protected. In the supplier management process, all cooperating suppliers are included in the signing of confidentiality agreements for the completion of collaboration contracts and procurement contents.

Chenbro has established a Supplier Code of Conduct, which not only requires suppliers to prohibit any form of unfair labor treatment but to implement the policy that all employees must meet the legal working age. Meanwhile, it refers to international norms, such as the United Nations Guiding Principles on Business and Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and the Universal Declaration of Human Rights, and abides by the relevant laws and regulations of the countries and regions where Chenbro operates. In the future, Chenbro will require suppliers to implement the same standards and regulations for the suppliers they work with, and to include the requirements for implementation of safety and health management in the contracts with contractors, while requiring them to define contractors' obligations and responsibilities clearly and to implement risk assessment of the work environment and dangerous equipment, to keep abreast of and eliminate the existence of hazardous factors in advance. Meanwhile, it will implement and establish an on-site inspection system, and conduct inspection and audits regularly and irregularly of safety requirements and risk, such as work environment safety protection measures, staff safety and health education records, and inspections of machinery and equipment before, during, and after the use, in order to build and increase the value of Chenbro's sustainable supply chain.

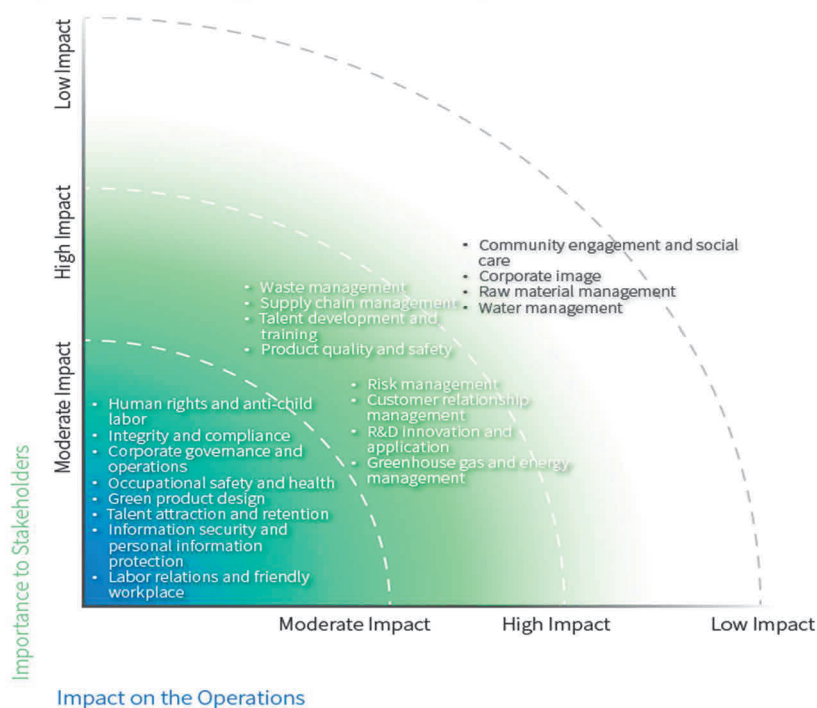
#### **4. Stakeholders' rights**

As a communication platform for identifying major stakeholders and major issues, the Chenbro Sustainability Development Committee actively understands and takes into account the sustainability issues of different stakeholders' concerns. It follows the GRI sustainability reporting guidelines and conducts analyses of major issues based on the three major steps of identification, prioritization, and validation, as a reference for Chenbro to prepare a sustainability report. With that, we will establish transparent and effective diverse communication channels with stakeholders while responding to stakeholders through the report to gain more trust and support, and to continue to promote the sustainable development of the Company.

The members of the Chenbro's Sustainable Development Committee and the representatives of the evaluation team identified preliminary material issues based on the major considerations of GRI-G4, and referred to the five aspects of AA1000 stakeholder engagements standard (AA1000 SES): dependency, responsibility, tension, influence, and diverse perspective, to have identified "employees", "customers", "suppliers", "investors", "community", "media", and "government" as stakeholders in our sustainable development. Please refer to the stakeholder chart on page 74-75 for details.

The members of the Sustainability Development Committee and the evaluation team representatives followed the GRI Standards and the AA1000 SES, and followed the three major steps of identification, prioritization, and validation to conduct a materiality analysis to identify the material sustainability issues for Chenbro. In order to confirm the scope of impact of the material issues, we convened members of the Chenbro's Sustainability Development Committee to confirm the potential impact of these material issues on the internal and external organizations based on internal considerations, industry conditions, industry chain practices, and stakeholders' suggestions, namely the positive, negative, or potential impact on the economy, environment, and society, and to confirm the impact of each issue on inside and outside the organization through risk analyses, and the distribution of material issues is compiled as shown in the chart below.

## Importance and Impact of Sustainability Issues



Stakeholders	Material issues of concern	Communication channels and response methods
Investors	Corporate governance and operations, corporate image, supply chain management, risk control, R&D innovation and application development, integrity and compliance, data security and personal data protection, as well as human rights and against child labor	<ul style="list-style-type: none"> <li>● There are full-time staff dedicated to investor relations</li> <li>● Point of contact: ir@chenbro.com</li> <li>● Annual general meeting</li> <li>● An investor conference is held every quarter to publish quarterly financial statements and operational information. Important information will be announced in real time and will be simultaneously published on the MOPS and the Company's website</li> <li>● An email and contact number are available on the Company's website as a smooth communication channel between investors and the Company</li> <li>● Face-to-face communication meetings and teleconferences with domestic and foreign investment institutions are held from time to time</li> </ul>
Employees	Corporate governance and operations, corporate image, risk control, R&D innovation and application development, product quality and safety, waste management, talent cultivation and education and training, integrity and compliance, data security and personal data protection, human rights and against child labor, occupational safety and health, talent attraction and retention, labor-employment relations, and friendly workplace	<ul style="list-style-type: none"> <li>● Point of contact: hrp@chenbro.com</li> <li>● There are the Company's work rules, which specify the compensation for occupational accidents and relevant insurance coverage, and are available on the Company's intranet for employees' reference</li> <li>● The supervisor and employees hold communication meetings from time to time</li> <li>● There are internal electronic newsletters to facilitate information circulation</li> <li>● Regular internal training is held and employees are encouraged to apply for external training and on-the-job training</li> <li>● Annual free health checkups and consultations are provided to employees</li> <li>● Employee Welfare Committee</li> </ul>

Stakeholders	Material issues of concern	Communication channels and response methods
Customers	Corporate image, supply chain management, risk control, customer relationship management, R&D innovation and application development, product quality and safety, integrity and compliance, data security and personal data protection, human rights and against child labor, corporate governance and operations, and green products and design	<ul style="list-style-type: none"> <li>●Point of contact: info@chenbro.com</li> <li>●The Company has units dedicated to serving customers in different sales channels and regions</li> <li>●In addition to the headquarters in Taipei, there are subsidiaries in the U.S., Europe, Shanghai and Beijing, China, and other places to provide localized services</li> <li>●Quarterly Business Review (QBR)</li> <li>●The Company participates in various technological forums and international exhibitions from time to time</li> <li>●The Company cooperates with customers' product, environment, responsibility, and other requirements and conducts inspections, for joint prevention and continuous improvement</li> </ul>
Suppliers	Corporate image, raw material management, water resource management, supply chain management, risk control, product quality and safety, integrity and compliance, data security and personal data protection, human rights and against child labor, and green products and design	<ul style="list-style-type: none"> <li>●Point of contact: scm@chenbro.com</li> <li>●Annual audit of suppliers and contractors</li> <li>●The Company has established the Green Policy, the Environmental Policy, the ELCC Policy, etc. to ensure that any raw materials comply with international regulations, government directives, and customer requirements</li> </ul>
Community	Community participation and social care, water resources management, risk control, product quality and safety, waste management, greenhouse gases and energy management, integrity and compliance, data security and personal data protection, as well as human rights and against child labor	<ul style="list-style-type: none"> <li>●There are full-time staff dedicated to corporate social responsibility</li> <li>●Point of contact: Chairperson's Office csr@chenbro.com</li> <li>●For social participation, please refer to pages 82–85 of the annual report and the corporate social responsibility section of the Company's official website</li> <li>●There is a channel for reporting violations of professional ethics, and a protection system for whistleblowers has been established; the unit for accepting reports is of independence, and the files provided by whistleblowers are encrypted and protected. Point of contact: chenbrolegal@chenbro.com</li> </ul>
Media	Community participation and social care, corporate image, integrity and compliance, as well as corporate governance and operations	<ul style="list-style-type: none"> <li>●There are dedicated hot line and email of the dedicated unit</li> </ul>
Government	Community participation and social care, corporate image, water resources management, risk control, greenhouse gases and energy management, integrity and compliance, human rights and against child labor, occupational safety and health, labor-employment relations and friendly workplace	<ul style="list-style-type: none"> <li>●There are dedicated hot line and email of the dedicated unit</li> <li>●Regular corporate governance evaluation is held</li> </ul>

## 5.Directors' continuing education

The directors' and supervisors' continuing education is conducted in accordance with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. The situation is as follows:

Directors' continuing education (2020)

Title	Name	Date of Class	Organizer	Class Title	Number of Hours	Total Number of Hours
Independent Director	An-pang Tsao	Jan. 10, 2020	Taiwan Corporate Governance Association	Practical Operation of the Audit Committee; Analysis and Case Studies of the Return of Overseas Funds to Taiwan	3	6
		Oct. 21, 2020	Securities and Futures Institute	2020 Prevention of Insider Trading and Insider Equity Trading Seminar	3	
Independent Director	Wen-cheng Huang	Jan. 10, 2020	Taiwan Corporate Governance Association	Practical Operation of the Audit Committee; Analysis and Case Studies of the Return of Overseas Funds to Taiwan	3	6
		Jun. 29, 2020	Securities and Futures Institute	Legal Issues That Directors and Supervisors of Publicly Listed Companies Need to Pay Attention to	3	
Independent Director	Chung-hsing Huang	Jun. 15, 2020	Taiwan Corporate Governance Association	Securities Regulations	3	9
		Jun. 16, 2020	Taiwan Corporate Governance Association	Common Tax Disputes and Tax Governance Strategies for Business Groups	3	
		Jun. 16, 2020	Taiwan Corporate Governance Association	How to Build a High-performance Board of Directors and Functional Committees from the Performance Evaluation of the Board of Directors	3	
Independent Director	Wei-shun Cheng	Aug. 18, 2020	Taiwan Institute of Directors	Enterprise Transformation in the Era of Change	3	6
		Sep. 4, 2020	Securities and Futures Institute	2020 Prevention of Insider Trading and Insider Equity Trading Seminar	3	

Title	Name	Date of Class	Organizer	Class Title	Number of Hours	Total Number of Hours
Director	Tsun-yen Lee	Jan. 10, 2020	Taiwan Corporate Governance Association	Practical Operation of the Audit Committee; Analysis and Case Studies of the Return of Overseas Funds to Taiwan	3	6
		Oct. 21, 2020	Securities and Futures Institute	2020 Prevention of Insider Trading and Insider Equity Trading Seminar	3	
Director	Mei-chi Chen	Jan. 10, 2020	Taiwan Corporate Governance Association	Practical Operation of the Audit Committee; Analysis and Case Studies of the Return of Overseas Funds to Taiwan	3	8
		Jun. 16, 2020	Taiwan Listed Companies' Association	Taiwan's National Governance In the Post-Pandemic Era	2	
		Dec. 8, 2020	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3	
Director	Te-feng Wu	Jul. 22, 2020	Taiwan Corporate Governance Association	Competition for Management Rights and Case Studies	3	12
		Nov. 27, 2020	Taiwan Corporate Governance Association	Advanced Sharing of Practice of Audit Committee - Towards 3.0 (Audit Committee Convener Best Practices)	3	
		Dec. 11, 2020	Taiwan Corporate Governance Association	Advanced Cases Sharing of Audit Committee—M&A Deliberation and Directors' Responsibilities	3	
		Dec. 22, 2020	Taiwan Corporate Governance Association	The Role of Independent Directors in Business Management and Corporate Governance	3	
Director	Yu-ling Tsai	Aug. 11, 2020	CCICS	Corporate Governance and Intellectual Property Rights	3	6
		Aug. 11, 2020	CCICS	Trade Secrets and Non-Compete Clause	3	



Title	Name	Date of Class	Organizer	Class Title	Number of Hours	Total Number of Hours
Director	Chung-pao Wu	Jan. 10, 2020	Taiwan Corporate Governance Association	Practical Operation of the Audit Committee; Analysis and Case Studies of the Return of Overseas Funds to Taiwan	3	6
		Oct. 7, 2020	Taiwan Corporate Governance Association	Corporate Governance Blueprint 3.0 and Directors' Responsibilities	3	

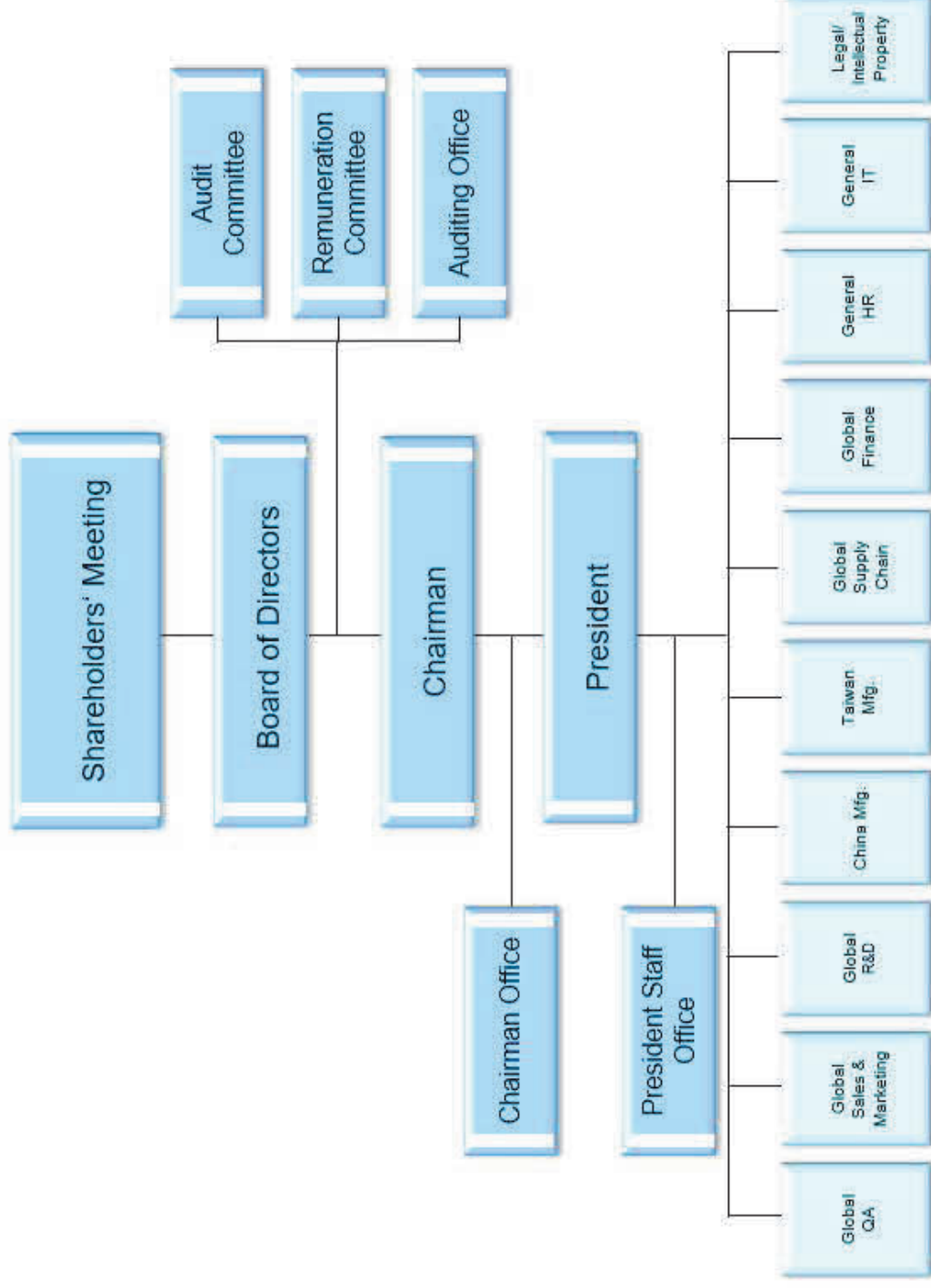
## 6. Implementation of risk management policies and risk measurement standards

### (1) Risk management policy

With the professional technology and concepts of risk assessment at home and abroad, we actively implement risk prevention and loss control, use an effective risk management system and, let all employees participate in education and training, to improve continuously, with zero risk as the ultimate goal.

(2) Organizational structure of risk management

## Global Organization Chart



**Risk management organizational table**

Important Risk Assessment Item	Immediate Unit of Risk Control (the Unit in Charge)	Risk Review and Control	The Board of Directors and the Audit Office
	(1st-line mechanism)	(2nd-line mechanism)	3rd-line mechanism)
I. Interest rates, exchange rates, and financial risks II. High-risk and high-leverage investments, lending of funds to others, derivatives trading, financial and wealth management III. Investments, investment in investees, and M&A benefits	Finance Department	Financial investment review unit (Members: Global Finance Division, President, Chairperson)	Board of Directors: (Decision-making and final control of risk assessment and control)
IV. R&D plans	Heat Dissipation/Structure R&D Department, Hardware R&D Department, Software R&D Department, Mechanical Design Department, Mechanical Architecture Department	R&D review unit (Members: Global Research and Development Division, President, and Chairperson)	
V. Changes in policies and laws VI. Litigation and non-litigation matters VII. Contract formulation and review VIII. Examination of patents, trademarks, and other intellectual property rights	Legal Affairs & Intellectual Property Division	Legal affairs review unit (Members: President's Office, President, and Chairperson)	Audit Office (Risk inspection, evaluation, supervision, improvement, tracking, and reporting)
IX. Analysis of technological and industrial changes X. Changes in products and corporate image	Product Marketing Department	Marketing review Unit (Members: Global Product Marketing Division, President, and Chairperson)	
XI. Production and sales coordination XII. Expansion of plants or production XIII. Centralized purchase or sales	Dongguan Procace Electronic Co., Ltd., Chenbro Technology (Kunshan) Co, Ltd., Section of Outsourcing Molds, Production Management Section, Procurement Section, Storage and Transportation Section, Sales Department, U.S. subsidiary, European subsidiary, Greater China area, and salespeople of Chenbro Technology (Kunshan) Co, Ltd.	Production and sales review unit (Members: Global Supply Chain Management Division, southern China/eastern China manufacturing centers, Global Sales Division, President, and Chairperson)	
XIV. Changes in the equity of directors, supervisors, and major shareholders XV. Changes in operating rights	Accounting Department and Board of Directors	Operation review unit (Members: Global Finance Division, Chairperson, and the Board of Directors)	
XVI. Information security risks	Global Information Division	Information security review unit (Member: Global Information Division and President)	

## 7. Implementation of customer policy

Focus on serving customers, maintain a stable and good relationship with customers, and regularly participate in QBR to understand customers' pain points, propose solutions according to their needs, and then adjust company operating standards, and actively cooperate with customer audits and make improvements to meet customers' needs to create company profits and achieve a win-win outcome.

## 8. Purchases liability insurance for directors and supervisors

Party insured	Insurance company	Insured amount (NTD)	Policy period	Date of submission to the board of directors
All directors and supervisors	Fubon Insurance Co., Ltd.	312,500,000	Start from Sep. 7, 2019 to Sep. 7, 2020	Nov. 12, 2019
All directors	Fubon Insurance Co., Ltd.	294,900,000	Start from Sep. 7, 2020 to Sep. 7, 2021	Nov. 10, 2020

## 9. Managers' continuing education and training in corporate governance (2020):

Title	Name	Date of Class	Organizer	Class Title	Number of Hours	Total Number of Hours
Chairperson	Mei-chi Chen	Jan. 10, 2020	Taiwan Corporate Governance Association	Practical Operation of the Audit Committee; Analysis and Case Studies of the Return of Overseas Funds to Taiwan	3	8
		Jun. 16, 2020	Taiwan Listed Companies' Association	Taiwan's National Governance In the Post-Pandemic Era	2	
		Dec. 8, 2020	Taiwan Academy of Banking and Finance	Corporate Governance Lecture	3	
Assistant Vice President in Accounting, Global Finance and Accounting Division	Chia-ling Chih	Jan. 10, 2020	Taiwan Corporate Governance Association	Practical Operation of the Audit Committee; Analysis and Case Studies of the Return of Overseas Funds to Taiwan	3	27
		Oct. 23, 2020	Taiwan Corporate Governance Association	Directors and Supervisors Responsibility and Risk Management Seminar of Fubon Insurance Co., Ltd.	3	
		Nov. 26, 2020	Securities and Futures Institute	Intellectual Property Rights Management and Company Operating Risks	3	
		Nov. 30, 2020	Securities and Futures Institute	The Value of Information Security in The Post-Pandemic Era and the China-US Trade War	3	
		Dec. 4, 2020	Securities and Futures Institute	Exchange Rate Risk Management and Accounting Treatment	3	
		Dec. 7, 2020	Taiwan Accounting Research and Development Foundation	The Latest Development Trend of CSR Reports and Analysis of Relevant Corporate Governance Practices	3	
		Dec. 16, 2020	Taiwan Accounting Research and Development Foundation	Legal Liabilities and Precautions for Insider Equity Transactions	3	
		Dec. 17, 2020	Taiwan Accounting Research and Development Foundation	Fund Flow Forecast and Short-term and Long-term Financing and Operation	6	

## **10. Strengthen audit and self-inspection operations**

The Company has a complete internal control system and internal control self-evaluation operation management procedures. Each unit needs to manage and implement it as required. Through internal control self-evaluation operations, all departments and subsidiaries must self-examine the effectiveness of the internal control system design and implementation. The internal auditors perform audits and conduct effective monitoring in accordance with the annual audit plan approved by the board of directors. The management and the board of directors regularly review the self-evaluation results and audit reports to achieve the effectiveness and efficiency of the Company's operating goals, enhance corporate competitiveness, ensure the reliability of financial and non-financial information reporting, and comply with all relevant laws and regulations.

## **11. Operating procedures for internal material information**

The Company's board of directors passed the Procedures for Handling Material Inside Information on December 29, 2009, and the following actions are taken to raise employees' awareness:

- (1) Provide the Procedures for Handling Material Inside Information to directors, supervisors, and managers monthly.
- (2) When a new manager is appointed, provide him/her with the Procedures for Handling Material Inside Information.
- (3) Each manager is regularly reminded of the Procedures for Handling Material Inside Information and the information related to insider trading on the Taiwan Stock Exchange's website.
- (4) Inform employees of the Procedures for Handling Material Inside Information

## **12. The Company's implementation of social responsibility**

As a member of a corporate citizen, Chenbro, in addition to focusing on the development of its business and customer services, actively participates in social welfare activities and pays attention to environmental issues. At the same time, it also invests resources in rural education and promotion. Chenbro has won the Middle-Standing Enterprises Award of CSR Benchmarking Enterprises of the CommonWealth magazine for three consecutive years. Its contribution to social participation has been recognized by the judges, which has motivated us to make continuous progress in the hope of bringing more positive energy to the society.

### **(1) Environmental sustainability**

#### **A. Environmental actions**

The Company actively responds to global environmental protection trends and makes good use of its core business. The Company's management is responsible for the Company's energy-saving policy planning, supervision, inspection, and improvement, and regularly promotes and conveys correct energy-saving concepts. In addition, resource recycling classification boxes are set up in the workplace to allow employees to develop the habit of resource classification at any time. The Chong'ai Branch of the First Social Welfare Foundation and the Blue Ocean Environmental Technology Inc. recycle the Company's resources for reuse and convey energy conservation, carbon reduction, and energy management concepts from time to time, so as to strengthen the education to employees so as to cooperate with the government's energy conservation and environmental protection policies.

#### **B. Continue to support green transformation**

Since the Company launch a movement of rescuing 3,000 bags of pesticide-free onions online in 2018, it has continued to purchase fresh agricultural products, including organic pears, non-toxic onions, and organic avocados, to support farmers to switch from conventional agriculture to friendly farming. The Company purchases agricultural products at fair prices to safeguard farmers' rights and support their sustainable production methods.

### **C. Sponsored the first Taiwan National Park photography collection "Treasures of Taiwan"**

The local photographer Chao-pang Hsu has devoted his life to photographing Taiwan's customs and culture. Chenbro cherishes local artists who love Taiwan, so sponsored the publication of the "Taiwan Treasures" with a fund of NT\$500,000 to motivate artists' creativity and contribute to the preservation of the images of the Taiwan's unique and precious national park.

### **D. Beach cleaning—conveying of environmental protection concepts**

The beach cleaning activity was initiated by the Welfare Committee, and a total of 115 employees and their families took part in this grand event. Through the beach cleaning activity, we have once again aroused environmental awareness and reminded people not to cause permanent damage to the environment for their temporary benefits, and to take seriously the low-carbon lifestyles.

### **E. Recycling art competition—recycling and reuse of scraps**

In the competition of art creations with scrap parts, the total prize money of the competition was NT\$300,000. At the competition, 70% of the recycled materials should be used, and the award-winning works are displayed in the Company, so as to pass on the concepts of zero waste and sustainability to employees.

## **(2) Social participation**

### **A. Giving back to hometown to promote innovative education—470 volunteers in 144 schools with 380,000 participants for 3,600 hours**

Since 2013, Chenbro has worked with Chen-Source Inc. and AAEON Foundation to improve children's education in Yunlin and bring artistic resources to rural areas, with which as a starting point the education will be expanded to technology, music, and environmental education. A total of 144 schools had participated in this program by 2020, and more than 8,300 teaching activities had been held. Four educational projects were carried out this year, with an investment of about NT\$5 million, to broaden the learning horizons of children in rural areas in all aspects.

#### **"Yunlin Art Spot": 2013–present**

Through four themed events, namely World Picture Book and Illustration Tour Exhibition, the e-School Picture Book Creative Digital Teaching Materials, the Art Fun Theater Tour, and the Fun Art Bus, the Company has worked to bring art resources to the rural areas, while holding a painting competition entitled Drawing a Map of My Hometown to allow children to explore the fields and to draw maps and bring their works to the stage to talk about their deeper sense of identity with their hometown, so as to strengthen local education and enhance identity and confidence.

#### **"Discover a New Paradise of Technology": 2018–present**

In addition to art resources, Chenbro hopes to help narrow the digital gap between urban and rural areas. In 2018, it has implemented the Yunlin Science and Technology New Paradise Project, in which the expertise and resources of five science and technology education foundations are integrated to develop science and technology education based on the concept of paradise. The Company has worked to bringing resources to schools, and arranged the Life Technology School Exhibition Tour based on the five themes of food, clothing, housing, travel, and future to showcase daily-life technology application examples. In addition, the modularized digital teaching materials developed for the DIY activities at the exhibition provide modularized and digital teaching materials to enhance the effectiveness of the event. Furthermore, the science DIY activities and the Taipei Science and Technology Exploration and Learning Tour aimed to promote the daily life science to basic education in a simple and profound way.

### **Magic House of Classical Music: 2019—present**

In order to enrich the resources of promoting music education in rural areas, the "Magic House of Classical Music" was launched in 2019, to extend teaching through five major exhibitions of woodwind instruments, brass instruments, string instruments, keyboard instruments, and percussion instruments, while guided music appreciation, and music flash mob events, music concert tours, music exploration and learning tours are incorporated to promote music in school with integrated resources, so that all children have the opportunity to experience the beauty of music.

### **"Environmental Taiwan"—school environmental education promotion: From 2021**

As the earth's environment has undergone man-made destruction, Chenbro will invest NT\$1.1 million and work with the Chi Po-lin Foundation for the first time to promote environmental education in the theme of "Environmental Taiwan". The School Environmental Education Exhibition Tour was launched through the photography exhibition of director Chi Po-lin. With the digital modularized teaching materials and an environmental education poster production team competition, the Company entered schools to promote environmental education, and will launch an environmental education exploration tour, to lead children to visit the environmental protection fields; as such, the awareness of protecting the beautiful mountains and rivers will be aroused at a very early age.

## **B. Flipping the countryside**

### **Long-term sponsorship of a charity platform**

In order to enable the indigenous youth in the east to have the ability to operate sustainably and to assist the indigenous talents to return to their hometowns to develop, Chenbro has sponsored the Alliance Cultural Foundation in the amount of NT\$2 million every year since 2013, in response to the equal education plan initiated by Mr. Stanley Yen. With the "Rural Talents Employment and Entrepreneurship Program in Hometown" and the "Rural Talents Cultivation Program" as the main pillars, four major directions, namely tourism promotion, employment guidance, art and culture cultivation, and educational development program, were implemented to allow students in Hualien and Taitung to have a good learning environment and future.

### **Sponsorship of Taitung Tao Yuan Elementary School's "Courage and Confidence Mountain Forest Education Project"**

Following the introduction of the Peking Opera experience course to Tao Yuan Elementary School in the previous year, this year we provided NT\$120,000 in funding to sponsor the "Courage and Confidence Mountain Forest Education Project". We hope that children will enhance their wisdom and courage to face reality through club exchanges, museum visits and mountain forest exploration.

## **C. Art and Literature**

### **Sponsored the immersive theater project "Stanley and Livingstone"**

In addition to sponsoring contemporary legendary theaters every year since 2016, Chenbro provided an additional NT\$2 million in sponsorship this year to assist an art troupe in realizing the filming plan of "Stanley and Livingstone" for immersive theater, and called on seven other companies to donate together to help them realize their dreams. This is Taiwan's first 3D filming and post-production project for traditional opera theater. It is expected to launch a season of immersive theater sessions that combines virtual and real performances at Taipei 101 this May this year.

### **Purchase of tickets for King Lear**

For Mr. Hsing-kuo Wu's last work "King Lear", Chenbro sponsored and purchased 124 tickets, amounting to about NT\$190,000, for external promotion and improvement of internal employees' artistic sense; this show was promoted on the Maggi Love Share platform established by Chairperson Mei-chi Chen and on Facebook.

## **Participation in the construction project of Paul Chiang Art Center and donation for construction of the "Second Exhibition Room"**

For the permanent preservation of Taiwan's outstanding artists' works, and the addition of international-level art venues in Taiwan to promote high-quality tourism in Hualien and Taitung, Chenbro participated in the Paul Chiang Art Center construction dream project and sponsored NT\$10 million for the construction of the second exhibition room with Chairperson Mei-chi Chen acting as the chair of the foundation.

### **D. Art and Literature**

#### **Donation for purchase of "Maria MAMA Happy Socks"**

Chenbro donated to purchase 200 boxes of "Maria MAMA Happy Socks" in an amount of NT\$120,000 to support the establishment of a social enterprise by the Maria Social Welfare Foundation to seek self-sufficiency and sustainable operation. Chenbro gave all of the socks to business partners with the purpose of the happy socks indicated on the boxes so as to promote a virtuous circle. In addition, the event was also promoted on the Maggi Love Share platform and Facebook, which in turn was responded to with the Maria Social Welfare Foundation's appreciation.

#### **Purchased "A Soul Sealed In Ice" published by patient with Lou Gehrig's disease**

Chenbro purchased 200 copies of "A Soul Sealed In Ice" written by lung-kuang Cheng, a patient with Lou Gehrig's disease, to bid farewell to his life, in an amount of about NT\$80,000 to support the Taiwan Motor Neuron Disease Association, and the author's story was posted on the Maggi Love Share platform and Facebook, which received widespread response and was responded to with the Taiwan Motor Neuron Disease Association's appreciation.

#### **The Maggi Love Share platform**

In December 2013, Chenbro established the Maggi Love Share charity website: [www.maggiloveshare.com](http://www.maggiloveshare.com). Through Maggi Love Share, the bits and pieces of Chenbro's corporate culture and social participation in the form of text, photos and videos are collected and shared with friends and good partners at work through the Internet instantly. This website aims to give full play to the positive power of "sharing" to bring more joy and happiness to society. Maggi Love Share has been established for seven years. As of December 2020, it has published 259 articles, with more than 210,000 visitors.

### **(IX) Implementation of internal control system**

1. Refer to Appendix 1 on page 153 for the Statement on Internal Control.
2. A separate audit report shall be disclosed where CPAs are recruited to perform ad-hoc audits of the Company's internal control system: None.

**(X) Where penalties imposed on the Company or its personnel in accordance with the laws, or disciplinary actions taken by the Company against its personnel for any violation of internal control rules within the current fiscal year and as at the publication date of the annual report have a material impact on shareholders' equity or the securities price, the details of the penalties, major deficiencies, and subsequent improvements shall be specified: None.**



**(XI) Major resolutions of shareholders' meeting and board meetings during the most recent fiscal year up to the date of publication of the annual report:**

**1. Important resolutions of the 2020 shareholders' meeting and implementation**

Chenbro's 2020 annual general meeting was held on June 23, 2020, on the second floor of Building A, No. 726, Zhongzheng Road, Zhonghe District, New Taipei City. The shareholders' resolutions at the meeting and the implementation status are as follows:

Date of Meeting	2020 Annual General Meeting
Jun.23,2020	1.Ratified the 2019 business report and financial statements (including individual and consolidated financial statements) Implementation status: The relevant documents have been submitted to the competent authority for inspection and announced in accordance with the Company Act and other relevant laws and regulations.
	2.Ratified the 2019 earnings distribution proposal Implementation status: For the 2019 earnings distribution and shareholders' dividends, based on the number of outstanding shares of 119,725,950 shares, it was NT\$4.6 per share, a total of NT\$550,739,370 was allocated for cash dividends, plus NT\$24,059,447 for remuneration to directors and supervisors in cash and NT\$81,802,121 for employee compensation. on June 23, 2020, the Chairperson decided that July 19, 2020 was the record date of ex-dividend, and cash dividends were paid on July 31, 2020.
	3.Approved the amendment to the Articles of Incorporation. Implementation status: The amendment was registered per the Letter Jin-Shou-Shan No. 10901128080 issued by the Ministry of Economic Affairs dated July 30, 2020.
	4. Approved the amendment to the Regulations Governing the Acquisition and Disposal of Assets Implementation status: It was announced on the Company's website on June 24, 2020 and was handled in accordance with the amended regulations.
	5. Approved the amendment to the Operating Procedures for Loaning of Funds to Others. Implementation status: It was announced on the Company's website on June 24, 2020 and was handled in accordance with the amended regulations.
	6. Approved the amendment to the Operating Procedures for Endorsements and Guarantees. Implementation status: It was announced on the Company's website on June 24, 2020 and was handled in accordance with the amended regulations.
	7.Approved the amendment to the Rules of Procedures for the Shareholders' Meetings. Implementation status: The amendment was resolved to be passed and announced on the MOPS and the Company's website and handled in accordance with the amended rules.
	8.Approved the amendment to the the Rules of Election of Directors and Supervisors Implementation status: The amendment was resolved to be passed and handled in accordance with the amended rules.
	9.Passed the Company's issue of new restricted employee shares Implementation status: Took effect per the FSC Letter Jin-Guan-Zheng-Fa No. 1090351675 dated August 11, 2020 and approved to be registered per the Ministry of Economic Affairs' Letter Jing-Shou-Shang No. 10901164960 dated September 14, 2020.
	10.Re-election of nine directors (including 4 independent directors) List of directors elected: Mei-chi Chen, Chung-pao Wu, Tsun-yen Lee, Yu-ling Tsai, and Te-feng Wu List of independent directors elected: Wen-cheng Huang, An-pang Tsao, Wei-shun Cheng, and Chung-hsing Huang Implementation status: Resolved to be passed, and the change registration was approved per the Ministry of Economic Affairs' Letter ing-Shou-Shang No. 10901128080 dated July 30, 2020 and announced on the MOPS and the Company's website.
	11.Removal of the Company's non-compete clause for new directors Implementation status: The resolution was passed.

## 2. Important resolutions made by the Board of Directors

### (1) Independent directors' attendance at the board of directors

	The independent directors' attendance at board meetings in 2020 and up to the printing date the annual report : ◎: Attendance in Person; ★: By Proxy; ✖ Absence								
2020/2021	2020 1st meeting	2020 2nd meeting	2020 3rd meeting	2020 4th meeting	2020 5th meeting	2020 6th meeting	2020 7th meeting	2021 1st meeting	2021 2nd meeting
Wen-cheng Huang	◎	◎	◎	◎	◎	◎	◎	◎	◎
An-pang Tsao	◎	◎	◎	◎	◎	◎	◎	◎	◎
Chung-hsing Huang (Note 1)	NA	NA	NA	◎	◎	◎	◎	◎	◎
Wei-shun Cheng (Note 1)	NA	NA	NA	◎	◎	◎	◎	◎	◎
Kuei-ying Hsu (Note 2)	◎	◎	◎	NA	NA	NA	NA	NA	NA

Note 1: Independent directors Chung-hsing Huang and Wei-shun Cheng were newly elected on June 23, 2020.

Note 2: Independent director Kuei-ying Hsu was dismissed on June 23, 2020.

### (2) Important resolutions made by the board of directors

Date of Major Resolutions	Major Resolution
13th term 16th meeting Jan.10,2020	<ol style="list-style-type: none"> <li>Resolved to pass the proposal for the distribution of managers' salaries and year-end bonuses submitted by the Company's Remuneration Committee convened on January 10, 2020.</li> <li>Resolved to approve the Company's 2020 business plan and budget plan.</li> <li>Resolved to pass the Company's sale of the property on the Jianyi Road in Zhonghe District. In order to meet the actual business needs, the Chairperson of the Company was authorized to handle relevant matters.</li> </ol>
13th term 17th meeting Mar.17,2020	<ol style="list-style-type: none"> <li>Resolved to pass the amendment to some of the provisions of the Company's Internal Control Self-assessment Operating Procedures.</li> <li>Resolved to pass the Company's 2019 Statement on Internal Control System.</li> <li>Resolved to approve the Company's 2019 financial statements and the self-prepared business report for 2019.</li> <li>Resolved to approve the Company's 2019 earnings distribution proposal.</li> <li>Resolved to approve the 2019 employee compensation and directors' remuneration distribution proposal submitted by the Remuneration Committee convened on March 17, 2020.</li> <li>Resolved to approve the Company's Rules of the Board of Directors Performance Evaluation formulated by the Remuneration Committee convened on March 17, 2020.</li> <li>Resolved to approve the proposal for appropriation of stock ownership trust for annual performance submitted by the Remuneration Committee convened on March 17, 2020.</li> <li>Resolved to approve the proposal for the restricted stock system submitted by the Remuneration Committee convened on Mar.17, 2020.</li> <li>Resolved to approve the Company's replacement of CPAs due to the internal rotation of PwC Taiwan.</li> <li>Resolved to approve the evaluation of CPAs' independence</li> <li>Resolved to approve the formulation of the shareholders' proposal operation for the 2020 annual general meeting.</li> <li>Resolved to pass the proposals to be discussed for the Company's 2020 annual general meeting.</li> <li>Resolved to pass the matters related to acceptance of nomination of candidates for directors (including independent directors) by shareholders for the 2020 annual general meeting.</li> <li>Resolved to pass the Company's comprehensive re-election of directors.</li> <li>Resolved to pass the Company's amendment to the Articles of Incorporation.</li> <li>Resolved to pass the Company's amendment to the Regulations Governing the Acquisition and Disposal of Assets</li> <li>Resolved to pass the Company's amendment to the Operating Procedures for Loaning of Funds to Others</li> <li>Resolved to pass the Company's amendment to the Operating Procedures for Endorsements and Guarantees .</li> <li>Resolved to pass the Company's amendment to the Rules of Procedures for the Shareholders' Meetings</li> </ol>

Date of Major Resolutions	Major Resolution
	<p>20. Resolved to pass the Company's amendment to the Rules of Election of Directors and Supervisors</p> <p>21. Resolved to pass the Company's amendment to the Corporate Governance Best Practice Principles</p> <p>22. Resolved to pass the Company's proposal to issue cash dividends from Chenbro Technology (Kunshan) Co, Ltd.</p> <p>23. Resolved to pass the purchase of land and factories.</p> <p>24. In order to make the use of funds more flexibly, the Company planned to extend the credit line of NT\$240 million with the Zhonghe Branch, Bank of Taiwan.</p> <p>25. Resolved to pass the Company's withdrawal of the endorsement/guarantee worth US\$4 million for Procace &amp; Morex Corp.</p>
13th term 18th meeting May.12,2020	<p>1. Resolved to pass the distribution of the remuneration of directors and supervisors and the remuneration of managers submitted by the Remuneration Committee convened on May 12, 2020.</p> <p>2. Resolved to pass the amendment to some provisions of the Company's internal control system.</p> <p>3. Resolved to approve the proposal for explanation that shareholders' proposals were not included in the agenda for the 2020 annual general meeting.</p> <p>4. Resolved to pass the proposal for adding new proposals for the Company's 2020 annual general meeting.</p> <p>5. Resolved to pass the qualification review of the candidates for directors and independent directors for re-election at the Company's 2020 annual general meeting.</p> <p>6. Resolved to pass the removal of the non-compete clause for new directors.</p> <p>7. Resolved to pass the Company's amendment to the Corporate Social Responsibility Best Practice Principles.</p> <p>8. Resolved to pass the Company's amendment to the Ethical Corporate Management Best Practice Principles.</p> <p>9. Resolved to pass the Company's amendment to the Code of Ethical Conduct.</p> <p>10. Resolved to pass the Company's amendment to the Procedures for Handling Material Inside Information</p> <p>11. Resolved to pass the Company's amendment to the Regulations Governing Procedure for Board of Directors Meetings.</p> <p>12. Resolved to pass the Company's amendment to the Rules Governing the Scope of Powers of Independent Directors</p> <p>13. Resolved to pass the Company's Audit Committee Charter.</p> <p>14. Resolved to pass the Company's shut down of the subsidiary Edge International Company Limited in Seychelles and the subsidiary Adept International Company Ltd. in the British Virgin Islands for integration of the investment structure.</p> <p>15. Resolved to pass the extension of the credit line of US\$6 million with Citibank Taiwan in order to make more flexible use of funds.</p> <p>16. Resolved to pass the extension of the credit line of NT\$200 million with Cathay United Bank Company Limited in order to make more flexible use of funds.</p> <p>17. Resolved to pass the extension of the credit line of NT\$200 million with CTBC Bank in order to make more flexible use of funds.</p> <p>18. Resolved to pass the extension of the foreign currency derivatives facilities of US\$500,000 with CTBC Bank for foreign exchange trading and hedging.</p>
14th term 1st meeting Jun.23,2020	<p>1. Resolved to pass the election of new chairperson of the board.</p> <p>2. Resolved to pass the appointment of members of the 4th Remuneration Committee.</p>
14th term 2nd meeting Aug.11,2020	<p>1. Resolved to pass the amendment to the Company's Remuneration Committee Charter.</p> <p>2. Resolved to pass the the proposal for restricted employee shares regarding the number of shares allocated to managers.</p> <p>3. Extended the guarantee/endorsement worth US\$ 2 million for Chenbro Micom (USA) Inc.</p>
14th term 3rd meeting Sep.05,2020	<p>1. Resolved to pass the ratification of the change of the financial officer.</p>
14th term 4th meeting Nov.10,2020	<p>1. Resolved to pass the drafting of the Company's 2021 audit plan.</p> <p>2. Resolved to pass the Company's proposal for purchase of property from Zhongmao Asset Development Co., Ltd.</p> <p>3. Resolved to pass the Company's proposal for building a new plant and purchasing equipment at the Chiayi factory.</p> <p>4. Resolved to pass the Company's proposal for withdrawal of the endorsement/guarantee with US\$2 million for Chenbro Micom (USA) Inc.</p>

Date of Major Resolutions	Major Resolution
14th term 5th meeting Jan.29,2020	<ol style="list-style-type: none"> <li>1. Resolved to pass the proposal for convening of the Company's Remuneration Committee meeting on January 29, 2021 regarding the distribution of managers' salaries and year-end bonuses</li> <li>2. Resolved to pass the evaluation of CPAs' independence</li> <li>3. Resolved to pass the Company's amendment to the Articles of Incorporation.</li> <li>4. Resolved to pass the proposal for recovery and cancelation of new restricted employee shares for capital reduction.</li> <li>5. Resolved to pass the formulation of the shareholder proposal operations for the 2021 annual general meeting.</li> <li>6. Resolved to pass the matters related to the holding of the Company's 2021 annual general meeting.</li> <li>7. Resolved to pass the proposal for increase of the financing limit for investment plans for purchasing land, building factories, purchasing new machinery and equipment, and mid-term working capital in response to the Ministry of Economic Affairs' "Action Plan for Welcoming Overseas Taiwanese Businesspeople to Invest in Taiwan".</li> </ol>
14th term 6th session Mar.23,2020	<ol style="list-style-type: none"> <li>1. Resolved to pass the Company's 2020 Statement on Internal Control System.</li> <li>2. Resolved to pass the Company's 2020 business report and financial statements.</li> <li>3. Resolved to pass the Company's 2020 earnings distribution proposal.</li> <li>4. Resolved to pass the proposal for the distribution of managers' salaries and year-end bonuses submitted by the Company's Remuneration Committee convened on March 23, 2021.</li> <li>5. Resolved to pass the proposal for amendment to some of the Company's rules and regulations.</li> <li>6. Resolved to pass the proposal for adding new proposals for the Company's 2021 annual general meeting.</li> <li>7. Resolved to pass the Company's proposal for allocation of US\$2.37 million from the capital surplus of Procace &amp; Morex Corporation.</li> <li>8. Resolved to pass the Company's proposal for distribution of cash dividends of US\$2.42 million from ADEPT International Company.</li> <li>9. Resolved to pass the Company's proposal for distribution of cash dividends from Micom-Source Holding Co.</li> <li>10. Resolved to pass the Company's amendment to the Articles of Incorporation.</li> </ol>

For relevant announcement information, please visit MOPS (<http://mops.twse.com.tw>)

**(XII) Any dissenting opinion expressed by a director or supervisor with respect to a major resolution passed by the board of directors during the most recent fiscal year and up to the date of publication of the annual report, where said dissenting opinion has been recorded or prepared as a written statement: None.**

**(XIII) Aggregate information on resignations and dismissals of the Company's Chairperson, President, accounting manager, financial manager, chief internal auditor, corporate governance officer, and R&D manager during the most recent year and up to the date of publication of the annual report:**

Title	Name	Date of appointment	Date of dismissal	Cause
Global Chief Financial Officer	Ke-ti Tsou	2016.10.13	2020.08.31	Personal career planning

## V. Information on CPA Professional Fees

Unite: NTD thousand

Name of CPA firm	Name of CPA	Audit Fees	Non-audit Fees					Audit Period	Note
			System Design	Business Registration	Human Resources	Others (Note 2)	Subtotal		
PwC Taiwan	Hui-ling Pan and Chun-yao Lin	5,085	0	0	0	4,343	4,343	Jan. 1, 2020 - Dec. 31, 2020	1. Transfer pricing report and risk assessment-related services NT\$3,212 thousand 2. The maintenance cost of the holding company NT\$1,131 thousand
BDO Taiwan	Shu-cheng Chang	0	0	0	0	45	45	Jan. 1, 2020 - Dec. 31, 2020	2020 business tax certification of the direct deduction method adopted by the dual-status business entities

Note 1: If the Company replaces a CPA or the CPA firm this year, please list the audit period separately, explain the reason for the replacement in the note column, and disclose the audit and non-audit professional fees paid in order.

Note 2: The non-audit fees shall be listed according to the non-audit services. If the "other" non-audit fees are 25% or more of the non-audit fees paid thereto, the details of non-audit services shall be disclosed in the remarks column.

### Breakdown of CPA Professional Fees

Unite: NTD thousand

Fee Range		Item	Audit Fees	Non-audit Fees	Total
1	Under NT\$2,000,000		0	0	0
2	NT\$2,000,000 - NT\$3,999,999		0	0	0
3	NT\$4,000,000 - NT\$5,999,999		5,085	4,388	9,473
4	NT\$6,000,000 - NT\$7,999,999		0	0	0
5	NT\$8,000,000 - NT\$9,999,999		0	0	0
6	NT\$10,000,000 and above		0	0	0

#### Information on CPA Professional Fees

(I) When non-audit fees paid to the CPAs, to the accounting firm of the CPAs, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed :

1. PwC Taiwan

The audit fees are for financial and tax certification fees.

The non-audit fees are relevant services of the transfer pricing report and risk assessment.

2. BDO Taiwan

The non-audit fees are for the business tax certification of the direct deduction method adopted by the dual-status business entities.

When the Company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the amounts of the audit fees before and after the change and the reasons shall be disclosed: None.

(II) When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more, the reduction in the amount of audit fees, reduction percentage, and reason(s) thereof shall be disclosed: None.

## VI. Information on Replacement of CPAs

None.

**VII. Company Chairperson, President, or Any Manager in Charge of Finance or Accounting Matters in the Most Recent Fiscal Year Holding a Position at the Company's CPA Accounting Firm or at an Affiliated Enterprise of Such Accounting Firm**

None.

**VIII. Any Transfer of Equity Interests and/or Pledge of or Change in Equity (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report) by a Director, Supervisor, Manager or Shareholder with a Stake of More than 10 Percent**

**(I) Changes in ownership by directors, supervisors, managers, and major shareholders**

Unit: Shares

Title	Name	2020		Up to March 16, 2021	
		Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged	Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged
Chairperson	Mei-chi Chen	0	0	0	0
Director	Tsun-yen Lee	10,000	0	0	0
Director	Chung-pao Wu	0	0	0	0
Director	Yu-ling Tsai	0	0	0	0
Director	Te-feng Wu	0	0	0	0
Independent Director	Wen-cheng Huang	0	0	0	0
Independent Director	An-pang Tsao	0	0	0	0
Independent Director	Chung-hsing Huang	0	0	0	0
Independent Director	Wei-shun Cheng	0	0	0	0
Independent Director	Kuei-ying Hsu (Note 1)	0	0	0	0
Supervisor	Li-jung Huang (Note 1)	(16,000)	0	0	0
Supervisor	Ya-mi Li (Note 1)	0	0	0	0
Supervisor	Chen-hsiang Chen (Note 1)	0	0	0	0
President	Ya-nan Chen	0	0	0	0
Vice President, Global Sales Division	Chien-nan Hsu	150,000	0	0	0
Vice President, Global Research and Development Division	Yu-tzu Huang	0	0	0	0
Assistant Vice President in Accounting, Global Finance and Accounting Division	Chia-ling Chih	0	0	0	0
Assistant Vice President in Finance, Global Finance and Accounting Division	Wan-ming Huang	0	0	0	0
Vice President, Department of Manufacturing, Taiwan	Ming-chi Li	0	0	0	0
Assistant Vice President, Global Product Marketing Division	Tsung-min Lin (Note 2)	(9000)	0	0	0

Title	Name	2020		Up to March 16, 2021	
		Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged	Increase (Decrease) in the Number of Shares Held	Increase (Decrease) in the Number of Shares Pledged
Global Chief Financial Officer	Ke-ti Tsou (Note 3)	0	0	0	0
Shareholder holding more than 10% of shares.	Feng-ming Chen (Note 4)	0	0	0	0
	Peng Wei Investment (Note 4/Note 5)	0	1,000,000	0	0

Note 1: On June 23, 2020, the Company decided to set up an Audit Committee to replace the supervisors. Independent director Kuei-ying Hsu and supervisors Li-jung Huang, Ya-Mi Li, and Chen-hsiang Chen were dismissed on Jun.23, 2020. The changes in the number of shares were counted until Jun.23, 2020.

Note 2: Tsung-min Lin, Assistant Vice President, Global Product Marketing Division, resigned on Feb. 29, 2020.

Note 3: Ke-ti Tsou, Global Chief Financial Officer, resigned on Aug. 31, 2020.

Note 4: A major shareholder holding more than 10% of the shares.

Note 5: Chairperson Mei-chi Chen held the shares by nominee arrangement.

**(II) Changes in equity pledged: None.**

**(III) Where the counterparty of the equity transfer is a related party: None.**

**(IV) Where the counterparty of the equity pledged is a related party: None.**

## IX. Relationship Information, If Among the Company's Ten Largest Shareholders, Any One Is a Related Party or a Relative Within the Second Degree of Kinship of Another

March 16, 2021 Unit: shares

Name (Note 1)	Shareholder's shareholding		Spouse & minor shareholdings		Shareholdings by nominee arrangement		The name and relationship of any of the top ten shareholders who have a relationship, a spousal relationship, or second degree of kinship with one another (Note 3)		Note
	Number of shares	%	Number of shares	%	Number of shares	%	Name	Relationship	
Feng-ming Chen	13,614,433	11.26	5,306,029	4.39	0	0	Tsun-yen Lee Mei-chi Chen Lian-chun Chen	Spouse Sister Brother-in-law	N/A
Peng Wei Investment Representative: Lian-chun Chen	12,209,000	10.10	0	0	0	0	Mei-chi Chen Feng-ming Chen Tsun-yen Lee	Spouse Relative-in-Law Relative-in-Law	N/A
Lian-mei Investment Ltd. Representative: Mei-chi Chen	11,907,000	9.85	0	0	0	0	Lian-chun Chen Feng-ming Chen Tsun-yen Lee	Spouse Brother Sister-in-law	N/A
Mei-chi Chen	9,656,009	7.99	2,009,000	1.66	12,209,000	10.10	Lian-chun Chen Feng-ming Chen Tsun-yen Lee	Spouse Brother Sister-in-law	N/A
Ming-kwong Investment Co., Ltd. Representative: Tsun-yen Lee	9,239,967	7.65	0	0	0	0	Feng-ming Chen Mei-chi Chen Lian-chun Chen	Spouse Relative-in-Law Relative-in-Law	N/A
Tsun-yen Lee	5,306,029	4.39	13,614,433	11.26	0	0	Feng-ming Chen Mei-chi Chen Lian-chun Chen	Spouse Relative-in-Law Relative-in-Law	N/A
Swede Bank Robotech Investment Account with Deutsche Bank as the custodian	2,500,000	2.07	0	0	0	0	N/A	N/A	N/A
Lungyen Life Service Corporation, Ltd.	2,280,000	1.89	0	0	0	0	N/A	N/A	N/A
Lian-chun Chen	2,009,000	1.66	9,656,009	7.99	12,209,000	10.10	Mei-chi Chen	Spouse	N/A
Taipei Fubon Commercial Bank Co., Ltd	1,510,000	1.25	0	0	0	0	N/A	N/A	N/A

Note 1: The top ten shareholders' names shall be identified separately (in the case of corporate shareholders, the corporate shareholders' names and representatives' names shall be identified separately).

Note 2: The percentage of shareholding is calculated in terms of shareholder's shareholding, shares held by spouse & minor child, or shareholdings by nominee arrangement.

Note 3: Relationship between the aforementioned shareholders (including juridical and natural persons) shall be disclosed according to Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## **X. Total Number of Shares and Total Equity Stake Held in any Single Enterprise by the Company, Its Directors and Supervisors, Managers, and Any Companies Controlled Either Directly or Indirectly by the Company**

December 31, 2020 Unit: Thousand Shares

Investee (Note 1)	Ownership by the Company		Ownership by Directors, Supervisors, Managers, and Entities Directly or Indirectly Controlled by the Company		Total Ownership	
	Number of Shares (thousand shares)	Ownership Percentage %	Number of Shares (thousand shares)	Ownership Percentage %	Number of Shares (thousand shares)	Ownership Percentage %
Micom- Source Holding Co.	22,323	100%	0	0	22,323	100%
Chenbro Micom (USA) Inc.	10,000	100%	0	0	10,000	100%
Cloudwell Holdings, LLC.	3,600	100%	0	0	3,600	100%
Chenbro GmbH	250	100%	0	0	250	100%
Chenbro UK Limited (Note 2)	0	0%	0	0	0	0%
Edge International Company Limited (Note 3)	0	0%	0	0	0	0%
Chen-Feng Precision Co., Ltd.	5,600	70%	0	0	5,600	70%

Note 1: Investment using the equity method by the Company.

Note 2: Chenbro UK Limited reduced its capital by GBP 19,999 as resolved by the board of directors on August 7, 2018, and completed the capital reduction in October, 2018, and remitted the share capital and earnings of \$1,178 in July, 2019, while completing liquidation in January 2020.

Note 3: Edge International Company Limited was established on December 31, 2019, and its funds were in place in February 2020. It was dissolved as resolved by the board of directors on May 12, 2020, and the liquidation was completed in October, 2020.



# Chapter 4

## Fundraising

- I. Capital Stock and Shares
- II. Corporate Bonds
- III. Preferred Shares
- IV. Global Depositary Receipts
- V. Employee Stock Options
- VI. New Restricted Employee Shares
- VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies
- VIII. Implementation of Capital Utilization Plan

## IV. Fundraising

### I. Capital Stock and Shares

#### (I) Sources of capital

Month/Year	Issue price (NTD)	Authorized capital		Paid-in capital		Note		
		No. Shares (1,000 shares)	Amount (1,000NTD)	No. Shares (1,000 shares)	Amount (1,000NTD)	Capital source (1,000 NTD)	Capital increase by assets other than cash	Others
Dec. 1983	0	0	500	0	500	500,000 in incorporation	N/A	72.12.05 Letter Jian-Yi No. 106007
May 1984	0	0	2,000	0	2,000	Cash 1,500	N/A	73.5.28 Letter Jian-Yi No. 144359
Nov. 1986	0	0	7,000	0	7,000	Capital increase for 5,000	N/A	75.11.12 Letter Jian-Yi No. 169350
Dec. 1989	0	0	25,000	0	25,000	Capital increase for 18,000	N/A	79.01.05 Letter Jian-Yi No. 110347
Oct. 1990	10	7,500	75,000	7,500	75,000	Capital increase for 50,000	N/A	80.1.7 Letter Jin-(80)-Shang No. 00117
Sep. 1998	10	13,500	135,000	13,500	135,000	Capitalization of earnings for 30,000 Capital increase for 30,000	N/A	87.10.06 Letter Jin-(87)-Shang No. 131175
Aug. 1999	10	80,000	800,000	30,230	302,300	Capital increase for 25,000 Capitalization of earnings for 142,300	N/A	Securities and Futures Commission dated Jul. 19, 1999 Letter (88)-Tai-Cai-Zheng-(1) No. 63566
Aug. 2000	10	80,000	800,000	46,331	463,308	Capitalization of earnings for 161,008	N/A	Securities and Futures Commission dated Aug. 24, 2000 Letter (89)-Tai-Cai-Zheng-(1) No. 70667
Sep. 2001	10	80,000	800,000	50,037	500,373	Capitalization of capital surplus for 37,065	N/A	Securities and Futures Commission dated Aug. 23, 2001 Letter (90)-Tai-Cai-Zheng-(1) No. 153655
Sep. 2002	10	80,000	800,000	54,040	540,402	Capitalization of earnings for 40,030	N/A	Securities and Futures Commission dated Aug. 16, 2002 Letter (90)-Tai-Cai-Zheng-(1) No. 0910145672
Nov. 2004	10	80,000	800,000	60,358	603,587	Capitalization of earnings for 52,377 Capitalization of capital surplus for 10,808	N/A	FSC dated Sep. 30, 2004 Letter Jin-Guan-Zeng-1 No. 0930144328
Aug. 2005	10	80,000	800,000	70,425	704,252	Capitalization of earnings for 100,665	N/A	FSC dated Jul. 19, 2005 Letter Jin-Guan-Zeng-1 No. 0940129149
Aug. 2006	10	90,000	900,000	81,971	819,712	Capitalization of earnings for 115,460	N/A	FSC dated Jul. 19, 2006 Letter Jin-Guan-Zeng-1 No. 0950131442
Jul. 2007	10	120,000	1,200,000	95,537	955,369	Capitalization of earnings for 135,657	N/A	FSC dated Jul. 17, 2007 Letter Jin-Guan-Zeng-1 No. 0960037071
Jul. 2008	10	120,000	1,200,000	111,511	1,115,109	Capitalization of earnings for 159,740	N/A	FSC dated Jul. 25, 2008 Letter Jin-Guan-Zeng-1 No. 0970037754
Jun. 2011	10	120,000	1,200,000	115,506	1,155,057	Capitalization of earnings for 39,948	N/A	FSC dated Jun. 25, 2011 Letter Jin-Guan-Zeng-Fa No. 1000028489
Jun. 2012	10	150,000	1,500,000	120,126	1,201,260	Capitalization of earnings for 46,202	N/A	FSC dated Jun. 19, 2012 Letter Jin-Guan-Zeng-Fa No. 1010027336
Oct. 2016	10	150,000	1,500,000	119,726	1,197,260	Cancellation of treasury shares (4,000)	N/A	Letter Jin-Shou-Shan No. 10501246700

Month/Year	Issue price (NTD)	Authorized capital		Paid-in capital		Note		
		No. Shares (1,000 shares)	Amount (1,000NTD)	No. Shares (1,000 shares)	Amount (1,000NTD)	Capital source (1,000 NTD)	Capital increase by assets other than cash	Others
Aug. 2020	10	150,000	1,500,000	120,926	1,209,260	Issue of restricted employee shares for 12,000	N/A	FSC Letter Jin-Guan-Zheng-Fa No. 1090351675 dated Aug. 11, 2020 Letter Jing-Shou-Shang No. 10901164960
Mar. 2021	10	150,000	1,500,000	120,911	1,209,110	Redemption of restricted employee shares (150)	N/A	Letter Jin-Shou-Shan No. 11001039260

Type of Shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Registered common shares of public companies	120,910,950	29,089,050	150,000,000	

## (II) Shareholder structure

March 16, 2021 Unit: shares

Shareholder structure	Government agencies	Financial institutions	PRC nationals	Other juridical persons	Foreign institutions and natural persons	Individuals	Total
Number of Shareholders	0	0	1	85	65	7,404	7,555
Number of Shares Held	0	0	130,000	48,809,900	7,906,813	64,079,237	120,925,950
Ownership Percentage %	0	0	0.01	1.13	0.86	98.00	100.00

Note: The Company completed the cancellation of the number of shares at the Taiwan Depository & Clearing Corporation on March 19, 2021.

## (III) Shareholding distribution status

### 1. Ordinary shares

March 16, 2021 Unit: shares

Range of Shares			Number of Shareholders	Number of Shares Held	Ownership Percentage (%)
1	–	999	1,259	246,906	0.21%
1,000	–	5,000	5,080	9,951,820	8.23%
5,001	–	10,000	606	4,737,801	3.92%
10,001	–	15,000	179	2,277,556	1.88%
15,001	–	20,000	113	2,092,345	1.73%
20,001	–	30,000	93	2,360,330	1.95%
30,001	–	40,000	46	1,653,706	1.37%
40,001	–	50,000	38	1,750,341	1.45%
50,001	–	100,000	72	5,226,192	4.32%
100,001	–	200,000	33	4,347,734	3.60%
200,001	–	400,000	11	3,122,898	2.58%
400,001	–	600,000	3	1,492,758	1.23%
600,001	–	800,000	3	1,986,456	1.64%
800,001	–	1,000,000	4	3,653,042	3.02%
1,000,001 or more			15	76,026,065	62.87%
Total			7,555	120,925,950	100.00%

Note: Par value per share: NT\$10.

### 2. Preferred shares: N/A.

**(IV) List of major shareholders**

March 16, 2021 Unit: shares

Shareholding Name	Number of Shares Held	Ownership Percentage (%)
Feng-ming Chen	13,614,433	11.26%
Peng Wei Investment	12,209,000	10.10%
Lian-mei Investment Ltd.	11,907,000	9.85%
Mei-chi Chen	9,656,009	7.99%
Ming-kwong Investment Co., Ltd.	9,243,967	7.65%
Tsun-yen Lee	5,306,029	4.39%
Swede Bank Robotech Investment Account with Deutsche Bank as the custodian	2,500,000	2.07%
Lungyen Life Service Corporation, Ltd.	2,280,000	1.89%
Lian-chun Chen	2,009,000	1.66%
Taipei Fubon Commercial Bank Co., Ltd	1,510,000	1.25%

**(V) Share prices per share for the past two fiscal years, with net worth per share, earnings per share, dividends per share, and relevant information**

Unit: NTD/Share

Item	Year	2019	2020	As of March 23, 2021 (Note 8)
Market price per share (Note 1)	Highest	87	117.5	86.8
	Lowest	41.85	63.6	76.3
	Average	66.94	89.64	82.12
Net worth per share	Before distribution	29.40	32.49	Note 9
	After distribution	24.8	-	Note 9
Earnings per share	Weighted average of shares	119,725,950	119,725,950	Note 9
	Basic earnings per share (Note 3)	7.62	8.16	Note 9
Dividends per share	Cash dividends	4.6	Note 2	-
	Stock dividends from retained earning	0	0	-
	Stock dividends from capital surplus	0	0	-
	Accumulated unpaid dividends (Note 4)	0	0	-
Return on investment	P/E ratio (Note 5)	8.78	10.99	-
	Price/Dividend ratio (Note 6)	14.55	Note 10	Note 9
	Cash dividend yield % (Note 7)	6.88	Note 10	Note 9

In the case of stock dividends from retained earnings or capital surplus, please also disclose the information about the market value and cash dividend adjusted retroactively based on the quantity of shares as distributed.

Note 1: Please identify the highest market value and the lowest market value of the common stock in each year, and calculate the average market price of each year based on the trading value and turnover in each year.

Note 2: It was determined to distribute a cash dividend of NT\$4.00 per share as resolved by the shareholders' meeting in 2020.

Note 3: Please fill out earnings per share before and after adjustment if retroactive adjustment is necessary due to stock dividend payout.

Note 4: If the terms of issuance of the equity securities provide that any dividends declared but not paid may be carried forward until the Company has earnings, the amount of accumulated unpaid dividends as at the end of such fiscal year shall be disclosed.

Note 5: P/E ratio = Average market price per share / Earnings per share

Note 6: Price/Dividend ratio = Average market price per share / Cash dividend per share

Note 7: Cash dividend yield = Cash dividend per share / Average market price per share

Note 8: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the CPAs before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other columns.

Note 9: As of the date of publication of the annual report, the Company has not yet had the information audited (reviewed) by the CPAs in the most recent quarter.

Note 10: The 2020 earnings distribution proposal has not been approved by the shareholders' meeting.

## **(VI) Company's dividend policy and implementation thereof**

### **1. Dividend policy**

If the Company has any earnings after the end of the fiscal year, it shall distribute the earnings in the following order:

I. Pay taxes.

II. Compensate accumulated deficit/losses.

III. Appropriate 10 percent for the legal reserve. However, if the legal reserve has reached the same amount of the total capital, this provision does not apply.

IV. Appropriate or reverse special reserves according to laws or the regulations of competent securities authorities.

V. If there is still any earnings available, together with the undistributed earnings accumulated over the previous years, the board of directors shall resolve to retain them or distribute shareholders' dividends depending on the capital status and economic development of the current year, and submit it to the shareholders' meeting for resolution.

The Company's dividend policy is based on the current year's profitability and consideration for future growth, capital budget planning, measurement of capital needs, and other factors, while the interests of shareholders and the Company's long-term financial planning are considered. Shareholders' dividends can be distributed from distributable earnings either in the form of cash or stock. However, the cash dividends shall not be less than 10% of the total dividends. If the cash dividend per share is less than NT\$0.20, it will not be distributed, and stock dividends will be distributed instead.

### **2. Implementation status: The situation of the proposed dividend distribution at the shareholders' meeting**

The Company planned to allocate a cash dividend of NT\$483,643,800 to shareholders from the distributable earnings for 2020, with a cash dividend of NT\$4.00 per share. The cash dividend will be resolved by the annual general meeting of shareholders to authorize the board of directors to set a record date for dividend distribution.

### **3. Expected major changes in the dividend policy: The Company expects that there will be no major changes in the dividend policy, and at least 60% of the distributable earnings will be allocated for shareholders' dividends.**

The percentage of earnings distribution as in the preceding paragraph may be adjusted according to the actual profit, capital budgeting, capital conditions, and other relevant factors of the year, and shall be implemented after resolved by the shareholders' meeting.

## **(VII) Impact upon business performance and earnings per share of any stock dividend distribution proposed at the most recent shareholders' meeting**

Not applicable as no stock dividend was distributed this year

## **(VIII) Remuneration of employees, directors, and supervisors**

1. In accordance with the Company's Articles of Incorporation, if the Company has earnings, it shall set aside no less than 6% of the balance as remuneration to the employees and no greater than 3% of the balance as remuneration to directors and supervisors.

The board of directors resolves to distribute employee compensation in stock or cash, and the employees may include those of subordinate companies who meet certain conditions. The certain conditions are set by the board of directors. Proposals for the distribution of employees' remuneration as well as directors and supervisors' remuneration shall be reported to the shareholders' meeting.

In the case of accumulated losses, the Company shall set aside a specific amount to compensate the losses and then distribute the remuneration to the employees and directors and supervisors as per the percentages above.

2. Please specify the estimation basis of the estimated amount of remuneration for employees, directors, and supervisors in the current period, the estimation basis for the number of shares for the distribution of employee compensation in stock, and the accounting treatment when the estimated amounts are different from the amounts of actual distribution:

Remuneration to employees and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. If the estimated amounts are different from the actual distributed amounts resolved subsequently, the differences shall be accounted for as changes in accounting estimates. In addition, the Group uses the fair value per share on the date before the resolution date of the shareholders' meeting in the following year of the fiscal year of the financial statements and considers the amount after ex-rights and ex-dividends to calculate the number of shares for stock dividends.

3. Distribution of employee compensation passed by the board of directors

- Distribution of employee compensation in cash, stock dividends, and directors' and supervisors' remuneration: The Company's employee compensation for 2020 has been approved by the board of directors on March 23, 2021 in the amount of NT\$71,485,309; the amount of remuneration for directors and supervisors is NT\$21,743,508. The estimation is based on the profit as of the end of 2020.
- The proposed amount of employee stock compensation and the proportion of the amount to the net income after tax of the individual or standalone financial statements for 2020 and to the total employee compensation for 2020: No employee stocks were distributed at this time, so it is not applicable.
- The estimated earnings per share is NT\$8.16 after the employee compensation and the remuneration of directors and supervisors.

4. The actual distribution of remuneration for employees, directors, and supervisors in the previous year

**The relevant information on the actual remuneration of employees and directors and supervisors of the Company last year (2019) is as follows:**

Unit: In NT\$ thousands/thousand shares

	Remuneration approved by the board of directors
I. Distribution	
1. Employee compensation in cash	81,802
2. Employee compensation in stock	0
(1) Number of shares	0
(2) Amount	0
(3) As a percentage of the shares outstanding at end of the year	0
3. Remuneration of directors and supervisors	24,059

**(IX) Share repurchase**

None.

**II. Corporate Bonds**

None.

**III. Preferred Shares**

None.

**IV. Global Depositary Receipts**

None.

**V. Employee Stock Options**

None.

## VI. New Restricted Employee Shares

(I) The new restricted employee shares that have not fully met the vesting conditions as of the publication date of the annual report and its impact on shareholders' equity.

Types of restricted employee shares	2020 Restricted employee shares
Effective date of registration	Aug. 11, 2020
Date of issue	Aug. 11, 2020
Number of restricted employee shares issued	1,200,000
Issue price	91.3
Number of restricted employee shares already issued as a percentage of the total number of issued shares	1%
Vesting conditions of restricted employee shares	<p>1. From the day (i.e. the record date of the capital increase by means of issue of the new restricted employee shares) employees are allocated with new restricted employee shares according to the timelines below, employees are still in service and meet the performance criteria required by the Company (both the Company's performance targets and personal performance targets must be met; if any of the performance criteria is not met, the annual vested ratio is still 0%) (the board of directors authorizes the Chairperson to set the performance targets); the percentages of shares for meeting the vesting conditions are as follows:</p> <p>Supervisors at all levels/General employees Company's performance targets</p> <p>(1). When the EPS achieved in the previous year is better than the target (EPS target approved by the board of directors in Q1 each year), 100% is vested.</p> <p>(2). When the EPS is achieved between 4.6 and the target value, 60% is vested.</p> <p>(3). When the EPS is achieved under 4.6 or less, 0% is vested.</p> <p>Personal performance: The last two assessments were above the standard Years of service/Percentage:</p> <p>1 year: 25% 2 years: 25% 3 years: 25% 4 years: 25%</p> <p>Note:</p> <p>(1). Key technological personnel (2). Personal performance is of considerable value to the Company (3). Core new employees</p> <p>2. After employees have been allocated with new restricted employee shares by the Company, in the case of violations of these rules, trust contracts, labor contracts, working rules, contractual agreements with the Company (the relevant contracts are negotiated and signed by the Chairperson on behalf of the Company as authorized by the board of directors), or other rules stipulated by the Company, the Company has the right to take back the new restricted employee shares that have been allocated with the vesting conditions not yet fulfilled free of charge.</p>
Restrictions on rights of restricted employee shares	<p>(I)After employees have been allocated with restricted employee shares by the Company, the restricted rights of the shares with the vesting conditions not yet fulfilled are as follows:</p> <p>1. After receiving new restricted employee shares and before meeting vesting conditions, employees, except for inheritance, may not sell, pledge, transfer, give as a gift, use as collateral, or dispose of the new restricted employee shares or in any other means.</p> <p>2. The right to participate, propose, speak, and vote in shareholders' meeting are all delegated and executed by trust custodian in accordance with the contract.</p> <p>(2) In addition for the restrictions imposed by the trust agreement in the preceding paragraph, employees, who are allocated with new restricted employee shares under these rules without meeting vesting conditions, are entitled to other rights, including but are not limited to:</p> <p>Rights to receive dividends, bonuses, and capital surplus as well as stock options and voting rights for cash capital increase (employees can receive cash dividends and stock dividends distributed by the Company, and the cash dividends and stock dividends distributed are deemed to have met the vesting conditions without the need to be handed over to a trust custodian, and the same applies for capital reduction, which is the same as the ordinary shares issued by the Company.</p>
Restricted employee shares in custody	When employees receive the new restricted employee shares, the Company will enter the number of shares received in the Company's shareholder's register, and then deliver the Company's newly issued ordinary shares or certificates of new shares by book-entry transfer. Also, in accordance with the trust agreement, the new shares are deposited in custodian trust accounts before vesting conditions are satisfied.
The procedures for handling the new shares allocated or subscribed to without the vesting conditions met	<p>1. Resignation (voluntary/retirement/severance/dismissal):</p> <p>New restricted employee shares allocated that have not met the vesting conditions will be recovered and cancelled by the Company according to law.</p> <p>2. Unpaid leave</p> <p>The rights of the new restricted employee shares allocated that have not met the vesting conditions will be restored upon the reinstatement date; however, the years of service in the vesting conditions shall be deferred by the period of unpaid leave.</p>



	<p>3. General death: New restricted employee shares allocated that have not met the vesting conditions will be recovered and cancelled by the Company according to law.</p> <p>4. Occupational injury: (1) For employees who are unable to carry out their duties due to disabilities as a result of occupational injuries, their new restricted employee shares that have not met the vesting conditions will still be vested in accordance with the proportion of the timeline in the vesting conditions in paragraph (II) of this article. (2) For employees who passed away as a result of occupational injuries, their new restricted employee shares that have not met the vesting conditions inherited by their heirs will still be vested in accordance with the proportion of the timeline in the vesting conditions in paragraph (II) of this article on the day they passed away.</p> <p>5. Transfer: If employees are transferred to affiliated enterprises or other companies (except for subsidiaries), their new restricted employee shares shall be handled in the same manner as "resignation" in subparagraph 1 of this paragraph. However, if, for operational needs, employees are assigned by the Company to be transferred to the Company's affiliated enterprises or other companies, their new restricted employee shares would not be affected by the transfer.</p> <p>6. Employees or their heirs shall receive the shares transferred after the vesting conditions are met in accordance with the trust agreement.</p>
Recovered or purchased new restricted employee shares	15,000
The number of new restricted employee shares with the restricted rights lifted	0
The number of new restricted employee shares with the restricted rights not yet lifted	1,185,000
Number of new restricted employee shares with the restricted rights not yet lifted as a percentage of total shares issued (%)	0.98%
The impact on shareholders' equity	<p>1. Amount that is potentially expensed: The Company shall measure the fair value of the shares on the grant date and recognize the relevant expenses annually during the vesting period. Based on the trial calculation, with the closing price of the Company's common stock at NT\$91 on August 11, 2020, the total amount that may be potentially expensed will be NT\$109,560,000 if all said shares met the vesting conditions. It is temporarily estimated that amount that may be expensed from 2020 to 2024 is NT\$23,776,000, NT\$45,650,000, NT\$23,996,000, NT\$12,173, 000, and NT\$3,994,000, respectively.</p> <p>2. Dilution of the Company's earnings per share: Based on the Company's 119,725,950 ordinary shares outstanding as of August 11, 2020, it is temporarily estimated that the possible reduction in the earnings per share from 2020 to 2024 is NT\$0.20, NT\$0.38, NT\$0.20, NT\$0.1, and NT\$0.03, respectively.</p> <p>3. Other matters affecting shareholders' equity: No material impact.</p>

(II) Name of Managers and Top 10 Employees Holding New Restricted Employee Shares as of the Publication Date of this Annual Report and the Status of Acquisition:

March 23, 2021

	Position (Note 1)	Name	Number of New Restricted Employee Shares	Number of New Restricted Employee Shares to the Total Number of Issued Shares (%) (Note 4)	Restrictions Lifted (Note 2)				Restricted (Note 2)			
					Number of Shares	Issue Price	Monetary Issue Amount	Number of Shares with Restrictions Lifted to the Total Number of Issued Shares (%) (Note 4)	Number of Restricted Shares	Issue Price	Monetary Issue Amount	Number of Restricted Shares to the Total Number of Issued Shares (%) (Note 4)
Managers	President	Ya-nan Chen	540,000	0.45%					540,000			0.45%
	Vice President, Global Sales Division	Chien-nan Hsu										
	Vice President, Global Research and Development Division	Yu-tzu Huang										
	Assistant Vice President, Global Finance and Accounting Division	Wan-ming Huang										
	Vice President, Department of Manufacturing, Taiwan	Ming-chi Li										
Employees (Note 3)	Senior Director, Global Information Division	Yun-peng Chen	400,000	0.33%					400,000			0.33%
	Senior Director, Global Quality Assurance Division	Hai-yin Pai										
	Head of Manufacturing Center in China	Yung-hsiang Chu										
	Deputy Head of Manufacturing Center in China	Chieh-he Li										
	Director, Global Sales Division	Pei-lin Ho										
	Director, Kunshan Plant	Shih-chi Huang										
	Senior Manager	Shuo-chuan Chang										
	Senior Manager	Hsin-hui Chang										
	Senior Manager	Po-chung Huang										
	Manager	Ho-kang Yeh										

Note 1: The name and title of managers and employees (resignation or death shall be specified, if any) shall be disclosed separately, but the number of new restricted employee shares distributed or acquired may be disclosed in an aggregate manner.

Note 2: The number of fields shall be adjusted subject to the actual circumstances.

Note 3: The top 10 employees who hold the new employee restricted shares refer to employees other than managers.

Note 4: Total issued shares refer to the number of shares registered with the Ministry of Economic Affairs.

## **VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies**

None.

## **VIII. Implementation of Capital Utilization Plan**

As of the quarter before the publication date of the annual report, the previous issues or private placements of securities have not been completed or have been completed within the last three years and the benefits of the plans have not yet been shown:

The Company did not issue or privately place securities for funding in the most recent year, so it is not applicable.

# Chapter 5

## Operational Overview

- I. Business Activities
- II. Analysis of the Market as well as Production and Marketing Situation
- III. Information of Employees in the Last Two Years and as of the Publication Date of the Annual Report
- IV. Environmental Protection Expenditure
- V. Labor-management relations
- VI. Important Contracts

# Chapter 5 Operational Overview

## I. Business Activities

### (I) Scope of business

#### (1) Principal business activities

Computer software design engineering.

Import and export trade of computer supplies and peripheral equipment.

Research and development, manufacturing, processing, and trading of computer peripheral equipment and its supplies, consumables, main parts, and systems.

#### (2) The proportion of revenue of main products (2020)

Unit: in NT\$ thousands

Main products	Revenue	Proportion of revenue (%)
Server chassis and peripheral products	7,345,609	97%
Personal computer chassis	198,936	3%
Total	7,544,545	100%

#### (3) The products of the Company

- Personal computer chassis and components.
- Industrial computer chassis and components.
- server chassis and components.
- Computer peripheral equipment.

#### (4) New products planned to be developed

Chenbro's new product planning and development is based on "dual trends"—market and customer development trends, and "four pillars", namely, concept engineering, lean management, Project Athena, and industry alliances so as to establish an industry chain ecosystem with Chenbro's own products as the core, such as the "reference M/B" project. This year, Chenbro will continue to invest in the AI and storage application markets to further increase its competitiveness in this field. Meanwhile, Chenbro will extend its products to more emerging applications. Particularly with the development of 5G and edge computing technology, development of new products will enter new areas, such as telecommunications and outdoor equipment from the existing cloud computing field. In summary, Chenbro plans to launch the following new products this year.

Launch of new products:

##### a. Edge computing:

- RM252, 2U single/dual channel application, which supports SAS/SATA/NVMe multiple storage options; free switching of front and rear I/O points; up to 1 x double-wide GPGPU
- RM352, 3U single/dual channel application, supporting SAS/SATA/NVMe multiple storage options, free switching of front and rear I/O points; up to 4 x double-wide GPGPU

##### b. Cloud computing:

- RB151, Intel Whitley 1U high-end barebones system, supporting the latest Intel Ice lake CPU and PCIe Gen4 NVMe SSD
- RB251, Intel Whitley 2U high-end barebones system, supporting the latest Intel Ice lake CPU and PCIe Gen4 NVMe SSD

##### c. Artificial Intelligence (AI):

SR113, 4U tower interchangeable chassis, single/dual channel application, supporting SAS/SATA/NVMe multiple storage options; maximum 5x double-wide GPGPU

d. Storage:

- RM25324, 2U single/dual hot and cold data center storage applications, supporting up to 12x3.5" SAS/SATA HDD
- DS25224, 2U storage array application, supporting up to 24 x2.5" SAS/SATA HDD or SSDs. Open bay:
- RM24500/04, 2U single-channel general-purpose application, supporting up to 4x3.5"SAS/SATA HDD, and 2x expandable 5.25" open bay
- RM23800/04, 2U single/dual channel general-purpose application, supporting up to 4x3.5"SAS/SATA HDD and 2x expandable 5.25" open bay

New product planning:

a. AI

- 1U-4U rack universal server chassis, single-/dual-channel mainboard for 1 to 4 GPUs/GPGPUs

b. Storage:

- U high-density storage server, supporting 48/64/72/84/96(102) x 3.5" HDD
- 4U high-density disk array, supporting 48/56/76/88/104x 3.5" HDD
- 4U side load high-performance storage applications, supporting Intel's latest Whitley platform motherboard, up to 54x 3.5" HDD multi-storage platform
- 3U single-/dual-channel storage application chassis, supporting 2-4X highly expandable open bay application and up to 16X 3.5" SAS/SATA HDD

c. High performance computing (HPC):

- 2U 4-node server, supporting Intel's latest Whitley platform Ice Lake dual-channel CPU, SFF, and LFF storage hard drives

d. Reference M/B

- Certification of different compatibility levels for products supporting new motherboards, such as Intel Icelake and AMD Milan

## (II) Overview of the industry

### (1) Current status and development

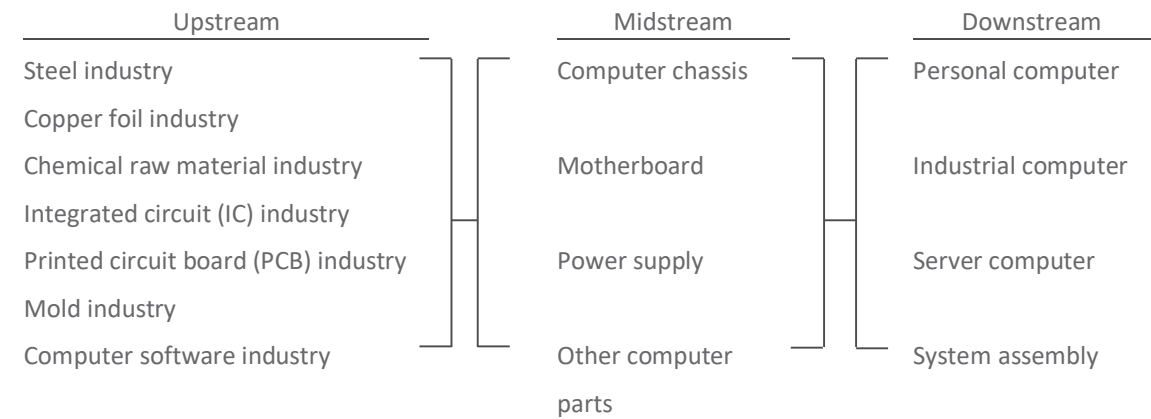
■ Servers

In the first quarter of 2020, the disruption of the supply chain due to the COVID-19 pandemic affected the progress of shipments of servers. After the second quarter, when the supply went back on track, the shipments peaked. Although shipments slowed down slightly in the second half of the year, the growth momentum of large cloud businesses recovered throughout the year, and the government of mainland China strongly promoted cloud infrastructure to boost the shipments of its local brands, according to the statistics of IDC, the global server shipments in 2020 were 12,129,000 units, an annual increase of 3.3%. In terms of companies, Dell and HPE are ranked first and second. Under the strong demand driven by the China's market, the China's companies occupied the third to fifth places, namely Inspur, Huawei, and Lenovo. Although the shipments of these three companies were on a par, their revenues had increased substantially compared with last year, among which Lenovo and Huawei witnessed a double-digit growth. As for the models shipped directly to customers by original equipment manufacturer (OEMs), the performance was also outstanding. The shipments increased by 10.% compared to last year, accounting for nearly one third of the market, and revenue also increased by 8.4% compared to last year.

It is expected that the pandemic may affect the performance of the global economy and will slow down corporate clients' capital expenditures on servers and other equipment in 2021. However, remote office and online shopping will become the new normal of life, which will continue to drive the demand for cloud services. In addition, Intel's and AMD's new-generation CPUs will be produced in large quantities in the first half of 2021, and a small wave of

machine replacement is expected; thus, a certain growth momentum will be maintained for the global shipments of servers.

(2) Relationship amongst upstream, midstream, and downstream of the industry



(3) Product development trends and competition

■ Servers

The current server application market is still dominated by enterprise users, followed by large server groups in data centers. North America and China are the two largest markets in the world. As China's server shipments grew substantially last year and it became the world's third supplier, it is clear that the China government is strongly supporting its local products for the trends of 5G and network information security. These large server providers in China received subsidies from the China government and grew rapidly in a short period of time. The fast-growing cloud data center is the biggest driving force for the growth of global servers. Facebook, Amazon Web Services, Microsoft, Google, Alibaba, Tencent, and Baidu are the top seven cloud management platforms in the world. Because of the booming demand for online information, these seven cloud platforms must have data centers in various places, making them the largest buyers of servers in the world. In addition, under the next wave of growing demand arising from big data, telecom operators, e-commerce, and social media companies in various countries must also set up their own data centers as many as possible. Although their data centers are not as large as the seven cloud platforms mentioned above, they are also very important buyers of servers.

With the development of cloud, streaming services and edge computing have become more and more popular, which is in turn driving the trend of mini cloud data centers. Based on smart connection, real-time response, and data security, edge computing promotes the connection of terminal devices and edge devices to form a smart environment, particularly for equipment in smart manufacturing, smart medical care, and other specific fields, forming a mini cloud data center from bottom up. The future development of servo equipment and network architecture towards new specifications and new applications is worth observing.

In addition, the trend of IoT will lead the formation of a flexible edge computing architecture in the future. Compared with cloud computing, edge computing adopts a more decentralized thinking to design computing architecture, and builds more diverse computing structures, products, and software and hardware services between the cloud and terminals. It is expected that the computing, storage, and connection performance of terminal equipment will further change in the future, and the software-defined and network virtualization technologies will move toward the edge. Meanwhile, the Industrial Internet of Things (IIOT) has gradually become popular, generating a large amount of networked data, which is industrial data as a service. After the industry has gone through the process of networking and digitization, a large amount of industrial data has been collected. In order to effectively respond to and solve manufacturing operations problems, industrial apps and basic hardware equipment construction with industrial characteristics will become the focus of industrial cloud platforms and customers.

In terms of 5G, after the gradual commercialization of 5G in various countries, it accelerate the development of data centers and promote the growth of mini data centers and edge computing, so as to realize the next generation of innovative applications, such as smart manufacturing, smart medical treatment, and smart transportation. In addition, the new 5G charging model is also the focus of observation. Telecom operators will further think about how to design diversified and customized rates to have stable revenue from the business-to-customer market, and expand the market in the business-to-business field through more flexible business models.

For short-term development, in addition to digital transformation driven by market demand, hybrid cloud architecture has become a trend, and software-defined storage will be the key technology factor for the future development of hybrid cloud. As for the mid- to long-term development, the demand for high-performance computing, such as AI and HPC, continues to rise. The launch of 5G will drive a rapid increase in the amount of computing and stored data. How to meet future growth needs under the existing hardware architecture will become the focus of future upgrades for the information communication industry.

To sum up, Chenbro has been deeply involved in the white-label server market for a long time and can provide customized and a wide variety of products in a small quantity. It also develops edge computing servers with key customers, while actively collaborating with Intel to develop a compatible chassis for the next generation platform. In the next 1 to 2 years, the Company will continue to innovate in design and manufacturing technology, provide the best customized mechanical solutions, and capitalize on its the advantages of production and manufacturing of a wide variety of products in a small quantity, to enhance its added value in the supply chain, develop a layout in new markets, and provide customers with more complete and flexible services, so as to enhance the win-win partnership with customers.

### (III) Technology and R&D

#### (1) Costs of research and development during the current year and as of the date of the annual report

Unit: in NT\$ thousands; %

Item	Year	2020 (Note 1)
R&D expense		225,897
Revenue		7,544,545
R&D expense as a percentage of revenue (%)		3%

Note 1: The data is based on consolidated statements of comprehensive income prepared in line with IFRS As of the date of the publication of the annual report, the Company has not yet had the financial information for the first quarter of 2021 audited by CPAs. Therefore, only the data of 2020 are disclosed.

#### (2) Successfully developed technologies or products

The Company continues to improve the skills in the four areas of new materials, innovative products, smart production, and patent strategies under the framework of the Athena 2.0 project. With the modular design 2.0 plan as the direction, the Company has worked to increase the scale of shared parts bank to continue to promote product universality and design standardization, to create the advantages of mass production and in turn effectively manage costs. In terms of new materials, the high-strength, lightweight, environmentally friendly, and rapid prototyping steel and plastics are used to increase the internal density of products and reduce the load of large data centers. As for new manufacturing techniques, the Company will focus on R&D in Taiwan and manufacturing in Taiwan, cross-border integrated manufacturing, CNC smart manufacturing, and other new technologies and introduce lean management. For new technologies, the Company will also focus on changes in server systems and chassis brought about by storage, 5G, AI, and edge computing to develop high-performance system architectures and innovative mechanical designs and modularized development technology to maintain an industry-leading competitive advantage. Chenbro also attaches great importance to the protection of intellectual property rights and continues to invest resources in this regard. So far, 439 patent applications have been filed in Taiwan, the U.S., and China,



and 363 patents have been obtained. In 2019, it also developed and applied for new patents for various products, with a total of 29 new inventions, designs, and new patents worldwide.

The new products in 2020 are as follows:

Product Model	Product Description
RM23936	2U rack-mount customized high-speed computing modular storage server chassis
RM23942	2U rack-mount customized high-speed computing modular storage server chassis
RM23944	2U rack-mount customized high-speed computing modular storage server chassis
RM23948	2U rack-mount customized high-speed computing modular storage server chassis
RM23949	2U rack-mount customized high-speed computing modular storage server chassis
RM23950	2U rack-mount customized high-speed computing modular storage server chassis
RM23952	2U rack-mount customized high-speed computing modular storage server chassis
RM23953	2U rack-mount customized high-speed computing modular storage server chassis
RM25224	2U rack-mount high-speed computing modular storage server chassis
RM32941	3U rack-mount customized high-speed computing modular storage server chassis
RM35206	3U rack-mount high-speed computing modular storage server chassis
RM43736	4U rack-mount customized high-speed computing modular storage server chassis
RM41946	4U rack-mount high-density high-performance high-end dual-channel modular server chassis
RM25324	2U rack-mount side-panel PSU high-speed computing modular storage server chassis
PC31184	Personal computer chassis
PC60784	Personal computer chassis
RM23941	2U rack-mount customized modular storage server chassis
RM23804	2U rack-mount modular storage server chassis
RM24504	2U rack-mount modular storage server chassis
RM23943	2U rack-mount customized modular storage server chassis
SR11369	4U tower high-speed computing modular storage server chassis
RM13930	1U rack-mount customized high-end dual-channel modular server chassis
RM23951	2U rack-mount customized modular storage server chassis
RM11954	1U rack-mount customized high-speed computing storage server chassis
RM22913	1U rack-mounted edge computing server chassis
RM19A07	1U rack-mount customized high-speed computing modular storage server chassis
RM19A08	1U rack-mount customized high-speed computing modular storage server chassis
18-0209	5U rack-mount high-density storage server chassis
RM11956	1U rack-mount customized high-speed computing server chassis
RM21981	2U rack-mount customized high-speed computing server chassis
RM21977	2U rack-mount customized modular storage server chassis (Whitley)

The new patents applications in 2020 are as follows:

Date of application	Region	Category	Patent Name	Product Category
Jan. 8, 2020	U.S.	Invention	Hard drive pull device	HDD CARRIER
Jan. 8, 2020	Taiwan	Utility model	Server device and its stopping component	PCB HOLDER
Jan. 8, 2020	Taiwan	Utility model	Server device and its stopping component	PCB HOLDER
Jan. 8, 2020	Taiwan	Utility model	Server device and its disassembly components	CABLE HOLDER
Jan. 21, 2020	U.S.	Invention	Server device and its latch mechanism	RAIL
Jan. 22, 2020	U.S.	Invention	Server device and its locking mechanism	RAIL
Feb. 25, 2020	Taiwan	Utility model	Server rack and its carrier	HDD TRAY
Mar. 9, 2020	China	Utility model	Server rack and its carrier	HDD TRAY
Feb. 27, 2020	Taiwan	Utility model	Server device	CABLE HOLDER
Feb. 27, 2020	China	Utility model	Server device	CABLE HOLDER
Mar. 10, 2020	Taiwan	Utility model	Server device	LATCH
Mar. 3, 2020	China	Utility model	Server and server unit	LATCH

Date of application	Region	Category	Patent Name	Product Category
Feb. 15, 2020	Taiwan	Utility model	Server device	FAN MODULE
Mar. 9, 2020	China	Utility model	Server device	FAN MODULE
Mar. 10, 2020	Taiwan	Utility model	Host chassis frame and its vertical riveting structure	PLATE FIXING STRUCTURE
Mar. 4, 2020	China	Utility model	Riveting structure and chassis frame with the riveting structure	PLATE FIXING STRUCTURE
Apr. 17, 2020	Taiwan	Utility model	Handle module and server	HANDLE MODULE
Apr. 17, 2020	China	Utility model	Handle module and server with the handle module	HANDLE MODULE
Apr. 14, 2020	Taiwan	Utility model	Server chassis and its carrier	HDD CARRIER
Apr. 14, 2020	China	Utility model	Server chassis and its carrier	HDD CARRIER
Apr. 16, 2020	Taiwan	Utility model	Server chassis and its vertical carrier	BBU MODULE
Apr. 16, 2020	China	Utility model	Server chassis and its carrier	BBU MODULE
Apr. 15, 2020	Taiwan	Utility model	Handle module and server	HANDLE MODULE
Apr. 15, 2020	China	Utility model	Handle module and server with the handle module	HANDLE MODULE
Mar. 31, 2020	Taiwan	Utility model	Air duct	FAN MODULE
Mar. 31, 2020	China	Utility model	Air duct and electronic equipment with the air duct components	FAN MODULE
Apr. 15, 2020	Taiwan	Utility model	Fixing module	FIXING MODULE
Apr. 15, 2020	China	Utility model	Fixing module and electronic equipment with the fixing module	FIXING MODULE
May 14, 2020	Taiwan	Invention	Server device and its latch mechanism	LATCH
May 14, 2020	Taiwan	Utility model	Server device and its latch mechanism	LATCH
May 14, 2020	China	Invention	Server device and its latch mechanism	LATCH
May 14, 2020	China	Utility model	Server device and its latch mechanism	LATCH
Apr. 30, 2020	Taiwan	Invention	Server system and its server chassis	HDD CARRIER
Apr. 30, 2020	Taiwan	Utility model	Server system and its server chassis	HDD CARRIER
Apr. 30, 2020	China	Invention	Server system and its server chassis	HDD CARRIER
Apr. 30, 2020	China	Utility model	Server system and its server chassis	HDD CARRIER
Jun. 1, 2020	Taiwan	Invention	Server, hard disk assembled device, and its hard disk carrier	HDD CARRIER
Jun. 1, 2020	Taiwan	Utility model	Server, hard disk assembled device, and its hard disk carrier	HDD CARRIER
Jun. 1, 2020	China	Invention	Server, hard disk assembled device, and its hard disk carrier	HDD CARRIER
Jun. 1, 2020	China	Utility model	Server, hard disk assembled device, and its hard disk carrier	HDD CARRIER
May 18, 2020	Taiwan	Utility model	Pull-out chassis	CABLE HOLDER
May 18, 2020	China	Utility model	Pull-out chassis	CABLE HOLDER
May 12, 2020	Taiwan	Utility model	Removable hard drive device and its holding bracket	HDD TRAY
May 12, 2020	China	Utility model	Removable hard drive device and its holding bracket	HDD TRAY
May 13, 2020	Taiwan	Utility model	Server and its cable holding device	CABLE CMA
May 13, 2020	China	Utility model	Server and its cable holding device	CABLE CMA
May 18, 2020	U.S.	Invention	Server chassis	Chassis
May 21, 2020	U.S.	Invention	Storage device	LATCH MODULE
May 21, 2020	U.S.	Invention	Storage device and its holding bracket	LATCH MODULE
Apr. 30, 2020	Taiwan	Invention	Testing device with power supply protection and it testing platform	TESTING PLATFORM
Apr. 30, 2020	Taiwan	Utility model	Testing device with power supply protection and it testing platform	TESTING PLATFORM
Apr. 30, 2020	China	Invention	Testing device with power supply protection and it testing platform	TESTING PLATFORM

Date of application	Region	Category	Patent Name	Product Category
Apr. 30, 2020	China	Utility model	Testing device with power supply protection and it testing platform	TESTING PLATFORM
Oct. 23, 2020	Europe	Invention	Server system	LATCH
Oct 27, 2020	Taiwan	Invention	Server system	LATCH
Oct 27, 2020	China	Invention	Server system	LATCH
Oct 27, 2020	U.S.	Invention	Server system	LATCH

#### (IV) Short- and long-term business development plans

Under the influence of the global pandemic of COVID-19, many physical activities were forced to be suspended in order to avoid direct human interactions and infections. During the pandemic prevention period, Chenbro has chosen to suspend many physical activities and to adopt technology and the Internet for communication, digital marketing, and interactions with customers. More communication is conducted online, including using Teams for video conferences, using social media, such as Wechat, LinkedIn, and YouTube, for digital information dissemination, and updating the Company's websites to make it easier for customers to obtain product information. Also, Chenbro has adopted integrated marketing approaches, such as online virtual exhibitions, multimedia marketing, social advertising, search engine marketing, and website visit boosting, to actively create new business opportunities.

In terms of short-term plans, in addition to focusing on its core business, Chenbro will continue to develop customer bases for relevant applications, system integration businesses, etc., to expand market share, while using existing niche to focus on edge computing, high-density storage devices, and AI server platforms, so as to launch many products for new server specifications, diversify product categories, and provide customers with more flexible and diversified mechanical solutions. Chenbro will continue to deepen collaboration with major domestic and foreign system integration manufacturers and end customers, and form strategic alliances with motherboard and key component suppliers, such as the Reference Motherboard Program. After verification at different levels through this program, all new products can be compatible with multiple models of motherboards using the Whitley server and processor platform. We expect that these chassis platforms will have more customized requirements to meet customers' needs for different applications and markets. Chenbro strives to jointly research and develop barebones products covering more fields to provide better products and after-sales services to meet customers' needs and enhance the Company's one-stop service capabilities for products.

In terms of long-term plans, the Chiayi Manufacturing Center in Taiwan will be completed by the end of 2021, which will successfully support more project services, increase factory production capacity, and strengthen lean production to achieve the best cost control. China and the U.S. are the two largest server markets, and there are many top technology partners. Chenbro plans to invest resources in establishing technological teams in China and the U.S. in order to work more closely with customers to understand their product needs and purpose while providing pre-sales and after-sales services locally. As such, we can work with many technology companies in the future to innovate the next-generation platform, and lead Chenbro's future product direction with a standard product development team. This will not only benefit the standard products but also benefit the joint design manufacturers' (JDMs') business model.

In addition to consolidating existing products and market share with advanced R&D and manufacturing capabilities, Chenbro will continue to develop new markets, promote its business to countries, such as India, Australia, the ASEAN region, and Israel, and deploy international business teams to serve more customers. Chenbro will gradually build a complete global production and marketing system through investment in R&D, production, marketing, and finance.

In terms of technological innovation, the Company will continue to invest resources in R&D, maintain market leadership in material breakthroughs and manufacturing technologies, apply new methods to develop new products to improve customer satisfaction, and grasp future market opportunities arising from data centers, IoT, edge computing, and AI, while developing modular standard products to save customers' investment costs and accelerate the development of customized

products and continuing to improve product quality and strengthen cost control, shorten the order-to-delivery cycle, and achieve the spirit of lean management. The Company will also strive to explore new business opportunities in the markets of Netcom, medical care, AI, IoT, telecommunications, and 5G.

In addition to technological breakthroughs in R&D, Chenbro plans to invest resources in exhibitions in Taiwan, China, the U.S., and Europe after the global pandemic has eased and physical activities resumed, and actively participate in the activities of world-renowned upstream suppliers to support local marketing and coordinate operations with major agents in each region. Meanwhile, Chenbro will sponsor marketing expenses, further develop the markets of distribution channels, provide a one-stop marketing strategy from upstream to downstream partners, so as to enhance customer loyalty and stickiness, enhance Chenbro's reputation, and establish a brand image, thereby expanding the customer base and improving the value added to products to achieve the Company's business goals.

In the future, Chenbro will continue to uphold the business philosophy of "diligence, humbleness, and honesty" and promote the corporate and brand core values recognized by customers, with the vision of being "the leading business in electromechanical integration solutions in the global cloud industry". Building on the four core values of "integrity, innovation, consensus, and altruism", Chenbro will be committed to "launching new products and new technologies or services", "improving production efficiency", "expanding emerging markets or application fields", and "developing competence of senior, middle-aged, and young talents", to enhance the Company's competitiveness, enter the global market, and achieve sustainable business operations.

## II. Analysis of the Market as well as Production and Marketing Situation

### (I) Market analysis

#### (1) Main products (services) marketing (provision) regions

Unit: in NT\$ thousands

Region	Sales revenue	Percentage
China	3,475,366	46%
U.S.	2,244,936	30%
Taiwan	964,154	13%
Others	860,089	11%
Total	7,544,545	100%

#### (2) Market shares

According to the statistics of the Institute for Information Industry (III), the global PC market reached 250 million units in 2020, which was about the same as the shipment in 2019. However, due to the impact of the COVID-19 pandemic in 2020, remote office and remote teaching continued to develop. The demand for laptops has risen sharply, and the demand for desktop computers has declined due to the lack of portability; thus, the commercial desktop market has been greatly impacted, and the desktop shipments have declined significantly. Global desktop computer shipments in 2020 were 84.47 million units, a year-on-year decrease of 9.9%. Based on Chenbro's desktop computer chassis shipments, the market share was about 0.33%. In terms of servers, the market was also affected by the pandemic, but driven by the demand for data center computing and storage, the server shipments increased. According to the statistics of IDC, the global server shipments in 2020 were 12,129,000 units, an annual increase of 3.3%. It is estimated that Chenbro's market share was 12.8%.

### (3) The future supply and demand and growth of the market

According to Gartner's forecast, by 2021, global end-users' spending on public cloud services will increase by 18.4%, reaching US\$304.9 billion, higher than the US\$257.5 billion in 2020. After the COVID-19 crisis, the proportion of IT spending on transfer to the cloud will accelerate. As companies increase investment in mobility, collaboration, and other remote work technologies and infrastructure, Gartner believes that the growth of public clouds will continue until 2024. It is estimated that by 2024, cloud will account for 14.2% of the global enterprises' total IT expenditure, up from 9.1% in 2020.

As super-large enterprises accelerate the construction of global data centers, and general corporate organizations resume data center expansion plans and allow employees to return to work in the office, data center expenditures will reach 5.2% in 2021. With the growing trend of data centers, the future of the server industry is also worth looking forward to.

#### (3.1) The development trend of the global desktop computer market in 2021

Desktop computers are mostly for commercial purposes. During the pandemic, companies closed their offices and switched to laptops, which worsened the overall shipment performance. If COVID-19 is brought under control after the vaccine is administered, as corporate organizations gradually return to the model of "working at the company", the shipment of desktop computers is expected to return to normal. Looking ahead to 2021, even if the vaccine development reaches the initial milestone, but with the doubt about the vaccination effectiveness and the COVID-19 virus mutation, it is estimated that the global desktop computer shipments will be about 83.79 million units in 2021, with the annual growth rate declining by around 0.8 %.

In addition, according to statistics from PassMark, Advanced Micro Devices, Inc. (AMD) occupies 50.8% of the global desktop CPU market share, while Intel accounts for 49.2%. This means that the changes in the next few quarters starting from the first quarter of 2021 will be a key indicator for observing whether AMD can continue to surpass Intel in desktop CPUs and become a leader. In addition, as AMD is expected to improve its existing Zen 3 architecture, its advantages will continue to be strengthened in 2021.

#### (3.2) The development trend of global industrial computers in 2021

It is estimated that as the pandemic eases, countries will increase investment in public infrastructure to revitalize the economy, and the new normal life brought about by the pandemic will drive the digital transformation of various vertical application fields, and thus new business opportunities will arise from the IoT and AI technology. Looking ahead to 2021, after the development of IoT and 5G applications is relatively mature, more commercial applications are expected to emerge. In addition to Netcom equipment and components, the vertical application areas emerging from 5G networking will also be more developed, which will bring sales opportunities for hardware products and components for industrial computer manufacturers, such as edge computing devices and components for cloud data centers. Overall, it is estimated that the annual growth rate of the industrial computer market in 2021 may increase slightly by 2.2%.

#### (3.3) The development trend of the global server market in 2021

AI, big data, IoT, edge computing, hybrid cloud, and 5G networks are all the factors that drive the growth of servers and storage devices. In the global server market, 5G and long-distance applications have become two major driving forces of growth. Increased data transmission will prompt enterprise users and data centers to upgrade. As long-distance becomes the norm, the market is generally optimistic about the global server shipment growth rate by up to 7% in 2021. According to Digitimes' one research report, in the next five years, driven by demand for public cloud services, HPC, AI applications, and 5G telecom data centers, global server shipments are expected to grow at a compound annual growth rate (CAGR) of 6.7% from 2020 to 2025. Among them, large public cloud companies will continue to build infrastructure to drive growth. Due to the COVID-19 pandemic, corporate clients are accelerating the transition to the cloud to

facilitate the work-from-home model or remote teaching, as well as increase the demand for online business. These activities will become the norm in the future.

According to the analysis report of the III, China and the U.S. are still the largest markets for servers, and Taiwan will expand R&D centers in response to data centers and brands. Mainland China will also invest in the research and development of server architecture. In addition to the cloud service industry, the market demand in the servers market also includes the vast edge computing industry. With the local data centers and AI computing architecture, the demand for servers will come from telecommunications companies in various countries, and the equipment will be more in line with consumers' needs. Thus, the demand for the ODM Direct model will increase further.

#### (4) Competitive niche

##### ① Complete product lines

Chenbro also has a variety of product lines, including desktop personal computer chassis, industrial computer chassis, server chassis, storage server barebones, and storage expansion kits, as well as customized services to provide customers with complete solutions. Because of the accumulated modular designs and complete product line planning over a long period of time, different solutions are provided for server brands and white-label businesses. Chenbro's chassis or modules will allow customers to make partial modifications and launch their products rapidly, which will help them expand markets and increase revenue growth.

##### ② Continuous investment in research and development

Chenbro has a comprehensive server electronics and mechanical R&D team, equipment, and experience, which can quickly respond to market needs, particularly in the continuous improvement of AI, edge computing, high-density storage servers, and other technologies. Over the years, it has accumulated a number of product design patents as a competitive niche, and continued to invest in research and development resources, focus on weight reduction, heat dissipation, structural strength, and shockproof technologies of high-end server materials to strengthen product competitiveness.

##### ③ Lean manufacturing and decision-making

In addition to the headquarters in Taipei, Chenbro currently has overseas operations bases in North America, Europe, and China, responsible for local customer services, collecting market demand information, and providing information to teams in product development, manufacturing, and logistics management. In addition, with the introduction of lean management and design of a global real-time information system, Chenbro will be more able to respond to market information, customer needs, product information, and production progress in real time, and provide precision-fit products and services.

#### (5) Favorable and unfavorable factors for development prospects and countermeasures

##### ① Favorable factors affecting the development prospects

Driven by the two major trends of cloud computing and the IoT, various applications continue to innovate, driving the growth of server demand. Server specifications continue to be driven by the cloud network service industry, the edge computing driven by terminal demand cannot be ignored. With Chenbro's development in the server field for many years, as well as its ODM experience for brands' server chassis and the customized service experience accumulated in recent years, it continues to be competitive in the rapidly changing server industry and is able to satisfy cloud computing leaders' design and manufacturing requirements.

In the industrial environment driven by the continuous and stable development of market demand and the continuous improvement of the technological capabilities, further strategic cross-industry alliances and cross-industry integration of resource structures will be conducive to subsequent business growth.



## ② Unfavorable factors in the development prospects and countermeasures

### A. Fierce competition in the product market

As some low-end technology manufacturers adopt a price war strategy and imitate improved products, they have greatly disrupted the overall market order and directly affected the competition in the overall market. However, this phenomenon has gradually slowed down after the increase in material and labor costs, the increase in the requirements for product functions, and the gradual improvement of the technological capabilities. In addition, Chenbro will continue to invest in server materials and smart manufacturing to improve product technology thresholds, use high value-added products to avoid price wars, and plan overseas shipping centers gradually to provide fast and convenient logistics services.

### B. The challenge of comprehensive manufacturing services

Because the scale and level of customers served by Chenbro are constantly increasing, orders without specific needs, and faster and more flexible delivery services are will pose challenges to the business. To cope with this trend, Chenbro has built an integrated information system, developed towards lean manufacturing, and continuously improved various logistics operations, supply chain management, and customer service management, to strengthen the flexibility of corporate operations and improve manufacturing service quality.

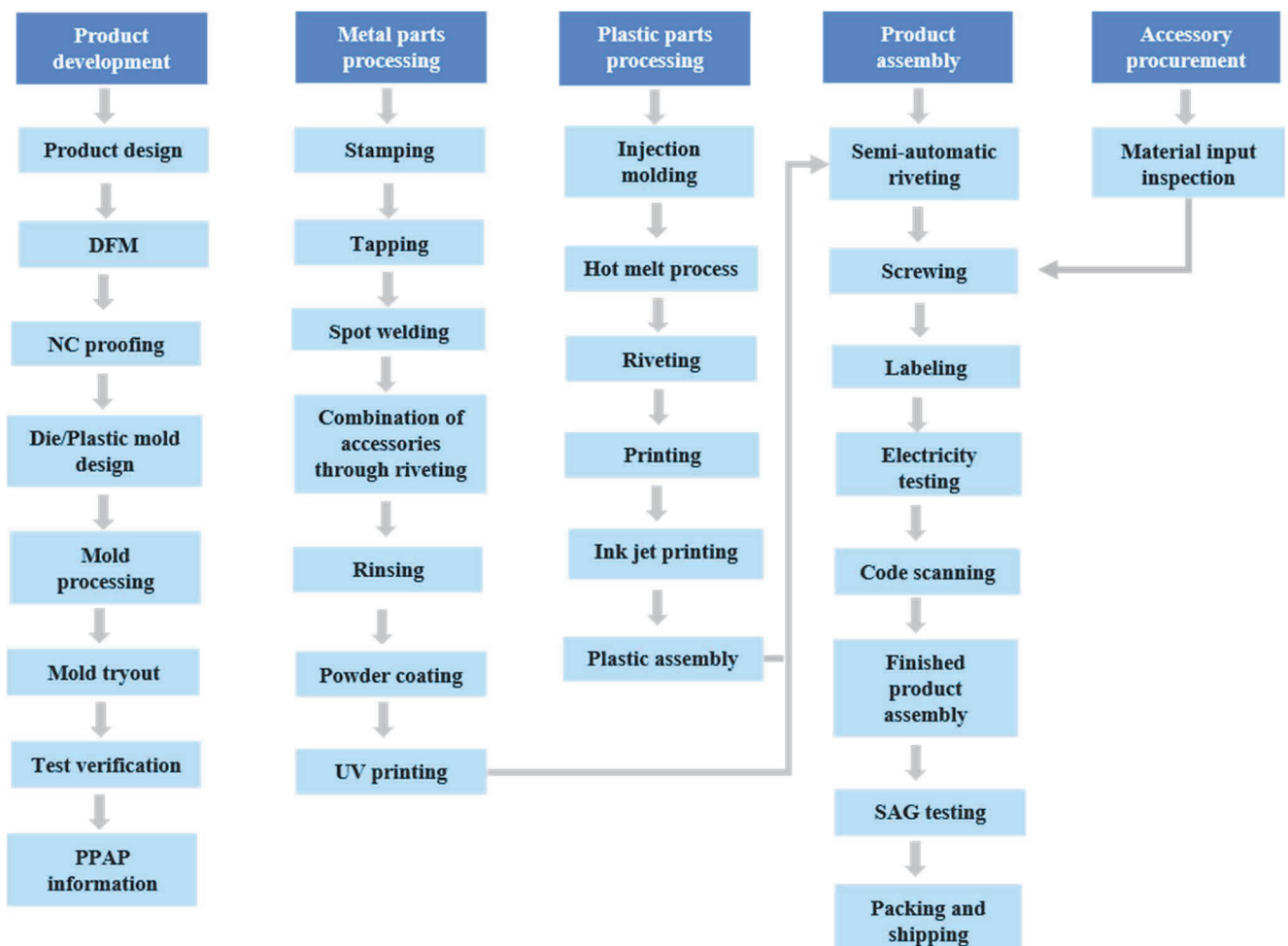
## (II) Major applications and processes of major products

### (1) Key applications of main products

Computer host chassis is the main component necessary to compose all kinds of computers (personal computers, workstations, servers, etc.).

### (2) Production process of main products

## (II) Supply of key materials



Main product name	Main material name	Main supplier
Computer chassis	Stamping products	Hong Chang Precision Industrial Co., Ltd.
		Hsiung Yeh Industry Co., Ltd.
		Jinchya Technology Precision Co., Ltd.
		Hsin Chaio Yang Technology Co., Ltd.
		Supper Lasers Industry Co., Ltd.
	Power supply	AcBel Polytech Inc. (Ho-Ga)
		FSP Technology Inc.
		Sea Sonic Electronics Co., Ltd.
	Cooling fan	Sanyo Denki Taiwan Co., Ltd. (Xin Yonghe)
		Nidec-Read Taiwan Corporation
		Delta Electronics Inc. (Honya)
		Sunonwealth Electric Machine Industry Co., Ltd. (Invni Tech)
		NMB (Sing Way)
	Slide rails	King Slide Works Co., Ltd.
		Nan Juen International Co., Ltd.
	PCBA	Tailyn Technologies, Inc.
		Suzhou Huayi Technology Co.,Ltd.
		Diamond Digital Corporation
		Tekforce/Jin Maon Co., Ltd.
		Innoflux Technology Co., Ltd.
	Cable	Luxshare-Ict Co., Ltd.
		Amphenol Assemble Technology
		Jess-link Products Co., Ltd.
		Chien Hong Co., Ltd.
		Jin Maon Co., Ltd.
		Songlin Technology Corporation



**(IV) Customers with 10% or more of total procurement/sales, amount, and percentage in any given year within the most recent two years**

1. Customers with 10% or more of total procurement/sales, amount, and percentage in any given year within the most recent two years

Major customers in the past two years

Unit: in NT\$ thousands

Item	2019				2020			
	Customer name	Amount	Percentage in total net sales (%)	Relationship with the Company	Customer name	Amount	Percentage in total net supply (%)	Relationship with the Company
1	Customer A	919,096	13%	5	Customer A	1,494,091	20%	5
2	Customer B	559,306	8%	5	Customer B	1,099,368	15%	5
3	Customer C	969,788	14%	5	Customer C	937,706	12%	5
4	Customer D	1,094,317	16%	5	Customer D	760,211	10%	5
5	Customer E	720,405	11%	5	Customer E	478,300	6%	5
	Others	2,572,531	38%		Others	2,774,869	37%	
	Net sales amount	6,835,443	100%		Net sales amount	7,544,545	100%	

Note 1: Name of the customer with more than 10% of the total sales amount in the last two years and the amount and proportion of the sales. Due to the contractual agreement, the name of the sales or the object of the transaction may not be disclosed, and individuals and non-related parties may be disclosed in code names.

Note 2: 1. Subsidiaries 2. Other investees evaluated using the equity method 3. Other substantive parties 4. Major shareholders holding more than 10% of shares 5. None

2. Names of suppliers that accounted for more than 10% of the total procurement in any of the last two years, the procurement amounts, and proportions: There had been no suppliers that accounted for more than 10% of the Company's total procurement in the last two years.

### (V) Production quantity and value in the past 2 years

Unit: Amount: NTD Thousand; Quantity: Unit

Production volume/Value Main products	Year	2020			2019		
		Production capacity	Quantity	Output value	Production capacity	Quantity	Output value
Personal computer chassis		360,000	176,354	99,630	360,000	206,217	133,075
Server computer chassis/Peripheral product components		2,520,000	1,650,145	5,309,879	2,520,000	1,193,595	4,340,745
Total		2,880,000	1,826,499	5,409,509	2,880,000	1,399,812	4,473,820

### (VI) Sales quantity and value in the past 2 years

Unit: Amount: NTD Thousand; Quantity: Unit

Sales volume/Value Main products	Year	2020				2019			
		Domestic sales		Export		Domestic sales		Export	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Personal computer chassis		—	—	288,860	197,544	—	—	402,318	310,769
Server computer chassis/Peripheral product components		4,683	12,297	1,542,474	7,334,704	3,289	31,820	1,199,505	6,492,854
Total		4,683	12,297	1,831,334	7,532,248	3,289	31,820	1,601,823	6,803,623

### III. Number of employees in the past 2 years up to the publication date of the annual report

Year		2019	2020	Feb.28.2021
Number of employees	Direct employee	1,152	1,152	956
	Indirect employee	995	1,037	1,041
	Total	2,147	2,189	1,997
Average age		38.42	38.47	38.59
Average year of services		3.82	3.58	3.27
Education distribution	Doctorate degree	0	0	0
	Master's degree	74	79	82
	Bachelor's degree	199	210	214
	Associate's degree	258	257	252
	Senior high school	418	467	430
	Below senior high school	1,198	1,176	1,019

#### IV. Environmental Protection Expenditure

(I) In the most recent year and up to the publication date of the annual report, losses suffered due to environmental pollution (including compensation and environmental protection audit results that violate environmental protection laws and regulations, the penalty date, document number, laws and regulations violated, content of violations, and content of penalty), the estimated amount that may be incurred at present and in the future, and countermeasures shall be disclosed. If it cannot be reasonably estimated, the reason that it cannot be reasonably estimated shall be explained:

None.

(II) In response to the management measures of the Restriction of Hazardous Substances Directive (RoHS), the Company has assigned dedicated personnel to be responsible for planning and implementation, provided them with relevant education and training, who have obtained relevant certification documents, and guided suppliers to establish a green supply chain and perform audits regularly, which has passed customers' qualification certification. In the future, the Company will continue to invest in manpower and take countermeasures to prevent losses. The Company is also committed to introducing new technologies and innovative capabilities to reduce negative impacts on the environment. Some of the projects that have been implemented are as follows:

- (1) In 2020, the Company invested CNY 58,000 to build a mobile shed for storing waste molds to reduce the risk of pollution arising from old molds soaked in rainwater in the open air.
- (2) The industrial waste produced by the factories are processed and treated by a qualified incineration business, and the annual cost is CNY 86,064.
- (3) The septic tanks and sewage pipes of the factories are cleaned regularly to reduce the risk of sewage discharged not meeting the standards. The total investment for the whole year is CNY 11,750.

(III) Future countermeasures (including improvement measures) and possible expenditures (including the estimated amount of losses, response, and compensation that may occur if countermeasures are not taken. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be explained:

The Company's main business is computer chassis design, manufacturing and sales. In the production process, it promotes environmental protection, safety, and health, and continuously improves the environmental problems and safety and health hazards caused by the manufacturing process, and has developed an overall emergency plan and a complete management system for loss prevention, emergency response, crisis management, and disaster recovery for all possible emergencies and disasters. It is expected that there will be no possibility of operating other polluting businesses in the next three years.

#### V. Labor-management relations

(I) The Company's various employee benefit measures, continuing education, training, employee work environment and personal safety protection measures, pension system and its implementation status, labor-management agreement status, and various employee rights protection measures

##### (1) Employee working hours and leave system

- Follow labor-related laws and regulations; eight hours of work a day, two days off each week, and flexible working hours. Employees can arrange their working hours according to personal needs within the scope of the rules.
- Comply with the leave requirements of the Labor Standards Act and the Act of Gender Equality in Employment and provide employees with special paid leave, such as marriage leave, maternity leave, paternity leave, bereavement leave, menstrual leave, family care leave, etc. in addition to the annual paid, sick, and personal leave.
- Respect employees' right to leave, and the minimum unit of leave is 30 minutes, so that employees can use various types of leave flexibly and fully.

- Employees regardless of gender can apply for unpaid childcare leave in accordance with the Act of Gender Equality in Employment.

## **(2) Employee events and activities**

The Employee Welfare Committee, with the vision of the well-being of employees, meticulously plans various activities and welfare facilities to create a lively work atmosphere and boost employees' morale. In 2020 and 2018, the Company was certified with Taiwan i Sports by the Sports Administration and was awarded the Corporate Health Responsibility (CHR) Award in 2019. In 2020, the Company allocated a total of NT\$4.48 million to the Employee Welfare Committee for employee welfare-related activities and events.

## **(3) Diverse welfare projects**

In addition to the bonuses for Taiwan three major holidays, the Company provides birthday and marriage bonuses, year-end party, free annual employee travel, and art and cultural activity and continuing education subsidies, as well as funeral condolence money. Other employee benefits are as follows:

- Diverse welfare activities projects to design more considerate and diversified services, so that employees can work with peace of mind and live happily :
  1. Festivals and celebrations: Birthday parties, holiday parties (e.g., Christmas, Spring Festival, Mother's Day, etc.)
  2. Culture and travel: Art performances, film festivals, parent-child days, employee travel, visits, etc.
  3. Public welfare activities: Promotion of art, technology, music, environmental education programs in Yunlin, sponsorship of Peking Opera art, support of friendly land farming, clean beaches, etc.
  4. Exercise and health: Health lectures, lectures by celebrities, sports days, massage and aroma therapy by the blind, club activities, establishment of sports clubs, including badminton club, yoga club, basketball club, Qi guiding club, photography club, illustration club, etc. Professional doctors regularly provide consultation services and blood pressure measurement service on site, and play light music and guide employees to do Ping Shuai Gong (a hand-swinging exercise) at 11 a.m. and 3 p.m. to remind employees to move their bodies once in a while.
  5. Book garden: The Company's library collaborates with the AAEON Foundation to update books every month to provide employees with more learning resources and knowledge.
  6. Friendly workplace environment for both gender: The Company signs contracts with childcare institutions to achieve a friendly workplace.
  7. Height-adjustable desks are provided to improve employees' low back pain, sciatica, shoulder and neck stiffness, and other problems, to provide a friendly work environment.
- Health examination and comprehensive employee insurance are provided to let employees and their families work without worries and take care of their family life:
  1. Group insurance: Life insurance, accident insurance, hospitalization insurance, medical insurance, cancer insurance, and occupational accident insurance to increase employees' protection.
  2. Dependents insurance: Dependents can join the Company's group insurance at their own expense to increase protection.
  3. Health examination: The Company provide a fixed set of diverse health examination packages every year with professional consultation service; family members can also join at their own expense.
- Employee stock ownership trust system: The employee stock ownership trust system plan allows employees to participate in the Company's growth, embrace profitability, and optimize benefits.
- Restricted stocks are added to the talent retention reward program to motivate mid- and high-level executives for a long time, and to give certain rewards based on future performance, so that employees can share the company's profitability.

#### **(4) Protective measures for the work environment and personal safety of employees**

In the Work Rules set by Chenbro, the occupational injury compensation and relevant insurance are included, and are available on the Company's intranet for employees to consult.

##### **■ Work safety and protection measures for employees in the office**

The Company has strict access control security, and employees need to use their identification badge to enter the office to protect the office security.

The Company's office environment is equipped with a 24-hour close monitoring system and emergency call buttons with a contracted security company to maintain office security.

In order to maintain the safety and health of employees and promote safety and health services, the Company has appointed a Class A labor safety and health officer and several first-aid personnel.

According to the Company's labor safety and health work rules, the water dispensers are maintained every three months.

##### **■ Indoor air quality and ventilation equipment**

Appropriate work space is planned to avoid an overcrowded environment.

No smoking policy is implemented in the office.

Copiers and fax machines are set up in separate places.

The ventilation system is regularly inspected and cleaned every year, including ventilation ducts, dust filters, etc.

An appropriate indoor temperature is set to enhance the frequency of circulating fresh air and refreshing air.

A carbon dioxide detector is installed together with a heat exchanger to maintain proper air quality in the office environment.

Ventilation equipment in the workplace is inspected and maintained regularly every year.

##### **■ Lighting**

LED lighting with cover is used to filter light to reduce eye discomfort.

The walls, floors, and furniture are all made of non-reflective materials.

The lighting and lighting equipment in the workplace is inspected and maintained regularly every year.

##### **■ Factors that cause physical discomfort for using computers are reduced**

Ergonomic chairs are used so that individuals can adjust to the most comfortable posture at work.

A short session of aerobic exercise is conducted at fixed times every day to reduce the discomfort of the body due to long-time sitting.

The Company provides large computer screens with a screen mount to employees who use computers for a long time, so that they can have a comfortable office environment.

Professional qualified electricians are appointed to make a trial calculation to have enough electrical outlets to avoid fire alarms due to excessive electricity loads.

Electrical equipment is inspected from time to time to ensure the safety of electrical appliances.

If appliance users find any damage, they shall report it immediately.

##### **■ Fire alarm safety**

According to the regulations of the building public safety inspection certification and filing method, an external professional company is entrusted to conduct public safety inspection every two years.

According to the provisions of the Fire Services Act, fire safety inspections are conducted by a third party every year.

There is a map of the distribution of fire fighting equipment and an escape route in the office area, and there are clear signs along the route to indicate the route to leave the building.

Qualified fire extinguishers shall be placed in the office area according to regulations; fire extinguishers are maintained and checked from time to time to ensure their effectiveness, and fire safety information is filed

in accordance with regulations. New recruits need to attend fire protection lectures in orientation to learn about the relevant information on the fire equipment and escape route in the office area.

A fire extinguishing system is set up in accordance with regulations to ensure fire safety in the workplace.

#### ■ Trip, slip, and fall

Sufficient lighting in the workplace and passages are ensured to avoid collisions or overcrowding. In addition, an appropriate workplace helps to keep the work environment tidy and avoid trip and fall accidents.

#### (5) Pension system and implementation

Pension system	Old system	New system
Applicable laws	Labor Standards Act	Labor Pension Act
Contribution method	Two percent of individuals' total monthly salary is appropriated, and deposited in the special account of Bank of Taiwan (formerly the Central Trust of China) in the name of the Company.	Six percent is contributed to the individual's account of the Labor Insurance Bureau according to each employee's insurance level.
Contribution amount	The accumulated amount of the Labor Retirement Reserve Fund is NT\$18,810,000 (Note).	In 2020, NT\$10,111,000 was appropriated.

Note: The reserve fund contributed with the balance of employee pensions actually paid deducted.

### A. Defined benefit plans

1. In compliance with the requirements set forth in the Labor Standards Act, the Company has stipulated a defined benefit pension plan, which is applicable to the years of service rendered by regular employees prior to, and after (if employees elect to continue to apply the Labor Standards Act), the implementation of the Labor Pension Act on July 1, 2005. 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 sets aside 2% of the employee's total salary each month as pension funds and deposit it to the designated account under the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the designated account. If the total available amount of the contribution is less than the amount required for the payment of pensions to all the employees who are eligible to retire in the following year, calculated according to the above method, the Company will make up for the difference in a lump sum before the end of March in the following year.
2. The fund asset of the Company's defined benefit pension plan ("the Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e., deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any inadequacy in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. The Company has no right to participate in managing and operating the Fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with paragraph 142, IAS 19. For the fair value of the total pension fund as at December 31, 2020 and 2019, please refer to the Labor Retirement Fund Utilization Report published by the government each year.

## B. Defined contribution plan

- (1) Effective July 1, 2005, the Company has established a defined contribution pension plan under the "Labor Pension Act", covering all regular employees with R.O.C. nationality. For employees who chose to adopt the pension system provided by the Labor Pension Act, the Company contributes an amount no less than 6% of the worker's monthly salary to the personal pension account set up by the Bureau of Labor Insurance. The pension is calculated based on the principal and accrued dividends from an employee's individual account of labor pension and paid on a monthly or lump-sum basis.
- (2) Other overseas companies contribute pension funds or retirement fund reserve based on the local employees' salaries in accordance with the local government regulations.
- (3) In the 2020 and 2019, the cost of pensions recognized by the Company in accordance with the above-mentioned pension plans was \$10,111 and \$8,749, respectively.
- (4) Chenbro Europe B.V. Cloudwell Holdings, LLC., Chenbro GmbH, Cloud International Company Limited, Amac International Company, Amber International Company, Adept International Company, Chenbro Huan-Xing Technology (Shenzhen) Co., Ltd., Chenbro Huan-Xing Technology (Beijing) Co., Ltd., and Procace & Morex Corporation have not formulated employee pension schemes or have no employees. In addition, Micom Source Holding Company, Chenbro Micom (USA) Incorporation, Chenbro UK Limited, Chenbro Technology (Kunshan) Co., Ltd., ChenPower Information Technology (Shang Hai) Co., Ltd., and Dongguan Procace Electronic Co., Ltd. had contributed a total of net pension costs of \$5,747 and \$40,912 recognized for 2020 and 2019, respectively, in accordance with the local governments' pension regulations. At the beginning of 2020, due to the impact of the pandemic in China, pension insurance was exempted as announced by the local governments from February, 2020 to the end of December, 2020.

### ■ Labor-management agreement

- a. Regular labor-management meetings are held to coordinate labor-management relations and promote labor-management cooperation.
- b. Suggestion boxes are set up to increase employee grievance channels.
- c. Based on the Labor Standards Act, management with employees at the center is adopted in business management.

- (III) Losses incurred due to labor disputes in the most recent year and up to the date of publication of the annual report (including labor inspection results that violate the Labor Standards Act, and the date of penalty, the document number, the laws and regulations violated, the content of violations, and the content of penalty), and the estimated amount that may be incurred at present and in the future and countermeasures shall be disclosed. If it cannot be reasonably estimated, the fact that it cannot be reasonably estimated shall be specified:

The Company has a smooth labor-management relationship. There have been no labor disputes or losses due to labor disputes in the most recent year, and there are no factors related to labor disputes in the current situation. Therefore, the possibility of labor disputes in the future is expected to be extremely small.

## VI. Important contracts

Contract title	Party A	Party B	Description	Contract period
Chenbro Micom Co., Ltd. New Chiayi Factory and Office Construction Project	Chenbro Micom Co., Ltd.	San Min Construction Development Co., Ltd.	The Company engaged a third party to build factory/office on its own land in the Machouhou Industrial Park, Chiayi County.	Feb. 2, 2021
Real estate purchase and sales contract	Chenbro Micom Co., Ltd. (Seller)	Aplex Technology Inc.	This is an announcement of the signing of a real estate contract for the disposal of the Company's original Zhonghe Office.	Jun. 18, 2020
Machouhou Industrial Park (Phase 1)	Chenbro Micom Co., Ltd.	Chiayi County Government	This is an announcement of the Company's acquisition of the phase 1 production land via public bidding in the Machouhou Industrial Park from the Chiayi County Government.	Jun. 4, 2020
2020 group insurance policy renewal	Chenbro Micom Co., Ltd.	Alexander Leed Risk Services, Inc.	This is the Company's annual renewal of the group insurance/travel insurance contract.	From Jun. 1, 2020 to May 31, 2021
Real estate purchase and sale contract	Chenbro Micom Co., Ltd. (Buyer)	Zhongmao Asset Development Co., Ltd. (Seller)	This is an announcement of the Company's acquisition of a real estate.	Oct. 24, 2019



# Chapter 6

## Financial Overview

- I. Condensed balance sheet, statement of comprehensive income, and CPAs' name and audit opinion for the last five years Financial Analyses for the Last Five Fiscal Years
- II. Audit Committee's Review Report of the Financial Statements in the Most Recent Year
- III. The Most Recent Year's Financial Statements Including Independent Auditors' Audit Report
- IV. Parent Company-Only Financial Statement for the Most Recent Fiscal Year, Certified by CPAs
- V. In the Most Recent Year and Up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliated Enterprises and the Impact on the Company's Financial Position

## Chapter 6 Financial Overview

### I. Condensed balance sheet, statement of comprehensive income, and CPAs' name and audit opinion for the last five years

#### (I) Condensed balance sheet - IFRSs (parent company-only financial statements)

Unit: in NT\$ thousands

Item \ Year	Financial information in the last five years (Note 1)				
	2016	2017	2018	2019	2020
Current assets	1,344,330	1,053,782	1,500,604	2,021,327	1,873,592
Property, plant and equipment (Note 2)	263,378	245,684	234,576	234,659	1,720,132
Intangible assets	7,562	5,079	3,199	3,214	4,630
Other assets	2,434,364	2,627,573	2,824,111	2,873,139	2,763,544
Total assets	4,049,634	3,932,118	4,562,490	5,132,339	6,361,898
Current liabilities	Before distribution	1,126,315	950,069	1,352,619	1,578,407
	After distribution	1,485,493	1,309,247	1,831,523	2,129,146
Non-current liabilities	66,525	62,696	44,891	33,925	41,071
Total liabilities	Before distribution	1,192,840	1,012,765	1,397,510	1,612,332
	After distribution	1,552,018	1,371,943	1,876,414	2,163,071
Equity attributable to the owners of parent company	2,856,794	2,919,353	3,164,980	3,520,007	3,929,352
Share capital	1,197,260	1,197,260	1,197,260	1,197,260	1,209,260
Capital surplus	48,209	48,209	48,209	48,209	145,769
Retained earnings	Before distribution	1,688,376	1,783,465	2,067,094	2,499,090
	After distribution	1,329,198	1,424,287	1,588,190	1,948,351
Other equity	(77,051)	(109,581)	(147,583)	(224,552)	(348,763)
Treasury stock	0	0	0	0	0
Non-controlling interests	0	0	0	0	0
Total equity	Before distribution	2,856,794	2,919,353	3,164,980	3,520,007
	After distribution	2,497,616	2,560,175	2,686,076	2,969,268

Note 1: The financial information in the last five years has been audited and verified by CPAs (in line with IFRS).

Note 2: Assets revaluation was not adopted in the last five years listed above.

Note 3: The figures for after distribution above shall be filled out according to the resolution of the shareholders' meeting in the following year.

Note 4: For those who have been notified by the competent authority to revise their financial information or restate the information by themselves, all the revised figures/numbers shall be adopted, and the status and reasons for such revision shall be noted.

## Condensed Balance Sheet - IFRS (Consolidated Financial Statements)

Unit: in NT\$ thousands

Item \ Year		Financial information in the last five years (Note 1)				
		2016	2017	2018	2019	2020
Current assets		3,221,308	3,504,349	3,717,311	4,369,353	4,520,596
Property, plant and equipment (Note 2)		1.569,099	1,675,691	1,721,274	1,558,811	3,056,216
Intangible assets		10,002	7,732	11,700	10,335	12,004
Other assets		187,737	188,221	375,634	466,956	448,300
Total assets		4,988,146	5,375,993	5,825,919	6,405,455	8,037,116
Current liabilities	Before distribution	1,892,895	2,237,570	2,458,722	2,699,548	3,907,807
	After distribution	2,252,073	2,596,748	2,937,626	3,250,287	Undistributed
Non-current liabilities		238,457	219,070	202,717	185,900	179,267
Total liabilities	Before distribution	2,131,352	2,456,640	2,660,939	2,885,448	4,087,074
	After distribution	2,490,530	2,815,818	3,139,843	3,436,187	Undistributed
Equity attributable to the owners of parent company		2,856,794	2,919,353	3,164,980	3,520,007	3,929,352
Share capital		1,197,260	1,197,260	1,197,260	1,197,260	1,209,260
Capital surplus		48,209	48,209	48,209	48,209	145,769
Retained earnings	Before distribution	1,688,376	1,783,465	2,067,094	2,499,090	2,923,086
	After distribution	1,329,198	1,424,287	1,588,190	1,948,351	Undistributed
Other equity		(77,051)	(109,581)	(147,583)	(224,552)	(348,763)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	20,690
Total equity	Before distribution	2,856,794	2,919,353	3,164,980	3,520,007	3,950,042
	After distribution	2,497,616	2,560,175	2,686,076	2,969,268	Undistributed

Note 1: The financial information in the last five years has been audited and verified by CPAs (in line with IFRS).

Note 2: Assets revaluation was not adopted in the last five years listed above.

Note 3: The figures for after distribution above shall be filled out according to the resolution of the shareholders' meeting in the following year.

Note 4: For those who have been notified by the competent authority to revise their financial information or restate the information by themselves, all the revised figures/numbers shall be adopted, and the status and reasons for such revision shall be noted.

## (2) Parent-Company-Only Condensed Statement of Comprehensive Income—IFRS

Unit: in NT\$ thousands

Item \ Year	Financial information in the last five years (Note 1)				
	2016	2017	2018	2019	2020
Revenue	3,250,976	2,888,796	3,581,542	4,798,463	4,491,345
Gross operating profit	749,940	692,930	867,987	1,389,418	1,078,628
Operating profit or loss	373,210	339,415	483,426	968,169	629,111
Non-operating revenue and expense	323,520	185,264	269,575	127,807	467,106
Net income before tax	696,730	524,679	753,001	1,095,976	1,096,217
Net income from continuing operations	600,188	455,442	642,350	911,951	976,857
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the period	600,188	455,442	642,350	911,951	976,857
Other comprehensive income (Net amount after tax)	(140,122)	(33,705)	(37,545)	(78,020)	(38,074)
Total comprehensive income for the period	460,066	421,737	604,805	833,931	938,783
Net income attributable to the owners of parent company	600,188	455,442	642,350	911,951	976,857
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to the owners of parent company	460,066	421,737	604,805	833,931	938,783
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share (NTD)	5.01	3.80	5.37	7.62	8.16

Note 1: The financial information in the last five year above has been audited and verified by CPAs in line with IFRS.

Note 2: Loss from discontinued operations is presented as the amount, net of income tax.

Note 3: For those who have been notified by the competent authority to revise their financial information or restate the information by themselves, all the revised figures/numbers shall be adopted, and the status and reasons for such revision shall be noted.

## Consolidated Statement of Comprehensive Income - IFRSs

Unit: in NT\$ thousands

Item \ Year	Financial information in the last five years (Note 1)				
	2016	2017	2018	2019	2020
Revenue	5,209,967	5,513,754	6,520,514	6,835,443	7,544,545
Gross operating profit	1,550,182	1,469,319	1,714,748	2,096,126	1,931,618
Operating profit and/or loss	778,456	683,190	831,399	1,128,923	963,193
Revenue and expense outside operation	37,819	(67,953)	39,333	24,483	239,960
Net income before tax	816,275	615,237	870,732	1,153,406	1,203,153
Net income from continuing operations	600,188	455,422	642,350	911,951	973,547
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the period	600,188	455,442	642,350	911,951	973,547
Other comprehensive income (Net amount after tax)	(140,122)	(33,705)	(37,545)	(78,020)	(38,074)
Total comprehensive income for the period	460,066	421,737	604,805	833,931	935,473
Net income attributable to the owners of parent company	600,188	455,442	642,350	911,951	976,857
Net income attributable to non-controlling interests	0	0	0	0	(3,310)
Total comprehensive income attributable to the owners of parent company	460,066	421,737	604,805	833,931	938,783
Total comprehensive income attributable to non-controlling interests	0	0	0	0	(3,310)
Earnings per share (NTD)	5.01	3.80	5.37	7.62	8.16

Note 1: The financial information in the last five years has been audited and verified by CPAs (in line with IFRS).

Note 2: Loss from discontinued operations is presented as the amount, net of income tax.

Note 3: For those who have been notified by the competent authority to revise their financial information or restate the information by themselves, all the revised figures/numbers shall be adopted, and the status and reasons for such revision shall be noted.

### (III) The name of the CPAs for the last five years and the audit opinions

Year	CPA	CPA Firm	Audit opinion
2016	Hui-chin Tseng and Ping-chun Chih	PwC Taiwan	Unqualified opinion
2017	Hui-chin Tseng and Ping-chun Chih	PwC Taiwan	Unqualified opinion (Matters of emphasis or other matters)
2018	Hui-chin Tseng and Ping-chun Chih	PwC Taiwan	Unqualified opinion (Matters of emphasis or other matters)
2019	Hui-ling Pan and Hui-chin Tseng	PwC Taiwan	Unqualified opinion (Matters of emphasis or other matters)
2020	Hui-ling Pan and Chun-yao Lin	PwC Taiwan	Unqualified opinion (Matters of emphasis or other matters)

## II. Financial Analyses for the Last Five Fiscal Years

### Financial Analysis-IFRS (Parent Company-Only Financial Reporting)

Item (Note 3)		Year	Financial analysis for the last five years (Note1)				
			2016	2017	2018	2019	2020
Financial structure (%)	Debt ratio		29.46	25.76	30.63	31.42	38.24
	Long-term funds to property, plant and equipment		1109.93	1213.77	1368.37	1514.51	230.82
Liquidity %	Current ratio		119.36	110.92	110.94	128.06	78.34
	Quick ratio		104.14	96.21	102.88	115.04	69.07
	Interest coverage ratio		763.29	273.28	207.25	467.77	243.63
Operating performance	Receivable turnover (times)		4.35	4.20	4.42	4.06	3.82
	Average cash collection days		83.88	86.93	82.58	89.90	95.55
	Inventory turnover (times)		16.14	15.20	22.95	22.51	21.84
	Payable turnover (times)		3.51	3.57	4.34	3.65	4.24
	Inventory turnover days		22.61	24.01	15.90	16.22	16.71
	Property, plant and equipment turnover (times)		12.10	11.35	14.92	20.45	4.60
	Total assets turnover (times)		0.84	0.72	0.84	0.99	0.82
Profitability	Return on assets (%)		15.46	11.45	15.19	18.85	17.06
	Return on equity (%)		21.57	15.77	21.11	27.28	27.54
	Pre-tax income to paid-in capital(%) (Note 7)		58.19	43.82	62.89	91.54	90.65
	Net profit margin (%)		18.46	15.77	17.94	19.01	21.75
	Earnings per share (NTD)		5.01	3.80	5.37	7.62	8.08
Cash flow	Cash flow ratio (%)		27.69	25.90	32.00	53.40	5.53
	Cash flow adequacy ratio (%)		294.01	333.28	675.91	606.70	113.83
	Cash reinvestment ratio (%)		9.71	7.50	12.26	21.71	3.12
Leverage	Operating leverage		1.75	1.59	1.56	1.42	1.53
	Financial leverage		1.00	1.01	1.01	1.00	1.01

Reasons for the changes in various financial ratios in the most recent two years. (Not explanation is required if the change is less than 20%)

- 1.Increase in the debt ratio: Mainly due to an increase in short-term borrowings, resulting in an increase in the debt ratio.
- 2.Decrease in the long-term funds to property, plant and equipment: Mainly due to an increase in property, plant and equipment
- 3.Decrease in the current and quick ratios: Mainly due to an increase in short-term borrowings, resulting in an increase in current liabilities.
- 4.Decrease in the interest coverage ratio: Mainly due to an increase in borrowings and in interest.
- 5.Decrease in property, plant and equipment turnover: Mainly due to an increase in property, plant and equipment.
- 6.Decrease in the cash flow ratio and cash reinvestment ratio: Mainly due to an increase in short-term borrowings, resulting in an increase in current liabilities.
- 7.Decrease in cash reinvestment ratio: Mainly due to the increase in capital expenditure on property and plant.

Note 1: The financial information in the last five years above has been audited by CPAs.

Note 2: Please refer to the table below for the relevant calculation formulas.

## Financial Analysis-IFRS (Consolidated Financial Reporting)

Item (Note 3)		Year	Financial information in the most recent five years (Note 1)				
			2016	2017	2018	2019	2020
Financial structure (%)	Debt ratio		42.73	45.70	45.67	45.05	50.85
	Long-term funds to property, plant and equipment		197.26	187.29	195.62	237.74	134.43
Liquidity %	Current ratio		170.18	156.61	151.19	161.85	115.68
	Quick ratio		132.12	125.25	126.90	124.78	78.28
	Interest coverage ratio		104.81	7,739.85	9,340.50	13,256.22	12078.82
Operating performance	Receivable turnover (times)		4.80	4.19	4.16	4.15	4.45
	Average cash collection days		76.01	87.11	87.74	87.95	82.02
	Inventory turnover (times)		6.27	6.40	8.51	6.14	4.67
	Payable turnover (times)		3.49	3.40	3.60	2.99	3.01
	Inventory turnover days		58.21	57.03	42.89	59.45	78.16
	Property, plant and equipment turnover (times)		3.75	3.40	3.84	4.17	3.27
	Total assets turnover (times)		1.08	1.06	1.16	1.12	1.04
Profitability	Return on assets (%)		12.62	8.92	11.60	15.03	13.64
	Return on equity (%)		21.57	15.77	21.11	27.28	26.23
	Pre-tax income to paid-in capital (%) (Note 7)		68.18	51.39	72.73	96.34	99.49
	Net profit margin (%)		11.52	8.26	9.85	13.34	12.95
	Earnings per share (NTD)		5.01	3.80	5.37	7.62	8.16
Cash flow	Cash flow ratio (%)		38.31	20.45	42.09	42.41	8.46
	Cash flow adequacy ratio (%)		167.78	132.61	187.70	208.49	103.63
	Cash reinvestment ratio (%)		17.28	10.59	23.07	23.65	6.17
Leverage	Operating leverage		1.59	1.72	1.64	1.56	1.68
	Financial leverage		1.01	1.01	1.01	1.01	1.01

Reasons for the changes in various financial ratios in the most recent two years. (Not explanation is required if the change is less than 20%)

1. Decrease in the long-term funds to property, plant and equipment: Mainly due to an increase in property, plant and equipment
2. Decrease in the current and quick ratios: Mainly due to an increase in short-term borrowings, resulting in an increase in current liabilities.
3. Decrease in inventory turnover and increase in inventory turnover days: Mainly due to an increase in inventory.
4. Decrease in property, plant and equipment turnover: Mainly due to an increase in property, plant and equipment.
5. Decrease in the cash flow ratio and cash reinvestment ratio: Mainly due to an increase in short-term borrowings, resulting in an increase in current liabilities.
6. Decrease in cash reinvestment ratio: Mainly due to the increase in capital expenditure on property and plant.

Note 1: The financial information for the last years above has been audited and verified by CPAs in line with IFRS.

Note 2: The calculate formulas are as follows:

1. Financial structure

(1) Debt ratio = Total liabilities / Total assets.

(2) Long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Property, plant and equipment, net.

2. Liquidity

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (Current assets - Inventory - Prepayments) / Current liabilities.

(3) Interest coverage ratio = Net income before tax and interest expenses / Interest expenditures in the current period.

3. Operating performance

(1) Receivable (including accounts receivable and notes receivables from operating activities) turnover = Net sales / Average balance of receivable (including accounts receivable and notes receivables from operating activities) of various periods.

(2) Average cash collection days = 365 / Receivable turnover.

(3) Inventory turnover = Cost of sales / Average inventory.

(4) Payable (including notes payable from operating activities and accounts payable) turnover = Cost of sales / Average balance of payables (including notes payable from operating activities and accounts payable) of various periods.

(5) Inventory turnover days = 365 / Inventory turnover.

(6) Property, plant and equipment turnover = Net sales / Net property, plant and equipment

(7) Total assets turnover = Net sales / Average total assets.

#### 4. Profitability

(1) Return on asset = [ Profit / Loss after tax + Interest expenses x ( 1 - Tax rate ) ] / Average total assets.

(2) Return on equity = Profit / Loss after tax / Average total equity.

(3) Net profit margin = Profit / Loss after tax / Net sales.

(4) Earnings per share (EPS) = ( Profit / Loss attributable to owners of parent company - Preferred shares dividend ) / Weighted average number of outstanding shares. (Note 4)

#### 5. Cash flow

(1) Cash flow ratio = Cash flow of operating activities / Current liabilities.

(2) Net cash flow adequacy ratio = Cash flow of operating activities over the past five years / (Capital expenditure + Amount of inventory increase + Cash dividend) over the past five years.

(3) Cash reinvestment ratio = (Cash flow of operating activities - Cash dividend) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + working capital). (Note 5)

#### 6. Leverage:

(1) Operating Leverage = (Operating revenues, net - Variable operating costs and expenses) / Operating income. (Note 6)

(2) Financial Leverage = Operating income / (Operating income - Interest expenses).

Note 3: Special attention shall be paid to the following matters for the calculation formula of earning per share above:

1. Shares outstanding is based on weighted average shares, and not based on year-end shares outstanding.

2. The weighted average number of shares outstanding shall be calculated for cash capital increase or treasury stock transactions.

3. In the case of capitalization of earnings or capital surplus, when the earnings per share of prior years and semi-annual period are calculated, retrospective adjustments shall be made according to the capital increase proportion, regardless of the period of the capital increase.

4. If preferred shares are cumulative non-convertible preferred shares, dividends shall be subtracted (regardless of whether they are already distributed), from net income after tax or added to net loss after tax. If preferred shares are non-cumulative, in the event of net income after tax, preferred shares shall be subtracted from net income after tax, but no adjustments needed in the case of losses.

Note 4: Special attention shall be paid to the following when cash flow analysis is conducted:

1. Cash flows of operating activities refers to the net cash inflow from operating activities in the statement of cash flow.

2. Capital expenditure refers to the cash outflow from capital investment each year.

3. The increase in inventory is only included when the ending balance is greater than the opening balance. If the inventory decreases at the end of the year, it will be calculated as zero.

4. Cash dividends includes cash dividends from common stock and preferred shares.

5. Gross property, plant, and equipment refers to the total amount of property, plant and equipment before deduction of accumulated depreciation.

Note 5: The issuer shall classify the operating costs and operating expenses as fixed or variable as per their nature. If it involves estimation or subjective judgment, they shall be classified based on reasonableness and consistency.

Note 6: Where the Company's shares have no par value or where the par value per share is not NTD 10, any calculations that involve paid-in capital and its ratio shall be replaced with the equity ratio attributable to the owners of parent company on the balance sheet.

### III. Audit Committee's Review Report of the Financial Statements in the Most Recent Year

Refer to [Appendix 2] on page 154

### IV. The Most Recent Year's Financial Statements Including Independent Auditors' Audit Report

Refer to [Appendix 3] on page 155

### V. Parent Company-Only Financial Statement for the Most Recent Fiscal Year, Certified by CPAs

Refer to [Appendix 6] on page 240

### VI. In the Most Recent Year and Up to the Date of Publication of the Annual Report, Any Financial Difficulties Experienced by the Company or Its Affiliated Enterprises and the Impact on the Company's Financial Position

None.



## Chapter 7

# **Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks**

- I. Financial Position
- II. Financial Performance
- III. Cash Flow
- IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Year
- V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Reinvestment Profitability, and Investment Plans for Coming Year
- VI. Risk Analysis and Assessment.
- VII. Other Important Matters

## Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks

### I. Financial Position

Consolidated Financial Statements

Unit: in NT\$ thousands

Item \ Year	Dec. 31, 2020	Dec. 31, 2019	Difference		Note
			Amount	%	
Current assets	4,520,596	4,369,353	151,243	3.46	1
Property, plant and equipment	3,056,216	1,558,811	1,497,405	96.06	2
Other assets	460,304	477,291	(16,987)	(3.56)	1
Total assets	8,037,116	6,405,455	1,631,661	25.47	3
Current liabilities	3,907,807	2,699,548	1,208,259	44.76	4
Long-term liabilities	179,267	185,900	(6,633)	(3.57)	1
Total liabilities	4,087,074	2,885,448	1,201,626	41.64	5
Capital	1,209,260	1,197,260	12,000	1.00	1
Capital surplus	145,769	48,209	97,560	202.37	6
Retained earnings	2,923,086	2,499,090	423,996	16.97	1
Other equity	(348,763)	(224,552)	(124,211)	55.32	7
Total shareholders' equity	3,950,042	3,520,007	430,035	12.22	1

#### I. Description:

1. If the percentage of increase or decrease is less than 20% and the amount is less than NT\$10 million, an analysis is not required.
2. The increase of property, plant and equipment by more than 20% from the previous year was mainly due to the increase in the number of offices and the land for the Chiayi factory purchased by the Group in 2020.
3. The total assets increased by more than 20% compared with the previous year was mainly because of the increase in the number of offices and the land for the Chiayi factory purchased by the Group in 2020.
4. Current liabilities increased by more than 20% over the previous year, mainly due to the increase in borrowings for the construction of the Chiayi factory.
5. The total liabilities increased by more than 20% in the previous year, mainly due to the increase in borrowings for the construction of the Chiayi factory.
6. The capital surplus increased by more than 20% compared with the previous year, mainly due to the issuance of new restricted employee shares.
7. The increase in other equity was mainly due to the increase in the exchange difference on translation of the financial statements of foreign operations.

#### II. Future response plan: None.

## II. Financial Performance

### (I) Comparative analysis of business results

#### Consolidated Financial Statements

Unit: in NT\$ thousands

Item \ Year	2020	2019	Amount of increase (decrease)	Change, by percentage
Net operating revenue	7,544,545	6,835,443	709,102	10.37
Operating costs	(5,612,927)	(4,739,317)	(873,610)	18.43
Gross operating profit	1,931,618	2,096,126	(164,508)	(7.85)
Operating expenses	(968,425)	(967,203)	(1,222)	0.13
Operating income	963,193	1,128,923	(165,730)	(14.68)
Non-operating revenue and expense	239,960	24,483	215,477	880.11
Net income before tax	1,203,153	1,153,406	49,747	4.31
Income tax expense	(229,606)	(241,455)	11,849	(4.91)
Net income after tax	973,547	911,951	61,596	6.75
Other comprehensive income (net)	(38,074)	(78,020)	39,946	( 51.20)
Total comprehensive income for the period	935,473	833,931	101,542	12.18

I. Analysis and explanation of the change in the percentage of increase and decrease (the change in the earlier and later periods is more than 20%, and the change amount is NT\$ 10 million):

1. Decrease in the gross operating profit and the operating income: Mainly due to an increase in operating costs during the current period.
2. Increase in non-operating revenue and expenses: Mainly due to the gains on the sale of the property in Zhonghe.
3. Increase in net income before tax, net income after tax, and total comprehensive income for the current period: Mainly because of the increase in profit for the current period.

II. Impact of changes in financial position in the last two years: No significant impact on financial performance.

III. Future response plan: None.

### (II) The expected sales volume and its basis, the possible impact on the Company's future financial business, and a response plan

Main products	Sales volume in 2021 (thousand units)
Personal computer chassis	363
Server chassis	1,900

The expected sales volume listed above are based on the industrial environment and market supply and demand conditions. The Company's business personnel estimate the possible sales based on the actual performance of transactions with customers, which are determined by the head of the sales department by considering the business in the overall industry and differences in geographical regions.

### III. Cash Flow

#### (I) Analysis of changes in the cash flow in the most recent year (consolidated financial statements)

Unit: in NT\$ thousands

Opening balance	Annual net cash flow of operating activities	Annual cash outflow	Cash balance (deficit)	Remedial measures for cash inadequacy	
				Investment plan	Wealth management plan
988,565	330,588	102,979	1,216,174	0	0
1. Analysis of changes in the cash flow in the current year:					
(1) Operating activities: \$330,588 was mainly from revenue and profit.					
(2) Investing activities: (\$354,947) was mainly from the acquisition of financial assets measured at amortized cost and the purchase of offices and the land for the Chiayi factory, and relevant equipment					
(3) Financing activities: \$247,947 was mainly from the payment of cash dividends and borrowings.					
(4) Others: \$4,021 was mainly from the effect of exchange rates.					
2. Remedial measures for managing cash deficit and liquidity analysis: N/A.					

#### (II) Cash liquidity analysis in the coming year (consolidated financial statements)

The Company expects that the cash and cash inflows from operating activities and bank financing should be available to cover investing activities and financing activities in the coming year, and the cash liquidity in the coming year is adequate.

### IV. Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Year

#### (I) Major capital expenditures and sources of funds:

Unit: in NT\$ thousands

Plan	Actual or expected source of funds	Actual or expected completion date	Funds required	Actual or expected capital expenditure status			
				2020	2021	2022	2023
Land and plants	Self-owned	2020.12	551,689	551,689	0	0	0
	funding and bank loans	2021.12	1,560,000	0	1,560,000	0	0
Other equipment	Self-owned funding and bank loans	2020.12	12,512	12,512	0	0	0
Manufacturing and production equipment	Self-owned funding and bank loans	2020.12	67,627	67,627	0	0	0
		2021.10	900,000	0	900,000	0	0
New office building and decoration	Self-owned funding and bank loans	2020.12	629,734	629,734	0	0	0

#### (II) Expected benefits:

1. Land and new plants: In response to the continuous growth of 5G, AI, IoT, and cloud services, and the decentralized layout of the supply chain, new plants are established to increase production capacity to meet customers' needs and the demand for new product development so as to continue to increase market share and customer satisfaction.

2. New office building and decoration: In view of the need for integration of R&D and operation headquarters and to provide employees with a better work environment, the Company has chosen to settle in a smart office building in Fuduxin, Xinzhuang. With the establishment of a R&D center in Taiwan, it is hoped that the Company can effectively integrate R&D advantages and manufacturing capabilities to meet customers' demand for flexibility and customized services.
3. Production equipment, machinery, manufacturing, and other equipment: In response to the increasingly stringent laws and regulations, such as environmental protection, fire safety and industrial safety, process improvement and automation, equipment replacement, and other requirements, the Company has introduced high-efficiency and automation equipment to increase production capacity and efficiency, while improving and ensuring production quality, so that the Company can meet customers' needs and the demand for new product development, and continue to increase market share and customer satisfaction.

## **V. Company Reinvestment Policy for the Most Recent Fiscal Year, Main Reasons for Profits/Losses Generated Thereby, Plan for Improving Reinvestment Profitability, and Investment Plans for Coming Year**

### **(I) Reinvestment policy for the most recent year**

The Company's reinvestment policy is to expand overseas markets and deepen the development of major countries, and increase overseas revenue and market share in line with the Company's operation scale.

### **(II) The main reason for the profit or loss on reinvestment and the improvement plan**

The Company's reinvestment business income in 2020 was NT\$290,121 thousand, mainly because of the increased demand in the European and the U.S. markets.

### **(III) Investment plan for the coming year**

In response to the future needs of the market and capacity expansion, the Company will carefully evaluate the investment plans from a long-term and strategic perspective to strengthen global competitiveness.

## **VI. Risk Analysis and Assessment**

### **(I) Effect upon the Company's profits (losses) of annual interest and exchange rate fluctuations and changes as well as the inflation rate, and countermeasures to be taken in the future**

The Company's 2020 interest and foreign exchange gains and losses are as follows:

Consolidated Financial Statements

Unit: in NT\$ thousands

Item	Year	2020
Net foreign exchange gains and losses		(88,015)
Net operating revenue		7,544,545
Net income before tax		1,203,153
Net foreign exchange gains and losses to net operating income		(1.17%)
Net foreign exchange gains and losses to net income before tax		(7.32%)
Interest revenue		22,065
Interest revenue to net operating income		0.29%
Interest revenue to net income before tax		1.83%
Interest expense		10,064
Interest expense to net operating income		0.13%
Interest expense to net income before tax		0.84%

Source: Financial statements audited by CPAs

1. The impact of interest rate changes on the Company's profit or loss and future countermeasures:

The Company's cash management policy is based on the principle of safe and stable operation. In addition to maintaining safe working capital, spare funds are mainly deposited in bank as time deposits. The Company's bank loans as of December 31, 2020 were approximately NT\$962,430,000, accounting for 11.97% of the Company's total assets. Under the premise of improving the financial structure, replenishing the medium- and long-term working capital, and reducing the risk of interest rate changes, the Company regularly assesses the market capital situation and bank interest rates, and prudently determines the financing method to obtain a more favorable interest rate while evaluating the appropriate time to avoid risks. Therefore, it is expected that interest rate fluctuations will have little impact on the Company's operational risks.

2. The impact of exchange rate changes on the Company's profit or loss and future countermeasures:

A. Sources of foreign exchange gains and losses:

The accounts receivable and accounts payable generating from the Company's revenue, purchases, and sales are mainly quoted in US dollars. With foreign currency assets and liabilities offset, the exchange rate risk can be greatly reduced to achieve the natural hedging effect. In addition, all derivatives trading that the Company engages in is for the purpose of hedging, and the gains and losses arising from the exchange rate changes roughly offset the gains and losses of the items for hedging, so the market exchange rate changes have little effect on the Company.

B. Measures in response to exchange rate fluctuations:

For assets and liabilities held in foreign currency, the Company uses spot exchange, forward foreign exchange, or derivative financial products to hedge risks in a timely manner based on the current exchange rate trends, and regularly reviews and carefully evaluates exchange rate fluctuations for timely adjustment to avoid the risk of exchange rate fluctuations. Since the Company does not engage in foreign exchange trading that has nothing to do with the Company's core business or for the purpose of trading; instead, the trading is conducted only for hedging. Therefore, exchange rate fluctuations do not have a significant effect on the Company's profit or loss.

3. The effect of inflation on the Company's profit or loss and future countermeasures:

The annual growth rate of Taiwan's Consumer Price Index (CPI) in 2020 was 1.37% (Source: Directorate-General of Budget, Accounting and Statistics), and the inflation risk was still within acceptable limits. With the continuous attention to and active management of inflation issues by central banks of various, it is expected that future inflationary pressures should be effectively controlled, and will not affect the Company's profit or loss significantly.

**(II) The Company's policy regarding high-risk investments, highly leveraged investments, loans to other parties, endorsements and guarantees, and derivatives trading; the main reasons for the profits/losses generated thereby; and countermeasures to be taken in the future:**

1. The Company focuses on its business operations. In the most recent year and the current year as of the date of publication of the annual report, the Company has not engaged in investment business related to high risk and high leverage.

2. The Company has established the Regulations Governing the Acquisition and Disposal of Assets, the Operating Procedures for Loaning of Funds to Others, and the Operating Procedures for Endorsements and Guarantees as the basis for the Company to follow in relevant activities. As of the date of publication of the annual report, it is all handled in accordance with the above-mentioned policies and countermeasures.

### (III) Future R&D plans and expected R&D expenditure:

Chenbro will continue to develop new products based on modular system architecture and further extend it to 4U servers and storage chassis products. Chenbro's modular system architecture can support various system combinations and customization requirements in an extremely flexible manner. We will continue to work closely with mainstream motherboard partners and OEM/ODM customers including Intel, ASRock, Tyan, MSI, and Gigabyte, to develop products compatible with the latest generation of motherboards. Meanwhile, based on the Intel system test and verification process and regulations, we will effectively eliminate various hidden problems in our host chassis and barebones servers, thereby facilitating the continuous improvement of product quality. Chenbro will introduce more product solutions that support NVMe and GPGPU to the market to meet market demand. At the same time, Chenbro will launch more conceptual product solutions to meet the needs arising from the future development of data centers. Chenbro's engineering capabilities have been extended to rack mount solutions - similar to Facebook's OCP or Intel's RSD. We already have the ability to provide construction services from traditional data centers (19" cabinets) to large-scale data centers. In the future, we will continue to invest and develop in the field of new materials to promote the development of our products in a more efficient and economical direction.

#### Future R&D projects and expected R&D expenditure

Category	Product specification
Storage	<ul style="list-style-type: none"> <li>• 4U high-density storage server, supporting 48/64/72/84/96(102) x 3.5" HDD;</li> <li>• 4U high-density disk array, supporting 48/56/76/88/104x 3.5" HDD;</li> <li>• 4U side load high-performance storage application, supporting Intel's latest Whitley platform motherboard, up to 54x 3.5" HDD multi-storage platform;</li> <li>• 3U single-/dual-channel storage host chassis, supporting 2-4X high expandability OPEN BAY application and supporting up to 16X 3.5" SAS/SATA HDD;</li> </ul>
HPC	<ul style="list-style-type: none"> <li>• 2U 4-node server, supporting Intel's latest Whitley platform Ice Lake dual-channel CPU, SFF, and LFF storage hard drives</li> </ul>
AI	<ul style="list-style-type: none"> <li>• 1U-4U rack universal server chassis, single-/dual-channel motherboard for 1 to 4 GPUs/GPGPUs</li> </ul>
Platform	<ul style="list-style-type: none"> <li>• Certification of different compatibility levels for products supporting new motherboards, such as Intel Icelake and AMD Milan</li> </ul>
The total R&D expenditure is estimated to account for 3% to 4% of the total revenue of 2021, which is the same as the previous year.	

### (IV) Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and countermeasures to be taken:

Changes in domestic and foreign important policies and laws in the most recent year did not have a material impact on the Company. In the future, in addition to collecting information and evaluating the impact of changes in important domestic and foreign policies and laws on the Company's finances and business from time to time, it will consult relevant professionals to take appropriate countermeasures in a timely manner.

**(V) Effect on the Company's financial operations of changes in technology and the industry, and countermeasures to be taken:**

In recent years, with changes in the industry, AIoT and 5G have driven market server demand upward. Particularly after the official launch of 5G for business purposes, it is expected to drive the substantial growth of edge data centers and edge computing, which has become the main driving force of future technological development. The data center and the massive edge computing demand will drive the future development prospects of the server industry.

Secondly, due to the impact of the pandemic, many companies allow employees to work from home in order to respond to the needs of pandemic prevention. The demand for remote teaching sessions and online conferences have surged. Therefore, many companies, governments, and educational institutions have turned to cloud service providers. The demand for cloud has skyrocketed, and the competition among large cloud service companies has become increasingly fierce. Driven by the surge in storage demand for public clouds, the server market has also grown rapidly.

With the product strategy as in the last year, together with the upcoming launch of the new x86 processor platform, it is estimated that brands and data centers will be driven to replace the old products. Meanwhile, under the steady growth of demand in the China's and North American markets, the Company, with the advantages of high flexibility and modularization, can continuously expand the standard products to various application markets in order to maximize the production efficiency of common parts.

With the popularization of software define storage (SDS), flash memory (NVMe and SSD) storage solutions are changing the data center. With the increasing popularity of virtualization and the requirements for high-performance of enterprise-level applications, there will also be customized changes in the design of white-label system platforms of data centers, including high-density and high-capacity flash memory, online maintenance design, PCIe expansion accessories, etc. In high-performance computing applications, in addition to the development of the multi-node server series, the Company takes the GPU adaptation and optimization in the new series of chassis as the basis for development, and serves potential customers appropriately in the JDM mode.

In the development of mass storage products, in response to the rise of cloud database backup applications, ultra-high-density storage servers and JBOD products can provide high-end customers with more choices. For PC products, for the specifications of the new generation of minicomputers (mini-STX), there will also be corresponding highly compatible chassis for the existing do-it-yourself (DIY) market and customer groups. In IPC applications, the Company, based on the specifications, will also develop small fanless systems using different materials.

In the overall server industry, the pandemic is still the biggest variable affecting the development of the industry. In particular, the changes in the pandemic are unpredictable, which may affect the supply. However, driven by the strong demand for data centers and cloud services and the momentum arising from replacement with new processor platforms, the overall industry outlook and the Company's countermeasures are still quite positive.



**(VI) Effect on the Company's crisis management of changes of the Company's corporate image, and countermeasures to be taken:**

The Company has a great corporate image. There is no major change that would lead to the Company's crisis management in the most recent year.

**(VII) Expected benefits and possible risks associated with any merger and acquisitions, and countermeasures to be taken:**

The Company does not have any plan to engage in mergers and acquisitions, so it is not applicable.

**(VIII) Expected benefits and possible risks of facilities expansion, and countermeasures:**

Expected benefits:

1. Reduce the impact of future global trade wars and the pandemic in single regions.
2. Expand production capacity to meet market demand in response to the rapid increase in demand for 5G, AI, and the IoT.
3. Establish a production risk management and capacity allocation mechanism through a remote backup mechanism.
4. Establish a mold center, train mold talents, strengthen manufacturing capabilities, and establish an smart production factory.

Possible risks:

1. The cost of materials and labor is much higher than that in mainland China, and the price cannot meet customer needs.
2. Recruitment of personnel is limited by market supply and government regulations, and fails to match the progress of the construction of factories.

Countermeasures:

1. Plan based on smart production, increase automation, reduce labor costs, and improve production efficiency.
2. Continue to negotiate the remote backup business maintenance strategy with customers to control production capacity flexibly.
3. Develop relevant material suppliers and expand the scope of business collaboration, and have obtained a beneficial cost structure
4. Expand and deepen industry-academia collaboration, and conduct long-term strategic collaboration with local governments and schools to train long-term talents and increase recruitment channels.

**(IX) Risk from centralized purchasing or selling, and countermeasures:**

The transaction amount of the Company's largest sales customer only accounts for 20% of the consolidated net operating income. There is no situation where a sales amount of a single customer exceeds more than 50%. Therefore, there is no risk of sales concentration. In addition, the transaction amount of the purchase from the largest supplier accounts for 2.8% of the consolidated net purchase amount, so there is no risk of purchase concentration.

**(X) Impact and risk associated with large share transfers or changes in shareholdings of directors, supervisors, or shareholders who hold more than 10% of the Company's shares, and countermeasures:**

N/A.

**(XI) Effect upon and risk to the Company associated of any change in the management right, and countermeasures to be taken:**

The Company does not have the management right changed, so it is not applicable.

**(XII) Where major litigation, non-litigation, or administrative disputes, in which the Company and the Company's directors, supervisors, President, substantive persons in charge, major shareholders with more than 10% of ownership, and subordinate companies have been involved, have been finalized or are still in trial, and the results may have a material impact on shareholders' equity or securities prices, the facts of the dispute, the amount in question, the date of the commencement of the litigation, the main parties involved, and the handling of the situation as of the publication date of the annual report: None.**

**(XIII) Information security risk and countermeasures to be taken:**

The Company has formulated information security policies, including the Information Operation Management Procedures, the Information Management Regulations, and the Information Security Management Policy, and has incorporated relevant operational procedures into the internal management control system, and listed them as audit items in the annual audit plan to strengthen management and control so as to Really implement information security protection and monitor and manage information security risk as required. In order to strengthen information security management, the Company implements various information security protection mechanisms and measures as follows:

1. Appropriate information security management organization has been established to maintain the normal operation of the information security management system maintenance.
2. Establish an information asset monitoring and control mechanism. All personnel (including formal employees or external persons appointed, such as part-time personnel and consultants) have the responsibility and obligation to protect the relevant information assets of the business they are responsible for, so as to ensure the confidentiality, correctness, and availability of the Company's important information assets.
3. Employees shall perform work within proper scope, and only may be granted with the authority and information necessary for the completion of their work.
4. The personnel to be employed shall accept necessary evaluation and sign on relevant operation rules, and participate in information security education and training, so as to know that it is everyone's obligation to maintain and protect information security and to put it into practice at daily work.
5. Establish a continuous business operation management mechanism, and regularly conduct tests and drills to maintain its applicability.
6. The measures taken by the Company in respect of information security shall comply with the requirements specified in laws and the Company's information security policy; formulation of and modification to all information security regulations or procedures shall follow and comply with information security management systems.

Information security goals:

1. Comply with the requirements of laws and regulations, the orders of competent authorities, and the customer contracts or the requirements for professional duties.

2. Protect and keep customer information to prevent improper intentions and illegal situations.
3. Ensure the continuity and timeliness of the service provided.
4. Ensure that the information provided is correct and complete.
5. Respond and cope appropriately when any information security incident causes damage to the rights and interests of related parties (stakeholders).

**(XIII) Other important risks and countermeasures to be taken:** None

## **VII. Other Important Matters**

None.

# Chapter 8

## Special Disclosure

- I. Information on the Affiliated Enterprises
- II. Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report
- III. Holding or Disposal of Shares of the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report
- IV. Other Supplementary Information
- V. In the Most Recent Year and up to the Date of Publication of the Annual Report, Any Event that Has a Significant Impact on Shareholders' Equity or Securities Prices As Specified in Subparagraph 2, Paragraph 3 of Article 36 of the Act

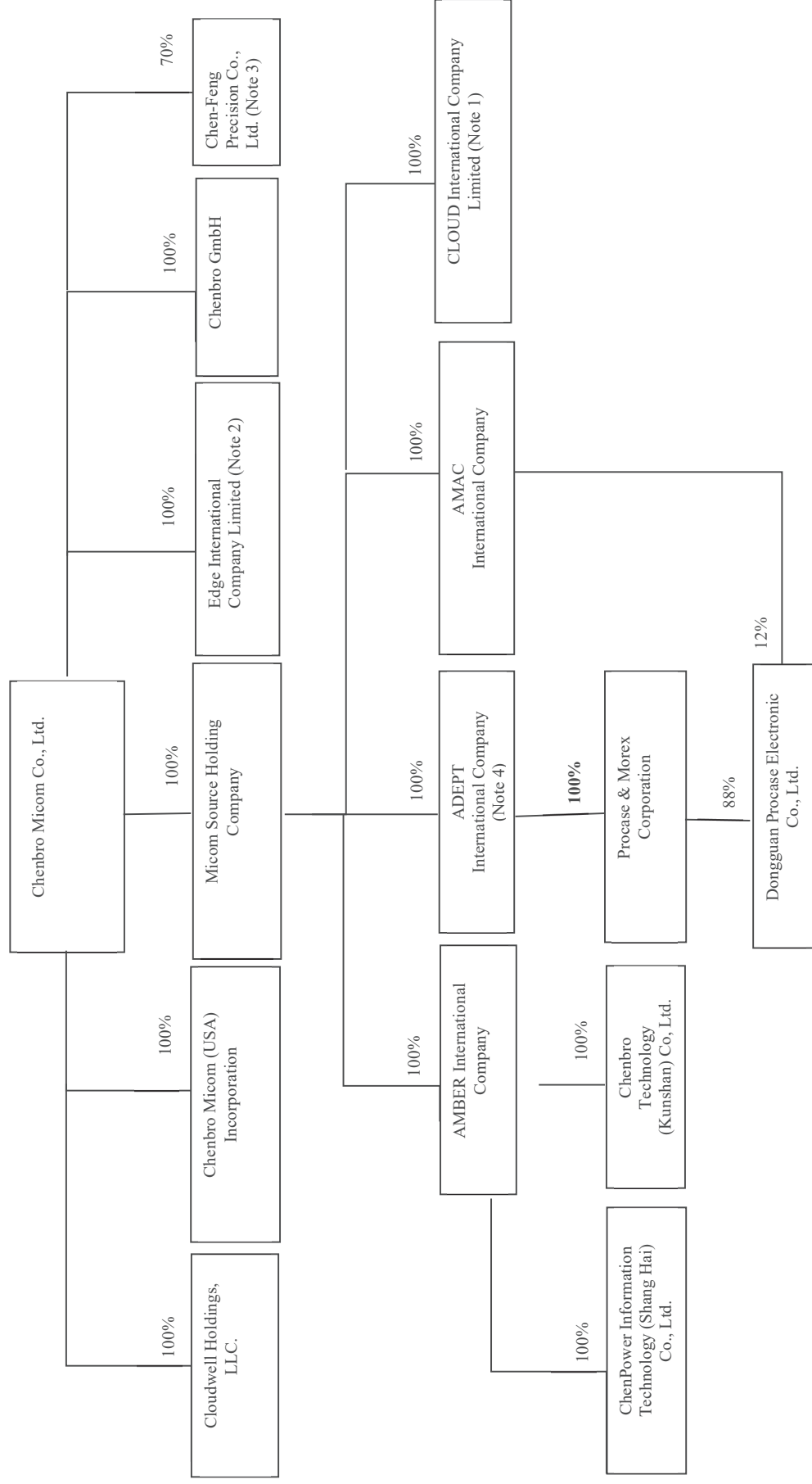
# Chapter 8 Special Disclosure

## I. Information on the Affiliated Enterprises

### 1. Consolidated business report of affiliated enterprises

#### 1. Overview of affiliated enterprises

##### (1) Organizational chart of affiliated enterprises



Note 1: The dissolution of Cloud International Company Limited was approved by the board of directors on June 25, 2019 and was completed on April 14, 2020.

Note 2: Edge International Company Limited was established on November 12, 2019 as resolved by the board of directors and was incorporated on December 31, 2019. On February 5, 2020, the funds were in place, and on May 12, 2020, the board of directors resolved to close the business.

Note 3: Chen-Feng Precision Co., Ltd. was incorporated on March 16, 2020. The capital increase of NT\$30 million was completed on November 13, 2020 and the change registration was completed on December 3, 2020.

Note 4: ADEPT International Company was dissolved as resolved by the board of directors on May 12, 2020

## (2) Basic information on of affiliated enterprises

Enterprise name	Date of incorporation	Address	Paid-in capital	Principal business
Chenbro Micom Co., Ltd.	1983.12.05	18F, No. 558, Zhongyuan Road, Xinzhuang District, New Taipei City	NT\$1,209,110,000	R&D, manufacturing, processing, and trading of computer chassis and servers
Chenbro Micom (USA) INC.	2000.01.25	2800 E. JURUPA STREET, ONTARIO CA 91761	US\$1,000,000	Trading of computer chassis and servers
Cloudwell Holdings, LLC.	2013.07.12	2800 E. JURUPA STREET, ONTARIO CA 91761	US\$3,600,000	Property leasing
Micom-Source Holding Co.	1999.01.19	Cayman Islands	US\$20,450,000	Holding company
AMAC International Co.	2001.12.07	Cayman Islands	US\$6,453,000	Holding company
AMBER International Company	2005.12.07	Cayman Islands	US\$8,240,000	Holding company
Chenbro Technology (Kunshan) Co, Ltd.	2003.09.08	Hi-tech Industrial Development Zone, Kunshan City, Jiangsu Province	US\$10,000,000	Manufacturing and processing of computer chassis and servers
Dongguan Procace Electronic Co., Ltd.	1995.12.18	Hongye Industrial Zone, Tangxia Town, Dongguan City	HKD 85,600,000	Manufacturing and processing of computer chassis and servers
ADEPT International Company LTD.	2007.02.22	British Virgin Islands	US\$15,800,000 (Note 4)	Holding company
Procace & Morex Corporation	1997.10.03	British Virgin Islands	US\$17,751,000	Holding company
Cloud International Company Limited	2012.04.23	Samoa	\$0 (Note 1)	Holding company
Chenbro GmbH	2015.02.10	Carl-Friedrich-Benz-Str. 13, 47877 Willich, Germany	EUR 250,000	Trading of computer chassis and servers
ChenPower Information Technology (Shang Hai) Co., Ltd.	2016.10.08	Room 150, Area J, 1F, Building 1, No. 1362, Huqingping Road, Qingpu District, Shanghai.	US\$2,100,000	Trading of computer chassis and servers
Edge International Company Limited	2019.12.31	Seychelles	\$0 (Note 2)	Trading of computer chassis and servers
Chen-Feng Precision Co., Ltd.	2020.03.04	No.107, Wugong 2nd Rd., Wugu Dist., New Taipei City	NT\$80,000,000 (Note 3)	NCT production and manufacturing

## (3) Reasons for presuming control–subordinate relationship and personnel-related information: None.

#### (4) Business transaction and division of labor among affiliated enterprises

Company name	Business transaction and division of labor
Chenbro Micom Co., Ltd.	Parent company and in charge of the operations of subsidiaries
Chenbro Micom (USA) INC.	A subsidiary with independent sales capability
Micom-Source Holding Co.	A holding company established in a third region in accordance with the law
Cloudwell Holdings, LLC.	An independent property leasing subsidiary
AMAC International Co.	A holding company established in a third region in accordance with the law
AMBER International Co.	A holding company established in a third region in accordance with the law
ADEPT International Company Ltd. (Note 4)	A holding company established in a third region in accordance with the law
Procace & Morex Corporation	A holding company established in a third region in accordance with the law
Chenbro Technology (Kunshan) Co, Ltd.	A sub-subsidiary with independent manufacturing and sales capabilities
Dongguan Procace Electronic Co., Ltd.	A third-tier subsidiary with independent manufacturing and sales capabilities
Cloud International Company Limited (Note 1)	A holding company established in a third region in accordance with the law
Chenbro GmbH	A subsidiary with independent sales capability
ChenPower Information Technology (Shang Hai) Co., Ltd.	A third-tier subsidiary with independent sales capabilities
Edge International Company Limited (Note 2)	A subsidiary that operates by accepting trading orders
Chen-Feng Precision Co., Ltd. (Note 3)	Subsidiary of producing and manufacturing NCT

#### (5) Information on directors, supervisors and presidents of affiliated enterprises

Company name	Title	Name
Chenbro Micom (USA) INC.	Director	Ya-nan Chen, Chien-nan Hsu, and Yun-peng Chen
Micom- Source Holding Co.	Director	Mei-chi Chen
Cloudwell Holdings, LLC.	Director	Yun-peng Chen
AMAC International Co.	Director	Mei-chi Chen
AMBER International Company	Director	Mei-chi Chen
Chenbro Technology (Kunshan) Co, Ltd.	Director	Yung-hsiang Chu, Pei-lin Ho, and Wan-ming Huang
Dongguan Procace Electronic Co., Ltd.	Director	Yung-hsiang Chu, Pei-lin Ho, and Wan-ming Huang
ADEPT International Company Ltd. (Note 2)	Director	Mei-chi Chen
Procace & Morex Corporation	Director	Mei-chi Chen
Cloud International Company Limited (Note 1)	Director	Mei-chi Chen
Chenbro GmbH	Director	Mei-chi Chen
ChenPower Information Technology (Shang Hai) Co., Ltd.	Director	Pei-lin Ho, Yung-hsiang Chu, and Wan-ming Huang
Edge International Company Limited (Note 2)	Director	Mei-chi Chen
Chen-Feng Precision Co., Ltd. (Note 3)	Director	Mei-chi Chen



## (6) Overview of operations of affiliated enterprises

Unit: in NT\$ thousands

Enterprise name	Capital Stock	Total assets	Total liabilities	Net Worth	Operating revenue	Operating income	Profit or loss (after tax)
Chenbro Micom (USA) INC.	30,280	1,199,118	963,642	235,477	2,635,870	-34,552	32,408
Cloudwell Holdings, LLC.	109,365	228,133	115,633	112,500	12,184	7,253	1,884
Micom- Source Holding Co.	675,969	2,346,070	0	2,346,070	0	-1	183,248
AMAC International Co.	195,389	75,581	0	75,581	0	0	6,253
Chenbro Technology (Kunshan) Co, Ltd.	383,754	2,800,844	1,379,655	1,421,188	3,252,943	142,191	102,080
AMBER International Company	249,504	1,610,431	63,992	1,546,439	0	0	138,785
ADEPT International Company LTD.	530,787	622,490	0	622,490	0	0	42,852
Procise & Morex Corporation	537,500	627,373	6,317	621,056	0	0	42,925
Dongguan Procise Electronic Co., Ltd.	483,589	1,437,196	808,275	628,921	2,373,982	68,814	52,153
Chenbro GmbH	9,019	79,942	65,259	14,683	198,118	744	2,548
ChenPower Information Technology (Shang Hai) Co., Ltd.	66,906	1,029,623	841,869	187,754	2,437,517	74,509	62,176
Chen-Feng Precision Co., Ltd.	80,000	100,481	31,516	68,966	10,138	-12,198	-11,034

(II) The companies in which the Company shall include in the consolidated financial statements of its affiliated companies prepared are the same as the companies that shall included in the consolidated financial statements of parent and subsidiaries prepared as stipulated in IFRS 10. No separate consolidated financial statements of the affiliated enterprises will be prepared, the declaration is as follows:

Chenbro Micom Co., Ltd. and Its Subsidiaries

Representation Letter

For the year ended December 31, 2020, the companies that are required to be included in the consolidated financial statements of affiliated enterprises in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are identical to those that must be included in the consolidated financial statements of parent and subsidiaries under IFRS 10. Since matters that must be disclosed by consolidated financial statements of the affiliated enterprises have been disclosed by consolidated financial statements of parent and subsidiaries, no consolidated financial statements of affiliated enterprises are separately prepared.

Sincerely,

Chenbro Micom Co., Ltd.

Chairperson: Mei-chi Chen

March 23, 2021

**(III) Affiliate Reports: N/A.**

**II. Private Placement of Securities During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report**

None.

**III. Holding or Disposal of Shares of the Company by the Company's Subsidiaries During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report**

None.

**IV. Other Supplementary Information**

None.

**V. In the Most Recent Year and up to the Date of Publication of the Annual Report, Any Event that Has a Significant Impact on Shareholders' Equity or Securities Prices As Specified in Subparagraph 2, Paragraph 3 of Article 36 of the Act**

None.

## **[Appendix 1] Statement on Internal Control System**

### **Chenbro Micom Co., Ltd. Statement on Internal Control**

Date: March 23, 2021

Based on the self-evaluation of the Company's internal control system as of December 31, 2020, we hereby state that:

I. The Company understands that the board and management of the Company are responsible for establishing, implementing, and maintaining adequate internal control. The Company has established an effective internal control system which aims to reasonably ensure the operational effectiveness and efficiency (including profitability, performance, and assets security), the reliability, timeliness, and transparency of its report, and the compliance with applicable laws and regulations.

II. Due to its inherent limitations, an effective internal control system can only reasonably ensure the achievement of the three objectives above, no matter how complete and perfect the design of the system is. Besides, the effectiveness of the internal control system may vary due to changes in the environment or conditions. However, the Company has set up a self-monitoring mechanism on the internal control system, which allows the Company to take corrective actions as soon as any error or inadequacy is identified.

III. The Company has assessed the design and operating effectiveness of the internal control system in accordance with the criteria effectiveness assessment of internal control system, listed in the Framework for the Establishment of Internal Control System by Public Companies (the "Framework"). The criteria listed in the Framework divides the internal control system into five components based on management control process. The five components are 1. control environment, 2. risk assessment, 3. control activities, 4. information and communication, and 5. monitoring. Each component comprises of several elements. For more information, please refer to the Framework.

IV. The Company has assessed the design and operating effectiveness of the Company's internal control system based on the criteria listed in the Framework.

V. Based on the assessment mentioned above, the Company concludes that the Company maintains an effective design and operation of its internal control system (including supervisory and management of subsidiaries) as of December 31, 2020, which provides reasonable assurance regarding the achievement of the following objectives: understanding the effectiveness and efficiency of operations and the status of goal achievement, reliability, timeliness, and transparency of reporting, and compliance with applicable laws and regulations.

VI. This statement will be included as an integral part of the annual report and the prospectus of the Company and be disclosed to the public. Any false or fraudulent representations and concealment of information in this statement shall be subject to the legal liabilities prescribed by Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

VII. This statement has been unanimously approved by the board of directors on March 23, 2021, with 9 directors present at the meeting.

Chenbro Micom Co., Ltd.

Chairperson: Mei-chi Chen

President: Ya-nan Chen

## Audit Committee's Review Report

The Board of Directors has prepared the Company's 2020 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Chenbro Micom Co., Ltd. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Chenbro Micom Co.,  
Ltd. Chairman of the  
Audit Committee:

Wei-Shun Cheng

March 23, 2021

**CHENBRO MICOM CO., LTD. AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2020 AND 2019**

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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

(20)PWCR 20004487

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, 2020 and 2019, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 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; and in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, “Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China for our audit of the consolidated financial statements as of and for the year ended December 31, 2019. Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group 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 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 2020 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 2020 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, 2020, the Group's inventory cost and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$1,538,360 thousand and NT\$108,634 thousand, respectively.

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

#### How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

1. Obtaining the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses are consistent for all periods. Assessing the estimation determined by the management and relevant assumptions of allowance for inventory loss.
2. Matching information obtained in physical counts of disposed and obsolete inventory list prepared by management and interviewing management and employees to examine the obsolete, slow-moving



or damaged inventories that were included in the list.

3. Assessing the reasonableness of obsolete loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.
4. Verifying details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.

### **Existence of sales revenue**

#### Description

The Group is primarily engaged in manufacturing and sales of computer peripheral equipment. The Group's trading counterparties are mostly world-renowned companies, with whom the Group has long-term business partnership. As the global demand for servers continues to increase, the Group is committed to increasing sales revenue. 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 80% 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 consider 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 occurred after the balance sheet date and confirming there were no significant sales returns and discounts occurred.

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

We did not audit the 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 these subsidiaries, is based solely on the reports of the other auditors. Total assets of the subsidiary amounted to NT\$228,133 thousand and NT\$242,084 thousand, constituting 3% and 4% of the consolidated total assets as at December 31, 2020 and 2019, 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, 2020 and 2019.

### ***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 23, 2021

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,216,174	15	\$ 988,565	15
1136	Current financial assets at amortised cost	6(3) and 8	3,000	-	672,955	11
1150	Notes receivable, net	6(4) and 7	921	-	1,026	-
1170	Accounts receivable, net	6(4) and 7	1,751,605	22	1,636,213	26
1200	Other receivables	6(5) and 7	61,498	1	69,123	1
1220	Current income tax assets		25,971	-	611	-
130X	Inventories	6(6)	1,429,726	18	974,512	15
1410	Prepayments		26,506	-	21,837	-
1470	Other current assets	8	5,195	-	4,511	-
11XX	Total current assets		4,520,596	56	4,369,353	68
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	28,196	-	28,458	1
1535	Non-current financial assets at amortised cost	6(3) and 8	221,946	3	215,500	3
1600	Property, plant and equipment	6(7) and 8	3,056,216	38	1,558,811	24
1755	Right-of-use assets	6(8)	87,043	1	58,422	1
1780	Intangible assets	6(9)	12,004	-	10,335	-
1840	Deferred income tax assets	6(26)	69,459	1	66,660	1
1900	Other non-current assets	6(7)(10) and 8	41,656	1	97,916	2
15XX	Total non-current assets		3,516,520	44	2,036,102	32
1XXX	Total assets		\$ 8,037,116	100	\$ 6,405,455	100

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(11)	\$ 849,069	11	\$ 59,960	1
2130	Current contract liabilities	6(20)	7,113	-	6,624	-
2170	Accounts payable		1,969,236	25	1,751,374	27
2180	Accounts payable - related parties	7	822	-	4,612	-
2200	Other payables	6(13) and 7	967,636	12	665,487	11
2230	Current income tax liabilities		92,527	1	197,511	3
2280	Current lease liabilities		9,967	-	3,698	-
2300	Other current liabilities	6(12)	11,437	-	10,282	-
21XX	Total current liabilities		3,907,807	49	2,699,548	42
Non-current liabilities						
2540	Long-term borrowings	6(12)	106,305	1	119,253	2
2570	Deferred income tax liabilities	6(26)	16,587	-	36,926	1
2580	Non-current lease liabilities		24,936	-	1,068	-
2600	Other non-current liabilities	6(14)	31,439	1	28,653	-
25XX	Total non-current liabilities		179,267	2	185,900	3
2XXX	Total liabilities		4,087,074	51	2,885,448	45
	Share capital	6(16)				
3110	Share capital - common stock		1,209,260	15	1,197,260	19
	Capital surplus	6(17)				
3200	Capital surplus		145,769	1	48,209	1
	Retained earnings	6(18)				
3310	Legal reserve		719,881	9	628,686	10
3320	Special reserve		224,552	3	213,156	3
3350	Unappropriated retained earnings		1,978,653	25	1,657,248	26
	Other equity interest	6(19)				
3400	Other equity interest		( 348,763 )	( 4 )	( 224,552 )	( 4 )
31XX	Equity attributable to owners of the parent		3,929,352	49	3,520,007	55
36XX	Non-controlling interest		20,690	-	-	-
3XXX	Total equity		3,950,042	49	3,520,007	55
	Significant contingent liabilities and unrecorded contract commitments	9				
	Significant events after the balance sheet date	6(18) and 11				
3X2X	Total liabilities and equity		\$ 8,037,116	100	\$ 6,405,455	100

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

		Notes	Year ended December 31			
			2020		2019	
			AMOUNT	%	AMOUNT	%
Items						
4000	Operating revenue	6(20) and 7	\$ 7,544,545	100	\$ 6,835,443	100
5000	Operating costs	6(6)(25) and 7	( 5,612,927)	( 74)	( 4,739,317)	( 69)
5950	Net operating margin		<u>1,931,618</u>	<u>26</u>	<u>2,096,126</u>	<u>31</u>
	Operating expenses	6(25) and 7				
6100	Selling expenses		( 312,474)	( 4)	( 339,399)	( 5)
6200	General and administrative expenses		( 429,363)	( 6)	( 400,788)	( 6)
6300	Research and development expenses		( 225,897)	( 3)	( 227,302)	( 3)
6450	Expected credit impairment (loss) gain	12(2)	( 691)	-	286	-
6000	Total operating expenses		( 968,425)	( 13)	( 967,203)	( 14)
6900	Operating profit		<u>963,193</u>	<u>13</u>	<u>1,128,923</u>	<u>17</u>
	Non-operating income and expenses					
7100	Interest income	6(3)(21)	22,065	-	31,502	-
7010	Other income	6(22)	98,262	1	30,206	-
7020	Other gains and losses	6(23)	129,677	2	( 28,458)	-
7050	Finance costs	6(24)	( 10,044)	-	( 8,767)	-
7000	Total non-operating income and expenses		<u>239,960</u>	<u>3</u>	<u>24,483</u>	<u>-</u>
7900	<b>Profit before income tax</b>		<u>1,203,153</u>	<u>16</u>	<u>1,153,406</u>	<u>17</u>
7950	Income tax expense	6(26)	( 229,606)	( 3)	( 241,455)	( 4)
8200	<b>Profit for the year</b>		<u>\$ 973,547</u>	<u>13</u>	<u>\$ 911,951</u>	<u>13</u>

(Continued)

**CHENBRO MICOM CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**

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

		Year ended December 31							
		2020		2019					
Items	Notes	AMOUNT	%	AMOUNT	%				
<b>Other comprehensive income</b>									
<b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>									
8311	Loss on remeasurement of defined benefit plan	6(14)							
		(\$	2,653)	-	(\$	1,314)	-		
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(19)							
		(	262)	-	-	-	-		
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)							
			531	-		263	-		
8310	Other comprehensive loss that will not be reclassified to profit or loss								
		(	2,384)	-	(	1,051)	-		
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>									
8361	Financial statements translation differences of foreign operations	6(19)							
			19,155	-	(	95,597)	(	1)	
8399	Income tax relating to the components of other comprehensive income	6(19)(26)							
		(	54,845)	(	1)		18,628	-	
8360	Other comprehensive loss that will be reclassified to profit or loss								
		(	35,690)	(	1)	(	76,969)	(	1)
8300	<b>Other comprehensive loss for the year</b>								
		(\$	38,074)	(	1)	(\$	78,020)	(	1)
8500	<b>Total comprehensive income for the period</b>								
		\$	935,473	12	\$	833,931	12		
Profit attributable to:									
8610	Owners of the parent		\$	976,857	13	\$	911,951	13	
8620	Non-controlling interest		(	3,310)	-	-	-	-	
			\$	973,547	13	\$	911,951	13	
Comprehensive income attributable to:									
8710	Owners of the parent		\$	938,783	12	\$	833,931	12	
8720	Non-controlling interest		(	3,310)	-	-	-	-	
			\$	935,473	12	\$	833,931	12	
Earnings per share (in dollars)						6(27)			
9750	Basic earnings per share		\$	8.16	\$	7.62			
9850	Diluted earnings per share		\$	8.08	\$	7.54			

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, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Equity attributable to owners of the parent										Non-controlling interest	Total equity
	Share capital - common stock	Capital Surplus			Retained Earnings			Other Equity Interest				
		Additional paid-in capital	Treasury stock transactions	Restricted stock	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised losses from financial assets measured at fair value through other comprehensive income	Other equity, others		
2019												
Balance at January 1, 2019	\$ 1,197,260	\$ 41,987	\$ 6,222	\$ -	\$ 564,451	\$ 175,154	\$ 1,327,489	(\$ 141,347)	(\$ 6,236)	\$ -	\$ 3,164,980	\$ 3,164,980
Profit for the year	-	-	-	-	-	-	911,951	-	-	-	911,951	911,951
Other comprehensive loss for the year	-	-	-	-	-	-	( 1,051)	( 76,969)	-	-	( 78,020)	( 78,020)
Total comprehensive income (loss)	-	-	-	-	-	-	910,900	( 76,969)	-	-	833,931	833,931
Distribution of 2018 earnings												
Legal reserve	-	-	-	-	64,235	-	( 64,235)	-	-	-	-	-
Special reserve	-	-	-	-	-	38,002	( 38,002)	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	( 478,904)	-	-	-	( 478,904)	( 478,904)
Balance at December 31, 2019	\$ 1,197,260	\$ 41,987	\$ 6,222	\$ -	\$ 628,686	\$ 213,156	\$ 1,657,248	(\$ 218,316)	(\$ 6,236)	\$ -	\$ 3,520,007	\$ 3,520,007
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)
Other comprehensive loss for the year	-	-	-	-	-	-	( 2,122)	( 35,690)	( 262)	-	( 38,074)	( 38,074)
Total comprehensive income (loss)	-	-	-	-	-	-	974,735	( 35,690)	( 262)	-	938,783	( 3,310)
Distribution of 2019 earnings												
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 of a subsidiary	-	-	-	-	-	-	-	-	-	-	24,000	24,000
Issuance of restricted stocks	12,000	-	-	97,560	-	-	-	-	-	( 109,560)	-	-
Share-based payments	-	-	-	-	-	-	-	-	-	21,301	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	\$ 3,950,042

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, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,203,153	\$ 1,153,406
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss (gain)	12(2)	691	( 286 )
Depreciation	6(7)(8)(25)	216,889	196,504
Amortization	6(9)(25)	5,329	4,995
Interest expense	6(24)	10,044	8,767
Interest income	6(3)(21)	( 22,065 )	( 31,502 )
Gain on disposal of property, plant and equipment	6(23)	( 213,716 )	( 1,527 )
Gains arising from lease modifications	6(23)	( 7,159 )	-
Loss on disposal of investments	6(23)	437	8,179
Share-based payments	6(15)	21,301	-
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		105	( 1,026 )
Accounts receivable		( 115,783 )	14,000
Other receivables		7,615	( 11,776 )
Inventories		( 525,945 )	( 412,033 )
Prepayments		( 4,669 )	3,948
Other current assets		( 3,684 )	365
Changes in operating liabilities			
Current contract liabilities		489	( 755 )
Accounts payable		217,862	338,615
Accounts payable - related parties		( 3,790 )	( 1,396 )
Other payables		( 32,877 )	23,936
Other current liabilities		1,257	( 1,045 )
Other non-current liabilities		200	( 179 )
Cash inflow generated from operations		755,684	1,291,190
Interest received		22,075	21,342
Interest paid		( 9,769 )	( 8,794 )
Income tax paid		( 437,402 )	( 162,643 )
Net cash flows from operating activities		<u>330,588</u>	<u>1,141,095</u>

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at fair value through other comprehensive income	12(3)	\$ -	(\$ 3,069 )
Acquisition of financial assets at amortised cost		( 1,373,964 )	( 3,142,885 )
Proceeds from disposal of financial assets at amortised cost		2,042,235	2,611,849
Acquisition of property, plant and equipment	6(28)	( 1,439,277 )	( 130,391 )
Proceeds from disposal of property, plant and equipment		431,694	2,805
Acquisition of intangible assets	6(9)	( 6,885 )	( 3,894 )
Increase in other current assets		-	( 2,000 )
Increase in other non-current assets		( 8,750 )	( 4,313 )
Net cash flows used in investing activities		( 354,947 )	( 671,898 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		4,909,812	371,629
Repayment of short-term borrowings		( 4,120,703 )	( 587,618 )
Repayment of long-term borrowings (including current portion)		( 6,971 )	( 6,273 )
Payment of the principal of lease liabilities	6(8)	( 7,385 )	( 4,334 )
Guarantee deposits received		( 67 )	( 7 )
Payment of cash dividends	6(18)	( 550,739 )	( 478,904 )
Non-controlling interests cash inflow from establishment and capital increase of a subsidiary		24,000	-
Net cash flows from (used in) financing activities		247,947	( 705,507 )
Effect on foreign exchange difference		4,021	( 36,852 )
Net increase (decrease) in cash and cash equivalents		227,609	( 273,162 )
Cash and cash equivalents at beginning of year	6(1)	988,565	1,261,727
Cash and cash equivalents at end of year	6(1)	\$ 1,216,174	\$ 988,565

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019

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

**1. HISTORY AND ORGANISATION**

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 23, 2021.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendment to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020

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

**(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 2021 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, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform - Phase 2'	January 1, 2021

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, 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 (%)		Description
			December 31, 2020	December 31, 2019	
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.	Chenbro UK Limited	Marketing services	-	100	Note 2
Chenbro Micom Co., Ltd.	Edge International Company Limited	Trading/Order taking company	-	-	Note 3
Chenbro Micom Co., Ltd.	Chen-Feng Precision Co., Ltd.	Manufacturing of NCT	70	-	Note 4
Micom Source Holding Company	Cloud International Company Limited	Holding company	-	100	Note 5
Micom Source Holding Company	AMAC International Company	Holding company	100	100	
Micom Source Holding Company	AMBER International Company	Holding company	100	100	
Micom Source Holding Company	ADEPT International Company	Holding company	100	100	Note 6
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	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2020	December 31, 2019	
ADEPT International Company	PROCASE & MOREX Corporation	Trading / Order taking company	100	100	Notes 6
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	88	88	
AMAC International Company	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	12	12	

Note 1: The financial statements of the subsidiary which reflect total assets of \$228,133 and \$242,084, constituting 3% and 4% of the consolidated total assets as of December 31, 2020 and 2019, respectively, and net operating revenues of \$0, constituting 0% of the consolidated total net operating revenue for both years then ended, were audited by the subsidiary's appointed independent accountants.

Note 2: The Board of Directors of Chenbro UK Limited resolved to reduce the capital in the amount of GBP 19,999 on August 7, 2018. The reduction in capital was registered in October, 2018 and Chenbro UK Limited has remitted back the share capital of \$1,178 in July 2019. The liquidation was completed in January 2020.

Note 3: Edge International Company Limited was established on December 31, 2019. The funds were in place in February 2020, but the company was dissolved under the resolution of the Board of Directors on May 12, 2020. The liquidation was completed in October 2020.

Note 4: Chen-Feng Precision Co., Ltd. was established on March 16, 2020. In addition, the investee increased its capital in November 2020. The Company participated in the capital increase proportionately to its ownership by \$21,000 as resolved by the Board of Directors. The process was completed in December 2020.

Note 5: On June 25, 2019, Cloud International Company Limited was dissolved under the resolution of the Board of Directors, and the liquidation was completed in April 2020.

Note 6: On May 12, 2020, ADEPT International Company was dissolved under the resolution of the Board of Directors.

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

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

E. Significant restrictions: None.

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



#### (4) Foreign currency translation

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

##### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

##### B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign

subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be paid off within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value. The changes in fair value of

equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

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

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

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

(12) Inventories

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

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5~50 years
Machinery and equipment	3~13 years
Mold equipment	2~10 years
Computer communication equipment	3~5 years
Testing equipment	3~10 years
Transportation equipment	5 years
Office equipment	3~16 years
Leasehold improvements	5 years
Other equipment	2~12 years

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

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

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

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

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

(15) Intangible assets

A. Trademarks

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

B. Computer software

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

C. Patents

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

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets in which

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

(17) Borrowings

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

(18) Accounts payable

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

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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, 2020, the carrying amount of inventories was \$1,429,726.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Petty cash and cash on hand	\$ 266	\$ 350
Demand deposits	166,830	23,247
Checking account deposits	171,524	85,845
Time deposits (including foreign currencies)	9,760	114,650
Foreign currency deposits	867,794	764,473
	<u>\$ 1,216,174</u>	<u>\$ 988,565</u>

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

B. The Group has reclassified restricted cash and cash equivalents to 'current financial assets at amortised cost', 'non-current financial assets at amortised cost', 'other current assets' and 'other non-current assets'. Details are provided in Note 8.

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Equity instruments		
Unlisted stocks	<u>\$ 28,196</u>	<u>\$ 28,458</u>

A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$28,196 and \$28,458 as at December 31, 2020 and 2019, respectively.

B. For the years ended December 31, 2020 and 2019, the amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income was (\$262) and \$0, respectively.

C. As at December 31, 2020 and 2019, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$28,196 and \$28,458, 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, 2020	December 31, 2019
Current items:		
Capital guaranteed financial products	\$ -	\$ 672,955
Pledged bank deposits (including time deposits)	3,000	-
	<u>\$ 3,000</u>	<u>\$ 672,955</u>
Non-current items:		
Time deposits	\$ 219,000	\$ 215,500
Pledged bank deposits (including time deposits)	2,946	-
	<u>\$ 221,946</u>	<u>\$ 215,500</u>

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

	Years ended December 31,	
	2020	2019
Interest income	<u>\$ 12,455</u>	<u>\$ 21,819</u>

B. As at December 31, 2020 and 2019, 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 \$224,946 and \$888,455, 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, 2020	December 31, 2019
Notes receivable	<u>\$ 921</u>	<u>\$ 1,026</u>
Accounts receivable	\$ 1,753,897	\$ 1,638,114
Less: Allowance for uncollectible accounts	<u>(2,292)</u>	<u>(1,901)</u>
	<u>\$ 1,751,605</u>	<u>\$ 1,636,213</u>

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

	December 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,548,932	\$ 921	\$ 1,408,356	\$ 1,026
Up to 30 days	138,764	-	194,522	-
31 to 90 days	54,167	-	24,011	-
91 to 180 days	12,034	-	11,225	-
	<u>\$ 1,753,897</u>	<u>\$ 921</u>	<u>\$ 1,638,114</u>	<u>\$ 1,026</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2020, December 31, 2019 and January 1, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$1,754,818, \$1,639,140 and \$1,651,951, respectively.

C. The Group does not hold any collateral as security as at December 31, 2020 and 2019, and the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$921 and \$1,026 and accounts receivable was \$1,751,605 and \$1,636,213, respectively.

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

#### (5) Transfer of financial assets

A. The Group entered into a factoring agreement with banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Group decreased the estimated amount of business dispute and derecognised the transferred accounts receivable. As of December 31, 2020 and 2019, 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	\$ -	\$ -	\$ -	-

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

Note: Shown as ‘other receivables’.

B. The finance costs of the Group for the years ended December 31, 2020 and 2019 were \$45 and \$107, respectively.

(6) Inventories

December 31, 2020			
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	\$ 267,242	(\$ 14,939)	\$ 252,303
Semi-finished goods	136,546	( 10,437)	126,109
Work in process	165,249	( 1,805)	163,444
Finished goods	969,323	( 81,453)	887,870
	<u>\$ 1,538,360</u>	<u>(\$ 108,634)</u>	<u>\$ 1,429,726</u>

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

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

	Years ended December 31,	
	2020	2019
Cost of goods sold	\$ 5,664,638	\$ 4,691,451
Sale of scraps	( 12,058)	( 10,872)
(Gain on reversal of) loss on decline in market value	( 38,446)	59,078
Gain on physical inventory	( 1,207)	( 340)
	<u>\$ 5,612,927</u>	<u>\$ 4,739,317</u>

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

B. The Group has no inventories pledged to others.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for land and 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)	-
	<u>\$ 210,674</u>	<u>\$ 962,201</u>	<u>\$ 206,772</u>	<u>\$ 111,984</u>	<u>\$ 3,153</u>	<u>\$ 10,067</u>	<u>\$ 9,760</u>	<u>\$ 17,170</u>	<u>\$ 18,961</u>	<u>\$ 8,069</u>	<u>\$ 1,558,811</u>	<u>\$ 80,182</u>
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	<u>\$ 1,335,410</u>	<u>\$ 1,101,099</u>	<u>\$ 258,624</u>	<u>\$ 129,176</u>	<u>\$ 11,162</u>	<u>\$ 9,645</u>	<u>\$ 6,700</u>	<u>\$ 26,464</u>	<u>\$ 26,374</u>	<u>\$ 151,562</u>	<u>\$ 3,056,216</u>	<u>\$ 13,514</u>
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 and impairment	-	( 637,056)	( 362,849)	( 361,065)	( 25,146)	( 20,566)	( 18,405)	( 34,292)	( 23,569)	-	( 1,482,948)	-
	<u>\$ 1,335,410</u>	<u>\$ 1,101,099</u>	<u>\$ 258,624</u>	<u>\$ 129,176</u>	<u>\$ 11,162</u>	<u>\$ 9,645</u>	<u>\$ 6,700</u>	<u>\$ 26,464</u>	<u>\$ 26,374</u>	<u>\$ 151,562</u>	<u>\$ 3,056,216</u>	<u>\$ 13,514</u>

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

- The significant components of buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- The net difference of the transfers for this period resulted from transferring mold equipment made for customers from inventories amounting to \$70,731.

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

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

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



(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, 2020	December 31, 2019
	Carrying amount	Carrying amount
Land	\$ 52,314	\$ 53,655
Buildings	30,275	2,007
Transportation equipment	3,242	2,760
Others	1,212	-
	<u>\$ 87,043</u>	<u>\$ 58,422</u>
	Years ended December 31,	
	2020	2019
	Depreciation charge	Depreciation charge
Land	\$ 937	\$ 978
Buildings	12,954	2,518
Transportation equipment	2,062	1,776
Others	179	-
	<u>\$ 16,132</u>	<u>\$ 5,272</u>

- D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$174,227 and \$722, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

	Years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 1,194	\$ 295
Expense on short-term lease contracts	7,162	6,415
Expense on leases of low-value assets	497	392
Expense on variable lease payments	3,618	2,902
Gains arising from lease modifications	7,159	-

- F. The Group terminated the lease contract for housing in advance in December 2020. The right-of-use asset and lease liability decreased by \$129,547 and \$136,706, respectively. Accordingly, the

company recognised gain arising from lease modification amounting to \$7,159 for the year ended December 31, 2020.

G. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases was \$19,856 and \$14,338 (of which \$7,385 and \$4,334 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
<u>At January 1, 2020</u>				
Cost	\$ 576	\$ 41,868	\$ 884	\$ 43,328
Accumulated amortisation	( 377)	( 32,069)	( 547)	( 32,993)
	<u>\$ 199</u>	<u>\$ 9,799</u>	<u>\$ 337</u>	<u>\$ 10,335</u>
<u>2020</u>				
At January 1	\$ 199	\$ 9,799	\$ 337	\$ 10,335
Additions	3	5,190	1,692	6,885
Amortisation charge	( 47)	( 4,659)	( 623)	( 5,329)
Effects of foreign exchange	-	113	-	113
At December 31	<u>\$ 155</u>	<u>\$ 10,443</u>	<u>\$ 1,406</u>	<u>\$ 12,004</u>
<u>At December 31, 2020</u>				
Cost	\$ 579	\$ 44,154	\$ 2,576	\$ 47,309
Accumulated amortisation	( 424)	( 33,711)	( 1,170)	( 35,305)
	<u>\$ 155</u>	<u>\$ 10,443</u>	<u>\$ 1,406</u>	<u>\$ 12,004</u>

	Trademarks	Computer software	Patents	Total
<u>At January 1, 2019</u>				
Cost	\$ 576	\$ 39,673	\$ 600	\$ 40,849
Accumulated amortisation	( 331)	( 28,331)	( 487)	( 29,149)
	<u>\$ 245</u>	<u>\$ 11,342</u>	<u>\$ 113</u>	<u>\$ 11,700</u>
<u>2019</u>				
At January 1	\$ 245	\$ 11,342	\$ 113	\$ 11,700
Additions	-	3,610	284	3,894
Amortisation charge	( 46)	( 4,889)	( 60)	( 4,995)
Effects of foreign exchange	-	( 264)	-	( 264)
At December 31	<u>\$ 199</u>	<u>\$ 9,799</u>	<u>\$ 337</u>	<u>\$ 10,335</u>
<u>At December 31, 2019</u>				
Cost	\$ 576	\$ 41,868	\$ 884	\$ 43,328
Accumulated amortisation	( 377)	( 32,069)	( 547)	( 32,993)
	<u>\$ 199</u>	<u>\$ 9,799</u>	<u>\$ 337</u>	<u>\$ 10,335</u>

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2020	2019
Manufacturing cost	\$ 2,158	\$ 2,403
Selling expenses	133	25
Administrative expenses	1,695	1,057
Research and development expenses	1,343	1,510
	<u>\$ 5,329</u>	<u>\$ 4,995</u>

(10) Other non-current assets

	December 31, 2020	December 31, 2019
Prepayments for business facilities	\$ 13,514	\$ 30,902
Guarantee deposits paid	4,589	2,931
Prepayments for land purchases	-	49,280
Others	23,553	14,803
	<u>\$ 41,656</u>	<u>\$ 97,916</u>

(11) Short-term borrowings

Type of borrowings	December 31, 2020	Interest rate	Collateral
Short-term borrowings	<u>\$ 849,069</u>	0.65%~1.00%	A promissory note of the same amount was issued as collateral.
Type of borrowings	December 31, 2019	Interest rate	Collateral
Short-term borrowings	<u>\$ 59,960</u>	2.70%	A promissory note of the same amount was issued as collateral.

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2020
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	\$ 113,361
Less: Current portion (shown as 'other current liabilities')				( 7,056)
				<u>\$ 106,305</u>

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

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, 2020, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(13) Other payables

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Payables for buildings and land purchases	\$ 303,010	\$ -
Wages and bonus payable	274,476	277,096
Remuneration due to supervisors and employee compensation	92,729	106,996
Payables for mold	77,497	61,516
Payables for export freight and customs clearance charges	36,371	39,814
Payables for machinery and equipment	35,873	4,132
Payables for processing fees	33,620	4,316
Payables for service fees	25,367	42,894
Payables for consumable goods	14,361	18,931
Others	74,332	109,792
	<u>\$ 967,636</u>	<u>\$ 665,487</u>

(14) Pensions

A. Defined benefit plan

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

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Present value of defined benefit obligations	\$ 49,729	\$ 46,043
Fair value of plan assets	( 18,810)	( 17,562)
Net liability recognised in the balance sheet (shown as 'other non-current liabilities')	<u>\$ 30,919</u>	<u>\$ 28,481</u>

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 46,043	(\$ 17,562)	\$ 28,481
Current service cost	116	-	116
Interest expense (income)	322	(123)	199
	<u>46,481</u>	<u>(17,685)</u>	<u>28,796</u>
Remeasurements:			
Return on plan assets	-	(595)	(595)
Change in financial assumptions	1,383	-	1,383
Experience adjustments	1,865	-	1,865
	<u>3,248</u>	<u>(595)</u>	<u>2,653</u>
Pension fund contribution	-	(530)	(530)
Benefits paid	-	-	-
Balance at December 31	<u>\$ 49,729</u>	<u>(\$ 18,810)</u>	<u>\$ 30,919</u>
	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 43,438	(\$ 16,092)	\$ 27,346
Current service cost	116	-	116
Interest expense (income)	391	(145)	246
	<u>43,945</u>	<u>(16,237)</u>	<u>27,708</u>
Remeasurements:			
Return on plan assets	-	(784)	(784)
Change in financial assumptions	716	-	716
Experience adjustments	1,382	-	1,382
	<u>2,098</u>	<u>(784)</u>	<u>1,314</u>
Pension fund contribution	-	(541)	(541)
Benefits paid	-	-	-
Balance at December 31	<u>\$ 46,043</u>	<u>(\$ 17,562)</u>	<u>\$ 28,481</u>

(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, 2020 and 2019 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,	
	2020	2019
Discount rate	0.30%	0.70%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience for the years ended December 31, 2020 and 2019 are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 873)	\$ 902	\$ 786	(\$ 766)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 892)	\$ 923	\$ 786	(\$ 765)

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, 2021 amount to \$486.

## B. Defined contribution plan

- (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) Other overseas companies have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees’ salaries and wages. Other than the periodic contribution, the overseas companies have no further obligations.
- (c) The pension costs under the defined contribution pension plan of the Company and its domestic subsidiaries for the years ended December 31, 2020 and 2019 were \$10,111 and \$8,749, respectively.
- (d) Chenbro Europe B.V., CLOUDWELL HOLDINGS, LLC., Chenbro GmbH, Cloud International Company Limited, AMAC International Company, AMBER International Company, ADEPT International Company, CHENBRO MICOM (ShenZhen) Co., Ltd., Chenbro Micom (Beijing) Co., Ltd. and PROCASE & MOREX Corporation did not establish their pension plans or had no employees. In addition, the pension costs under the defined contribution pension plans of Micom Source Holding Company, CHENBRO MICOM (USA) INCORPORATION, Chenbro UK Limited, Chenbro Technology (Kunshan) Co., Ltd., ChenPower Information Technology (Shanghai) Co., Ltd. and Dongguan Procace Electronic Co., Ltd. for the years ended December 31, 2020 and 2019 were \$5,747 and \$40,912, 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 Company had no share-based payment arrangements for the year ended December 31, 2019, and the arrangements for the year ended December 31, 2020 are 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 upon 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:

	2020
	Quantity of stocks (in thousands)
Restricted stocks at the beginning of year	-
Issued for the year	1,200
Restricted stocks at the end of year	1,200

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,	
	2020	2019
Equity-settled	\$ 21,301	\$ -

#### (16) Ordinary shares

As of December 31, 2020, the Company's authorised capital was \$1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was \$1,209,260, 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:

	2020	2019
At January 1	\$ 119,726	\$ 119,726
Issuance of restricted stocks	1,200	-
At December 31	<u>\$ 120,926</u>	<u>\$ 119,726</u>

(17) Capital surplus

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

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital. The remaining shall take into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.
- B. The Company's dividend policy is based on the current profit and consideration of the Company's growth in the future, capital budget plan and capital needs as well as consideration of shareholders' interest and long-term financial plan, etc. Earnings can be distributed to shareholders as cash dividends or stock dividends. Cash dividends shall account for at least 10% of the total dividends distributed. If cash dividends are lower than \$0.20 (in dollars) per share, stock dividends will be issued instead.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amount of \$65,573 previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets

are used, disposed of or reclassified subsequently.

- E. On June 23, 2020 and June 25, 2019, the shareholders resolved the appropriation of 2019 and 2018 earnings as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 91,195	\$ -	\$ 64,235	\$ -
Special reserve	11,396	-	38,002	-
Cash dividends to shareholders	550,739	4.60	478,904	4.00
	<u>\$ 653,330</u>	<u>\$ 4.60</u>	<u>\$ 581,141</u>	<u>\$ 4.00</u>

- F. On March 23, 2021, the Board of Directors has proposed the appropriation of 2020 earnings as follows:

	Year ended December 31, 2020	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 97,474	\$ -
Special reserve	35,952	-
Cash dividends to shareholders	483,644	4.00
	<u>\$ 617,070</u>	<u>\$ 4.00</u>

As of March 23, 2021, the abovementioned appropriation of 2020 earnings has not yet been resolved by the shareholders.

(19) Other equity items

	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:				
- Stocks granted	-	-	( 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	<u>(\$ 254,006)</u>	<u>(\$ 6,498)</u>	<u>(\$ 88,259)</u>	<u>(\$ 348,763)</u>

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

(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,	
	2020	2019
Server cases, peripheral products and components	\$ 7,345,609	\$ 6,524,233
Personal computer cases	198,936	311,210
	<u>\$ 7,544,545</u>	<u>\$ 6,835,443</u>

C. Contract liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities - sale of products	<u>\$ 7,113</u>	<u>\$ 6,624</u>	<u>\$ 7,379</u>

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

	Years ended December 31,	
	2020	2019
Contract liabilities - sale of products	<u>\$ 988</u>	<u>\$ 1,424</u>

(21) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	\$ 9,610	\$ 9,683
Interest income from financial assets measured at amortised cost	12,455	21,819
	<u>\$ 22,065</u>	<u>\$ 31,502</u>

(22) Other income

	Years ended December 31,	
	2020	2019
Tariff subsidy income	\$ 64,696	\$ -
Other income, others	33,566	30,206
	<u>\$ 98,262</u>	<u>\$ 30,206</u>

(23) Other gains and losses

	Years ended December 31,	
	2020	2019
Gain on disposal of property, plant and equipment	\$ 213,716	\$ 1,527
Loss on disposal of investment	( 437)	( 8,179)
Net currency exchange loss	( 88,015)	( 18,901)
Gains arising from lease modifications	7,159	-
Others	( 2,746)	( 2,905)
	<u>\$ 129,677</u>	<u>(\$ 28,458)</u>

(24) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense on bank borrowings	\$ 8,850	\$ 8,472
Interest expense on lease liabilities	1,194	295
	<u>\$ 10,044</u>	<u>\$ 8,767</u>

(25) Employee benefit, depreciation and amortisation expenses

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 1,069,158	\$ 1,022,084
Labour and health insurance fees	41,672	38,638
Pension costs	16,173	50,023
Other personnel expenses	79,399	77,474
Employee benefit expense	<u>\$ 1,206,402</u>	<u>\$ 1,188,219</u>
Depreciation charges	<u>\$ 216,889</u>	<u>\$ 196,504</u>
Amortisation charges	<u>\$ 5,329</u>	<u>\$ 4,995</u>

- A. According to the Articles of Incorporation of the Company and its domestic subsidiaries, a ratio of profit of the current year distributable, shall be distributed as employees' compensation and directors' and supervisors' remuneration. For the Company, the ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration. For the domestic subsidiaries, the ratio shall not be lower than 5% for employee's 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 ended December 31, 2020 and 2019, employees' compensation was accrued at \$70,985 and \$82,679, respectively; while directors' and supervisors' remuneration was accrued at \$21,744 and \$24,317, respectively. The aforementioned amounts were recognised in salary expenses.

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

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

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,	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 299,921	\$ 258,677
Tax on undistributed surplus earnings	-	3,083
Prior year income tax under (over) estimation	7,137	(2,778)
Total current tax	307,058	258,982
Deferred tax:		
Origination and reversal of temporary differences	(77,452)	(17,527)
Total deferred tax	(77,452)	(17,527)
Income tax expense	\$ 229,606	\$ 241,455

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

	Years ended December 31,	
	2020	2019
Currency translation differences	\$ 54,845	(\$ 18,628)
Remeasurement of defined benefit obligations	(\$ 531)	(\$ 263)

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate (Note)	\$ 325,804	\$ 277,910
Tax on undistributed earnings	-	3,083
Prior year income tax under (over) estimation	7,137	( 2,778)
Expenses disallowed by tax regulation	1,508	-
Acquisition of cash dividends distributed by foreign investee company accounted for using equity method	18,589	-
Effect from deduction or exemption for substantive investment from repatriated offshore funds	( 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	( 47,029)	( 23,493)
Taxable loss not recognised as deferred tax assets	2,199	-
Others	3,415	( 13,267)
Income tax expense	<u>\$ 229,606</u>	<u>\$ 241,455</u>

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



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

	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 (shown as other payables)	2,012	1,669	-	3,681
Others	7,534	13,684	-	21,218
	<u>\$ 66,660</u>	<u>\$ 2,268</u>	<u>\$ 531</u>	<u>\$ 69,459</u>
-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)
	<u>(\$ 36,926)</u>	<u>\$ 75,184</u>	<u>(\$ 54,845)</u>	<u>(\$ 16,587)</u>

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

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

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, 2020 and 2019, the temporary differences unrecognised as deferred tax liabilities were \$363,643 and \$350,230, respectively.
- F. The Company's income tax returns through 2018 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 2020 and had paid 8% of the income tax. The Company will apply for 4% of tax refund after it completes the substantive investment and obtains the certificate issued by the Ministry of Economic Affairs. The aforementioned tax refund expected to be collected amounting to \$18,002 was shown as ‘current tax assets’.

(27) Earnings per share

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

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 911,951	119,726	\$ 7.62
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 911,951		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,199	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 911,951	120,925	\$ 7.54

(28) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 1,911,427	\$ 76,673
Add: Opening balance of payable on equipment	4,132	2,098
Ending balance of prepayments for business facilities	13,514	30,902
Ending balance of prepayment for land purchases	-	49,280
Less: Opening balance of prepayments for business facilities	( 30,902)	( 18,474)
Opening balance of prepayment for land purchases	( 49,280)	-
Ending balance of payable on equipment	( 35,873)	( 4,132)
Ending balance of payable on buildings and land	( 303,010)	-
Transferred from inventories	( 70,731)	( 5,956)
Cash paid during the year	\$ 1,439,277	\$ 130,391

B. The subsidiary-Chenbro Europe B.V. was liquidated in March 2019. The information on cash returned and relevant assets and liabilities is as follows:

	Amount
Cash returned	\$ 65,130
Carrying amounts of the assets and liabilities of Chenbro Europe B.V.	
Cash	\$ 65,130
Other receivables	1,629
Other payables	( 2,830)
Total net assets	\$ 63,929

- C. The subsidiary- Chenbro Micom (Shenzhen) Co., Ltd. was liquidated in August 2019. The information on cash returned and relevant assets and liabilities is as follows:

	Amount
Cash returned	\$ 23,408
Carrying amounts of the assets and liabilities of Chenbro Micom (Shenzhen) Co., Ltd.	
Cash	\$ 23,408
Other payables	( 1,004)
Total net assets	\$ 22,404

- D. The Board of Directors of the subsidiary-Chenbro UK Limited, resolved to reduce the capital in the amount of GBP 19,999 on August 7, 2018. The reduction in capital was registered in October 2018 and Chenbro UK Limited has remitted back the share capital of \$1,178 in July 2019. The liquidation was completed in January 2020. Accordingly, the Company lost control over the subsidiary. The information on cash returned and relevant assets and liabilities is as follows:

	Year ended December 31, 2019
Cash returned	\$ 1,178
Carrying amounts of the assets and liabilities of Chenbro UK Limited	
Cash	\$ 1,178
Total net assets	\$ 1,178

- E. 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, 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	<u>\$ 849,069</u>	<u>\$ 113,361</u>	<u>\$ 34,903</u>	<u>\$ 519</u>	<u>\$ 997,852</u>
	Short-term borrowings	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2019	\$ 276,102	\$ 136,528	\$ 8,413	\$ 608	\$ 421,651
Changes in cash flow from financing activities	( 215,989)	( 6,273)	( 4,334)	( 22)	( 226,618)
Impact of changes in foreign exchange rate	( 153)	( 3,844)	( 35)	-	( 4,032)
Changes in other non-cash items	-	-	722	-	722
At December 31, 2019	<u>\$ 59,960</u>	<u>\$ 126,411</u>	<u>\$ 4,766</u>	<u>\$ 586</u>	<u>\$ 191,723</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's shares are held by the public, thus, there is no parent company or ultimate parent.

(2) Name of related party and relationship

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

(3) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2020	2019
Sales:		
Other related parties	\$ 540	\$ 1,273

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,	
	2020	2019
Purchases:		
Other related parties	\$ 3,988	\$ 18,915
Other expenses:		
Other related parties	4,416	3,179
	\$ 8,404	\$ 22,094

(a) Purchases: No similar transaction can be compared with. Prices and terms are determined based on mutual agreements and payment term is 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, 2020	December 31, 2019
Notes receivable:		
(shown as 'notes receivable')	\$ 195	\$ -
Accounts receivable:		
(shown as 'accounts receivable')		
Other related parties	38	459
Other receivables-payment on behalf of others:		
(shown as 'other receivables')		
Other related parties	23	8
	\$ 256	\$ 467

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

#### D. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Other related parties	\$ 822	\$ 4,612
Other payables - other expenses: (shown as 'other payables')		
Other related parties	877	590
	<u>\$ 1,699</u>	<u>\$ 5,202</u>

(a) Accounts payable bear no interest.

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

#### (4) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 65,124	\$ 64,071
Post-employment benefits	438	320
Share-based payments	9,053	-
	<u>\$ 74,615</u>	<u>\$ 64,391</u>

#### 8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Time deposits (shown as 'current financial assets at amortised cost' and 'other current assets')	<u>\$ 3,000</u>	<u>\$ 3,000</u>	Customs duty guarantee
Cash in banks (shown as 'non-current financial assets at amortised cost' and 'other non-current assets')	<u>\$ 2,946</u>	<u>\$ 3,090</u>	Long-term borrowings (Note 1)
Land and buildings	<u>\$ 755,251</u>	<u>\$ 211,467</u>	Long-term borrowings (Notes 1 and 2)

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: Please refer to Note 11(1) for details.



#### 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In line with the Company's long-term development plan, the Company entered into a new plant construction contract (mechatronic, fire safety and air conditioning) with RUEY LAN ENGINEERING CO., LTD. on December 22, 2020. The total price of the contract was \$289,500 (tax included).

#### 10. SIGNIFICANT DISASTER LOSS

None.

#### 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) In line with the Company's long-term development plan, 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. on February 2, 2021. The total price of the contract was \$1,208,529 (tax included). The Company applied for Loans for Returning Overseas Taiwanese Businesses with the Bank of Taiwan in October 2020 for the capital needs of plant construction and had drawn down part of the loan in January 2021. The total amount of the loan was \$1,744,000, and the loan term was no more than 10 years. 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 plus 0.445% of annual interest and the markdown interest rate shall be no less than 0.4%. If the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank was adjusted, then the interest rate of the loan shall be adjusted immediately and the commission fee shall be paid by the National Development Fund at an annual interest of 0.5% , but the payment period shall not exceed 5 years. The loan is mainly for purchase of land, construction of plant, purchase of machinery and equipment and working capital. The Company pledged promissory note of the same amount as the loan, machinery and equipment purchased by the loan, land in Lucao Township, Chiayi County and buildings under completion as collateral.

(2) On March 23, 2021, the Board of Directors of the Company resolved the followings:

- A. For the consideration of cash flows and needs of local operations, the Company's Board of Directors proposed to remit back USD\$2.893 million by way of cash dividend from MICOM SOURCE HOLDING COMPANY.
- B. Please refer to Note 6(25) B for the resolution of employees' compensation and directors' and supervisors' remuneration for the year ended December 31, 2020.
- C. Please refer to Note 6(18) F for the appropriation of 2020 earnings.

#### 12. OTHERS

##### (1) Capital management

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

## (2) Financial instruments

### A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 28,196	\$ 28,458
Financial assets at amortised cost		
Cash and cash equivalents	1,216,174	988,565
Financial assets at amortised cost	224,946	888,455
Notes receivable	921	1,026
Accounts receivable	1,751,605	1,636,213
Other receivables	61,498	69,123
Other current assets	-	3,000
Guarantee deposits paid	4,589	2,931
Other non-current assets	-	3,090
	<u>\$ 3,287,929</u>	<u>\$ 3,620,861</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 849,069	\$ 59,960
Accounts payable (including related parties)	1,970,058	1,755,986
Other payables	967,636	665,487
Long-term borrowings (including current portion)	113,361	126,411
Guarantee deposits received	519	586
Other current liabilities	3,862	2,710
	<u>\$ 3,904,505</u>	<u>\$ 2,611,140</u>
Lease liabilities	<u>\$ 34,903</u>	<u>\$ 4,766</u>

### B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of

excess liquidity.

## C. Significant financial risks and degrees of financial risks

### (a) Market risk

#### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury, and primarily hedge using natural hedge.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

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

December 31, 2019			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 66,433	29.98	\$ 1,991,661
USD:RMB	28,496	6.98	856,802
<u>Non-monetary items</u>			
USD:NTD	8,458	29.98	253,559
EUR:NTD	284	33.59	9,540
RMB:NTD	580,384	4.31	2,501,453
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 38,381	29.98	\$ 1,150,662
USD:RMB	9,039	6.98	271,779

- iv. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group:

Year ended December 31, 2020			
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	28.48	(\$ 20,340)
USD:RMB	( 2,925)	6.50	( 19,015)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	28.48	\$ 7,050
USD:RMB	1,338	6.50	8,700

	Year ended December 31, 2019			
	Exchange gain (loss)			
	Foreign currency amount (in thousands)	Exchange rate	Book value	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ -	29.98	(\$	31,198)
USD:RMB	( 1,158)	6.98	(	8,080)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$ -	29.98	\$	13,101
USD:RMB	215	6.98		1,499

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

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

Year ended December 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 19,917	\$ -
USD:RMB	1%	8,568	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	11,507	-
USD:RMB	1%	2,718	-

#### 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, 2020 and 2019 would have increased/decreased by \$282 and \$285 as a result of gains or losses on equity investment at fair value through other comprehensive income, respectively.

#### Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term borrowings and long-term borrowings (including current portion). Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are issued at fixed rates. During the years ended December 31, 2020 and 2019, the Group's borrowings were denominated in the USD and NTD.

#### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial assets at amortised cost and debt instruments stated at fair value through other comprehensive income.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard

payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

- iii. Individual risk limits are set based on internal or external factors in accordance with limits set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.
- iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group used the forecastability of The New Basel Capital Accord to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2020 and 2019, the loss allowance is as follows:

	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2020</u>				
Expected loss rate	0.03%	0.03%-0.14%	0.03%-1.14%	0.03%-7.05%
Total book value	\$ 1,548,932	\$ 192,931	\$ 12,034	\$ -
Loss allowance	\$ -	\$ 1,272	\$ 1,020	\$ -
	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2020</u>				
Expected loss rate	0.03%-100%	100.00%		
Total book value	\$ -	\$ -	\$ 1,753,897	
Loss allowance	\$ -	\$ -	\$ 2,292	
	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2019</u>				
Expected loss rate	0.03%	0.03%-0.15%	0.03%-2.61%	0.03%-8.42%
Total book value	\$ 1,408,356	\$ 218,533	\$ 11,225	\$ -
Loss allowance	\$ -	\$ 785	\$ 1,116	\$ -

	271 to 360 days past due	Over 360 days past due	Total
<u>December 31, 2019</u>			
Expected loss rate	0.03%-100%	100%	
Total book value	\$ -	\$ -	\$ 1,638,114
Loss allowance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,901</u>

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

	<u>Year ended December 31, 2020</u>
	<u>Accounts receivable</u>
At January 1	\$ 1,901
Impairment loss	691
Effect of exchange rate changes	( 300)
At December 31	<u>\$ 2,292</u>

	<u>Year ended December 31, 2019</u>
	<u>Accounts receivable</u>
At January 1	\$ 2,216
Reversal of impairment loss	( 286)
Effect of exchange rate changes	( 29)
At December 31	<u>\$ 1,901</u>

For the years ended December 31, 2020 and 2019, impairment of accounts receivable arising from customer contracts amounted to \$691 and (\$286), 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:

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2020</u>				
Short-term borrowings	\$ 849,344	\$ -	\$ -	\$ -
Account payable	1,969,236	-	-	-
Accounts payable - related party	822	-	-	-
Other payables	967,636	-	-	-
Lease liabilities	10,526	18,312	8,030	-
Other current liabilities	3,862	-	-	-
Long-term borrowings (including current portion)	11,187	22,373	22,373	89,494
Guarantee deposits received	519	-	-	-

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2019</u>				
Short-term borrowings	\$ 60,050	\$ -	\$ -	\$ -
Accounts payable	1,751,374	-	-	-
Accounts payable - related party	4,612	-	-	-
Other payables	665,487	-	-	-
Lease liabilities	3,698	1,055	198	-
Other current liabilities	2,710	-	-	-
Long-term borrowings (including current portion)	11,776	23,552	23,552	103,039
Guarantee deposits received	414	172	-	-

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

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

- B. The carrying amounts of the Group's financial assets not measured at fair value, including cash

and cash equivalents, current financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid (shown as other non-current assets), other current assets, other non-current assets, short-term borrowings, accounts payable (including related parties), other payables, lease liabilities, long-term borrowings (including current portion) and guarantee deposits received (shown as other current liabilities and other non-current liabilities), are approximate to their fair values.

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

(a) The related information on the nature of the assets and liabilities is as follows:

December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 28,196	\$ 28,196
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 28,458	\$ 28,458

(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, 2020 and 2019:

	2020	2019
	Equity securities	Equity securities
January 1	\$ 28,458	\$ 25,389
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	( 262)	-
Acquired during the period	-	3,069
At December 31	<u>\$ 28,196</u>	<u>\$ 28,458</u>

- E. For the years ended December 31, 2020 and 2019, 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, 2020	Valuation technique	Significant unobservable input	Range (median)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 28,196	Market comparable companies	Price to book ratio multiple	1.33-2.69 (1.33%)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	25% (25%)	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (first quartile)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 28,458	Market comparable companies	Price to book ratio multiple	1.37-4.41 (1.68)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20% (20%)	The higher the discount for lack of marketability, the lower the fair value

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, 2020				
		Change	Recognised in profit or loss		Recognised in other comprehensive income	
Input			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)

			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 285	(\$ 285)
	Discount for lack of marketability	±1%	-	-	71	( 71)

### 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: Please refer to table 4.
- 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 5.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

#### (2) Information on investees

For investees' disclosures, the financial statements of CLOUDWELL HOLDINGS., LLC. were audited by the investees' appointed auditors.

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

Name of company	Counterparty	Accounts	Amount 2020	Percentage representing the account of the company (%)	Note
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Sales	\$ 72,357	2	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	2,442,576	74	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	607,515	70	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Accounts payable	92,895	11	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Other receivables	50,950	60	Note 1
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Purchases	261,276	8	
Chenbro Micom Co., Ltd.	Edge International Company Limited	Purchases	196,421	6	Note 2
Edge International	Dongguan Procace Electronic Co., Ltd.	Purchases	125,663	72	Note 2

Note 1: Amounts paid for purchase of materials on behalf of the Company's subsidiary, Dongguan Procace Electronic Co., Ltd.

Note 2: Certain products of the Company were finished goods purchased from the investee company in Mainland China, Dongguan Procace Electronic Co., Ltd., through Edge International Company Limited, for sales.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

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,	
	2020	2019
Server cases and components of peripheral products	\$ 7,345,609	\$ 6,524,233
Personal computer cases	198,936	311,210
	<u>\$ 7,544,545</u>	<u>\$ 6,835,443</u>

(6) Geographical information

Geographical information for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	Sales revenue	Non-current assets	Sales revenue	Non-current assets
China	\$ 3,475,366	\$ 1,136,028	\$ 2,214,660	\$ 1,149,913
US	2,244,936	200,970	2,921,910	277,081
Taiwan	964,154	1,853,738	876,797	291,809
Others	860,089	1,594	822,076	660
	<u>\$ 7,544,545</u>	<u>\$ 3,192,330</u>	<u>\$ 6,835,443</u>	<u>\$ 1,719,463</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31,			
	2020		2019	
	<u>Sales revenue</u>	<u>Percentage of consolidated net operating income</u>	<u>Sales revenue</u>	<u>Percentage of consolidated net operating income</u>
Company C	\$ 1,494,091	20%	\$ 919,096	13%
Company E	1,099,368	15%	559,306	8%
Company B	937,706	12%	969,788	14%
Company A	760,211	10%	1,094,317	16%
Company D	478,300	6%	720,405	11%



CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2020

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

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (Note 5)	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary (Note 6)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 6)	Provision of endorsements/ guarantees to the party in Mainland China (Note 6)	Footnote
		Company name	Relationship with the endorser/ guarantor										
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Inc.	2	\$ 785,870	\$ 60,500	\$ -	\$ -	0.00	\$ 2,357,611	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	2	785,870	169,400	159,488	113,361	4.06	2,357,611	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	PROCASE & MOREX Corporation	3	785,870	121,000	-	-	0.00	2,357,611	Y	N	N	Note 3

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is as follows:

(1) A company with which the Company does business

(2) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company

(4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares

(5) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project

(6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages

(7) Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", ceiling on accumulated endorsements/guarantees to others and limit on endorsements/guarantees to a single party was 60% and 20% of the Company's net assets, respectively.

Note 4: The maximum endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US\$2,000 thousand, \$5,600 thousand and \$4,000 thousand for the year ended December 31, 2020, respectively.

Note 5: The outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US\$0 thousand, \$5,600 thousand and \$0 thousand for the year ended December 31, 2020, respectively.

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period

December 31, 2020

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

Table 2

Securities held by CHENBRO MICOM CO., LTD.	Marketable securities Diamond Creative Holding Limited	Relationship with the securities issuer None	General ledger account Non-current financial assets at fair value through other comprehensive income	As of December 31, 2020		
				Number of shares	Book value	Fair value
				1,100,000	\$28,196	\$28,196

Footnote

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, 2020

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 (Note 1)	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	
CHENBRO MICOM CO., LTD.	CHUNGYUET IFC (A1、A21-20、21F)	August 13, 2019 (the date of the Board meeting resolution) (Note 2)	\$ 515,864 (Note 3)	Based on the contract schedule (Note 4)	CHUNGMAO Capital	None	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
CHENBRO MICOM CO., LTD.	Machouyou Industry Park's 1st productive land	March 17, 2020 (the date of the Board meeting resolution) (Note 5)	\$ 551,689	Based on the contract schedule (Note 4)	Chiayi Country Government	None	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
CHENBRO MICOM CO., LTD.	CHUNGYUET IFC (18、19F)	November 10, 2020 (the date of the Board meeting resolution) (Note 6)	\$ 466,160	Based on the contract schedule (Note 7)	CHUNGMAO Capital	None	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Note 1: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of

Note 2: The transfer was completed on November 3, 2020.

Note 3: There was a change on the size of the pre-construction homes after the measurement. The total price before the adjustment was \$500,840.

Note 4: The payment was made in full.

Note 5: The transfer was completed on August 18, 2020.

Note 6: The transfer was completed on January 21, 2021.

Note 7: As of December 31, 2020, the company has paid \$163,150.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2020

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

Table 4

Real estate disposed by	Real estate	Transaction date		Date of acquisition	Book value	Disposal amount	Status of collection	Disposal of profit	Counterparty	Relationship with the counterparty	Reason for disposal of real estate	Basis or reference used in setting the price	
		or date of the event (Note 1)	event (Note 1)									Other commitments	
CHENBRO MICOM CO., LTD.	Zhonghe office	June 18, 2020 (signing date)	(Note 2)	May 19, 1999	\$ 132,415	\$ 348,600	Based on the contract schedule (Note 3)	\$186,215 (Note 4)	APLEX TECHNOLOGY INC.	None	To meet the company's long-term development plans. Also, the company acquired office building which is located in Xinzhuang District	Based on the appraisal report	None

Note 1: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount

Note 2: The transfer has been completed.

Note 3: As of December 31, 2020, all proceeds have been collected.

Note 4: The profit or loss has taken into consideration the taxes and expenses.

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, 2020

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

Table 5

Differences in transaction terms compared to third party transactions											
Transaction					Notes/accounts receivable (payable)						
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Percentage of total purchases			Percentage of total notes/accounts				
				Amount	(sales)	Credit term	Unit price	Credit term	Balance	receivable (payable)	Footnote
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	The Company's subsidiary	Sales	\$ 2,422,582	54	OA 120 days	Note 1	Note 1	\$ 909,218	69	Note 2
CHENBRO MICOM CO., LTD.	Chenbro GmbH	The Company's subsidiary	Sales	182,881	4	90 days after monthly billing	Note 1	Note 1	55,555	4	Note 2
Edge International Company Limited	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	196,421	100	60 days after monthly billing	Note 1	Note 1	-	-	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	2,442,576	75	60 days after monthly billing	Note 1	Note 1	607,515	67	Note 2
Dongguan Procace Electronic Co., Ltd.	Edge International Company Limited	Parent-subsidiary company	Sales	125,663	5	Based on agreement	Note 1	Note 1	-	-	Note 2
Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	261,276	11	60 days after monthly billing	Note 1	Note 1	92,895	12	Note 2
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	1,973,937	83	Based on agreement	Note 1	Note 1	671,038	87	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, 2020

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

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020 (Note 3)		Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts (Note 2)
			Accounts receivable	Other receivables	Amount	Action taken		
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsiary company	\$	909,218	\$	16 Subsequent collection	\$ 540,046	\$ -
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsiary company	\$	329	-	-	329	-
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiary company	\$	Accounts receivable 607,515	-	-	261,554	-
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	\$	Accounts receivable 671,038	-	-	373,214	-

Note 1: Subsequent collections as of March 23, 2021.

Note 2: As the related parties have excellent credit condition, no allowance for doubtful accounts was recognised.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2020

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

Table 7

Transaction					Transaction			Percentage of consolidated total operating revenues or total assets (Note 5)	
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Notes 3, 6 and 7)	Transaction terms			
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Sales	\$ 2,422,582	Note 4			32
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	909,218	Note 4			11
0	CHENBRO MICOM CO., LTD.	Chenbro GmbH	1	Sales	182,881	Note 4			2
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	2,442,576	Note 4			32
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	607,515	Note 4			8
1	Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	261,276	Note 4			3
2	Dongguan Procace Electronic Co., Ltd.	Edge International Company Limited	3	Sales	125,663	Note 4			2
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	1,973,937	Note 4			26
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Accounts receivable	671,038	Note 4			8
3	Edge International Company Limited	CHENBRO MICOM CO., LTD.	2	Sales	196,421	Note 4			3

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, 2020 is translated using the quarterly average exchange rate in 2020, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2020.

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, 2020

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

Table 8

Initial investment amount				Shares held as at December 31, 2020				Investment income			
Investor	Investee	Location	Main business activities	Balance as at December 31, 2020 (Note 4)	Balance as at December 31, 2019 (Note 4)	Number of shares	Ownership (%)	Book value (Note 4)	Net profit (loss) of the investee for the year ended December 31, 2020 (Note 4)	(loss) recognised by the Company for the year ended December 31, 2020 (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	\$ 2,312,205	\$ 183,248	\$ 261,201	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	199,863	32,408	32,296	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	112,500	1,884	1,884	Note 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	10,505	2,548	2,662	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chen-Feng Precision Co., Ltd.	Taiwan	Manufacturing of NCT	56,000	-	5,600,000	70	48,276	( 11,034)	( 7,724)	Note 7
CHENBRO MICOM CO., LTD.	Edge International Company Limited	Seychelles	Trading/ order taking company	-	-	-	-	-	( 198)	( 198)	Notes 4 and 6
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	183,781	183,781	6,452,738	100	75,581	6,253	-	Notes 3 and 4
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	234,675	234,675	8,239,890	100	1,606,999	138,785	-	Notes 3 and 4
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	449,984	449,984	35,346	100	649,982	40,114	-	Notes 3, 4 and 8
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Trading/ order taking company	242,080	242,080	35,502	100	621,056	42,925	-	Notes 2 and 5

Note 1: Investment income (loss) recognised for the year ended December 31, 2019 includes recognition and elimination of realised and unrealised gain (loss) on upstream transactions.

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

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

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

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: Edge International Company Limited was established on December 31, 2019, funds amounting to USD 500 thousand were in place in February 2020, and was dissolved under the resolution of the Board of Directors on May 12, 2020. The liquidation was completed in October 2020.

Note 7: Chen-Feng Precision Co., Ltd. was established on March 4, 2020.

Note 8: ADEPT International Company was dissolved under the resolution of the Board of Directors on May 12, 2020.



CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2020

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

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 1)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Remitted to Mainland China to Taiwan						
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	\$ 284,800	2	\$ 284,800	-	\$ -	\$ 102,080	\$ 100	\$ 102,080	\$ 1,421,188	\$ 767,130
Dongguan Procise Electronics Co., Ltd.	Manufacturing and processing of computer cases	357,196	2	85,326	-	85,326	52,153	100	52,153	628,921	-
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	59,808	2	-	-	-	62,176	100	62,176	187,754	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 Procise & 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, 2020 translated using the quarterly average exchange rate in 2020, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2020.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	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 9)
CHENBRO MICOM CO., LTD.	\$ 370,126	\$ 393,259	\$ -

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, 2020

Table 10

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

**CHENBRO MICOM CO., LTD.**  
**PARENT COMPANY ONLY FINANCIAL**  
**STATEMENTS AND INDEPENDENT AUDITORS’**  
**REPORT**  
**DECEMBER 31, 2020 AND 2019**

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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

(20) PWCR20003902

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

### ***Opinion***

We have audited the accompanying parent company only balance sheets of Chenbro Micom Co., Ltd. (the “Company”) as at December 31, 2020 and 2019, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and parent company only notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of the other auditors (please refer to the *Other Matter* section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audit of the financial statements as at and for the year ended December 31, 2020 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; and in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, “Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020” and generally accepted auditing standards in the Republic of China for our audit of the financial statements as at and for the year ended December 31, 2019. 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 report 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 Company's 2020 parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters of the Company's 2020 parent company only financial statements are stated as follows:

### **Valuation of inventories**

#### Description

Refer to Note 4(10) for accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2020, the Company's cost of inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$226,123 thousand and NT\$14,230 thousand, respectively.

The Company is engaged in manufacturing and sales of computer peripheral equipment. As technology changes rapidly and the life cycle of electronic products is short, inventories may become obsolete within a short period. The Company measures inventories at the lower of cost and net realisable value, and assesses whether the value of inventories has declined. Any losses incurred due to obsolescence based on inventory aging and closeout inventory are examined by management periodically.

As the value of inventory is significant, the inventory items are numerous, and the accounting estimates are subject to management's judgement, we consider valuation of inventories a key audit matter.

#### How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

1. Obtaining the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses are consistent for all periods. Assessing the estimation determined by the management and relevant assumptions of allowance for inventory loss.
2. Matching information obtained in physical count of disposed and obsolete inventory against the list prepared by management and interviewing management and employees to examine the obsolete, slow-moving or damaged inventories that were included in the list.

3. Assessing the reasonableness of obsolescence 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.

### **Existence of revenue**

#### Description

The Company is primarily engaged in manufacturing and sales of computer peripheral equipment. The Company's trading counterparties are mostly world-renowned companies with which the Company has long-term business partnership. As the global demand for servers continues to increase, the Company is committed to increasing sales revenue which resulted to changes in the list of the Company's top 10 trading counterparties. As the sales of the Company's top 10 trading counterparties accounted for 80%, the newly top 10 and significant changes in revenue of top 10 trading counterparties are significant to the financial statements, we consider the existence of sales revenue from the newly top 10 and significant changes in revenue of top 10 trading counterparties a key audit matter.

#### How our audit addressed the matter

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

1. Assessing the revenue cycle and performing tests to determine whether the Company's revenue process is conducted in accordance with the internal control procedures.
2. Checking the related industry background in respect of the newly top 10 trading counterparties.
3. Obtaining and selecting samples to verify related vouchers of the sales revenue from the newly top 10 and significant changes in revenue of top 10 trading counterparties and confirming that the sales revenue transactions of these trading counterparties actually occurred.
4. Examining details of sales returns and discounts after the balance sheet date and ascertaining whether there were any significant sales returns and discounts.

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

As stated in Note 6(6), we did not audit the financial statements of an investment accounted for using the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of this associate, is based solely on the report of the other

auditors. The balance of this investment accounted for using the equity method amounted to NT\$112,500 thousand and NT\$116,512 thousand, both constituting 2% of the total assets as at December 31, 2020 and 2019, respectively, and the comprehensive income recognised from this associate accounted for using the equity method amounted to NT\$1,884 thousand and NT\$1,909 thousand, both constituting 0% of the total comprehensive income for the years then ended, respectively.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### ***Auditors' responsibilities for the audit of the parent company only financial statements***

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial

statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 23, 2021

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

CHENBRO MICOM CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 233,640	4	\$ 370,085	7
1136	Current financial assets at amortised cost		3,000	-	-	
1170	Accounts receivable, net	6(3)	347,938	6	323,238	6
1180	Accounts receivable - related parties	7	964,773	15	1,001,058	20
1200	Other receivables	6(4)	25,307	-	14,678	-
1210	Other receivables - related parties	7	59,019	1	106,815	2
1220	Current income tax assets		18,002	-	-	-
130X	Inventories	6(5)	211,893	3	192,843	4
1410	Prepayments		6,704	-	9,055	-
1470	Other current assets	8	3,316	-	3,555	-
11XX	Total current assets		1,873,592	29	2,021,327	39
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	28,196	1	28,458	1
1550	Investments accounted for using equity method	6(6)(17)	2,683,349	42	2,742,464	53
1600	Property, plant and equipment	6(7)	1,720,132	27	234,659	5
1780	Intangible assets	6(8)	4,630	-	3,214	-
1840	Deferred income tax assets	6(24)	41,344	1	47,732	1
1900	Other non-current assets	6(9)	10,655	-	54,485	1
15XX	Total non-current assets		4,488,306	71	3,111,012	61
1XXX	Total assets		\$ 6,361,898	100	\$ 5,132,339	100

(Continued)

CHENBRO MICOM CO., LTD.  
PARENT COMPANY ONLY BALANCE SHEETS  
DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2020		December 31, 2019					
			Notes	AMOUNT	%	AMOUNT	%			
Current liabilities										
2100	Short-term borrowings	6(10)	\$	849,069	13	\$	59,960	1		
2130	Current contract liabilities	6(18)		1,654	-		957	-		
2170	Accounts payable			165,805	3		231,916	5		
2180	Accounts payable - related parties	7		705,398	11		844,891	17		
2200	Other payables	6(11)		581,587	9		268,222	5		
2220	Other payables - related parties	7		2,823	-		590	-		
2230	Current income tax liabilities			84,477	1		171,187	3		
2300	Other current liabilities			662	-		684	-		
21XX	Total current liabilities			2,391,475	37		1,578,407	31		
Non-current liabilities										
2570	Deferred income tax liabilities	6(24)		9,744	-		5,147	-		
2600	Other non-current liabilities	6(12)		31,327	1		28,778	-		
25XX	Total non-current liabilities			41,071	1		33,925	-		
2XXX	Total liabilities			2,432,546	38		1,612,332	31		
Equity										
	Share capital	6(13)(14)								
3110	Common stock			1,209,260	19		1,197,260	24		
	Capital surplus	6(13)(15)								
3200	Capital surplus			145,769	2		48,209	1		
	Retained earnings	6(16)								
3310	Legal reserve			719,881	11		628,686	12		
3320	Special reserve			224,552	4		213,156	4		
3350	Unappropriated retained earnings			1,978,653	31		1,657,248	32		
	Other equity interest	6(17)								
3400	Other equity interest		(	348,763)	(	5)	(	224,552)	(	4)
3XXX	Total equity			3,929,352	62		3,520,007	69		
	Significant contingent liabilities and unrecorded contract commitments	9								
	Significant events after the balance sheet date	6(16) and 11								
3X2X	Total liabilities and equity		\$	6,361,898	100	\$	5,132,339	100		

The accompanying notes are an integral part of these parent company only financial statements.

CHENBRO MICOM CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

			Year ended December 31			
			2020		2019	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18) and 7		\$ 4,491,345	100	\$ 4,798,463	100
5000 Operating costs	6(5)(23) and 7		( 3,452,851)	( 77)	( 3,344,123)	( 70)
5900 Net operating margin			1,038,494	23	1,454,340	30
5910 Unrealised profit from sales			( 47,534)	( 1)	( 87,668)	( 2)
5920 Realised profit from sales			87,668	2	22,746	1
Net realised profit from sales	6(6)		40,134	1	( 64,922)	( 1)
5950 Net operating margin			1,078,628	24	1,389,418	29
Operating expenses	6(23) and 7					
6100 Selling expenses			( 74,039)	( 1)	( 82,182)	( 2)
6200 General and administrative expenses			( 209,719)	( 5)	( 170,535)	( 4)
6300 Research and development expenses			( 164,904)	( 4)	( 168,852)	( 3)
6450 Expected credit impairment (loss) gain	12(2)		( 855)	-	320	-
6000 Total operating expenses			( 449,517)	( 10)	( 421,249)	( 9)
6900 Operating profit			629,111	14	968,169	20
Non-operating income and expenses						
7100 Interest income	6(19)		982	-	2,152	-
7010 Other income	6(20) and 7		8,211	-	5,599	-
7020 Other gains and losses	6(21)		172,310	4	( 26,212)	-
7050 Finance costs	6(22)		( 4,518)	-	( 2,348)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	6(6)		290,121	7	148,616	3
7000 Total non-operating income and expenses			467,106	11	127,807	3
7900 Profit before income tax			1,096,217	25	1,095,976	23
7950 Income tax expense	6(24)		( 119,360)	( 3)	( 184,025)	( 4)
8200 Profit for the year			\$ 976,857	22	\$ 911,951	19

(Continued)

CHENBRO MICOM CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except for earnings per share amount)

		Year ended December 31								
		2020		2019						
Items	Notes	AMOUNT	%	AMOUNT	%					
<b>Other comprehensive income</b>										
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>										
8311	Loss on remeasurement of defined benefit plan	6(12)								
		(\$	2,653)	-	(\$	1,314)	-			
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(17)								
		(	262)	-	-	-	-			
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(24)								
			531	-		263	-			
8310	Other comprehensive loss that will not be reclassified to profit or loss		(	2,384)	-	(	1,051)	-		
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>										
8361	Financial statements translation differences of foreign operations	6(17)								
			19,155	-	(	95,597)	(	2)		
8399	Income tax relating to the components of other comprehensive income	6(17)(24)								
		(	54,845)	(	1)		18,628	-		
8360	Other comprehensive loss that will be reclassified to profit or loss		(	35,690)	(	1)	(	76,969)	(	2)
8300	<b>Other comprehensive loss for the year</b>		(\$	38,074)	(	1)	(\$	78,020)	(	2)
8500	<b>Total comprehensive income for the year</b>		\$	938,783	21	\$	833,931	17		
Earnings per share (in dollars)		6(25)								
9750	Basic earnings per share		\$	8.16	\$	7.62				
9850	Diluted earnings per share		\$	8.08	\$	7.54				

The accompanying notes are an integral part of these parent company only financial statements.

CHENBRO MICOM CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

		Capital Surplus			Retained Earnings			Other Equity Interest				
		Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Restricted stock	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised losses from financial assets measured at fair value through other comprehensive income	Other equity - others	Total equity
2019												
Balance at January 1, 2019		\$ 1,197,260	\$ 41,987	\$ 6,222	\$ -	\$ 564,451	\$ 175,154	\$ 1,327,489	(\$ 141,347)	(\$ 6,236)	\$ -	\$ 3,164,980
Profit for the year	6(17)	-	-	-	-	-	-	911,951	-	-	-	911,951
Other comprehensive loss for the year		-	-	-	-	-	-	( 1,051 )	( 76,969 )	-	-	( 78,020 )
Total comprehensive income (loss)		-	-	-	-	-	-	910,900	( 76,969 )	-	-	833,931
Distribution of 2018 earnings	6(16)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	64,235	-	( 64,235 )	-	-	-	-
Special reserve		-	-	-	-	-	38,002	( 38,002 )	-	-	-	-
Cash dividends		-	-	-	-	-	-	( 478,904 )	-	-	-	( 478,904 )
Balance at December 31, 2019		\$ 1,197,260	\$ 41,987	\$ 6,222	\$ -	\$ 628,686	\$ 213,156	\$ 1,657,248	(\$ 218,316)	(\$ 6,236)	\$ -	\$ 3,520,007
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
Profit for the year	6(17)	-	-	-	-	-	-	976,857	-	-	-	976,857
Other comprehensive loss for the year		-	-	-	-	-	-	( 2,122 )	( 35,690 )	( 262 )	-	( 38,074 )
Total comprehensive income (loss)		-	-	-	-	-	-	974,735	( 35,690 )	( 262 )	-	938,783
Distribution of 2019 earnings	6(16)	-	-	-	-	-	-	-	-	-	-	-
Legal reserve		-	-	-	-	91,195	-	( 91,195 )	-	-	-	-
Special reserve		-	-	-	-	-	11,396	( 11,396 )	-	-	-	-
Cash dividends		-	-	-	-	-	-	( 550,739 )	-	-	-	( 550,739 )
Issuance of restricted stocks	6(13)(14)	12,000	-	-	97,560	-	-	-	-	-	( 109,560 )	-
Share-based payments	6(13)	-	-	-	-	-	-	-	-	-	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

The accompanying notes are an integral part of these parent company only financial statements.

CHENBRO MICOM CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		\$ 1,096,217	\$ 1,095,976
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss (gain)	12(2)	855	( 320 )
Depreciation	6(23)	20,751	11,062
Amortisation	6(8)(23)	2,190	1,520
Interest expense	6(22)	4,518	2,348
Interest income	6(19)	( 982 )	( 2,152 )
(Gain) loss on disposal of property, plant and equipment	6(21)	( 213,500 )	289
Loss on disposal of investments accounted for using equity method	6(21)	437	6,418
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	( 290,121 )	( 148,616 )
Net realised (profit) loss from sales	6(6)	( 40,134 )	64,922
Profit from lease modification	6(21)	( 7,159 )	-
Share-based payments	6(13)	21,301	-
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		( 25,555 )	( 68,952 )
Accounts receivable - related parties		36,285	( 216,009 )
Other receivables		( 10,638 )	12,146
Other receivables - related parties		47,796	( 27,081 )
Inventories		( 19,050 )	( 88,609 )
Prepayments		2,351	( 6,513 )
Other current assets		( 2,761 )	662
Changes in operating liabilities			
Current contract liabilities		697	( 1,002 )
Accounts payable		( 66,111 )	40,903
Accounts payable - related parties		( 139,493 )	279,187
Other payables (including related parties)		( 10,363 )	15,055
Other current liabilities		( 22 )	624
Other non-current liabilities		316	( 179 )
Cash inflow generated from operations		407,825	971,679
Interest received		991	2,141
Interest paid		( 4,558 )	( 2,397 )
Income tax paid		( 267,932 )	( 128,479 )
Net cash flows from operating activities		136,326	842,944

(Continued)

CHENBRO MICOM CO., LTD.  
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars)

	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of non-current financial assets at fair value through other comprehensive income	12(3)	\$ -	(\$ 3,069 )
Acquisition of investments accounted for using equity method	6(6)	( 70,963 )	( 56,746 )
Proceeds from disposal of investments accounted for using equity method	6(6)(26)	14,327	65,130
Proceeds from cash dividends distributed by subsidiaries	6(6)	464,724	-
Repatriation of subsidiary funds	6(6)	-	1,178
Acquisition of property, plant and equipment	6(26)	( 1,342,173 )	( 56,684 )
Proceeds from disposal of property, plant and equipment		427,245	-
Acquisition of intangible assets	6(8)	( 3,606 )	( 1,535 )
Increase in other current assets		-	( 2,000 )
Increase in other non-current assets		( 515 )	( 16 )
Net cash flows used in investing activities		( 510,961 )	( 53,742 )
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings		4,909,812	371,629
Repayment of short-term borrowings		( 4,120,703 )	( 557,050 )
Payment of the principal of lease liabilities	6(9)	( 180 )	( 841 )
Payment of cash dividends	6(16)	( 550,739 )	( 478,904 )
Net cash flows from (used in) financing activities		238,190	( 665,166 )
Net (decrease) increase in cash and cash equivalents		( 136,445 )	124,036
Cash and cash equivalents at beginning of year	6(1)	370,085	246,049
Cash and cash equivalents at end of year	6(1)	\$ 233,640	\$ 370,085

The accompanying notes are an integral part of these parent company only financial statements.



CHENBRO MICOM CO., LTD.  
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2020 AND 2019  
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

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

These financial statements were authorised for issuance by the Board of Directors on March 23, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendments to IAS 1 and IAS 8, ‘Disclosure initiative-definition of material’	January 1, 2020
Amendments to IFRS 3, ‘Definition of a business’	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, ‘Interest rate benchmark reform’	January 1, 2020
Amendmenst to IFRS 16, ‘Covid-19-related rent concessions’	June 1, 2020

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 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, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 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 Company's financial condition and operating results based on the Company's assessment.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the Regulations

## Governing the Preparation of Financial Reports by Securities Issuers.

### (2) Basis of preparation

- A. Except for the following items, the financial statements have been prepared under the historical cost convention:
- (a) Financial assets at fair value through other comprehensive income.
  - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

### (3) Foreign currency translation

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

#### A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

## B. Translation of foreign operations

- (a) The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
  - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
  - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
  - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

## (4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
  - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
  - (b) Assets held mainly for trading purposes;
  - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
  - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
  - (a) Liabilities that are expected to be paid off within the normal operating cycle;
  - (b) Liabilities arising mainly from trading activities;
  - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
  - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the

counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

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

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

(7) 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 Company'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 Company 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.

(8) Accounts receivable

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

(9) Impairment of financial assets

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

(10) Derecognition of financial assets

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

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

(11) 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.

(12) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

- B. Unrealised gains or losses on transactions between the Company and its subsidiaries have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.
- E. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a

change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5~50 years
Machinery and equipment	6~12 years
Mold equipment	2~4 years
Computer communication equipment	3~4 years
Testing equipment	3~10 years
Transportation equipment	5 years
Office equipment	3~12 years
Other equipment	2~12 years

(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 Company. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.
- B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:
  - (a) Fixed payments, less any lease incentives receivable; and
  - (b) Variable lease payments that depend on an index or a rate.

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

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

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



(15) Intangible assets

A. Trademarks

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

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 4 years.

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

(17) Borrowings

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

(18) Accounts payable

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

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

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

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

(b) Defined benefit plan

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plan 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 the defined benefit plan 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) 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 Company 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. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled

by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

(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 Company manufactures and sells computer cases and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term after the transfer of controls in 45 to 60 days, which is consistent with

market practice.

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

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

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

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

As of December 31, 2020, the carrying amount of inventories was \$211,893.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Petty cash and cash on hand	\$ 112	\$ 160
Demand deposits	140,462	23,247
Checking account deposits	161	91
Foreign currency deposits	91,905	296,587
Time deposits	1,000	50,000
	<u>\$ 233,640</u>	<u>\$ 370,085</u>

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

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

<u>Items</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Non-current items:		
Equity instruments		
Unlisted stocks	<u>\$ 28,196</u>	<u>\$ 28,458</u>

- A. The Company has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$28,196 and \$28,458 as at December 31, 2020 and 2019, respectively.
- B. Amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2020 and 2019 amounted to (\$262) and \$0, respectively.
- C. As at December 31, 2020 and 2019, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$28,196 and \$28,458, respectively.
- D. Information relating to credit risk is provided in Note 12(2).

(3) Accounts receivable

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts receivable	\$ 349,119	\$ 323,564
Less: Allowance for bad debts	( 1,181)	( 326)
	<u>\$ 347,938</u>	<u>\$ 323,238</u>

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Not past due	\$ 284,044	\$ 291,775
Up to 30 days	39,303	21,490
31 to 90 days	17,602	10,035
91 to 180 days	8,170	264
	<u>\$ 349,119</u>	<u>\$ 323,564</u>

The above ageing analysis was based on past due date.

- B. As of December 31, 2020, December 31, 2019, and January 1, 2019, the balances of receivables from contracts with customers amounted to \$349,119, \$323,564 and \$254,612, respectively.
- C. The Company does not hold any collateral as security.
- D. As at December 31, 2020 and 2019, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were \$347,938 and \$323,238, respectively.

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

(4) Transfer of financial assets

A. The Company entered into a factoring agreement with banks to sell its accounts receivable. Under the agreement, the Company is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Company does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Company decreased the estimated amount of business dispute and derecognised the transferred accounts receivable. As of December 31, 2020 and 2019, 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	\$ -	\$ -	-	
December 31, 2019							
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 10,106	\$ 10,106	\$ 20,000	\$ -	\$ -	-	

Note: Shown as 'other receivables'.

The finance costs of the Company for the years ended December 31, 2020 and 2019 were \$45 and \$107, respectively.

(5) Inventories

December 31, 2020			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 62,233	(\$ 9,869)	\$ 52,364
Work in process	1,682	-	1,682
Finished goods	162,208	( 4,361)	157,847
	<u>\$ 226,123</u>	<u>(\$ 14,230)</u>	<u>\$ 211,893</u>
December 31, 2019			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 83,683	(\$ 46,628)	\$ 37,055
Work in process	1,930	-	1,930
Finished goods	158,779	( 4,921)	153,858
	<u>\$ 244,392</u>	<u>(\$ 51,549)</u>	<u>\$ 192,843</u>

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

	Years ended December 31,	
	2020	2019
Cost of goods sold	\$ 3,490,089	\$ 3,311,427
(Gain on reversal of) loss on decline in market	( 37,319)	32,694
Loss on physical inventory	81	2
	<u>\$ 3,452,851</u>	<u>\$ 3,344,123</u>

The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the inventories were subsequently sold for the year ended December 31, 2020.

B. The Company has no inventories pledged to others.



(6) Investments accounted for using equity method

	2020	2019
At January 1	\$ 2,742,464	\$ 2,770,347
Addition of investments accounted for using equity method	70,963	56,746
Share of profit or loss of investments accounted for using equity method	290,121	148,616
Disposal of investments accounted for using equity method	( 14,764)	( 71,548)
Net unrealised profit (loss) on inter-company transactions	40,134	( 64,922)
Backward remittance of earnings in subsidiaries	( 464,724)	-
Shares returned from capital reduction in subsidiaries	-	( 1,178)
Changes in other equity items (Note 6(17))	19,155	( 95,597)
At December 31	<u>\$ 2,683,349</u>	<u>\$ 2,742,464</u>
	December 31, 2020	December 31, 2019
Micom Source Holding Company	\$ 2,312,205	\$ 2,479,365
Chenbro Micom (USA) Incorporation	199,863	137,047
CLOUDWELL HOLDINGS, LLC.	112,500	116,512
Chenbro GmbH	10,505	9,540
Chen-Feng Precision Co., LTD.	48,276	-
	<u>\$ 2,683,349</u>	<u>\$ 2,742,464</u>

- A. The financial statements of an investee accounted for using equity method, CLOUDWELL HOLDINGS, LLC., were audited by their appointed auditors. The Company recognised comprehensive income of \$1,884 and \$1,909 on this investee accounted for using equity method based on such financial statements for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the balance of the related investment accounted for using equity method was \$112,500 and \$116,512, respectively.
- B. Edge International Company Limited was established on December 31, 2019. The funds were in place in February 2020. The company was dissolved under the resolution of the Board of Directors on May 12, 2020. The liquidation was completed in October 2020.
- C. Chen-Feng Precision Co., Ltd. was established on March 4, 2020. The established capital was \$50,000. The Company held 70% of the ordinary shares. In addition, the investee increased its capital in November 2020. The Company participated in the capital increase proportionately to its ownership by \$21,000 as resolved by the Board of Directors. The process was completed in December 2020.
- D. As resolved by the Board of Directors on March 17, 2020, Micom Source Holding Company

distributed cash dividends amounting to \$464,724 which was remitted to the parent company in May 2020.

- E. On May 9, 2017, Chenbro Europe B. V. was dissolved under the resolution of the Board of Directors, and the liquidation was completed in March 2019.
- F. The Board of Directors of Chenbro UK Limited resolved to reduce the capital in the amount of GBP 19,999 on August 7, 2018. The reduction in capital was registered in October 2018 and Chenbro UK Limited has remitted back the share capital of \$1,178 in July 2019. The liquidation was completed in January 2020.
- G. Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2020.

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
<u>At January 1, 2020</u>												
Cost	\$ 140,737	\$ 126,628	\$ 6,037	\$ 257,577	\$ 13,720	\$ 20,927	\$ 4,140	\$ 12,382	\$ 9,816	\$ -	\$ 591,964	\$ 49,280
Accumulated depreciation	-	( 51,567)	( 3,062)	( 254,126)	( 12,874)	( 15,273)	( 1,434)	( 11,858)	( 7,111)	-	( 357,305)	-
<u>2020</u>	<u>\$ 140,737</u>	<u>\$ 75,061</u>	<u>\$ 2,975</u>	<u>\$ 3,451</u>	<u>\$ 846</u>	<u>\$ 5,654</u>	<u>\$ 2,706</u>	<u>\$ 524</u>	<u>\$ 2,705</u>	<u>\$ -</u>	<u>\$ 234,659</u>	<u>\$ 49,280</u>
Opening net book amount	\$ 140,737	\$ 75,061	\$ 2,975	\$ 3,451	\$ 846	\$ 5,654	\$ 2,706	\$ 524	\$ 2,705	\$ -	\$ 234,659	\$ 49,280
Additions	1,219,692	263,863	122	3,838	9,616	2,190	-	13,569	1,322	149,138	1,663,350	4,813
Disposals	( 140,737)	( 72,589)	-	-	-	-	-	( 419)	-	-	( 213,745)	-
Transfers	49,280	-	-	-	-	-	-	-	-	-	49,280	( 49,280)
Depreciation charges	-	( 5,156)	( 662)	( 1,698)	( 901)	( 3,148)	( 690)	( 696)	( 461)	-	( 13,412)	-
Closing net book amount	<u>\$ 1,268,972</u>	<u>\$ 261,179</u>	<u>\$ 2,435</u>	<u>\$ 5,591</u>	<u>\$ 9,561</u>	<u>\$ 4,696</u>	<u>\$ 2,016</u>	<u>\$ 12,978</u>	<u>\$ 3,566</u>	<u>\$ 149,138</u>	<u>\$ 1,720,132</u>	<u>\$ 4,813</u>
<u>At December 31, 2020</u>												
Cost	\$ 1,268,972	\$ 263,863	\$ 5,732	\$ 261,415	\$ 23,336	\$ 19,972	\$ 4,140	\$ 13,569	\$ 5,517	\$ 149,138	\$ 2,015,654	\$ 4,813
Accumulated depreciation	-	( 2,684)	( 3,297)	( 255,824)	( 13,775)	( 15,276)	( 2,124)	( 591)	( 1,951)	-	( 295,522)	-
	<u>\$ 1,268,972</u>	<u>\$ 261,179</u>	<u>\$ 2,435</u>	<u>\$ 5,591</u>	<u>\$ 9,561</u>	<u>\$ 4,696</u>	<u>\$ 2,016</u>	<u>\$ 12,978</u>	<u>\$ 3,566</u>	<u>\$ 149,138</u>	<u>\$ 1,720,132</u>	<u>\$ 4,813</u>

Note: Prepayments for business facilities are shown as ‘other non-current assets’. Details are provided in Note 6(9).

- A. The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Total	Prepayments for business facilities (Note)
<u>At January 1, 2019</u>											
Cost	\$ 140,737	\$ 126,628	\$ 4,766	\$ 253,882	\$ 13,427	\$ 18,943	\$ 4,140	\$ 11,754	\$ 7,535	\$ 581,812	\$ 596
Accumulated depreciation	-	( 48,245)	( 2,499)	( 251,592)	( 12,307)	( 13,133)	( 744)	( 11,754)	( 6,962)	( 347,236)	-
	<u>\$ 140,737</u>	<u>\$ 78,383</u>	<u>\$ 2,267</u>	<u>\$ 2,290</u>	<u>\$ 1,120</u>	<u>\$ 5,810</u>	<u>\$ 3,396</u>	<u>\$ -</u>	<u>\$ 573</u>	<u>\$ 234,576</u>	<u>\$ 596</u>
<u>2019</u>											
Opening net book amount	\$ 140,737	\$ 78,383	\$ 2,267	\$ 2,290	\$ 1,120	\$ 5,810	\$ 3,396	\$ -	\$ 573	\$ 234,576	\$ 596
Additions	-	-	1,271	3,695	293	594	-	628	2,722	9,203	50,074
Disposals	-	-	-	-	-	-	-	-	( 289)	( 289)	-
Transfers	-	-	-	-	-	1,390	-	-	-	1,390	( 1,390)
Depreciation charges	-	( 3,322)	( 563)	( 2,534)	( 567)	( 2,140)	( 690)	( 104)	( 301)	( 10,221)	-
Closing net book amount	<u>\$ 140,737</u>	<u>\$ 75,061</u>	<u>\$ 2,975</u>	<u>\$ 3,451</u>	<u>\$ 846</u>	<u>\$ 5,654</u>	<u>\$ 2,706</u>	<u>\$ 524</u>	<u>\$ 2,705</u>	<u>\$ 234,659</u>	<u>\$ 49,280</u>
<u>At December 31, 2019</u>											
Cost	\$ 140,737	\$ 126,628	\$ 6,037	\$ 257,577	\$ 13,720	\$ 20,927	\$ 4,140	\$ 12,382	\$ 9,816	\$ 591,964	\$ 49,280
Accumulated depreciation	-	( 51,567)	( 3,062)	( 254,126)	( 12,874)	( 15,273)	( 1,434)	( 11,858)	( 7,111)	( 357,305)	-
	<u>\$ 140,737</u>	<u>\$ 75,061</u>	<u>\$ 2,975</u>	<u>\$ 3,451</u>	<u>\$ 846</u>	<u>\$ 5,654</u>	<u>\$ 2,706</u>	<u>\$ 524</u>	<u>\$ 2,705</u>	<u>\$ 234,659</u>	<u>\$ 49,280</u>

Note: Prepayments for business facilities are shown as ‘other non-current assets’. Details are provided in Note 6(9).

The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.

(8) Intangible assets

	<u>Trademarks</u>	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 576	\$ 27,798	\$ 884	\$ 29,258
Accumulated amortisation	( 377)	( 25,120)	( 547)	( 26,044)
	<u>\$ 199</u>	<u>\$ 2,678</u>	<u>\$ 337</u>	<u>\$ 3,214</u>
<u>2020</u>				
At January 1	\$ 199	\$ 2,678	\$ 337	\$ 3,214
Additions	3	1,912	1,692	3,607
Amortisation charge	( 47)	( 1,521)	( 623)	( 2,191)
At December 31	<u>\$ 155</u>	<u>\$ 3,069</u>	<u>\$ 1,406</u>	<u>\$ 4,630</u>
<u>At December 31, 2020</u>				
Cost	\$ 579	\$ 29,710	\$ 2,576	\$ 32,865
Accumulated amortisation	( 424)	( 26,641)	( 1,170)	( 28,235)
	<u>\$ 155</u>	<u>\$ 3,069</u>	<u>\$ 1,406</u>	<u>\$ 4,630</u>
	<u>Trademarks</u>	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
<u>At January 1, 2019</u>				
Cost	\$ 576	\$ 26,547	\$ 600	\$ 27,723
Accumulated amortisation	( 331)	( 23,706)	( 487)	( 24,524)
	<u>\$ 245</u>	<u>\$ 2,841</u>	<u>\$ 113</u>	<u>\$ 3,199</u>
<u>2019</u>				
At January 1	\$ 245	\$ 2,841	\$ 113	\$ 3,199
Additions	-	1,251	284	1,535
Amortisation charge	( 46)	( 1,414)	( 60)	( 1,520)
At December 31	<u>\$ 199</u>	<u>\$ 2,678</u>	<u>\$ 337</u>	<u>\$ 3,214</u>
<u>At December 31, 2019</u>				
Cost	\$ 576	\$ 27,798	\$ 884	\$ 29,258
Accumulated amortisation	( 377)	( 25,120)	( 547)	( 26,044)
	<u>\$ 199</u>	<u>\$ 2,678</u>	<u>\$ 337</u>	<u>\$ 3,214</u>

Details of amortisation on intangible assets are as follows:

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Selling expenses	\$ 48	\$ -
Administrative expenses	1,182	617
Research and development expenses	961	903
	<u>\$ 2,191</u>	<u>\$ 1,520</u>

(9) Other non-current assets

	December 31, 2020	December 31, 2019
Prepayments for business facilities	\$ 4,813	\$ -
Guarantee deposits paid	1,144	549
Right-of-use assets	1,053	931
Prepayment for land purchases	-	49,280
Others	3,645	3,725
	<u>\$ 10,655</u>	<u>\$ 54,485</u>

- A. The Company leases various assets including office, warehouse, business vehicles, parking spaces, coffee machine and printers, etc. Rental contracts are typically made for periods of 3 months to 3 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 and printers.
- C. For the years ended December 31, 2020 and 2019, the depreciation charges of right-of-use assets were \$7,339 and \$841, respectively.
- D. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were \$137,008 and \$0, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

	Years ended December 31,	
	2020	2019
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 702	\$ 36
Expense on short-term lease contracts	6,036	3,933
Expense on leases of low-value assets	321	189
Gains arising from lease modifications	7,159	-

- F. The Company terminated the lease contract for housing in advance in December 2020. The right-of-use asset and lease liability decreased by \$129,547 and \$136,706, respectively. Accordingly, the Company recognised gain arising from lease modification amounting to \$7,159 for the year ended December 31, 2020.
- G. For the years ended December 31, 2020 and 2019, the Company's total cash outflow for leases was \$7,239 and \$4,999 (of which \$180 and \$841 represents payments of the principal of lease liabilities), respectively.

(10) Short-term borrowings

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

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

(11) Other payables

	December 31, 2020	December 31, 2019
Payables for buildings and land purchases	\$ 303,010	\$ -
Remuneration due to directors and supervisors and employee bonus payable	92,729	106,996
Wages and bonus payable	82,725	93,885
Payables for machinery and equipment	25,715	2,735
Payables for service fees	21,815	20,350
Payables for mold	17,124	631
Payables for export freight and customs clearance charges	9,381	10,365
Others	29,088	33,260
	<u>\$ 581,587</u>	<u>\$ 268,222</u>

(12) Pensions

A. Defined benefit plan

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

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	\$ 49,729	\$ 46,043
Fair value of plan assets	( 18,810)	( 17,562)
Net liability recognised in the balance sheet (shown as 'other non-current liabilities')	<u>\$ 30,919</u>	<u>\$ 28,481</u>

(c) Movements in present value of defined benefit obligation are as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 46,043	(\$ 17,562)	\$ 28,481
Current service cost	116	-	116
Interest expense (income)	322	( 123)	199
	<u>46,481</u>	<u>( 17,685)</u>	<u>28,796</u>
Remeasurements:			
Return on plan assets	-	( 595)	( 595)
Change in financial assumptions	1,383	-	1,383
Experience adjustments	1,865	-	1,865
	<u>3,248</u>	<u>( 595)</u>	<u>2,653</u>
Pension fund contribution	-	( 530)	( 530)
Benefits paid	-	-	-
Balance at December 31	<u>\$ 49,729</u>	<u>(\$ 18,810)</u>	<u>\$ 30,919</u>
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2019</u>			
Balance at January 1	\$ 43,438	(\$ 16,092)	\$ 27,346
Current service cost	116	-	116
Interest expense (income)	391	( 145)	246
	<u>43,945</u>	<u>( 16,237)</u>	<u>27,708</u>
Remeasurements:			
Return on plan assets	-	( 784)	( 784)
Change in financial assumptions	716	-	716
Experience adjustments	1,382	-	1,382
	<u>2,098</u>	<u>( 784)</u>	<u>1,314</u>
Pension fund contribution	-	( 541)	( 541)
Benefits paid	-	-	-
Balance at December 31	<u>\$ 46,043</u>	<u>(\$ 17,562)</u>	<u>\$ 28,481</u>

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



Retirement Fund” (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	2020	2019
Discount rate	0.30%	0.70%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience for the years ended December 31, 2020 and 2019 are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase	Decrease	Increase	Decrease
	0.25%	0.25%	0.25%	0.25%
<u>December 31, 2020</u>				
Effect on present value of defined benefit obligation	(\$ 873)	\$ 902	\$ 786	(\$ 766)
<u>December 31, 2019</u>				
Effect on present value of defined benefit obligation	(\$ 892)	\$ 923	\$ 786	(\$ 765)

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

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2021 are \$486.

#### B. Defined contribution plan

Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2020 and 2019 were \$9,801 and \$8,749, respectively.

(13) Share-based payment

- A. The Company had no share-based payment arrangements for the year ended December 31, 2019, and the arrangements for the year ended December 31, 2020 are 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 upon 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:

	2020
	Quantity of stocks (in thousands)
Restricted stocks at the beginning of year	-
Issued for the year	1,200
Restricted stocks at the end of year	1,200

- 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	\$ 91.30	-	4 years	\$ 91.30

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

	Years ended December 31,	
	2020	2019
Equity-settled	\$ 21,301	\$ -

(14) Ordinary shares

As of December 31, 2020, the Company's authorised capital was \$1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was \$1,209,260 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:

	Years ended December 31,	
	2020	2019
At January 1	\$ 119,726	\$ 119,726
Issuance of restricted stocks	1,200	-
At December 31	\$ 120,926	\$ 119,726

(15) 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.

(16) 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. (a) On June 23, 2020 and June 25, 2019, the shareholders resolved the appropriations of 2019 and 2018 earnings as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 91,195	\$ -	\$ 64,235	\$ -
Special reserve	11,396	-	38,002	-
Cash dividends to shareholders	550,739	4.60	478,904	4.00
	<u>\$ 653,330</u>	<u>\$ 4.60</u>	<u>\$ 581,141</u>	<u>\$ 4.00</u>

(b) On March 23, 2021, the Board of Directors has proposed the appropriation of 2020 earnings as follows:

	<u>Year ended December 31, 2020</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
Legal reserve	\$ 97,474	\$ -
Special reserve	35,952	-
Cash dividends to shareholders	483,644	4.00
	<u>\$ 617,070</u>	<u>\$ 4.00</u>

As of March 23, 2021, the abovementioned appropriation of 2020 earnings has not yet been resolved by the shareholders.

(17) Other equity items

	<u>Year ended December 31, 2020</u>			
	<u>Currency translation</u>	<u>Unrealised losses on valuation</u>	<u>Others, unearned compensation</u>	<u>Total</u>
At January 1	(\$ 218,316)	(\$ 6,236)	\$ -	(\$ 224,552)
Valuation adjustment	-	( 262)	-	( 262)
Restricted stocks:				
- Stocks granted	-	-	( 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	<u>(\$ 254,006)</u>	<u>(\$ 6,498)</u>	<u>(\$ 88,259)</u>	<u>(\$ 348,763)</u>

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

(18) Operating revenue:

A. Disaggregation of revenue from contracts with customers

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

(a) Information on products

	Years ended December 31,	
	2020	2019
Server cases and components of peripheral products	\$ 4,345,839	\$ 4,522,261
Personal computer cases	145,506	276,202
	<u>\$ 4,491,345</u>	<u>\$ 4,798,463</u>

(b) Geographical information

	Years ended December 31,	
	2020	2019
US	\$ 2,452,040	\$ 3,138,200
China	577,411	518,279
Taiwan	962,379	564,945
Others	499,515	577,039
	<u>\$ 4,491,345</u>	<u>\$ 4,798,463</u>

B. Contract assets and liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liabilities-sale of products	<u>\$ 1,654</u>	<u>\$ 957</u>	<u>\$ 1,959</u>

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

	Years ended December 31,	
	2020	2019
Contract liabilities-sale of products	<u>\$ 537</u>	<u>\$ 1,424</u>

(19) Interest income

	Years ended December 31,	
	2020	2019
Interest income from bank deposits	<u>\$ 982</u>	<u>\$ 2,152</u>

(20) Other income

	Years ended December 31,	
	2020	2019
Royalty revenue	\$ -	\$ 2,635
Other income	8,211	2,964
	<u>\$ 8,211</u>	<u>\$ 5,599</u>

(21) Other gains and losses

	Years ended December 31,	
	2020	2019
Net currency exchange loss	(\$ 45,701)	(\$ 17,898)
Loss on disposal of investment	( 437)	( 6,418)
Gain (loss) on disposal of property, plant and equipment	213,500	( 289)
Gains arising from lease modifications	7,159	-
Other expenses	( 2,211)	( 1,607)
	<u>\$ 172,310</u>	<u>(\$ 26,212)</u>

(22) Finance costs

	Years ended December 31,	
	2020	2019
Interest expense on bank borrowings	\$ 3,816	\$ 2,312
Interest expense on lease liabilities	702	36
	<u>\$ 4,518</u>	<u>\$ 2,348</u>

(23) Employee benefit, depreciation and amortisation expenses

	Years ended December 31,	
	2020	2019
Wages and salaries	\$ 318,960	\$ 298,872
Labour and health insurance fees	22,292	13,757
Pension costs	10,116	9,111
Other personnel expenses	14,991	15,595
Employee benefit expense	<u>\$ 366,359</u>	<u>\$ 337,335</u>
Depreciation charges on property, plant and equipment	<u>\$ 20,751</u>	<u>\$ 11,062</u>
Amortisation charges on intangible assets	<u>\$ 2,191</u>	<u>\$ 1,520</u>

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration and will be distributed in the form of stock or cash as resolved by the Board of Directors. Employees who are entitled to receive

employees' compensation include employees of subsidiaries of the company meeting certain specific requirements. Related regulations were set by the Board of Directors. The distribution of employees' compensation and directors' and supervisors' remuneration should be reported to the stockholders. However, if the Company has accumulated deficit, the Company should cover accumulated losses first, then distribute employees' compensation and directors' and supervisors' remuneration proportionately as described above.

- B. For the years ended December 31, 2020 and 2019, employees' compensation was accrued at \$70,895 and \$82,679, respectively; while directors' and supervisors' remuneration was accrued at \$21,744 and \$24,317, respectively. The aforementioned amounts were recognised in salary expenses.

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

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

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.

(24) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2020	2019
Current tax:		
Current tax on profits for the year	\$ 155,552	\$ 202,436
Tax on undistributed surplus earnings	-	3,083
Prior year income tax under (over) estimation	7,137	(3,776)
Total current tax	162,689	201,743
Deferred tax:		
Origination and reversal of temporary differences	(43,329)	(17,718)
Total deferred tax	(43,329)	(17,718)
Income tax expense	\$ 119,360	\$ 184,025



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

	Years ended December 31,	
	2020	2019
Currency translation differences	\$ 54,845	(\$ 18,628)
Remeasurement of defined benefit obligation	(\$ 531)	(\$ 263)

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2020	2019
Tax calculated based on profit before tax and statutory tax rate	\$ 219,243	\$ 219,195
Tax on undistributed surplus earnings	-	3,083
Prior year income tax under (over) estimation	7,137	( 3,776)
Expenses disallowed by tax regulation	1,508	-
Acquisition of cash dividends distributed by foreign investee company accounted for using equity method	18,589	-
Effect from deduction or exemption for substantive investment from repatriated offshore funds	( 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	( 47,029)	( 23,493)
Others	1,929	( 10,984)
Income tax expense	\$ 119,360	\$ 184,025

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

	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	\$ 10,310	(\$ 7,290)	\$ -	\$ 3,020
Unrealised gain on inter-affiliate accounts	18,255	( 8,748)	-	9,507
Unrealised gross profit	-	743	-	743
Allowance for bad debts	2,649	( 21)	-	2,628
Unused compensated absences	1,456	259	-	1,715
Pension expense payable	6,306	-	531	6,837
Pension expense that exceeds the limit for tax purpose	1,788	43	-	1,831
Unrealised warranty provision	1,138	-	-	1,138
Unrealised exchange loss	2,320	223	-	2,543
Others	3,510	7,872	-	11,382
	<u>\$ 47,732</u>	<u>(\$ 6,919)</u>	<u>\$ 531</u>	<u>\$ 41,344</u>
-Deferred tax liabilities:				
Investment income	<u>(\$ 5,147)</u>	<u>\$ 50,248</u>	<u>(\$ 54,845)</u>	<u>(\$ 9,744)</u>
2019				
	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	\$ 2,328	\$ 7,982	\$ -	\$ 10,310
Unrealised gain on inter-affiliate accounts	7,672	10,583	-	18,255
Allowance for bad debts	2,859	( 210)	-	2,649
Unused compensated absences	1,715	( 259)	-	1,456
Pension expense payable	5,930	113	263	6,306
Pension expense that exceeds the limit for tax purpose	1,761	27	-	1,788
Unrealised warranty provision	1,138	-	-	1,138
Unrealised exchange loss	61	2,259	-	2,320
Others	57	3,453	-	3,510
	<u>\$ 23,521</u>	<u>\$ 23,948</u>	<u>\$ 263</u>	<u>\$ 47,732</u>
-Deferred tax liabilities:				
Investment income	<u>(\$ 17,545)</u>	<u>(\$ 6,230)</u>	<u>\$ 18,628</u>	<u>(\$ 5,147)</u>

- D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2020 and 2019, the amounts of temporary differences unrecognised as deferred tax liabilities were \$363,643 and \$350,230, respectively.
- E. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.
- F. The Company had applied for investment of repatriated offshore funds back in Taiwan in 2020 and had paid 8% of the income tax. The Company will apply for 4% of tax refund after it completes the substantive investment and obtains the certificate issued by the Ministry of Economic Affairs. The aforementioned tax refund expected to be collected amounting to \$18,002 was shown as 'current tax assets'.

(25) Earnings per share

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

Year ended December 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 911,951	119,726	\$ 7.62
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 911,951		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,199	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 911,951	120,925	\$ 7.54

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 1,712,630	\$ 10,593
Add: Opening balance of payable on equipment	2,735	142
Ending balance of prepayments for business facilities	4,813	49,280
Less: Opening balance of prepayments for business facilities	( 49,280)	( 596)
Ending balance of payable on equipment	( 25,715)	( 2,735)
Ending balance of payable on land and building purchased	( 303,010)	-
Cash paid during the year	\$ 1,342,173	\$ 56,684

- B. The subsidiary-Chenbro Europe B.V. was liquidated in March 2019 and accordingly, the Group lost control over the subsidiary. The information on cash returned and relevant assets and liabilities is as follows:

	Year ended December 31, 2019
Cash returned	<u>\$ 65,130</u>
Carrying amounts of the assets and liabilities of Chenbro Europe B.V.	
Cash	\$ 65,130
Other receivables	1,629
Other payables	(2,830)
Total net assets	<u>\$ 63,929</u>

- C. The Board of Directors of the subsidiary-Chenbro UK Limited, resolved to reduce the capital in the amount of GBP 19,999 on August 7, 2018. The reduction in capital was registered in October 2018 and Chenbro UK Limited has remitted back the share capital of \$1,178 in July 2019. The liquidation was completed in January 2020. Accordingly, the Company lost control over the subsidiary. The information on cash returned and relevant assets and liabilities is as follows:

	Year ended December 31, 2019
Cash returned	<u>\$ 1,178</u>
Carrying amounts of the assets and liabilities of Chenbro UK Limited	
Cash	<u>\$ 1,178</u>
Total net assets	<u>\$ 1,178</u>

- D. 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	<u>\$ 14,327</u>
Carrying amounts of the assets and liabilities of Edge International Company limited	
Cash	<u>\$ 14,327</u>
Total net assets	<u>\$ 14,327</u>

(27) Changes in liabilities from financing activities

	2020		
	Short-term borrowings	Lease liabilities (Note)	Liabilities from financing activities-gross
At January 1, 2020	59,960	931	60,891
Changes in cash flow from financing activities	789,109	(180)	788,929
Changes in other non-cash items	-	302	302
At December 31, 2020	\$ 849,069	\$ 1,053	\$ 850,122
	2019		
	Short-term borrowings	Lease liabilities (Note)	Liabilities from financing activities-gross
At January 1, 2019	\$ 245,381	\$ 1,761	\$ 247,142
Changes in cash flow from financing activities	(185,421)	(841)	(186,262)
Changes in other non-cash items	-	11	11
At December 31, 2019	\$ 59,960	\$ 931	\$ 60,891

Note: Lease liabilities were shown as ‘other current liabilities’ and ‘other non-current liabilities’ according to their liquidity.

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company’s shares are held by the public, thus, there is no parent company or ultimate parent.

(2) Name of related party and relationship

Names of related parties	Relationship with the Company
Micom Source Holding Company (MICOM)	Subsidiary
CLOUDWELL HOLDINGS, LLC. (CLOUDWELL)	Subsidiary
Chenbro Europe B.V.	Subsidiary (Note 1)
Chenbro GmbH (GmbH)	Subsidiary
Chenbro Micom (USA) Incorporation (CMI)	Subsidiary
Chenbro UK Limited (UK)	Subsidiary (Note 3)
Edge International Company limited (Edge)	Subsidiary (Note 4)
Chen-Feng Precision Co., Ltd. (Chen-Feng)	Subsidiary
ChenPower Information Technology (Shanghai) Co., Ltd. (CPT)	Subsidiary
Chenbro Micom (Shenzhen) Co., Ltd. (CCS)	Subsidiary (Note 2)
Chenbro Technology (Kunshan) Co., Ltd. (CSH)	Subsidiary
Procace & Morex Corp. (PROCASE)	Subsidiary

Names of related parties	Relationship with the Company
Dongguan Procace Electronic Co., Ltd. (DGP)	Subsidiary
Chen-Source Inc.	Other related party

Note 1: On May 9, 2017, Chenbro Europe B. V. was dissolved under the resolution of the Board of Directors, and the liquidation was completed in March 2019.

Note 2: On January 19, 2017, Chenbro Micom (Shenzhen) Co. was dissolved under the resolution of the Board of Directors, and the liquidation was completed in August 2019.

Note 3: On August 7, 2018, the Board of Directors of Chenbro UK Limited resolved to reduce the capital, and the liquidation was completed in January 2020.

Note 4: On May 12, 2020, Edge International Company Limited was dissolved under the resolution of the Board of Directors, and the liquidation was completed in October 2020.

### (3) Significant related party transactions

#### A. Operating revenue and other income

	Years ended December 31,	
	2020	2019
Sales of goods:		
Subsidiaries		
- CMI	\$ 2,422,582	\$ 3,076,480
- Other subsidiaries	257,427	118,464
Other income - royalty revenue:		
Subsidiaries		
- CPT	-	2,635
Other income - management revenue:		
Subsidiaries	7,322	20,697
Other related parties	-	32
	<u>\$ 2,687,331</u>	<u>\$ 3,218,308</u>

(a) Sales of goods: Goods are sold based on normal prices and terms. Payment collection is 90 days and OA 120 days after monthly billings.

(b) Royalty revenue: Royalties received from subsidiaries for using the Company's resources.

(c) Management revenue: For the year ended December 31, 2019, revenue arises from managing administrative affairs on behalf of subsidiaries and other related parties and is shown as a deduction to 'selling expenses', 'management fees' and 'operating costs'. Management revenue is determined based on agreed upon terms and payment collection is 60~90 days after monthly billings. For the year ended December 31, 2020, the Company changed its transaction model and collected management revenue from the subsidiaries based on costs plus margin, therefore, management revenue is shown as other income and payment collection is 60~90

days after monthly billings.

#### B. Purchases and other expenses

	Years ended December 31,	
	2020	2019
Purchases:		
Subsidiaries		
- CSH	\$ 2,442,576	\$ 2,239,443
- PROCASE	47	651,432
- Other subsidiaries	461,535	542
Other related parties	3,814	18,915
Other expenses:		
Other related parties (management service expense)	4,416	3,179
	<u>\$ 2,912,388</u>	<u>\$ 2,913,511</u>

(a) Purchases of goods: No similar transaction can be compared with. Prices and terms are determined based on mutual agreements and payment term is 90 days after monthly billings.

(b) Service expense: Service expenses paid by the Company to subsidiaries.

(c) Management service expense: It arises from short-term leases of warehouse and management of warehouse by other related parties on behalf of the Company. Prices and terms are determined based on mutual agreements and payment term is 60 days after monthly billings.

#### C. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable:		
Subsidiaries		
- CMI	\$ 909,218	\$ 937,272
- Other subsidiaries	55,555	63,786
	<u>964,773</u>	<u>1,001,058</u>
Other receivables		
Subsidiaries		
- PROCASE	-	26,079
- CSH	7,608	74,297
- DGP	50,950	-
- Other subsidiaries	438	6,431
Other related parties	23	8
	<u>59,019</u>	<u>106,815</u>
	<u>\$ 1,023,792</u>	<u>\$ 1,107,873</u>

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



(b) Other receivables are amounts paid for purchase of materials and collection of royalties on behalf of subsidiaries and other related parties.

D. Payables to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Accounts payable:		
Subsidiaries		
- CSH	\$ 607,515	\$ 709,110
- DGP	92,895	-
- PROCASE	-	131,169
- Other subsidiaries	4,166	-
Other related parties	822	4,612
	<u>705,398</u>	<u>844,891</u>
Other payables:		
Subsidiaries	1,947	-
Other related parties	876	590
	<u>2,823</u>	<u>590</u>
	<u>\$ 708,221</u>	<u>\$ 845,481</u>

(a) Accounts payable bear no interest.

(b) Other payables: The payables are service expenses paid by subsidiaries and mold fee.

E. Property transactions:

(a) Acquisition of financial assets:

				<u>Year ended December 31, 2020</u>
	<u>Accounts</u>	<u>No. of shares (shares in thousands)</u>	<u>Objects</u>	<u>Consideration</u>
Subsidiaries				
-Edge (Note)	Investment accounted for using equity	500	stocks	\$ 14,963
-Chen-Feng	Investment accounted for using equity	5,600	stocks	56,000
				<u>\$ 70,963</u>

Note: Edge had been liquidated completely in October 2020.

<u>Year ended December 31, 2019</u>				
	<u>Accounts</u>	<u>No. of shares (shares in thousands)</u>	<u>Objects</u>	<u>Consideration</u>
Subsidiaries				
-MICOM	Investment accounted for using equity	-	stocks	<u>\$ 56,746</u>

(b) Disposal of financial assets:

<u>Year ended December 31, 2020</u>					
	<u>Accounts</u>	<u>No. of shares (shares in thousands)</u>	<u>Objects</u>	<u>Proceeds</u>	<u>Loss</u>
Subsidiaries					
-MICOM	Investment accounted for using equity	(Note)	(Note)	\$ 464,724	\$ -
-Edge	Investment accounted for using equity	500	stocks	<u>14,327</u>	<u>437</u>
				<u>\$ 479,051</u>	<u>\$ 437</u>

Note: As resolved by the Board of Directors on March 17, 2020, MICOM distributed cash dividends amounting to \$464,724 which was remitted to the parent company in May 2020.

<u>Year ended December 31, 2019</u>					
	<u>Accounts</u>	<u>No. of shares (shares in thousands)</u>	<u>Objects</u>	<u>Proceeds</u>	<u>Loss</u>
Subsidiaries					
-Chenbro Europe B.V.	Investment accounted for using equity	20,000	stocks	\$ 65,130	\$ 6,396
-Chenbro UK Limited	Investment accounted for using equity	19,999	stocks	<u>1,178</u>	<u>22</u>
				<u>\$ 66,308</u>	<u>\$ 6,418</u>

F. Endorsements and guarantees provided to related parties

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Subsidiaries (Note)		
- PROCASE	\$ -	\$ 4,000
- CLOUDWELL	5,600	5,600
- CMI	-	2,000
	<u>\$ 5,600</u>	<u>\$ 11,600</u>

Note: unit in thousands of USD.

(4) Key management compensation

	<u>Years ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 57,561	\$ 56,770
Post-employment benefits	278	156
Share-based payments	6,390	-
	<u>\$ 64,229</u>	<u>\$ 56,926</u>

8. PLEDGED ASSETS

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

<u>Pledged asset</u>	<u>Book value</u>		<u>Purpose</u>
	<u>December 31, 2020</u>	<u>December 31, 2019</u>	
Time deposits (shown as 'current financial assets at amortised cost and other current assets')	<u>\$ 3,000</u>	<u>\$ 3,000</u>	Customs duty guarantee
Land (shown as 'property, plant and equipment')	<u>\$ 558,358</u>	<u>\$ -</u>	Collateral for bank borrowings (Note)

Note: Please refer to Note 11(1) for details.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

In line with the Company's long-term development plan, the Company entered into a new plant construction contract (mechatronic, fire safety and air conditioning) with RUEY LAN ENGINEERING CO., LTD. on December 22, 2020. The total price of the contract was \$289,500 (tax included).

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) In line with the Company's long-term development plan, 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. on February 2, 2021. The total price of the contract was \$1,208,529 (tax included). The Company applied for Loans for Returning Overseas Taiwanese Businesses with the Bank of Taiwan in October 2020 for the capital needs of plant construction and had drawn down part of the loan in January 2021. The total amount of the loan was \$1,744,000, and the loan term shall not be more than 10 years. The interest rate of the loan is the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank plus 0.445% of annual interest and the markdown interest rate shall not be less than 0.4%. If the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank was adjusted, then the interest rate of the loan shall be adjusted immediately and the commission fee shall be paid by the National Development Fund at an annual interest of 0.5%, but the payment period shall not exceed 5 years. The loan is mainly for the purchase of land, construction of plant, acquisition of machinery and equipment and working capital. The Company pledged promissory note of the same amount as the loan, machinery and equipment acquired through the loan, land in Lucao Township, Chiayi County and buildings under completion as collateral.

(2) On March 23, 2021, the Board of Directors resolved the following matters during its meeting:

- A. For the consideration of cash flows and needs of local operations, the Company's Board of Directors proposed to remit back USD\$2.893 million by way of cash dividend from MICOM SOURCE HOLDING COMPANY.
- B. Please refer to Note 6(23) B for the resolution of employees' compensation and directors' and supervisors' remuneration for the year ended December 31, 2020.
- C. Please refer to Note 6(16) E(b) for the appropriation of earnings.

## 12. OTHERS

### (1) Capital management

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

### (2) Financial instruments

- A. Financial instruments by category

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 28,196	\$ 28,458
Financial assets at amortised cost		
Cash and cash equivalents	233,640	370,085
Financial assets at amortised cost	3,000	-
Accounts receivable (including related parties)	1,312,711	1,324,296
Other receivables (including related parties)	84,326	121,493
Other current assets	-	3,000
Guarantee deposits paid	1,144	549
	<u>\$ 1,663,017</u>	<u>\$ 1,847,881</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 849,069	\$ 59,960
Accounts payable (including related parties)	871,203	1,076,807
Other accounts payable (including related parties)	584,410	268,812
	<u>\$ 2,304,682</u>	<u>\$ 1,405,579</u>
Lease liability (shown as other current liabilities and other non-current liabilities)	<u>\$ 1,053</u>	<u>\$ 931</u>

#### B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

#### C. Significant financial risks and degrees of financial risks

- (a) Market risk

### Foreign exchange risk

- i. The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Company is required to hedge its entire foreign exchange risk exposure with the Company treasury, and primarily hedge using natural hedge.
- iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 51,655	28.48	\$ 1,471,134
<u>Non-monetary items</u>			
USD:NTD	10,968	28.48	312,363
EUR:NTD	300	35.02	10,505
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 29,827	28.48	\$ 849,473

December 31, 2019			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 57,384	29.98	\$ 1,720,372
<u>Non-monetary items</u>			
USD:NTD	8,458	29.98	253,559
EUR:NTD	284	33.59	9,540
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 30,539	29.98	\$ 915,559

- iv. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company:

Year ended December 31, 2020			
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	28.48	(\$ 19,760)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	28.48	\$ 7,050

Year ended December 31, 2019			
Exchange gain (loss)			
(Foreign currency: functional currency)	Foreign currency amount		
	(in thousands)	Exchange rate	Book value
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	29.98	(\$ 26,099)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	29.98	\$ 14,574

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

Year ended December 31, 2020			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
			income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 14,711	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	8,495	-

Year ended December 31, 2019			
Sensitivity analysis			
(Foreign currency: functional currency)	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
			income
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 17,204	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	9,156	-



### Price risk

- i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.
- ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other comprehensive income for the years ended December 31, 2020 and 2019 would have increased/decreased by \$282 and \$285, respectively, as a result of gains or losses on equity investment at fair value through other comprehensive income.

### Cash flow and fair value interest rate risk

The Company's interest rate risk arises from short-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's borrowings are primarily at fixed rates. During the years ended December 31, 2020 and 2019, the Company's borrowings at variable rate were denominated in the NTD and USD.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated at amortised cost and at fair value through other comprehensive income.
- ii. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. Individual risk limits are set based on internal or external factors in accordance with limits set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.
- iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- vi. The Company classifies customers' accounts receivable in accordance with credit risk on trade. The Company applies the simplified approach using the provision matrix and loss rate methodology to estimate expected credit loss.

- vii. The Company used the forecastability of The New Basel Capital Accord to adjust historical and timely information to assess the default possibility of accounts receivable. In 2020 and 2019, the loss allowance is as follows:

	Not past due	1 to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2020</u>				
Expected loss rate	0.03%	0.14%	1.14%	5.09%
Total book value	\$ 284,044	\$ 56,905	\$ 8,170	\$ -
Loss allowance	\$ -	\$ 352	\$ 829	\$ -
	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2020</u>				
Expected loss rate	37.25%	100.00%		
Total book value	\$ -	\$ -	\$ 349,119	
Loss allowance	\$ -	\$ -	\$ 1,181	
	Not past due	1 to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2019</u>				
Expected loss rate	0.03%	0.15%	2.61%	8.42%
Total book value	\$ 291,775	\$ 31,525	\$ 264	\$ -
Loss allowance	\$ -	\$ 299	\$ 27	\$ -
	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2019</u>				
Expected loss rate	37.28%	100.00%		
Total book value	\$ -	\$ -	\$ 323,564	
Loss allowance	\$ -	\$ -	\$ 326	

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

	2020
	<u>Accounts receivable</u>
At January 1	\$ 326
Impairment loss	855
Derecognised	-
At December 31	<u>\$ 1,181</u>

	2019
	<u>Accounts receivable</u>
At January 1	\$ 646
Reversal of impairment loss	( 320)
Derecognised	-
At December 31	<u>\$ 326</u>

For the years ended December 31, 2020 and 2019, impairment loss (gain) of accounts receivable that arise from customer contracts is \$855 and (\$320), respectively.

(c) Liquidity risk

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

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2020</u>				
Short-term borrowings	\$ 849,344	\$ -	\$ -	\$ -
Accounts payable	165,805	-	-	-
Accounts payable - related party	705,398	-	-	-
Other payables	581,587	-	-	-
Other payables - related party	2,823	-	-	-
Other current liabilities	662	-	-	-
Other non-current liabilities	-	414	-	-
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2019</u>				
Short-term borrowings	\$ 60,050	\$ -	\$ -	\$ -
Accounts payable	231,916	-	-	-
Accounts payable - related party	844,891	-	-	-
Other payables	268,222	-	-	-
Other payables - related party	590	-	-	-
Other current liabilities	684	-	-	-
Other non-current liabilities	-	317	-	-

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

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

- B. The carrying amounts of the Company's financial assets not measured at fair value, which are including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), other current assets, guarantee deposits paid, short-term borrowings, contract liabilities, accounts payable (including related parties), other payables (including related parties) and lease 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, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,196</u>	<u>\$ 28,196</u>
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets</b>				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,458</u>	<u>\$ 28,458</u>

- (b) The methods and assumptions the Company used to measure fair value are as follows:

- i. The fair value of the Company's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other

valuation methods, including calculated by applying model using market information available at the balance sheet date.

- ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

- D. The following chart is the movement of Level 3 for the years ended December 31, 2020 and 2019:

	2020	\$ 2,019
	Equity securities	Equity securities
January 1	\$ 28,458	\$ 25,389
Acquired in the year	-	3,069
Recorded as unrealised (losses) gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	( 262)	-
At December 31	<u>\$ 28,196</u>	<u>\$ 28,458</u>

- E. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.
- F. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	<u>Fair value at December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 28,196	Market comparable companies	Price to book ratio multiple	1.33-2.69 (1.33)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	25% (25%)	The higher the discount for lack of marketability, the lower the fair value
	<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (weighted average)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 28,458	Market comparable companies	Price to book ratio multiple	1.37-4.41 (1.68)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20% (20%)	The higher the discount for lack of marketability, the lower the fair value

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect 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, 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)
			December 31, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 285	(\$ 285)
	Discount for lack of marketability	±1%	-	-	71	( 71)

### 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: Please refer to table 4.

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 5.

H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

For investees' disclosures, the financial statements of CLOUDWELL HOLDINGS., LLC. were audited by the investee's appointed auditors. Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

Name of company	Counterparty	Accounts	Amount for 2020	Percentage representing the account of the company (%)	Note
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Sales	\$ 72,357	2	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	2,442,576	74	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	607,515	70	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Accounts payable	92,895	11	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Other receivables	50,950	60	Note 1
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Purchases	261,276	8	
Chenbro Micom Co., Ltd.	Edge International Company Limited	Purchases	196,421	6	Note 2
Edge International Company Limited	Dongguan Procace Electronic Co., Ltd.	Purchases	125,663	72	Note 2



Note 1: Represents amount paid for the purchase of materials on behalf of the Company's subsidiary, Dongguan Procace Electronic Co., Ltd.

Note 2: The Company purchased finished goods from the investee company in Mainland China, Dongguan Procace Electronic Co., Ltd., through Edge International Company Limited for sale.

(4) Major shareholders information

Major shareholders information: Please refer to table 10.

14. OPERATING SEGMENT INFORMATION

Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers Article 22, a company is not required to present operating segment information within the scope of IFRS 8, in the parent company only financial statements.

CHENBRO MICOM CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2020

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

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2020 (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	Provision of endorsements/ guarantees by parent company	Provision of endorsements/ guarantees to the party in Mainland China (Note 6)	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Inc.	2	\$ 785,870	\$ 60,500	\$ -	\$ -	\$ -	0.00	\$ 2,357,611	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	2	785,870	169,400	159,488	113,361	-	4.06	2,357,611	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	PROCASE & MOREX Corporation	3	785,870	121,000	-	-	-	0.00	2,357,611	Y	N	N	Note 3

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1) The Company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is as follows:

(1) A company with which the Company does business

(2) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company

(4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares

(5) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project

(6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages

(7) Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", ceiling on accumulated endorsements/guarantees to others and limit on endorsements/guarantees to a single party was 60% and 20% of the Company's net assets, respectively.

Note 4: The maximum endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US\$2,000 thousand, \$5,600 thousand and \$4,000 thousand for the year ended December 31, 2020, respectively.

Note 5: The outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US\$0 thousand, \$5,600 thousand and \$0 thousand for the year ended December 31, 2020, respectively.

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

CHENBRO MICOM CO., LTD.

Holding of marketable securities at the end of the period

December 31, 2020

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

Table 2

Securities held by CHENBRO MICOM CO., LTD.	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2020			
				Number of shares	Book value	Ownership (%)	Fair value
	Diamond Creative Holding Limited	None	Non-current financial assets at fair value through other comprehensive income	1,100,000	\$28,196	14.29%	\$28,196

CHENBRO MICOM CO., LTD.

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

Year ended December 31, 2020

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 (Note 1)	Transaction amount	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHENBRO MICOM CO., LTD.	CHUNGYUET IFC (A1 ~ A21-20 ~ 21F)	August 13, 2019 (the date of the Board meeting resolution) (Note 2)	\$ 515,864 (Note 3)	Based on the contract schedule (Note 4)	CHUNGMAO Capital	None	Not applicable	Not applicable	Not applicable	Not applicable	Based on the appraisal report	To meet the company's long-term development and plans	None
CHENBRO MICOM CO., LTD.	Machouyou Industry Park's 1st productive land	March 17, 2020 (the date of the Board meeting resolution) (Note 5)	\$ 551,689	Based on the contract schedule (Note 4)	Chiayi Country Government	None	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Newly established plants	None
CHENBRO MICOM CO., LTD.	CHUNGYUET IFC (18 ~ 19F)	November 10, 2020 (the date of the Board meeting resolution) (Note 6)	\$ 466,160	Based on the contract schedule (Note 7)	CHUNGMAO Capital	None	Not applicable	Not applicable	Not applicable	Not applicable	Based on the appraisal report	To meet the company's long-term development and plans	None

Note 1: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount of transaction.  
Note 2: The transfer was completed on November 3, 2020.  
Note 3: There was a change on the size of the pre-construction homes after the measurement. The total price before the adjustment was \$500,840.  
Note 4: The payment was made in full.  
Note 5: The transfer was completed on August 18, 2020.  
Note 6: The transfer was completed on January 21, 2021.  
Note 7: As of December 31, 2020, the company has paid \$163,150.

CHENBRO MICOM CO., LTD.

Disposal of real estate reaching NT\$300 million or 20% of paid-in capital or more  
Year ended December 31, 2020  
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 4

Real estate disposed by	Real estate	Transaction date or date of the event (Note 1)	Date of acquisition	Book value	Disposal amount	Status of collection	Disposal of profit	Counterparty	Relationship with the counterparty	Reason for disposal of real estate	Basis or reference used in setting the price	Other commitments
CHENBRO MICOM CO., LTD.	Zhonghe office	June 18, 2020 (signing date) (Note 2)	May 19, 1999	\$ 132,415	\$ 348,600	Based on the contract schedule (Note 3)	\$186,215 (Note 4)	APLEX TECHNOLOGY INC.	None	To meet the company's long-term development plans. Also, the company acquired office building which is located in Xinzhuang District	Based on the appraisal report	None

Note 1: Date of the event referred to herein is the date of contract signing, date of payment, date of execution of a trading order, date of title transfer, date of board resolution, or other date that can confirm the counterparty and the monetary amount  
Note 2: The transfer has been completed.  
Note 3: As of December 31, 2020, all proceeds have been collected.  
Note 4: The profit or loss has taken into consideration the taxes and expenses.

CHENBRO MICOM CO., LTD.

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

Year ended December 31, 2020

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

Table 5

Differences in transaction terms compared to third party transactions										Notes/accounts receivable (payable)		
Transaction					Percentage of total purchases					Percentage of total notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	(sales)	Credit term	Unit price	Credit term	Balance			Footnote
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	The Company's subsidiary	Sales	\$ 2,422,582	54	OA 120 days	Note 1	Note 1	\$ 909,218		69	
CHENBRO MICOM CO., LTD.	Chenbro GmbH	The Company's subsidiary	Sales	182,881	4	90 days after monthly billing	Note 1	Note 1	55,555		4	
Edge International Company Limited	CHENBRO MICOM CO., LTD.	Parent-subsiidiary company	Sales	196,421	100	60 days after monthly billing	Note 1	Note 1	-		-	
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiidiary company	Sales	2,442,576	75	60 days after monthly billing	Note 1	Note 1	607,515		67	
Dongguan Procace Electronic Co., Ltd.	Edge International Company Limited	Parent-subsiidiary company	Sales	125,663	5	Based on agreement	Note 1	Note 1	-		-	
Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiidiary company	Sales	261,276	11	60 days after monthly billing	Note 1	Note 1	92,895		12	
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	1,973,937	83	Based on agreement	Note 1	Note 1	671,038		87	

Note 1: Terms and prices for the abovementioned transactions are the same with third parties.

CHENBRO MICOM CO., LTD.

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

December 31, 2020

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

Table 6

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2020	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts (Note 2)
					Amount	Action taken		
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsiary company	Accounts receivable 909,218	2.62	\$	16	\$ 540,046	\$ -
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsiary company	Other receivables 329	Not applicable		-	329	-
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiary company	Accounts receivable 607,515	3.68		-	261,554	-
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable	3.35		-	373,214	-
			\$ 671,038					

Note 1: Subsequent collections as of March 23, 2021.

Note 2: As the related parties have excellent credit condition, no allowance for doubtful accounts was recognised.

CHENBRO MICOM CO., LTD.

Significant inter-company transactions during the reporting period

Year ended December 31, 2020

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

Table 7

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 5)
				General ledger account	Amount (Notes 3 and 6)	Transaction terms	
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Sales	\$ 2,422,582	Note 4	32
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	909,218	Note 4	11
0	CHENBRO MICOM CO., LTD.	Chenbro GmbH	1	Sales	182,881	Note 4	2
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	2,442,576	Note 4	32
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	607,515	Note 4	8
1	Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	261,276	Note 4	3
2	Dongguan Procace Electronic Co., Ltd.	Edge International Company Limited	3	Sales	125,663	Note 4	2
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	1,973,937	Note 4	26
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Accounts receivable	671,038	Note 4	8
3	Edge International Company Limited	CHENBRO MICOM CO., LTD.	2	Sales	196,421	Note 4	3

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, 2020 is translated using the quarterly average exchange rate in 2020, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2020.



CHENBRO MICOM CO., LTD.

Information on investees (not including investees in Mainland China)

Year ended December 31, 2020

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

Table 8

Investor	Investee	Location	Main business activities	Initial investment amount			Shares held as at December 31, 2020			Net profit (loss) of the investee for the year ended December 31, 2020 (Note 4)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Notes 4 and 5)	Footnote
				Balance as at December 31, 2020 (Note 4)	Balance as at December 31, 2019 (Note 4)		Number of shares	Ownership (%)	Book value (Note 4)			
CHENBRO MICOM CO., LTD.	Micom Source Holding Company	Cayman Islands	Holding company	\$ 720,264	\$ 720,264		22,323,002	100	\$ 2,312,205	\$ 183,248	\$ 261,201	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408		10,000,000	100	199,863	32,408	32,296	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365		3,600,000	100	112,500	1,884	1,884	Note 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019		250,000	100	10,505	2,548	2,662	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chen-Feng Precession Co., Ltd.	Taiwan	Manufacturing of NCT	56,000	-		5,600,000	70	48,276	( 11,034)	( 7,724)	Note 7
CHENBRO MICOM CO., LTD.	Edge International Company Limited	Seychelles	Trading/ order taking company	-	-		-	-	-	( 198)	( 198)	Notes 4 and 6
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	183,781	183,781		6,452,738	100	75,581	6,253	-	Notes 3 and 4
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	234,675	234,675		8,239,890	100	1,606,999	138,785	-	Notes 3 and 4
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	449,984	449,984		35,346	100	649,982	40,114	-	Notes 3, 4 and 8
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Trading/ order taking company	242,080	242,080		35,502	100	621,056	42,925	-	Notes 2 and 5

Note 1: Investment income (loss) recognised for the year ended December 31, 2020 includes recognition and elimination of realised and unrealised gain (loss) on upstream transactions.

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

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

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

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: Edge International Company Limited was established on December 31, 2019, funds amounting to USD 500 thousand were in place in February 2020, and was dissolved under the resolution of the Board of Directors on May 12, 2020. The liquidation was completed in October 2020.

Note 7: Chen-Feng Precision Co., Ltd. was established on March 4, 2020.

Note 8: ADEPT International Company was dissolved under the resolution of the Board of Directors on May 12, 2020.

CHENBRO MICOM CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2020

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

Table 9

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2020		Accumulated amount of remittance from Mainland China as of January 1, 2020	Remitted to Mainland China	Net income of investee for the year ended December 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2020 (Note 1)	Book value of investments in Mainland China as of December 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2020	Footnote
				2020	2020	2020	2020	2020	2020	2020	2020	2020	
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	\$ 284,800	2	\$ 284,800	\$ -	\$ -	\$ -	\$ 102,080	100	\$ 102,080	\$ 1,421,188	\$ 767,130	Notes 2, 4, 5 and 7
Dongguan Procise Electronic Co., Ltd.	Manufacturing and processing of computer cases	357,196	2	85,326	-	85,326	-	52,153	100	52,153	628,921	-	Notes 3 and 7
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	59,808	2	-	-	-	-	62,176	100	62,176	187,754	-	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 Procise & 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, 2020 translated using the quarterly average exchange rate in 2020, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2020.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2020	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 9)
CHENBRO MICOM CO., LTD.	\$ 370,126	\$ 393,259	\$ -

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 20, 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.  
Major shareholders information  
December 31, 2020

Table 10

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



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