

Chenbro Micom Co., Ltd.

2022 Annual Report

Stock Code : 8210



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None

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Chapter 1

Letter to Shareholders

- I. Operating Performance in 2022
- II. Outline of the 2023 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,

The annual representative word "Permacrisis" that was selected by the Collins dictionary in 2022 reflected the turmoil and challenges encountered by the world, including but not limited to the COVID-19 pandemic, the Russian-Ukrainian war, inflation, and global energy, etc. In turn, it will affect all aspects of the global logistics, cash flow, and talent flow, and global industries, enterprises, and individuals will all have to take part. How to cope with the current situation and how to turn the crisis into an opportunity has become top priority for companies, and enhancing the ability of enterprises to cope with the crisis and sustainable operation has become the top priority for Chenbro.

The development of the cloud industry was affected by factors such as supply chain, raw materials, and inventory, but is still driven by the demand for end, edge and cloud applications as well as technological evolution in the long run. With clear and effective strategies, the concerted efforts from all employees, and the strong support from industry partners, Chenbro survived the turbulent environment by persevering and operating just like a tiger. The Company achieved NT\$10.56 billion in revenue and NT\$8.32 in EPS for the year, the highest revenue and profit in its 40-year history!

Looking ahead to 2023, uncertainties in the external business environment continue to evolve, the global political and economic situation is still changing rapidly, inflation and central bank policies continue to influence each other, but growth in the cloud industry can still be expected. Chenbro will continue to optimize its competitiveness through actively understanding market trends and customer needs, cultivating global customer and market presence, and satisfying different applications through highly compatible and customized system integration capabilities and standard products. Chenbro will also maintain good communication with the upstream and downstream supply chains, pursue prosperity with partners, and introduce flexible but precise scheduling for production that will improve the efficiency of cooperation between plants. The new Chiayi plant will start contributing to production capacity in January 2022 and is expected to continue to maximize automation results and increase production efficiency to build Chenbro's core value through various internal and external strategies. The following is a summary of Chenbro's operating performance in 2022 and the outlook to the future:

I. Operational Results in 2022

(I) Financial results

1. Results of the business plan

Unit: NT\$ thousand

Item	2022	2021	Amount of increase (decrease)	Increase (decrease)%
Operating revenue	10,557,701	9,423,020	1,134,681	12.04%

Item	2022	2021	Amount of increase (decrease)	Increase (decrease)%
Gross income from operations	2,130,549	1,843,866	286,683	15.55%
Operating income	1,141,601	882,382	259,219	29.38%
Net income before tax	1,342,715	885,990	456,725	51.55%
Net income	1,008,463	672,026	336,437	50.06%
Net income attributable to owners of the parent company	998,685	672,901	325,784	48.41%

2. Budget execution

According to the current laws and regulations, the Company did not prepare public financial estimates for 2022.

3. Financial income and expenditure and profitability analysis

Item		2022	2021
Capital structure (%)	Debt ratio	59.95	62.88
	Long-term funds to real estate, plants and equipment ratio	149.60	139.09
Liquidity (%)	Current ratio	147.92	128.78
	Quick ratio	92.91	78.11
	Interest guarantee (times)	2900.88	5,472.89
Return on investment (%)	Return on assets (ROA) (%)	8.80	7.11
	Return on equity (ROE) (%)	22.04	16.64
	Operating income to paid-in capital (%)	94.51	73.05
	Pre-tax income to paid-in capital (%)	111.31	73.35
	Net Profit Margin (%)	9.46	7.14
	Earnings per share (NTD)	8.32	5.62

(II) R&D

Adhering to the spirit of innovation, Chenbro has been improving its R&D capabilities and developing new products through its R&D center and technology seminars, while attaching great importance to the protection of intellectual property rights. As of 2022, it has filed 576 patent applications and obtained 481 patents in Taiwan, the U.S., and mainland China.

In 2022, Chenbro was also engaged in development of and application for new patents for various products, and acquired a total of another 16 patents worldwide. The products ranged from efficient thermal conducting server design with immersion cooling, high density storage structures, rack-mounted chassis structures, and flexible HDD mounting structure to efficient thermal design, high-performance computing, tool-free, anti-loading technology, and system modularization. Chenbro also made breakthroughs in new materials, modular system planning, support strength, energy conservation, thermal technology, and streamlined assembly. Chenbro continued to expand its layout in 5G, AI, AIoT, and cloud industries and invest resources in R&D. Through many cross-industry and academic exchanges and collaborations, it has been able to refine the product modular system integration and verification capabilities. Through modularized design, Chenbro strived to pursue the maximum sharing of various parts and accessories to greatly shorten the time for product development and verification. It could not only reduce the cost of customers' development molds, but meet the market trends of a variety of products in a small number, thus adding the value of Chenbro's products and maintaining competitiveness. To implement Chenbro's strategy and plan for sustainable development of new generation products, the Company has implemented sustainable development strategies such as Reduce, Reuse, and Recycle for product development.

II. Overview of 2023 Business Plan

(I) Management Principles

Looking ahead, Chenbro will continue to expand its global customer and market presence, optimize and develop a full range of products, improve operational efficiency, and cultivate market talents, as well as combine "lean management" to ensure efficiency, increase productivity, and reduce inventory throughout the process. In addition, the Company has also established a "Sustainable Development Committee" and a "Chief Sustainability Officer" in response to the trend of sustainable development, hoping to fulfill its sustainable obligations during the development process to be able to improve operational performance and maximize profits under the concurrent focus on corporate governance and corporate culture.

1. Investing in global markets and applications, expanding the depth and breadth as well as the layout of product lines, create flexible production along with differentiation in services will leverage the Company's competitive technologies and consolidate its position in the market.
2. The Company will continue to optimize the efficiency combine lean management and digital transformation to improve the speed and efficiency of internal and external feedback and response, at the same time strengthening its corporate foundation.

3. Chenbro will strengthen its competitiveness for sustainable development, enhance corporate governance, and maximize the interests of stakeholders through active supervision and management by the Board of Directors.
4. The Company will cultivate a full range of human resource functions, improve the quality of human resources, and promote the corporate mission, vision, and core values to stabilize operations and think globally while acting locally.

(II) Sales volume forecast and basis

Main products	Sales volume in 2023 (thousand units)
Personal computer chassis	70
Server chassis	2,150

(III) Key production and sales policy

1. Sales strategy

In line with the diverse demands of the server industry and the fast-changing market trend, Chenbro provides highly customized structural integration solutions based on customer needs. With the core strengths of "R&D and design capability" and "flexible manufacturing capability", Chenbro expands the depth and breadth of customer cooperation through three business models: ODM/JDM (joint development), OBM (standard products), and OEM Plus (contracted OEM). By building alliances with external strategic partners, a unique market position has been created for Chenbro and which has successfully served the small, medium and large customers from all over the world, becoming the market leader in white label corporate solutions and achieving the goal of sharing, benefiting others, and a win-win situation.

2. Production strategy

In response to changes in the external environment and customer needs, Chenbro continues to integrate and optimize the manufacturing capabilities of its production bases and is committed to providing high-quality services based on customer needs. Each production site continues to integrate engineering and technical teams, implement lean management and value chain cost management, optimize operational processes at each node, and simultaneously invest in key process automation facilities to transform information and automated chemical plants. Chenbro strives to achieve in-depth improvements in quality, safety, efficiency, and cost to achieve a win-win situation with suppliers and customers.

3. R&D strategy

In addition to developing technologies and products for existing markets, Chenbro has established a forward-looking R&D center and holds regular technical forums to actively conduct market research on cutting-edge technologies and cultivate R&D technical talents. Chenbro continues to make breakthroughs in new product development and innovative patented technologies, including but not limited to research on energy saving and carbon

reduction, high strength, lightweight materials, and efficient heat conducting solutions. In response to the trend of sustainable development, Chenbro has established environmentally friendly product design guidelines, proactively implemented hazardous material management, adopted environmentally friendly materials, and expanded its product portfolio with matrix modules, with lightweight, highly compatible, tool-free, and easily disassembled modules as the guidelines for design. Chenbro provides customers with non-toxic, low-pollution, recyclable, and energy-saving product designs throughout the product life cycle, and realize sustainable development strategies and plans for new-generation products.

III. Future development strategy

Looking ahead to the year 2023, Chenbro as a leading provider of E&M integrated solutions for the global cloud industry, will continue to uphold the management philosophy of "Diligence and Integrity", supplemented by the four core values of "Integrity, Innovation, Inclusion, and Benefiting Others", and devote itself to the four major directions of "Deepening the global market and applications", "Enhancing the efficiency of operations", "Strengthening the sustainable competitiveness of the company", and "Cultivating a full range of human resources".

With the booming development of the cloud industry, Chenbro focuses on four areas of application along with three innovative business models and competitive products in line with the trend, including Edge, AI, Cloud/Enterprise, and Storage. In addition to the two regional markets of China and the U.S., Chenbro is also actively expanding into the global market, striving to improve global market share and service quality.

In response to the ever-changing external environment, the Group has adopted the "Lean Management" methodology for the entire operation process and nurtured marketing talents to continuously optimize operational efficiency and enhance internal and external responsiveness. In addition, with the development of the global trend of sustainable development, the company has also established a sustainable development committee and task force. Through the supervision from the board of directors, Chenbro seeks to maximize the interests of stakeholders and build sustainable corporate competitiveness.

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

Since incorporation in 1983, Chenbro has been improving its business resilience and competitiveness in the face of external competition and an ever-changing legal environment, including but not limited to fluctuations in raw materials, changes in labor costs, supply of components, and formulation of environmental regulations.

In response to external competition and the overall business environment, Chenbro will take proactive action to satisfy customer needs while strictly controlling costs by adjusting the production and sales structure, planning for the purchase of raw materials, and adopting lean production, so as to stay competitive in terms of products and services. In response to

changes in the legal environment, the Company will prepare reports and develop its products in accordance with laws or amendments promulgated by competent authorities and also request suppliers to comply with environmental regulations.

What is mentioned above are the overview of the 2022 operating performance and the 2023 outlook. We sincerely appreciate your support and recognition. Chenbro as a whole will continue to progress and maximize the enterprise value.

Wish you good health and pleasure

Chairperson:
Mei-chi Chen

Managers:
Ya-nan Chen

Accounting Supervisor:
Wan-Ming Huang

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\$500.08 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 Was awarded Commonwealth Magazine CRS benchmark enterprise--Hard Core Enterprise Award(ranked at 6). Was ranked as 41th place at 2021 Commonwealth Magazine "Top 2000 Enterprise Survey" computer and peripherals category.
2022	RM25324 won the German iF Design Award RM25324 won the Computex 2022 Best Choice Award Awarded the TCSA Gender Equity Leadership Award Awarded the 8th rank of CSR Excellence in Corporate Social Responsibility - Mittelstand Enterprise

Chapter3

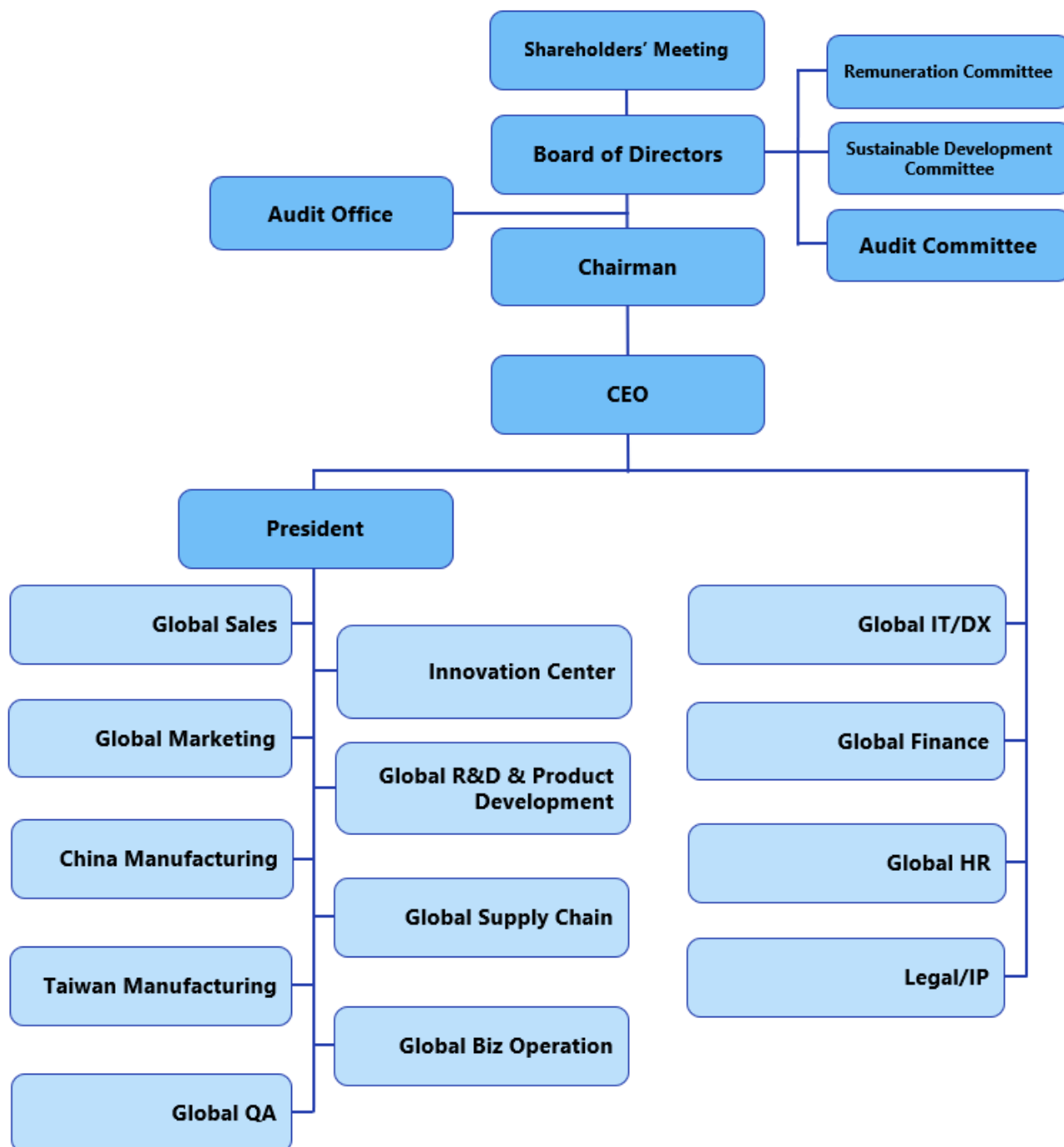
Corporate Governance Report

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- 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



(I) Functions of Major Divisions

Division	Major Functions
Chairman	Implement the resolution and evaluation of the Company's significant decisions by the Board of Directors. Plan and outline the corporate development vision and blueprint. Shape the corporate culture and encourage and motivate employees to innovate.
Global QA	Establish and manage a global quality operation system. Carry out product quality assessment on products under development and manage the quality of existing products. Responsible for global customer quality management. Responsible for supplier management. Resolve relevant issues and provide customer support (FAE/RMA).
Global Sales	Develop and execute the Company's global business and marketing 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 Marketing	Plans and executes marketing and promotion in the global market, manages corporate branding and media relations, strengthens OTS brand and product marketing, manages marketing and promotion at exhibitions, and promotes regional marketing events to enhance the Company's brand reputation and jointly explore global market opportunities with business.
Global Biz Operation	Based on the Company's operating strategy and global business plan promoting backend executions, coordinate and supervise management by aligning, linking and executing daily operations with operating processes of business, finance, and factory.
Innovation Center	Focus on research and development of core technologies and establish forward-looking technologies. Working closely with existing global sales/marketing divisions, integrating and exchanging information on requirements for product feature on the market and forward-looking technology transfer, and providing a foundation of mass production for the global manufacturing divisions.
Global R&D & Product Development	Responsible for new product R&D, improve production technology, and strengthen customer-oriented concepts and module design capabilities. Promote innovative technological research.
China Manufacturing	Main business operations focus on servers 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. Human resources and organizational development, personnel training, and talent cultivation.

Division	Major Functions
	<p>Customer services in China.</p> <p>Responsible for storage environment, industrial safety, occupational health and risk management, and compliance with relevant laws and regulations.</p> <p>Responsible for energy saving and cost reduction, social care, assistance to the disadvantaged, green energy use, and resource recycling and regeneration.</p>
Taiwan Manufacturing	<p>Main business operations focus on servers and computer case manufacturing.</p> <p>Responsible for analysis and supervision of factory operating performance.</p> <p>Produce a variety of (customized) products in a small number and provide services.</p> <p>Promote lean production and automated production to provide fast and accurate delivery and supply capabilities.</p> <p>Responsible for computer case and server manufacturing and sales, as well as development of manufacturing technology and efficiency.</p> <p>Responsible for new models, new manufacturing processes, the quality of mass-produced models, and the operation of quality systems.</p> <p>Human resources and organizational development, personnel training, and talent cultivation.</p> <p>Customer services in Taiwan.</p> <p>Responsible for storage environment, industrial safety, occupational health and risk management, and compliance with relevant laws and regulations.</p> <p>Responsible for energy saving and cost reduction, social care, assistance to the disadvantaged, green energy use, and resource recycling and regeneration.</p>
Global Supply Chain	<p>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.</p>
Global Finance	<p>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.</p>
Global HR	<p>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.</p>
Global IT/DX	<p>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.</p>

Division	Major Functions
Legal/IP	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	<p>Formulate an annual internal control audit plan, execute and complete audit reports, follow-up reports, or other ad-hoc audits and improvement tracking.</p> <p>Check and review whether the design and operation of internal control systems have achieved the control objectives of the internal control system designed.</p> <p>Coordinate and review internal control self-evaluation operation</p>

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

(I) Information of directors and supervisors

- (1) Name, gender, age, 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: April 2, 2023

Position	Nationality	Name	Gender and age	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)
							No. Shares	%	No. Shares	%	No. Shares	%	No. Shares	%			Position	Name	Relationship	
Chairperson	ROC	Mei-chi Chen	Female 61 ~ 70 years old	Jun. 23, 2020	3 years	July 6, 2009	9,656,009	8.07	9,656,009	8.01	2,122,577	1.76	12,387,433	10.27	EMBA, National Taiwan University Department of Money and Banking, National Chengchi University	Chief Strategy Officer of the Company Director, Peng Wei Investment Chairperson, Lian-mei Investment Ltd. Director, Chen-Source Inc. Chairperson, Chen-Feng Precision Co., Ltd. Independent Director, PROMATE ELECTRONIC CO., LTD.	Executive assistance to Chairman	Tsun-yen Lee	Relative-in-law	None
Director	ROC	Tsun-yen Lee	Female 51 ~ 60 years old	Jun. 23, 2020	3 years	Jun. 26, 2009	5,296,029	4.42	5,306,029	4.40	13,614,433	11.29	0	0.00	Business Department, Taipei Municipal Shilin High School of Commerce Chairwoman of 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. Representative Chairperson, Chin-yueh Technology Co. Independent Director, HIM International Music Inc. Chairperson, Chung-hsin Development Co.	Chairperson	Mei-chi Chen	Relative-in-law	None
Director	ROC	Chung-pao Wu	Male 61 ~ 70 years old	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.Ltd. Independent Director, Marketech International Corp. Independent Director, Eva Airways Corporation Legal Person, Executive Director, CPC Corporation, Taiwan Chairperson, PROX SYSTEMS CO., LTD	None	None	None	None
Director	ROC	Yu-ling Tsai	Female 61 ~ 70 years old	Jun. 23, 2020	3 years	Jun. 23, 2020	0	0.00	0	0.00	0	0.00	0	0.00	Master's, Law Institute, National Taiwan University Councillor 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 (representative of Tone Investments Ltd.), Jess-link Products Co., Ltd. Supervisor, Huafan University 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	None	None	None	None

Position	Nationality	Name	Gender and age	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)
							No. Shares	%	No. Shares	%	No. Shares	%	No. Shares	%			Position	Name	Relationship	
																Advisor, Taipei City Government Supervisor, Artificial Intelligence Foundation				
Director	ROC	Te-feng Wu	Male 61 ~ 70 years old	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. Director, TAI FUNG TRADING CO., LTD. Advisory Committee member, College of Management National Taiwan University Executive Director, China Taxation Research Association Director, Chinese Institute of Finance Director, Asia Pacific Creativity Industries Association Advisory Committee member, Financial Integrity Group Member of Intellectual Property Committee, Chinese National Federation of Industries Associate Professor, Department of Accounting, Chung Yuan Christian University	Chairman, Chunghwa Tax Research Center Independent Director, Cheng Mei Materials Technology Corp. Director, Taiwan Star Telecom Corporation Limited Director, Card Plus Pte. Ltd., coffee chain in Singapore Honorary Chairman, Chunghwa Institute of Intl' Taxation Adjunct Professor, Department of Accounting and School of Law, Soochow University Chairman, Hu Xia Strategy Management Consulting Inc.	None	None	None	None
Independent Director	ROC	Wei-shun Cheng	Male 51 ~ 60 years old	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.	Director, Shirre Lab Co. Independent Director, Daxin Materials Corp. Independent Director, Raydium Semiconductor Corporation Independent Director, Unictron Technologies Corporation	None	None	None	None

Position	Nationality	Name	Gender and age	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)
							No. Shares	%	No. Shares	%	No. Shares	%	No. Shares	%			Position	Name	Relationship	
														Representative of Institutional Director & President, Kang-li Investment Co., Ltd. Representative of Institutional Director & President, Lung-li Investment Co., Ltd.						
Independent Director	ROC	Wen-cheng Huang	Male 61 ~ 70 years old	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. Representative of institutional director, Aces Electronics Co., Ltd. Independent Director, Entire Technology Co., Ltd. Director, eLAND information Co., Ltd. Supervisor, ezTravel Co., Ltd. Supervisor, ezTravel Travel Agency Co., Ltd. Chairman, Kuo-fu Global Fortune Management Co., Ltd. Representative of institutional director, Phoenix innovation Investment Corporation. Representative of institutional director, Phoenix II innovation Investment Corporation. Director, Conserve & Associates, Inc.	None	None	None	None
Independent Director	ROC	Chung-hsing Huang	Male 61 ~ 70 years old	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. Chairman, Dotcom Charity Foundation	Independent Director, Huxen Corporation Independent Director, Medical Imaging Corporation Independent Director, Avary Holding (Shenzhen) Co., Limited Associate Professor, College of Management Chang Gung University CEO, School of Business Chang Gung University	None	None	None	None
Independent Director	ROC	An-pang Tsao	Male 61 ~ 70 years old	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, GLOBAL CHANNEL RESOURCES, INC. Chairperson Director, AVer Information Inc. Director, Faraday Motor Co., Ltd. Independent Director, Enermax Technology Co., Ltd.	None	None	None	None

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.

- (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: April 2, 2023

Criteria Name Title	Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Mei-Chi Chen Chairperson	Graduated from EMBA of Taiwan University, she is now the founder and chairperson of Chenbro (Stock) Company, with many years' experience in business, finance and corporate business, and has devoted himself to computer and peripheral equipment related fields for nearly 40 years. She has the ability of professional leadership, marketing, operation management and strategic planning, and has an international outlook to lead the Company to the pioneer of industrial leadership and sustainable management.	Not a person under any conditions defined in Article 30 of the Company Act.	1
Tsun-Yen Lee Director	Graduated from the Comprehensive Business Department of Taipei Shilin Advanced Business Vocational School, she is currently a director and special assistant to the chairperson of Chenbro (stock) Company. She has many years of experience in business, finance and corporate business, and has rich experience in industrial planning.	Not a person under any conditions defined in Article 30 of the Company Act.	1
Chung-Pao Wu Director	He graduated from the International Enterprise Institute of Taiwan University with a master's degree, and is currently the founder of Protech Systems Co., Ltd. He has many years of experience in business, finance and corporate business, and has professional market competition judgment and innovative leadership.	1. He, his spouse and relatives within the second degree have not served as directors, supervisors or employees of the Company or its affiliated enterprises.	2
Yu-ling Tsai Director	She graduated from the Law Institute of Taiwan University with a master's degree, and is qualified as a lawyer. She is currently the co-founder of Lee Tsai & Partners. She has served as a councillor of the Executive Yuan, a judge in Shilin, Taoyuan, Changhua and other local courts in Taipei, and the attorney general of IBM Greater China. She has many years of experience in business, law and corporate business, and a leader specializing in industrial science and technology law, technological innovation and innovative leadership.	2. He, his spouse, relatives within the second degree (or in the name of others) do not hold the number and proportion of shares in the Company. 3. He has not served as a director, supervisor or employee of a company that has a specific relationship with the Company (which is in	None

Criteria Name Title	Professional Qualifications and Experience	Status of Independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Te-Feng Wu Director	He graduated from the School of Management, Taiwan University, with a master's degree in overseas courses, and holds the professional certificate of accountant of the Republic of China. He is currently the chairman of China Tax Research Center and Hu Hsia Strategy Management Consultant Co., Ltd., and the directors of a number of companies. He used to be the deputy director and strategy director of PwC Taiwan and a professor in public and private colleges and universities. He has many years of professional experience in business, finance, accounting and corporate business, and specializes in business operations, financial planning and accounting, with rich industrial experience.	4. line with the establishment of independent directors of public companies and the regulations of Article 3, Paragraph 1, Items 5-8). He has not received any remuneration for providing business, legal affairs, finance, accounting and other services of the Company or its affiliated enterprises in the last two years.	0
Wen-Cheng Huang Independent Director	He graduated from Chengchi University, with a master's degree in business management, and is a member of the remuneration committee (convener) and audit committee of the Company. He used to be the general manager of China Automotive Industry Corporation and the deputy CEO of Yulon Group. He has many years of experience in business, finance and company business, and specializes in business management, operation judgment and decision-making.	5. Not a person under any conditions defined in Article 30 of the Company Act.	1
An-Pang Tsao Independent Director	He graduated from the Institute of Business Administration of Illinois Institute of Technology, USA, and is a member of the audit committee of the Company. He is currently an independent director of many listed companies, such as the chairman of GLOBAL CHANNEL RESOURCES, INC. He used to be the CEO and general manager of D-Link. He has rich experience in business, finance and corporate business, specializing in market strategy and business promotion.		2
Wei-Shun Cheng Independent Director	He graduated from the Accounting Institute of Northern Illinois University, USA (Master's degree), holds the professional certificate of accountant of the Republic of China, is a member of the company's remuneration committee and audit committee (convener), and once served as the chief financial officer/executive deputy general manager of AU Optronics Co., Ltd., with working experience required by business, finance and corporate business, specializing in enterprise operation, financial planning and accounting, and has rich industrial experience.		3
Chung-Hsing Huang Independent Director	He graduated from the University of Texas in Austin, USA with a Ph.D. in Enterprise Management. He is a member of the remuneration committee and audit committee of the Company. He is currently an independent director of a number of listed companies and a visiting professor at the School of Management of Chang Gung University. He used to be the vice president of management at Taiwan University and a visiting professor at Tunghai University. He has the professional qualification of professor in public and private colleges and universities in related departments required for business and corporate business.		2

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

Date: April 2, 2023

Position	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)
					No. Shares	%	No. Shares	%	No. Shares	%			Position	Name	Relationship	
CEO	ROC	Ya-Nan Chen (Note 1)	Female	Jan. 1, 2023	112,214	0.09	0	0.00	0	0.00	Department of Foreign Languages and Literatures, National Taiwan University Intel Microelectronics Asia Llc, Taiwan Branch (USA) LSI Corporation NetApp (Hong Kong) Limited Taiwan Branch	None	None	None	None	None
President	Canada	Chien-Nan Hsu (Note 2)	Male	Jan. 1, 2023	135,000	0.11	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	None	None	None	None	None
Global Finance Division Finance/Accounting Assistant	Malaysia	Wan-Ming Huang	Male	Aug. 28, 2020	12,000	0.01	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.	None	None	None	None	None
Assistant Vice President, Global Information Division and Global Supply Chain Management Division	ROC	Yun-peng Chen (Note 3)	Female	Jan. 1, 2023	120,837	0.10	0	0.00	0	0.00	Peking University and Northwestern University Master's, EMBA from Guanghua - Kellogg Master of Science in Economics	None	None	None	None	None

Position	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)
					No. Shares	%	No. Shares	%	No. Shares	%			Position	Name	Relationship	
Assistant Vice President, Global Sales Division	ROC	Pei-lin Ho (Note 4)	Male	Jan. 1, 2023	20,000	0.02	0	0.00	0	0.00	Tamkang University Bachelor's Degree, Department of Chemical Engineering Zhi Zhuo Fei Gao- Business Development Manager Tripod Technology Corporation- PM Supervisor	None	None	None	None	None

Note 1. President Ya-nan Chen was promoted to CEO on January 1, 2023.

Note 2. Vice President of Global Sales Division, Chien-nan Hsu, was promoted to President on January 1, 2023.

Note 3. Senior Director Yun-peng Chen was promoted to Assistant Vice President of the Global Information Division and Global Supply Chain Management Division on January 1, 2023.

Note 4. Director Pei-Lin Ho was promoted to Assistant Vice President of Global Sales Division on January 1, 2023.

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)

Dec. 31, 2022 Unit: NT\$ Thousand

Position	Name	Directors' Remuneration								The sum of A, B, C, and D as a percentage of net income 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 from any Investee or parent company other than subsidiaries(Note 11)
		Compensation (A) (Note 2)		Pension (B)		Directors' Consideration (C)(Note 3)		Professional practice payments (D)(Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Pension (F)		Employee compensation (G) (Note 6)						Remuneration from any Investee or parent company other than subsidiaries(Note 11)
		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)	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	Amount of Cash	Amount of Stock			
Director	Mei-Chi Chen	1,500	1,500	0	0	14,558	14,558	75	75	1.6152	1.6152	1,400	1,400	60	60	504	0	504	0	1.8119	1.8119	0
	Chung-Pao Wu																					

	Tsun-Yen Lee																					
	Yu-Ling Tsai																					
	Te-Feng Wu																					
Independent Director	Wen-Cheng Huang																					
	An-Pang Tsao	0	0	0	0	11,646	11,646	75	75	1.1735	1.1735	0	0	0	0	0	0	0	0	1.1735	1.1735	0
	Wei-Shun Cheng																					

- 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. None
- 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. :
 - 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.
 - Remuneration of directors: 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. The distribution of remuneration to directors 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. Although the after-tax net profit of the current period is higher than last year, it is reasonable that the remuneration of directors is higher than last year's amount.

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)	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)				
NT\$2,000,000 (included) - NT\$3,500,000(excluded)	Wei-Shun Cheng/Yu-Ling Tsai/Te-Feng Wu/Chung-Hsing Huang/Chung-Pao Wu/Wen-Cheng Huang/An-Pang Tsao/Tsun-Yen Lee	Wei-Shun Cheng/Yu-Ling Tsai/Te-Feng Wu/Chung-Hsing Huang/Chung-Pao Wu/Wen-Cheng Huang/An-Pang Tsao/Tsun-Yen Lee	Wei-Shun Cheng/Yu-Ling Tsai/Te-Feng Wu/Chung-Hsing Huang/Chung-Pao Wu/Wen-Cheng Huang/An-Pang Tsao	Wei-Shun Cheng/Yu-Ling Tsai/Te-Feng Wu/Chung-Hsing Huang/Chung-Pao Wu/Wen-Cheng Huang/An-Pang Tsao

NT\$3,500,000 (included) - NT\$5,000,000 (excluded)	Mei-Chi Chen	Mei-Chi Chen	Mei-Chi Chen/ Tsun-Yen Lee	Mei-Chi Chen/ Tsun-Yen Lee
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	Nine people	Nine people	Nine people	Nine people

- Note 1. Directors' names shall be identified one 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 2022 (including director's salary, duty allowance, severance pay, bonuses, rewards, etc.).
- Note 3. The allocation of remuneration to directors for 2022 is based on the amount approved by the board of directors in 2023.
- Note 4. The directors' professional practice payments in 2022 (including honoraria, special allowance, various allowances, and provision of such tangible objects as dormitory and company cars, etc.)
- 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 2022. 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 2023, as approved by the board of directors, a total of NT\$89,095 thousand of employee remuneration for the directors was allocated for 2022, which will be reported to the 2023 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 2022 is NT\$998,685 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.

* 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 N/A.

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

Dec. 31, 2022 Amount: NT\$ Thousand

Position	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)	The Company		Companies in the financial statements (Note 5)		The Company	Companies in the financial statements (Note 5)	
								Amount of Cash	Amount of Stock	Amount of Cash	Amount of Stock			
CEO	Ya-nan Chen (Note 1)	3,597	8,729	108	267	7,361	11,232	13,102	0	24,324	0	2.42	4.46	0
President	Chien-nan Hsu (Note 2)													

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

Note 1. President Ya-nan Chen was promoted to CEO on January 1, 2023

Note 2. Vice President of Global Sales Division, Chien-nan Hsu, was promoted to President on January 1, 2023.

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
Less than NT\$1,000,000	Chien-nan Hsu	
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)		
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)	Ya-nan Chen	Ya-nan Chen / Chien-nan Hsu

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
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	2 persons	2 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 2022.
- 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 2022. 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 (based on the actual number of shares received), and cash capital increase by stock subscription, shall also be included in remuneration.
- Note 4. The employee compensation distribution in 2022. After the board of directors approved the distribution of employee compensation in 2023 in the amount of amount NT\$89,095 thousand, the distribution situation will be reported to the 2023 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 2022 is NT\$998,685 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 form 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.

* 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

Dec. 31, 2022 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	0	12,567	12,567	1.26
	Vice President, Global Sales Division	Chien-nan Hsu				
	Assistant Vice President/ Global Finance and Accounting Division	Wan-Ming Huang				

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 2021 was distributed in 2022.

- (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:

Position	Total remuneration as a percentage of net income after tax			
	2021		2022	
	The Company	Consolidated financial statements	The Company	Consolidated financial statements
Director	2.09	2.09	1.81	1.81
Independent Director	1.15	1.15	1.17	1.17
President and Vice Presidents	4.69	6.57	2.42	4.46

Note 1. The amount of employee bonuses and the remuneration of directors and supervisors for the managers for 2022 are calculated based on the proportion of the amount actually distributed last year.

Note 2. The net income after tax here refers to the net income after tax in the amount of NT\$ 998,685 thousand in the Company's 2022 individual financial statements with IFRS adopted, and the net income after tax in the 2021 individual financial statements with IFRS adopted were in the amount of NT\$672,901 thousand.

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

(1) Directors, 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:

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. The distribution of remuneration to directors 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. The after-tax net profit of the current period is higher than last year, it is reasonable that the remuneration of directors is higher than last year's amount.

(2) President and Vice Presidents

The Company's remuneration policy 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, 3% to 12% shall be allocated for employee compensation and no more than 3% as the remuneration of the directors. The remuneration of managers 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. After review by the Remuneration Committee, it is submitted to the board of directors for resolution.

The relevant results of performance evaluations is taken into consideration when determining the compensation of the Company's managers. The indicators include comprehensive assessments such as revenue, net income, and EPS target achievement rate. The compensation system is reviewed at any time to ensure compliance with actual business conditions and relevant regulations.

IV. Implementation of Corporate Governance

(I) Operations of board of directors

A total of 6 (A) board meetings were held in 2022. The attendance of the directors and supervisors is as follows:

Position	Name	Actual attendance (B)	By Proxy; Frequency	Actual attendance (%) [B/A] (Note 1)	Note
Chairperson	Mei-chi Chen	6	0	100	Re-elected on Jun. 23, 2020
Director	Tsun-yen Lee	6	0	100	Re-elected on Jun. 23, 2020
Director	Chung-pao Wu	6	0	100	Re-elected on Jun. 23, 2020
Director	Yu-ling Tsai	6	0	100	First elected on Jun. 23, 2020
Director	Te-feng Wu	6	0	100	First elected on Jun. 23, 2020
Independent Director	An-pang Tsao	5	0	83	Re-elected on Jun. 23, 2020
Independent Director	Wen-cheng Huang	6	0	100	Re-elected on Jun. 23, 2020
Independent Director	Chung-hsing Huang	6	0	100	First elected on Jun. 23, 2020
Independent Director	Wei-shun Cheng	5	0	83	First elected on Jun. 23, 2020

The independent directors' attendance at board meetings in 2022 and 2023 to the printing date the annual report :

(● : Attendance in Person; ○ : By Proxy; X : Absence/leave)

Position	Name	1st meeting	2nd meeting	3rd meeting	4th meeting	5th meeting	6th meeting	7th meeting	8th meeting
		Jan. 14, 2022	Mar. 15, 2022	May 12, 2022	Aug. 11, 2022	Nov. 10, 2022	Dec. 8, 2023	Jan. 9, 2023	Mar. 14, 2023
Independent Director	An-pang Tsao	●	X	●	●	●	●	●	●
Independent Director	Wen-cheng Huang	●	●	●	●	●	●	●	●
Independent Director	Chung-hsing Huang	●	●	●	●	●	●	●	●
Independent Director	Wei-shun Cheng	●	●	●	●	●	X	●	●

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: The Company has set up an audit committee, which is not applicable to Article 14-3 of the Securities Exchange. Please refer to the operation of the audit committee in this annual report for relevant information.
 - (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 83–87.

II. Recusals of directors from voting due to conflicts of interests:

Date of the Board of Directors	Proposal content	Reasons for recusal and status of participation in voting
2022/03/15 14th term 11th meeting	Removal of the non-compete clause for directors	Director Te-feng Wu is a stakeholder of the proposal and did not participate in the discussion and vote in accordance with Article 206 of the Company Law's conflict of interest avoidance system. The proposal has been unanimously approved.
2023/01/09 14th term 16th meeting	New Chief Strategist	Due to Chairman Mei-chi Chen's status as a stakeholder of the proposal, she is recuse from participating in the discussion and resolution. Independent director Wei-shun Cheng was temporarily appointed as the Chairperson for the proposal, and after consulting with the other attending directors, the proposal has been unanimously approved without objection.
	Appointment of Sustainability Development Committee	Due to Chairman Mei-chi Chen, CEO Ya Nan Chen, independent director Wen cheng Huang, and independent director Chung hsing Huang, being stakeholders of the proposal, independent director Wei-shun Cheng was temporarily appointed as the Chairperson for the proposal, and after consulting with the other attending directors, the proposal has been unanimously approved without objection.

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) is disclosed in the following table on implementation of the board of directors' evaluation:

Frequency	Period	Scope	Method	Content
Once a year	From January. 01, 2022 To December. 31, 2022	Director	Internal Assessment of the Board of Directors Self-Assessment of Board Members	The measurement project should include at least the following five aspects: (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.
		Individual Director		The measurement project should include at least the following six aspects: (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.
		Functional Committees (remuneration committee , audit committee)		The measurement project should include at least the following five aspects: (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

Frequency	Period	Scope	Method	Content
				functional committees. (5)Internal control
<p>Evaluation results: The Company has completed the self-evaluation of the board of directors' performance in 2022, and the evaluation results has been reported to the board of directors on March 14, 2023, as a basis for review and improvement. The overall average score of the self-evaluation of the board of directors' performance was 4.95 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. The overall average score of the self-evaluation of the individual board members' performance was 4.92 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. The overall average score of the self-evaluation of the functional committees was 4.93 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.</p>				

IV. Measures taken during the current year and past year in order to strengthen the functions of the board of directors and assessment of their implementation:

(I) Improve the functions of board of directors:

The Company values gender equality in the composition of the board of directors and sets a goal of having at least 2 female directors. At present, male directors account for 67% (6 members), and female directors account for 33% (3 members) of the Board. In the future, the Company will make an effort to maintain the number of female directors to achieve its goals. The Company continues to implement its succession plans for directors and has established a database of potential candidates for directors based on the following standards:

- Integrity, accountability, innovation, and decision-making ability and are in line with the Company's core values and possesses professional knowledge and skills that contribute to the Company's business management.
- Having industry experience relevant to the Company's business.
- The Company expects with the addition of this member, he/she will continue to provide the Company with an effective, collaborative, diverse board of directors that meets its needs. The goal is to have at least 2 female directors and the overall board of directors' expertise should include corporate strategies, accounting and taxation, finance, law, administrative management, and production management. The selection process for the list of the Company's candidates for directors must comply with qualification review and relevant regulations to ensure that suitable new directors can be effectively identified and selected when board vacancies occur or more directors are planned to be added.

(II) Assessment of the implementation:

The Company adheres to information transparency consistently. In 2022, the board of directors met 6 times. The average actual attendance rate of directors reached 96%. A team of CPAs was invited to attend in non-voting capacity to provide opinions and held 13 investor conferences in 2022 to improve investors' recognition of the Company.

The Company passed the "Rules of the Board of Directors Performance Evaluation" on March 17, 2020 and evaluated the performance of the board of directors in 2022. The results of the performance evaluation were reported to the board of directors on March 14, 2023. The overall performance evaluation was excellent, and overall, the board of directors operated well. Based on the results of this self-evaluation of board of directors' performance, the Company will continue to strengthen the effectiveness of its governance.

(II) The status of operations of the Audit Committee participation in board meetings

Annual key points and operations of the Audit Committee:

1. The Audit Committee of the Company is composed of all independent directors and meets at least once a quarter. The annual work of the Audit Committee focuses on supervising the proper presentation of the company's financial statements, the independence and competence of certified accountants, the effective implementation of the company's internal control, and the company's compliance with relevant laws and regulations to confirm the supervision of the company's operation and risk control. The audit department sends the audit report to each independent director for review every month, and the audit supervisor also reports to the members and directors in the audit committee and board meeting on the major findings of the company's internal control management, and the accountant communicates with the audit committee on the governance issues that the company's consolidated financial report (including the annual individual financial report) is audited or consulted. The relevant communication information, including communication methods, matters and results, is disclosed on the company website Communication between Independent Directors and Internal Audit Supervisors and Accountants. For the operation of the audit committee of the Company, the main items to be considered are listed as follows:

- (I) Formulate or amend internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
- (II) Assess the validity of internal control system.
- (III) 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.
- (IV) Responsible for items relating to interests of directors.
- (V) Responsible for items related to trading of assets or derivative products.
- (VI) Responsible for material loaning of funds, and provision of endorsements/guarantees.
- (VII) Responsible for fundraising or issuing or private placement of equity-based securities.
- (VIII) Responsible for appointment, dismissal, and compensation of CPAs.
- (IX) Responsible for appointment or dismissal of a finance officer, accounting officer, or chief internal auditor.
- (X) Annual financial statements and semi-annual financial statements.
- (XI) Other material information stipulated by the Company or competent authorities

2. The operation of the Audit Committee:

- (1) The Audit Committee met 5 times in 2022. The attendance of the independent directors was as follows:

Position	Name	Actual attendance(B)	By Proxy; Frequency	Actual attendance (%) [B/A]	Note
Independent Director	Wei-Shun Cheng	5	0	100	convener
Independent Director	An-pang Tsao	4	0	80	
Independent Director	Wen-Cheng Huang	5	0	100	
Independent Director	Chung-Hsing Huang	5	0	100	

- (2) Other matters to be noted:

- I. Matters referred to in Article 14- 5 of the Securities and Exchange Act:
- II. Except for the matters mentioned in the preceding paragraph, other matters that have not been approved by the Audit Committee but agreed by more than two-thirds of all directors, all board resolutions are in line with the above-mentioned (I) and (II) lists:

Audit Committee	Proposal content and subsequent response	Circumstances referred to in Article 14-5 of the Securities and Exchange Act	It was not approved by the Audit Committee but two-thirds of all directors have passed a resolution
1st term 10th meeting 2022/03/15	1.The Company's 2021 business report and financial statements.	V	None.
	2.The Company's 2021 earnings distribution proposal.	V	None.
	3.The status of the Company changing its CPAs and regularly implementing the assessment of the independence of the CPAs.	V	None.

Audit Committee	Proposal content and subsequent response	Circumstances referred to in Article 14-5 of the Securities and Exchange Act	It was not approved by the Audit Committee but two-thirds of all directors have passed a resolution
	4.The Company is responsible for appointment and compensation of CPAs.	V	None.
	5.The Company's 2021 Statement on Internal Control System.	V	None.
	6.Removal of the Company's non-compete clause for directors.	V	None.
	7.The Company amended some of the rules and regulations.	V	None.
	Resolution result: Passed by the agreement of all Audit Committee members.		
	The Company's response to the Audit Committee's opinion: Passed by the agreement of all Audit Committee members, so it is not applicable.		
1st term 11th meeting 2022/05/12	1.The Company's 2022 Consolidated Financial Statements of the first quarter.	V	None.
	Resolution result: Passed by the agreement of all Audit Committee members.		
	The Company's response to the Audit Committee's opinion: Passed by the agreement of all Audit Committee members, so it is not applicable.		
1st term 12th meeting 2022/08/11	1.The Company's 2022 Consolidated Financial Statements of the second quarter.	V	None.
	Resolution result: Passed by the agreement of all Audit Committee members.		
	The Company's response to the Audit Committee's opinion: Passed by the agreement of all Audit Committee members, so it is not applicable.		
1st term 13th meeting 2022/11/10	1.The Company's 2022 Consolidated Financial Statements of the third quarter.	V	None.
	2.Planned to amend some provisions of the Company's General Principles of Internal Control, Internal Audit Implementation Rules, and Internal Control System.	V	None.
	3.Drafted the Company's 2023 audit plan.	V	None.
	4.Planned to amend some of the provisions of the Company's Procedures for Handling Material Inside Information.	V	None.
	Resolution result: Passed by the agreement of all Audit Committee members.		
	The Company's response to the Audit Committee's opinion: Passed by the agreement of all Audit Committee members, so it is not applicable.		
1st term 15th meeting 2023/03/14	1.The Company's 2022 assessment of the validity of the internal control system and Statement on Internal Control System.	V	None.
	2.The Company's 2022 business report and financial	V	None.

Audit Committee	Proposal content and subsequent response	Circumstances referred to in Article 14-5 of the Securities and Exchange Act	It was not approved by the Audit Committee but two-thirds of all directors have passed a resolution
	statements.		
	3.The Company's 2022 earnings distribution proposal.	V	None.
	4.The Company's assessment of the independence and competency of the CPAs.	V	None.
	5.The Company is responsible for appointment and compensation of CPAs.	V	None.
	6.The Company planned to amend some of the rules and regulations.	V	None.
	Resolution result: Passed by the agreement of all Audit Committee members.		
	The Company's response to the Audit Committee's opinion: Passed by the agreement of all Audit Committee members, so it is not applicable.		

III. 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.

IV. 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 (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report.):

Date	Summary	Results	Results of the Company's response independent directors' opinions
January. 14, 2022 Audit Committee	Reported that the Company's 2021 audit plan has been fully completed. The implementation status in January 2022 and the plan expected to be executed in February 2022.	Approved as proposed	Independent directors had no opinion
January. 14, 2022 Private meeting	Discussions on whether the internal control audits have been carried out and improve the difficulties in tracking, as well as reporting the main directions for operational audit in 2022.	Approved as proposed	Independent directors had no opinion
March 15, 2023 Audit Committee	Report on the implementation status of the Company's audit plan and the plan expected to be executed from March to April.	Approved as proposed	Independent directors had no opinion
	Deliberated the Company's 2021 Statement on Internal Control System.	Submitted to the board of directors after deliberation and approval	Independent directors had no opinion
May 14, 2023 Audit Committee	Report on the implementation status of the Company's audit plan and the plan expected to be executed from May to July.	Approved as proposed	Independent directors had no opinion
August. 11, 2022 Audit Committee	Report on the implementation status of the Company's audit plan and the plan expected to be executed from August to October.	Approved as proposed	Independent directors had no opinion
November. 10, 2022 Audit Committee	Report on the implementation status of the Company's audit plan and the plan expected to be executed from November to December.	Approved as proposed	Independent directors had no opinion
	Amend the General Principles of Internal Control, Internal Control System, and Internal Audit Implementation Rules.	Submitted to the board of directors after deliberation and approval	Independent directors had no opinion
	Deliberated the report on 2023 annual audit plan	Submitted to the board of directors after deliberation and approval	Independent directors had no opinion
January. 09, 2023 Audit Committee	Reported that the Company's 2022 audit plan has been fully completed. The plan expected to be executed from January to February 2023.	Approved as proposed	Independent directors had no opinion
January. 09, 2023 Separate Meeting	Report on the current status of manpower and training of the internal control audit committee, challenges in executing internal control audit operations, and the main directions for operational audit in 2023.	Approved as proposed	Independent directors had no opinion
March 14, 2023 Audit Committee	Report on the implementation status of the Company's audit plan and the plan expected to be executed from March to April.	Approved as proposed	Independent directors had no opinion
	Deliberated the Company's 2022 Statement on Internal Control System.	Submitted to the board of directors after deliberation and approval	Independent directors had no opinion

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 (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report.):

Date	Summary	Results	Results of the Company's response independent directors' opinions
March 15, 2022 Separate Meeting	Does the Company need any assistance during the progress of preparing its financial statements on its own and the auditing process?	Approved as proposed	Independent directors had no opinion
March 15, 2023 Audit Committee	Report on audit results of 2021 consolidated financial statements and 2021 individual financial statements.	Submitted to the board of directors after deliberation and approval	Independent directors had no opinion
May 14, 2023 Audit Committee	Report on audit results of consolidated financial statements for the first quarter of 2022, 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
August. 11, 2022 Audit Committee	Report on audit results of consolidated financial statements for the second quarter of 2022, 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
March 14, 2023 Separate Meeting	Does the Company need any assistance during the progress of preparing its financial statements on its own and the auditing process?	Approved as proposed	Independent directors had no opinion
March 14, 2023 Audit Committee	Report on audit results of 2022 consolidated financial statements and 2022 individual financial statements.	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	Operation situation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations Differences and Reasons
	Yes	No	Summary	
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?	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 https://www.chenbro.com and has been disclosed on the Market Observatory Post System (MOPS).	No major differences.
II. Shareholding structure & shareholders' equity				
(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.	No major differences.
(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, regularly files reports on changes in the equity of directors, supervisors, and managers and announce the list of top ten shareholders on the annual report and the Company's website.	
(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, and prohibits the Company's insiders from using undisclosed information on the market to buy and sell securities, and regularly offers education, training, and awareness-raising activities.	
III. Composition and responsibilities of board of directors:				
(I) Does the board of directors formulate diversification policies, specific management objectives and implement them?	V		(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	No major differences.

Item	Operation situation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations Differences and Reasons
	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		<p>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 Procedures for Electing Directors 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 pages 44 of this annual report.</p> <p>3. The Company's directors serving as employees concurrently account for 11%, independent directors account for 44%, and female directors account for 33%. 22% of independent directors have been in office for 3-6 years, and 11% have been in office for 6-9 years. 22% of independent directors are between 51-60, while 78% are between 61-70.</p> <p>4. Further information concerning the board diversity policy is disclosed on the Company's website and the MOPS website.</p> <p>(II) In response to the organizational development goals in 2023, the Company established the Sustainable Development Committee on January 9th, 2023 through a resolution passed by the board of directors. The committee serves as the decision-making and supervisory unit for sustainability development related work. The committee manages and supervises the Company's operations through four aspects which are environmental sustainability, social participation, corporate governance, and corporate</p>	

Item	Operation situation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations Differences and Reasons
	Yes	No	Summary	
<p>(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?</p> <p>(IV) Has the company implemented assessment of the independence of the CPAs regularly?</p>	V		<p>commitments to strengthen the company's operating system. The Company is committed to fulfilling environmental conservation and its social responsibilities. This allows the board of directors to fulfill their responsibility to protect the rights and interests of the company, employees, shareholders, and stakeholders.</p> <p>(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. Performance evaluation is conducted annually and regularly, and the results of the performance evaluation will be reported to the board of directors. Please refer to page 32-33 of this annual report for the results of the board of directors' performance evaluation.</p> <p>(IV) The Company's Finance and Accounting Division conducts an annual self-evaluation of the independence and competency of its CPAs and requests that the CPAs provide the "Audit Quality Indicators (AQIs)." After the evaluation, all of the CPAs met the company's independence standards and are qualified to serve as the Company's CPA. The evaluation results for the past year were discussed and approved by the Audit Committee on March 14, 2023, and the evaluation of the CPA's independence and competency were reported to the board of directors for approval on the same day. The Company's CPA has reported on and declared the independence of CPAs at the board meeting on March 14, 2023. Please refer to Note 2 for the questionnaire for assessment of CPAs' independence.</p>	
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 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)?	V		The board of directors resolved on Aug. 10, 2021 to appoint Wan-ming Huang, finance and 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.	No major differences.

Item	Operation situation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations Differences and Reasons
	Yes	No	Summary	
			Please refer to Note 3 on page 47 of this annual report for the corporate governance officer's business execution and continuing education in 2022.	
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		<p>The Company has engaged spokespersons, acting spokespersons, and staff dedicated to investor relations and social participation. The staff dedicated to corporate marketing acts as contacts for the news media and public relations. These dedicated staffs engage in real-time communication with stakeholders through various channels (including telephone, mail, social media, company website, etc.).</p> <p>The Company has set up a section dedicated to stakeholders on the homepage of the website (www.chenbro.com) in a conspicuous manner in line with Taiwan Stock Exchange's amended regulations on information filing operation method, so that stakeholders can quickly understand the communication channels for various relevant issues and obtain appropriate response. Please refer to pages 72~74 of this annual report. The communication between each stakeholders in 2022 has been reported to the board of directors on January 9, 2023.</p>	No major differences.
VI. Does the company appoint a professional shareholder service agency to handle shareholder affairs?	V		The Company has appointed stock affairs agency department of the professional shareholder services agency, Yuanta Financial Holding Co., Ltd, to be responsible for serving shareholders and handling various stock affairs. Website: http://www.yuanta.com.tw	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 company information, implement a spokesperson system, and disclosing the process of investor conferences on the company website)?	V V		(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 https:// www.chenbro.com (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 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.	No major differences.

Item	Operation situation			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and Reasons for Deviations Differences and Reasons
	Yes	No	Summary	
(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?		V	(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.	
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)?	V		Please refer to pages 70~82 of this annual report	No major differences.
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): The results of the 9th (2022) Corporate Governance Evaluation Company have not announced. In the 8th (2021) Corporate Governance Evaluation, the Company ranked among 21%–35%, and will only specify the improvement of the items without scores obtained this year below: (1) The Company has formulated an intellectual property rights management plan linked to its operating goals, and the implementation status has been disclosed on the company's website at https:// www.chenbro.com/zh-TW/Page/CSR-IP , and is reported to the board of directors on January 9, 2023. (2) The Company's website has disclosed the top ten shareholders, including those who hold more than 5% of the shares. (3) The Company has established a Sustainability Development Committee in 2023, which has been disclosed on the Company's website, annual report, and the MOPS System. (4) The Sustainability Report prepared by the Company has been certified by a third party.				

Note 1. Disclosure of the implementation of the policy on diversity of board members

I. Specific management objectives of diversity of board members:

The company's "Corporate Governance Best Practice Principles" of Article mentioned that 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 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: Basic requirements and values and professional knowledge and skills:

1. 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.
2. The Board of Directors of the Company is composed of nine directors with company operating experience, academic, legal and accounting experience, of which four are independent directors, accounting for 44%. According to the company's own operation, operation mode and development needs, its members are diversified, and three of the directors are women, with 33% of the seats held by women.

II. Diversity of board members achieved:

All the directors of the Company have the necessary business experience, academic, legal, financial and management abilities, and the Company also continuously arranges various refresher courses for the directors, so as to improve their decision-making quality and fulfill their supervisory responsibilities, and further strengthen the functions of the Board of Directors. The 14th director of the Company has 9 members, including 4 independent directors, accounting for 44% of the total, and its members are diversified according to its own operation mode and development needs. Three of the directors are women, and the number of female directors accounts for 33%. Members of the board of directors have rich management qualifications, each with relevant professional academic background, and have the professional knowledge, skills and accomplishments necessary for performing their duties.

III. Diversified Core Competences:

III. Diversified Core Competences.

Diversified Core Competences Name of Director	Basic Composition					Industry Experience				Professional Ability			
	Nationality	Gender	Age		Term of office of Independent Director	Business Management	Business Judgment	Industry Expertise	Risk Management	Global Market Perspective	Information Technology	Accounting and Financial	Law
			51-60	61-70									
Mei-chi Chen	ROC	Female		●	0	●	●	●	●	●	●	●	
Tsun-yen Lee	ROC	Female	●		0	●				●		●	
Yu-ling Tsai	ROC	Female		●	0		●	●	●	●	●		●
Chung-pao Wu	ROC	Male		●	0	●	●	●	●	●	●		●
Te-feng Wu	ROC	Male		●	0		●		●			●	
Chung-hsing Huang	ROC	Male		●	3	●	●	●		●	●		
Wei-shun Cheng	ROC	Male	●		3	●	●		●			●	
Wen-cheng Huang	ROC	Male		●	12	●	●	●	●	●	●	●	●
An-pang Tsao	ROC	Male		●	9	●	●	●	●	●			

Note 2. Questionnaire for assessment of CPAs' independence

Chenbro Micom Co., Ltd.

Evaluation Form for CPAs

Review Date: March 14, 2023

Parties reviewed: ☒ Current ☐ Candidate CPAs: Hui-ling Pan and Pei-Juan Huang from PwC Taiwan

III. 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 form 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:	✓			

III. 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	
	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.	✓			
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.	✓			
05	Do the CPAs regularly provide information on Audit Quality Indicators?	✓			

Note 3. The corporate governance officer's business execution and continuing education in 2022

The board of directors resolved on Aug. 10, 2021 to appoint Wan-ming Huang, 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 79 for the continuing education.

➤ The business execution in 2022 is as follow:

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	Name	Professional qualifications, experience and independence	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director (Convener)	Wen-cheng Huang	Please refer to the information of directors and supervisors in this annual report. (Page 18-21).	1
Independent Director	Wei-shun Cheng		3
Independent Director	Chung-hsing Huang		2

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 2022. The attendance of the members is as follows:

Position	Name	Attendance in Person (B)	By Proxy	Actual attendance rate % (B/A) (Note)	Note
Convener	Wen-cheng Huang	3	-	100%	Re-appointed on Jun. 23, 2020
Committee Member	Wei-shun Cheng	3	-	100%	Newly appointed on Jun. 23, 2020
Committee Member	Chung-hsing Huang	3	-	100%	Newly appointed 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 49.					

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 Committer	Proposal content and subsequent response	Resolution results	The Company's response to the Remuneration Committee's opinion
4th term 5th meeting 2022/01/14	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.
4th term 6th meeting 2022/03/15	Deliberated the Company's allocation of 2021 employee compensation and the remuneration of directors and supervisors.	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
4th term 7th meeting 2022/05/12	Deliberated the Company's distribution of remuneration of directors and supervisors as well as managers for 2021	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
4th term 8th meeting 2023/01/09	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.
4th term 9th meeting 2023/03/14	Deliberated the Company's allocation of 2022 employee compensation and the remuneration of directors and supervisors.	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.

(V) The implementation of sustainable development promotion and the difference with the code of Practice for sustainable development of listed companies and reasons

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
I. Has the Company has established a governance structure to promote sustainable development, and set up a special (part-time) unit to promote sustainable development, which is authorized by the board of directors to be handled by the senior management, and the situation of supervision by the board of directors?	V		Chenbro takes the Sustainable Management Promotion Group as its responsibility to promote sustainable management and corporate social responsibility. The chairman and chief sustainability officer jointly lead colleagues to promote related work. The Sustainable Management Promotion Group is divided into four working groups according to their functions and responsibilities, including Corporate Governance, Environmental Sustainability, Corporate Commitment and Social Participation, and is divided into internal promotion and external connection according to integration and coordination. The members are composed of relevant business units, and the heads of relevant power and responsibility units are jointly responsible for promoting the work. Each year, the working group will discuss the sustainability goals set by each department and the major sustainability issues of the current year, and authorize the heads of each department to track and control the results of the follow-up action plan. Chenbro has officially created the position of Chief Sustainability Officer which is concurrently served by the CEO and established a “Sustainability Committee” under the board of directors in 2023. The committee will regularly report the annual results to the board of directors. The progress of implementation for 2022 was reported to the board of directors on January 9, 2023.	No major differences.
II. 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?	V		According to the principle of materiality, the Company conducts risk assessment on the economic, environmental, social and corporate governance issues related to its operations. In addition, in 2022, the Company conducted a survey on sustainability issues of concern by stakeholders, and 199 surveys were collected, which will serve as a reference for the disclosure of sustainability issues and implementation of sustainability projects for the Group in the future. Chenbro pays attention to the issues of sustainable environment and the Group has introduced the ISO 14001 environmental management system (including the Chiayi and Chen-Feng plants) by the end of 2022. Certification is expected to be obtained in Q2 2023. At the same time, the headquarters and the Chiayi plant have also introduced ISO 14064-1 greenhouse gas inventory simultaneously	No major differences.

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
III. Environmental issues (I) Has the company set an environmental management system designed in line with the industry characteristics?	V		<p>and are expected to complete it in Q2 2023. To manage risks more comprehensively, Chenbro's Chiayi plant has introduced the RBA (human rights management mechanism) human rights management mechanism. The plant management representative is responsible for reviewing hazard identifications and operations of risk assessment, holding safety and health-related meetings regularly, and using internal/external audits to review the applicability of hazard identifications and operations of risk assessment and to conduct discussions and modifications in a timely manner. Chenbro's RBA in Chiayi has obtained a silver certification.</p> <p>(I) Chenbro's Chiayi Plant has been completed as the first factory of Chenbro to be built according to green building standards. In 2021, the plant also obtained the bronze label for green buildings from the Ministry of the Interior. The use of steel structure design in the construction of the Chiayi plant has effectively reduced carbon emissions by approximately 3,579 tons. In terms of energy, comprehensive reduction measures have been implemented, such as: The measures include purchasing light bulbs and toilets with energy-saving/water-saving labels, installing solar systems on the roof and rainwater harvesting and reuse facilities (with a capacity for collecting rainwater is approximately 1060 cubic meters of rainwater), and large-scale of special plants for recycling wastes/wastewater treatment.</p> <p>By the end of 2022, the headquarters and Chiayi factory of Chenbro introduced the ISO 14001 environmental management system and the ISO 14064 GHG emissions inventories and verification to control the carbon emissions of the Group. At present, the main approach is to conduct annual self-assessments for ISO 14001 environmental management system and ISO 14064 GHG emissions inventories and verification obtained by both Chenbro Technology (Kunshan) Co., Ltd in China and Dongguan Procace Electronic Co., Ltd. In the future, Chenbro will continue to promote other ISO certification systems to comprehensively keep abreast of the</p>	No major differences.

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
(II) Does the Company committed to improving energy efficiency and using recycled materials with low impact on environmental load?	V		<p>Group's carbon emissions and plan the Group's net zero emissions road map.</p> <p>(II) Since 2020, the Company has set up a rotating working group to open source and reduce expenditure, and continuously conduct power inspections for each plant/office during off-hours, so as to check the electricity consumption, water and air-conditioning usage and shutdown status of each unit. Chiayi plant is built on the foundation of green building and uses recycled building materials to create outdoor interlocking bricks and turf blocks. Within the factory area, the main approach to achieving daily energy and water savings is through the purchase of energy-efficient lighting equipment and sanitary equipment with water-saving labels. Solar power stations is also installed on the roof, generating 1.54 million kWh of electricity annually. In addition, rainwater harvesting and reuse facilities (with a capacity of 1060 cubic meters) are set up below the building, and rainwater is collected from the roof and directed into the infrastructure. After being treated, it is used as water for plant irrigation, and is combined with a rain sensor to save water for irrigation.</p> <p>The Chiayi Plant built an air-conditioning energy-saving structure, adopting a component ice storage system, using electricity to store cold during off-peak hours at night, and using it during peak load hours during the day, thus reducing the waste of off-peak hours, reducing the instantaneous high load of machines during peak load hours, prolonging the service life of machines, reducing the total contracted capacity and saving electricity bills.</p>	No major differences.
(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>(III) In addition to conducting research and development through the Sustainable Management Promotion Group, the core values of our products are high compatibility and high diversity and the modular concept and elastic design and manufacturing as the core research and development strategy, the pursuit of the shared maximum marginal benefit of various components. Not only reduce customer</p>	

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	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? (To be filled in the general manager's office)	V		<p>development costs, but also reduce the use of raw materials in the manufacturing process. At the same time, green design thinking was brought into the development of product green design in order to reduce environmental toxicity, reduce the use of materials, improve energy efficiency, easy assembly, easy disassembly and recycling principles. Systematically integrate developed products, work with suppliers to become the best partner of customers in low-carbon, environmentally friendly and sustainable value chain, and realize the commitment of diligent and sincere green products.</p> <p>(IV) The company's data collection covers the headquarters in Xinzhuang, Chaiyi Plant, Kunshan Plant and Dongguan Plant in China, and the data are presented annually.</p> <ul style="list-style-type: none"> ● Greenhouse gas: The data collected by the Company are mainly in Type I and Type II, of which 11,969.887 tons of carbon dioxide were discharged, with a sales density of 1.27 (tCO₂e/M TWD) in 2021. In 2022, 10,557.02 tons of carbon dioxide were discharged, with a sales density of 1 (tCO₂e/M TWD). ● Waste consumption: In 2021, the total water consumption was 153.360 million liters, with a water intake intensity of 0.016 (ML/M TWD). In 2022, the total water consumption was 153.754 million liters, with a water intake intensity of 0.014 (ML/M TWD). ● Waste: In 2021, the total amount of non-hazardous waste recycled and reused was 2,071.36 tons, and in 2022, the total amount of non-hazardous waste recycled and reused was 2,673.33 tons. <p>The Company is well aware of the importance of environmental management issues, and besides cooperating with government regulations, it also actively formulates relevant measures.</p> <ul style="list-style-type: none"> ● Greenhouse gas inventory: Chiayi plant was officially launched in 2022, and Chenbro is currently conducting greenhouse gas inventory and verification for its parent companies as a reference for setting future net-zero 	

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
			<p>carbon emission targets for the Company.</p> <ul style="list-style-type: none"> ● Waste consumption: Water-saving sanitary appliances with water-saving labels are used in all the strongholds, and reasonable water pressure is set for the tap water system. Water resources recovery facilities at specific positions are set up. ● Waste: In addition to entrusting a legal clearing and disposal organization to properly dispose of waste, it also conducts irregular inspection and on-site confirmation of the clearing and disposal status of the outsourced organization. Chiayi plant has established a 4,500-ton resource recycling treatment area and large dedicated plants for wastewater/exhaust gas treatment to manage waste properly. The waste storage and temporary storage areas are regularly inspected through the inspection table, and the environmental safety and health audit self-evaluation table is formulated and the audit is carried out, so as to achieve an effective management and evaluation mechanism. ● Renewable energy: In 2022, the entire group used 907,000 kWh of renewable energy. ● Biodiversity: Chiayi plant planned to provide diverse qualities of green spaces through various soil, vegetation, hydrology, and spaces. Approximately 1,300 different types of plants are planted in the factory areas to create diverse living conditions for organisms. Chenbro invited its stakeholders to plant trees in the factory areas during the 2022 Tree-Planting Festival, contributing a little effort to the environmental sustainability together. 	
IV. Social issues (I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(I) The Company agrees with and voluntarily follows the standards of the United Nations Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, and local laws and regulations and implements human rights protection through joining the Responsible Business Alliance. By the end of 2022, Chenbro's Chiayi plant had introduced RBA management	No major differences.

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
(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>mechanisms to conduct risk management and obtained silver certification. Chenbro is also committed to creating a gender-friendly working environment, a diversified and inclusive workplace, and a 3H-friendly work environment. In terms of policies, Chenbro has worked out internal measures such as Sustainable Development Best Practice Principles, Working Rules, Code of Conduct for Employees, Complaint and Disciplinary Measures for Workplace Sexual Harassment Prevention and Control Measures, and Recruitment and Appointment Management, declare the protection of employees' rights clearly according to age, working hours, false attendance, gender, etc., and ensure that colleagues get proper care.</p> <p>(II) 1. 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. The company conducts performance appraisal every year. In addition to recognizing outstanding employees' performance through the appraisal system, the company also adheres to the social responsibility of caring for those employees who are lagging behind, assists employees to achieve their goals through performance improvement plans, and continuously develops other retention and reward schemes.</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, welfare committee activities, club activities, a year-end party, stress relief massages, high-value group insurance, and health check up packages, parking subsidies, meal subsidies, and many other employee benefits. In 2022, the</p>	

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
(III) Does the company provide employees with a safe and healthy work environment, with regular safety and health training?			<p>health check completion rate of Chenbro Group was 90% or above.</p> <p>3. Employee pension system 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 5% 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</p>	
	V		<p>(III) 1. In line with the safety inspections of various government units, regular education and training are held as follows:</p> <p>A. Appoint Class A occupational safety and health officer, level B labor safety manager, fire safety manager, first-aid personnel, assign staff to participate in labor safety and health training courses regularly. Regularly conduct grouping of emergency response disaster teams and drills</p> <p>B. Conduct annual fire safety inspections.</p> <p>C. Conduct public safety inspections of buildings every two</p>	

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons															
	Yes	No	Summary																
			<p>years.</p> <p>D. Regularly conduct inspections on drinking water</p> <p>E. Appoint cleaning companies to send dedicated personnel to provide services in the office environment.</p> <p>F. Organize employee health checkups and advanced health checkups for senior executives every year. Health management information for each plant:</p> <table border="1"> <thead> <tr> <th></th><th>Headquarters</th><th>Kunshan Plant</th><th>Dongguan Plant</th><th>Chiayi Plant</th></tr> </thead> <tbody> <tr> <td>Health check completion rate</td><td>92%</td><td>100%</td><td>99.54%</td><td>98.4%</td></tr> <tr> <td>Health promotion activities</td><td>1 session</td><td>5 sessions</td><td>1 session</td><td>1 session</td></tr> </tbody> </table> <p>G. 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.</p> <p>H. 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.</p> <p>2. 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.</p> <p>3. In 2022, Chenbro held health lectures within the company to help employees understand how to establish healthy daily diets. The Company also declares every Monday as Vegetarian Day, subsidizing meals for employees.</p>		Headquarters	Kunshan Plant	Dongguan Plant	Chiayi Plant	Health check completion rate	92%	100%	99.54%	98.4%	Health promotion activities	1 session	5 sessions	1 session	1 session	
	Headquarters	Kunshan Plant	Dongguan Plant	Chiayi Plant															
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Health promotion activities	1 session	5 sessions	1 session	1 session															

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
(IV) Has the company established effective career development training programs for its employees?	V		<p>(IV) The company provides diversified learning courses, including pre-service training, professional competence, core functional competence and management competence, and launches relevant training plans according to the strategic development goals of the enterprise. Train internal lecturers and pass on the important knowledge and skills within the company, and take achievement sharing and e-news as communication platforms to create an environment that encourages learning and development. In 2022, the total number of education and training courses held was nearly 62,111.68 hours, and the average training hours per person was about 32.639 hours. The actual implementation of the training plan was as follows:</p> <p>A. On the day after the new person takes office, the Company introduction and life guidance will be given, various departments will conduct professional training, and the new person sharing meeting will be held, giving the new person a platform to communicate with the on-the-job employees.</p> <p>B. On-the-job training is carried out by the company's annual strategy. Internal lecturers and consultants are arranged to give lectures and guidance, and staff are sent to attend external public courses to enhance employees' professional ability and core functions.</p> <p>C. Senior management training includes four modules: management ability, professional ability, personal development plan (IDP) and job rotation. In 2022, we collaborated with an external management consulting companies to conduct courses on strategic planning, process improvement and talent management development, and relevant optimization projects were introduced after class. The results were published at the end of the year, and course lecturers and relevant experts were invited to attend the meeting to share and exchange the implementation results of the projects.</p>	
(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	V		(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	

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
<p>polices to protect consumers' rights and consumer complaint procedures?</p> <p>(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?</p>			<p>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, ISO 45001.</p> <p>Chenbro complies with ROHS, REACH, and other international environmental protection regulations and strictly monitor its supply chain. The identification and labeling of plastic products is conducted according to the ISO 11469 by its R&D department, which is then confirmed by its quality control department. 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> <p>(VI) Chenbro regards suppliers as key partners for sustainable growth, abide by relevant laws and regulations, takes supplier management as the foundation, and takes supplier's labor rights, environmental protection, safety and hygiene as risk control points to establish a partnership for sustainable growth.</p> <ol style="list-style-type: none"> 1. Implement supply chain management norms of Chenbro, regularly assess its suppliers, and require improvement and counseling for those with poor evaluations. For new suppliers, Chenbro uses a "Supplier Evaluation Form" for evaluation. 2. Strengthen conflict-free mineral management, ensure that products are not used for restricted substances, check REACH+SVHC high attention to the specification of substances. Chenbro also collaborates and signs statements with suppliers through responsible 	

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
			<p>procurement practices, implement Chenbro's conflict-free mineral procurement policies and comply with the restriction of hazardous substances (ROHS) directives for green products.</p> <p>3. One of our procurement strategies prioritizes local procurement, which not only promotes local economic growth but also minimizes carbon emissions during transportation. At present, the headquarters procures up to 90% of materials locally. Chenbro will continue to promote the green supply chain, and work together with suppliers to clean up the environment.</p> <p>4. The suppliers sign the "Supplier Code of Conduct and Social Responsibility Commitment," solemnly committing to comply with the laws and regulations, provide labor management standards, reduce environmental pollution, and minimize hazards and potential factors in the environment. Sign the corporate social responsibility consent form and actively implement ESG issues. 2022 Suppliers Review Results, please refer to Note 1 on pages 61 of this annual report.</p>	
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 (corporate social responsibility section). In 2022, the Chenbro's Sustainability Report was published, which has obtained the third-party verification agency's (BSI) statement. 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.</p>	No major differences
<p>VI. If the company has established its corporate social responsibility code of practice according to Code of Practice for Sustainable Development of TWSE/TPEX Listed Companies, please describe the operational status and differences:</p> <p>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, the "Corporate Social Responsibility Best Practice Principles" were renamed and amended as the "Sustainable Development Best Practice Principles" on May 12, 2022, to fulfill the spirit of corporate social responsibility, and the operating situation is no different from what is stipulated in the principles.</p>				

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
VII. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: Please refer to pages 70-87 of this annual report				

Note 1. 2022 Suppliers Review Results

Quarter of the Year	Number of Evaluated Suppliers	Number of Evaluation Levels			
		A	B	C	D
Q1	44	32	11	1	0
Q2	43	22	21	0	0
Q3	44	27	17	0	0
Q4	52	33	19	0	0

(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	Operation situation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
I. Establishment of ethical corporate management policy and implementation measures (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) 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	No major differences.

Evaluation item	Operation situation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(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		Ethical Conduct as required. The principles is available in the corporate governance section of the Company's website. (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, while incorporating ethical conduct into one of the performance evaluation criteria.	No major differences.
(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		(III) 1. The Company's has formulated "work rules," "the Code of Ethical Conduct," and "Chenbro code of conduct" stipulating 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. 2. Employees can report through channels, such as their unit supervisors, audit supervisors, human resources supervisors, legal supervisors, or whistle-blowing mailboxes, voice of Chenbro- employee opinion platform; outsiders can communicate with the management and legal supervisors through the whistle-blowing mailbox on the Company's external website.	No major differences
II. Implementation of ethical corporate management (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 annual audit to ensure that suppliers do	No major differences.

Evaluation item	Operation situation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(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		<p>comply with Chenbro's relevant regulations and require suppliers to sign the "Supplier Code of Conduct and Social Responsibility Commitment," with a goal of achieving a signing completion rate of 100% by 2022</p> <p>(II) 1. 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 President's Office is responsible for compiling the implementation status.</p> <p>2. The Company implements ethical management policies. The status of its implementation in 2022 is as follows:</p> <p>A. Education training The Company must inform all new employees of ethical management on their first day of work, and annual training courses on ethical management are held to increase employee awareness on ethical management. In 2022, a total of 1,702 employees were trained, and the total training hours were 3,057.</p> <p>B. Sign the "Chenbro Group Conduct Commitment Statement" All employees have signed the "Chenbro Group Conduct Commitment Statement," and re-signed it after the annual ethical management training course to prevent unethical conducts.</p> <p>C. Periodic inspection Chenbro conducts self-inspections and self-assessments on compliance with laws and regulations every six months within the company. The audit unit conducts independent audits to achieve effective control and implement them, ensuring the overall mechanism operates smoothly and manage and prevent unethical</p>	No major differences

Evaluation item	Operation situation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(III) Does the company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	V		<p>conduct from occurring together. In 2022, there were no incidents of corruption or anti-competitive behavior.</p> <p>3. The status of the implementation of ethical management in 2022 has been reported to the board of directors on January 9, 2023</p> <p>(III) 1. The Code of Conduct for Employees, the Rules of Procedure for Directors and the Code of Practice for Corporate Governance formulated by the Company all contain norms to prevent conflicts of interest.</p> <p>2. Employees can report through channels, such as their unit supervisors, audit supervisors, human resources supervisors, legal supervisors, or whistle-blowing mailboxes, voice of Chenbro- employee opinion platform; outsiders can communicate with the management and legal supervisors through the whistle-blowing mailbox on the Company's external website.</p>	No major differences
(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>(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 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 examines employees' conduct and operations in various operational</p>	No major differences

Evaluation item	Operation situation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(V) Does the company regularly hold internal and external educational training on ethical corporate management?	V		<p>processes, including (but not limited) to payroll and personnel cycles, procurement and accounts payable cycles, and sales and accounts receivable cycles. In addition, complying with laws and regulations also includes auditing the status of implementation of ethical management and formulating audit reports to report to the Audit Committee and the board of directors.</p> <p>(V) In 2022, the Company held internal and external education and training sessions related to issues of ethical management and issues regarding ethical management and human rights, with a total of 107 participants</p>	No major differences.
III. Grievance system (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>(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, 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</p>	No major differences.

Evaluation item	Operation situation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(II) Does the company establish standard operating procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	V		<p>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> <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 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</p>	No major differences.

Evaluation item	Operation situation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
(III) Does the company provide protection to whistleblowers against receiving improper treatment?	V		<p>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> <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 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.</p> <ul style="list-style-type: none"> ● Email: chenbrolegal@chenbro.com (This mailbox can only be viewed by the legal affairs unit, and it handles external complaints from suppliers and customers.) 	No major differences.

Evaluation item	Operation situation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
			<ul style="list-style-type: none"> ● 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. ● The Company has also established the channel of the “Voice for Chenbro,” through which employees can make anonymous reports. 	
IV. Enhancing information disclosure (I) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The Company has disclosed its Ethical Corporate Management Best Practice Principles on MOPS and its website, and relevant information is available in the annual report.	No major differences.
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: 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.				
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) 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</p> <p>Rules of Procedures for the Shareholders' Meetings of the Company</p> <p>Rules of Procedures for the Board of Directors Meetings of the Company</p> <p>Sustainable Development Best Practice Principles</p> <p>Regulations for the Acquisition and Disposal of Assets</p> <p>Operating Procedures for Endorsements and Guarantees.</p> <p>Procedures for Electing Directors</p> <p>Board of Directors Performance Evaluation Regulations</p> <p>Ethical Corporate Management Best Practice Principles</p> <p>The Operating Procedures for Loaning of Funds to Others</p> <p>Code of Ethical Conduct</p> <p>Terms and Conditions of Appointment of Independent Directors</p> <p>Articles of Incorporation</p> <p>Procedures for Handling Material Inside Information</p> <p>Sustainability Development Committee Charter</p> <p>Audit Committee Charter</p> <p>Remuneration Committee Charter</p> <p>Code of Conduct</p> <p>Whistleblower Channels and Protection System Operating Procedures</p>	<p>MOPS: http://mops.twse.com.tw/mops/index Inquire from the “Corporate Governance” section. The Company’s website: http://www.chenbro.com</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 three 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. Chenbro has successfully promoted gender-friendly workplace and was awarded the “Taiwan Corporate Sustainability Award - Gender Equality Leadership Award” in 2022.
- (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 2022, the total number of education and training courses held was nearly 62,112 hours, and the average training hours per person was about 32.6 hours.
- (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, recognized with the CHR Corporate Citizen Award of Common Health in 2019, and shortlisted for CHR Corporate Citizen Award of Common Health in 2021.

- (4) Salary and remuneration: Chenbro's 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), new restricted employee shares 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) Succession plan: For the succession plan of important management, we select senior executives with potential and cultivate potential successors' personal core abilities, vision and strategy, planning and organization, coaching and mentoring through a mentoring system and counseling by consultants. Mid- and high-level executives training includes management ability, professional ability, and job rotation, such as: Plan professional and management courses to enhance executives' knowledge management systematically, consolidate the foundation of Chenbro's management, and continuously improve the executives' abilities during their work. Mid-level executives plan interdepartmental rotations to expand executives' cross-functional capabilities and knowledge and cultivate management talents in all domains.

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)

The Company regularly discloses its important financial and business information, is committed to improving information transparency, including holding an investor conference every quarter, participating in overseas roadshows, releasing material information in both Chinese and English promptly, and sets up official websites in both Chinese and English, etc. Along with various real-time and transparent communications to facilitate 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 the supplier's green management, Chenbro sets the policy and purpose diligently, and draws up specific promotion practices, so as to effectively implement the Responsible Business Alliance (RBA), and introduce the Code of Conduct for Sustainable Development of Enterprises (ESG stands for Environmental protection (E, environment), Social responsibility (S, social responsibility) and corporate Governance (G, government)), and focus on making positive changes to the 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 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. 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

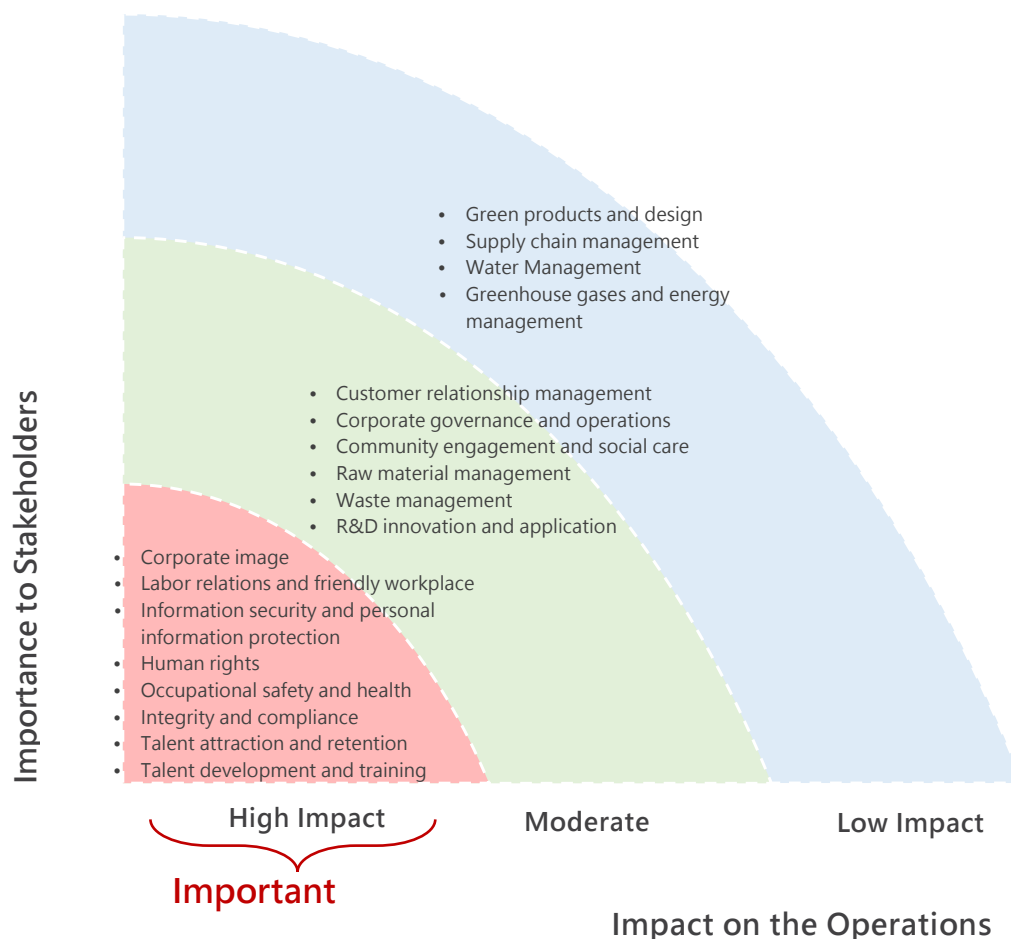
regularly and irregularly of safety requirements and risk, such as work environment safety protection measures, staff safety and health education records, and inspections of machinery and equipment before, during, and after the use, in order to build and increase the value of Chenbro' sustainable supply 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 pages 72-73 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 through combining surveys. 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.



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"> • There are full-time staff dedicated to investor relations • Point of contact: ir@chenbro.com • Hold Annual general meetings to present the company's development achievements and direction. • Hold quarterly corporate briefings to disclose quarterly financial reports and operational updates, and participate in domestic and international roadshows periodically. • Timely disclose significant information on the Market Observation Post System website and the company's website. • Establish a dedicated email inbox and contact phone number.
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"> • Point of contact: hrp@chenbro.com • 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 • The supervisor and employees hold communication meetings from time to time • There are internal electronic newsletters to facilitate information circulation • Regular internal training is held and employees are encouraged to apply for external training and on-the-job training • Annual free health checkups and consultations are provided to employees • Employee Welfare Committee
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"> • Point of contact: info@chenbro.com • The Company has units dedicated to serving customers in different sales channels and regions • 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 • Quarterly Business Review (QBR) • The Company participates in various technological forums and international exhibitions from time to time • The Company cooperates with customers' product, environment, responsibility, and other requirements and conducts inspections, for joint prevention and continuous improvement
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"> • Point of contact: scm@chenbro.com • Annual audit of suppliers and contractors <p>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</p>
Community	Community participation and social care, water resources management, risk control, product quality and safety, waste management, greenhouse gases	<ul style="list-style-type: none"> • There are full-time staff dedicated to corporate social responsibility • Point of contact: Chairperson's Officecsr@chenbro.com • For social participation, please refer to pages 80-82 of the annual report and the corporate social responsibility section of the

	and energy management, integrity and compliance, data security and personal data protection, as well as human rights and against child labor	<p>Company's official website</p> <ul style="list-style-type: none"> •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
Media	Community participation and social care, corporate image, integrity and compliance, as well as corporate governance and operations	<ul style="list-style-type: none"> •There are dedicated hot line and email of the dedicated unit
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"> •There are dedicated hot line and email of the dedicated unit •Regular corporate governance evaluation is held

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 (2022)

Position	Name	Date of Class	Organizer	Class Title	Number of Hours	Total Number of Hours
Chairperson	Mei-chi Chen	2022/03/10	Taiwan Stock Exchange	Discussions on the Independent Director and 2022 Shareholders' Meeting from an International Perspective	1	7
		2022/6/28	Taiwan Institute of Directors	2022 Institute of Director Annual Conference Exploring the Core Competencies of the Next Generation in an Era of Dramatic Changes	3	
		2022/10/5	Securities and Futures Institute	2022 Insider Equity Trading Legal Compliance Seminar	3	
Director	Tsun-yeen Lee	2022/10/12	Securities and Futures Institute	2022 Insider Equity Trading Legal Compliance Seminar	3	9
		2022/11/09		Outsourced training by HIM International Music Inc.- Advanced Seminar titled "External Innovation and Sustainable Management" on Practices for Directors, Supervisors (including Independent Ones) and Corporate Governance Officers	3	
		2022/12/12		Outsourced training by HIM International Music Inc.- Advanced Seminar titled "Discussions on Corporate Sustainability Transitions from ESG Management" on Practices for Directors, Supervisors (including Independent Ones) and Corporate Governance Officers	3	
Director	Te-feng Wu	2022/12/20	Taiwan Corporate Governance Association	Preventative measures- the importance of corporate risk management	3	6
		2022/12/22		Strategies for defending against hostile takeovers and the responsibilities of company chairpersons.	3	
Director	Yu-ling Tsai	2022/11/14	Taiwan Stock Exchange	2022 Cathay Pacific Sustainable Finance and Climate Change Summit	6	6
Director	Chung-pao Wu	2022/7/21	Taiwan Institute for Sustainable	Trends in Carbon Management and Responses to Move Towards Net Zero	3	6

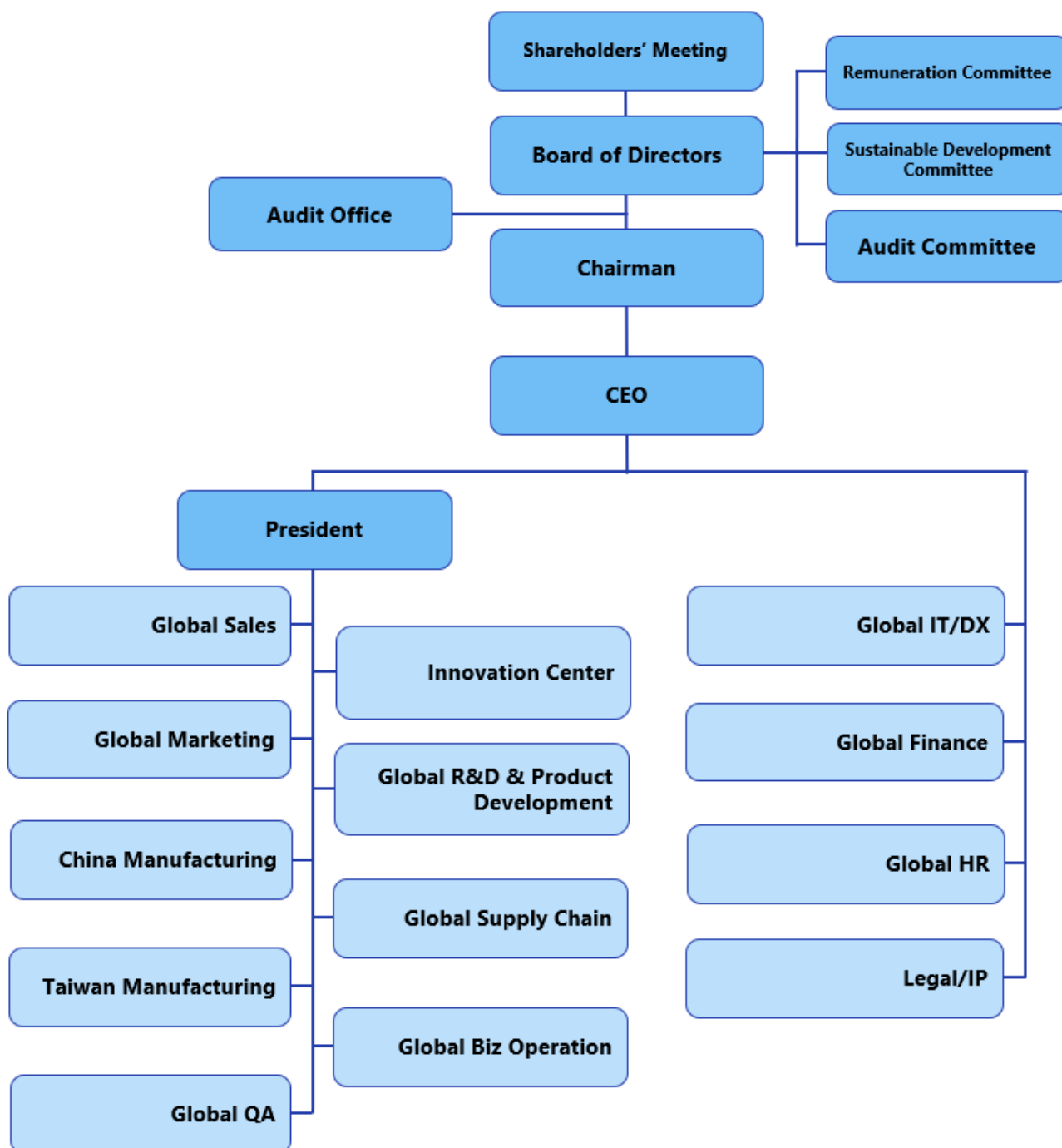
Position	Name	Date of Class	Organizer	Class Title	Number of Hours	Total Number of Hours
			Energy Research and Taiwan Center for Corporate Sustainability			
		2022/10/5	Taiwan Corporate Governance Association	Information Security and Corporate Governance - Formulating Information Security Protection Strategies for Listed Companies.	3	
Independent Director	An-pang Tsao	2022/07/14	Taiwan Academy of Banking and Finance	Information Security and Governance Lecture - Information Security Strategy Thinking and Practices	3	6
		2022/06/28		Corporate Governance Lecture-Directors and Supervisors Responsibility: Starting from trade secrets.	3	
Independent Director	Wei-shun Cheng	2022/3/29	Securities and Futures Institute	The Facts for the Breach of Trust and Special Breach of Trust convicted by Directors and Supervisors.	3	9
		2022/4/13		Discussions on Mergers, Acquisitions and Integration Issues in the Process of Corporate Mergers and Acquisitions	3	
		2022/6/30	Taiwan Corporate Governance Association	Trends in ESG reporting and disclosing information on business implications	3	
Independent Director	Wen-cheng Huang	2022/9/13	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations	3	6
		2022/10/14	Securities and Futures Institute	2022 Publicity Meeting on Prevention of Insider Trading	3	
Independent Director	Chung-hsing Huang	2022/06/08	Taiwan Corporate Governance Association	Securities Regulations	3	6
		2022/06/09		Risk and financial management issues in Corporate Governance 3.0	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



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	Global Finance	Financial investment review unit (Members: Global Finance, President, CEO, Chairperson)	Board of Directors: (Decision-making and final control of risk assessment and control) Audit Office: (Risk inspection, evaluation, supervision, improvement, tracking, and reporting)
IV. R&D plans	Global R&D & Product Development, Innovation Center	R&D review unit (Members: Global R&D & Product Development, Innovation Center, President, CEO, 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/IP	Legal affairs review unit (Members: President, CEO, Chairperson)	
IX. Analysis of technological and industrial changes X. Changes in products and corporate image	Global R&D & Product Development, Innovation Center, Global Marketing	Marketing review Unit (Members: Global Marketing, President, CEO, Chairperson)	
XI. Production and sales coordination XII. Expansion of plants or production XIII. Centralized purchase or sales	Factory Manufacturing Team, Biz Operation, Global Supply	Production and sales unit (Members: Global Supply Chain, China Manufacturing, Taiwan Manufacturing, Global Sales, President, CEO, Chairperson)	
XIV. Changes in the equity of directors, supervisors, and major shareholders XV. Changes in operating rights	Global Finance – Corporate Governance Group	Operation review unit (Members: Global Finance, President, CEO, Chairperson)	
XVI. Information security risks	Global IT/DX	Information security review unit (Members: Global IT/DX, President, CEO, Chairperson)	

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	Fubon Insurance Co., Ltd.	276,250,000	From: September 7, 2021 To: September 7, 2022	November 9, 2021
All directors	Fubon Insurance Co., Ltd.	308,750,000	From: September 7, 2022 To: September 7, 2023	November 10, 2022

9. Managers' continuing education and training in corporate governance (2022):

Position	Name	Date of Class	Organizer	Class Title	Number of Hours	Total Number of Hours
Assistant Vice President in Finance, Accounting, Global Finance and Accounting Division and Corporate Governance Officer	Wan-ming Huang	2022/07/15	Taiwan Corporate Governance Association	What's true? What's false? Crisis management in the face of fake news.	3	9
		2022/07/22		The Role of Independent Directors in Business Management and Corporate Governance	3	
		2022/07/28	Securities and Futures Institute	Brief Introduction to the Company's Short-term Trading and Case Studies.	3	

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 carry out the following propaganda:

- (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 five consecutive years. Its contribution to social participation has been recognized by the judges, which has motivated us to make continuous progress and contribute our efforts 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 pesticide-free onions from Pingtung with friendly corporates and online in 2018 to date, Chenbro has continued to purchase friendly agricultural products sold through the green farms' platform, including: organic pears, non-toxic onions, organic avocados, organic mangoes, dried fruit products, Lingnan citrus are offered not only purchased by employees but also used as festival and event gifts to share with customers, suppliers, and external partners. Chenbro hopes to call on more people 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.

(2) Social participation

A. Giving back to hometown to promote innovative education-580 volunteers in 184 schools for 4,640 hours of services

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 184 schools had participated in this program by the end of 2021, and three educational projects were carried out this year to broaden the learning horizons of children in rural areas in all aspects.

"Discover a New Paradise of Technology": 2018-present

In 2018, it has implemented the Yunlin Science and Technology New Paradise Project to narrow the digital gap between urban and rural areas. The Company has worked to bringing resources to schools based on the concept of paradise, 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. In the second half of the year, the Company held a "2022 Science and Technology New Paradise Exploration and Learning Tour" to allow children to visit and experience various activities on site.

Magic House of Classical Music: 2019-present

Starting in 2019, the Company planned to launch the "Magic House of Classical Music," which mainly extends 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 supplemented to enrich the children's musical literacy. Due to pandemic prevention, the learning tour originally scheduled for the first half of the year will be changed to learning on-campus. Children can still experience the characteristics and related knowledge of various attractions by watching introductory video recorded in advance at school.

"Environmental Taiwan-school environmental education promotion": From 2021

As the earth's environment is severely destructed by human, Chenbro worked with the Chi Po-lin Foundation for the first time to promote environmental education in the theme of "Environmental Taiwan". In 2021, a photography exhibition of director Chi Po-Lin was implemented, showcasing five environmental issues and launching the School Environmental Education Exhibition Tour. With the digital modularized teaching materials, the Company entered schools to promote environmental education and continued the theme in 2022 by organizing 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. Flipped Classroom

Long Term Philanthropic Partners of the Public Welfare 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.

Support Sharestart Educational Foundation Flipping the Classroom

Teachers are the driving force of education. By igniting the inner power of teachers and flipping the teaching methods and thinking, we can have the opportunity to fundamentally flip the classroom. Starting in 2021, Chenbro provides NT\$1 million in funding annually and collaborates with the AAEON Foundation to sponsor the education of Sharestart Educational Foundation. We hope to help teachers lead students in initiating the cycle of "self-learning, thinking, discussion, expression, and summarize" during class through the promotion of the Sharestart Educational Foundation teaching method. We also hope to change the cramming education, and cultivate the children's abilities to face the future world.

C. Art and Literature

Support the Contemporary Legend Theater to take place at Banqiao Broadcasting House

Since 2016, Chenbro has provided annual funding to support the contemporary legendary theater. However, due to the pandemic, many performances have been cancelled in the past three years, greatly affecting the operation of the theater. In order to explore new types of performance other than the traditional theater, in August 2020, Chenbro assisted the contemporary legend theatre in completing a 3D fundraising shoot called "The Hero of Stanley and Livingstone," which was a new cross-border creation between traditional Peking opera and digital technology. From mid-December 2021, the immersive theater of "The Hero of Stanley and Livingstone" was performed at Taipei 101, creating a record of 44 bookings of the entire venue by corporates and 6,000 tickets sold over six weeks. During the same period, in order to create a base for traditional performing arts and realize sharing and equality of arts and culture. Chenbro sponsored the establishment of the foundation for contemporary

legend theater and participated in the Banqiao Broadcasting House Heritage OT project of the Cultural Affairs Bureau, New Taipei City. From September 2020 to March 2022, the accompanying art troupe passed the review, resident coordination, and contract negotiation process and successfully obtained the project. In April 2022, Chenbro sponsored and called on 11 corporates and individuals to jointly raise NT\$13.4 million to help the art troupe raise funds for phase 1 of the Banqiao Broadcasting House project. The House is expected to open officially in July 2023.

D. Social Care

Speak Up for ALS, Prevent Love from Freezing

In 2019, we purchased 3000 copies of the illustration “Notes of Ambition” created based on the story of a pianist with ALS, Yi-Wen Peng. We gave these books to our employees, customers, suppliers, and charity partners to speak out for ALS patients and raise awareness and care in society. In 2022, we purchased another 1000 copies of “The Song of Chasing Lights,” co-created by the president of the Taiwan Motor Neuron Disease Association, Ying Qu, and her husband Da-Mou Chen. Chenbro launched quarterly literary contests within the company using this book to understand the difficulties faced by the patients and caregivers and to empathize with the struggles of rare diseases and disadvantaged groups. We hope every reader can become a seed and inject care and love into society.

Purchase Happy Socks to assist youths of Maria to establish social enterprises

Chenbro has been assisting the youths of Maria in starting their own business for three consecutive years. Chenbro donated 200 boxes of "Maria MAMA Happy Socks" in 2020 to support the establishment of a social enterprise by the Maria Social Welfare Foundation. In April 2021, Chenbro held a charity sale and donated all proceeds of NT\$120 thousand to the Foundation for purchasing supplies for pandemic prevention; and in December, Chenbro launched a charity Christmas event, purchasing Happy Socks and providing them to all staff as a gift, in addition to holding a charity flash sale with a total subscription of over 600 pairs, which assisted the Foundation in successfully completing the fundraising for the Happy Socks online store. Moreover, 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. In 2022, to support the opening of a physical store of Happy Socks in Taichung, staff procurement events were held again, with a total of 104 boxes of Happy Socks gift boxes. On the grand opening of the physical store, the foundation awarded a certificate of appreciation to Chenbro.

The “Maggi Love Share” Platform and Facebook

Since December 2013, Chenbro has established the “Maggi Love Share” platform. The website is www.maggiloveshare.com, and its Facebook page was established in 2015. 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, recorded, and shared with all employees, corporate partners, and philanthropic partners through the Internet. This website aims to become a "sharing" platform to bring positive energy to society. As of December 2022, a total of 310 articles have been published, and the monthly electronic newsletter has been sent to over four thousand recipients.

(IX) Implementation of internal control system

1. Statement on Internal Control System: Refer to [Appendix 1] on page 155.
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 2022 shareholders' meeting and implementation

Chenbro's 2022 annual general meeting was held on May 31, 2022, on the second floor of Building R, No. 558, Zhongyuan Road, Xinzhuang District, New Taipei City. The shareholders' resolutions at the meeting and the implementation status are as follows:

Date of Meeting	2022 Annual General Meeting
2022/05/31	1. Ratified the 2021 business report and financial statements Implementation status: The proposal has been unanimously approved through voting. 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 2021 earnings distribution proposal Implementation status: The proposal has been unanimously approved through voting. For the 2021 earnings distribution and shareholders' dividends, based on the number of outstanding shares of 120,769,700 shares, it was NT\$3.0 per share, a total of NT\$362,309,100 was allocated for cash dividends, plus NT\$17,226,247 for remuneration to directors in cash and NT\$58,569,238 for employee compensation. On May 31, 2022, the Chairperson decided that July 1, 2022 was the record date of ex-dividend, and cash dividends were paid on July 29, 2022.
	3. Approved the amendment to the Articles of Incorporation. Implementation status: The proposal has been unanimously approved through voting. The amendment was registered per the Letter Jin-Shou-Shan No. 11101104750 issued by the Ministry of Economic Affairs dated June 17, 2022.
	4. Approved the amendment to the Regulations Governing the Acquisition or Disposal of Assets Implementation status: The proposal has been unanimously approved through voting. 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.
	5. Approved the amendment to the Rules of Procedures for the Shareholders' Meetings. Implementation status: The proposal has been unanimously approved through voting. 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.
	6. Approved the removal of the non-compete clause for the Company's directors. Implementation status: The proposal has been unanimously approved through voting.

2. Important resolutions made by the board of directors

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
14th term 10th	1. The Remuneration Committee of the Company met on January 14, 2022 to resolve the distribution		None

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
meeting 2022/01/14	of salaries and year-end bonuses to managers.		
	2. The Company's 2022 business plan and budget.		None
	3. The Company's discussion matters and proposals for the 2022 annual general meeting.		None
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution		
14th term 11th meeting 2022/03/15	1. The Company's distribution of 2021 employee compensation and the remuneration of directors.		None
	2. The Company's 2021 business report and financial statements.	V	None
	3. The Company's 2021 earnings distribution proposal.	V	None
	4. The status of the Company changing its CPAs and regularly implementing the assessment of the independence of the CPAs.	V	None
	5. The Company is responsible for appointment and compensation of CPAs.	V	None
	6. The Company's 2021 Statement on Internal Control System.	V	None
	7. The Company recovers and cancels the new restricted employee shares for capital reduction.		None
	8. Removal of the Company's non-compete clause for directors.	V	None
	9. Amended the Company's Articles of Incorporation.	V	None
	10. The Company amended some of the rules and regulations.	V	None
	11. The Company's discussion matters and proposals for the 2022 annual general meeting.		None
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution		
14th term 12th meeting 2022/05/12	1. The Company's distribution of remuneration of directors and managers for 2021.		None
	2. The Company's 2022 Consolidated Financial Statements of the first quarter.	V	None
	3. The Company planned to amend some of the rules and regulations.		None

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
	4. The Company has applied for an increase in the credit line and renewal with banks it has business dealings with.		None
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution		
14th term 13th meeting 2022/08/11	1. The Company's 2022 Consolidated Financial Statements of the second quarter.	V	None
	2. Planned to recovery and cancelation of new restricted employee shares for capital reduction.		None
	3. The Company has applied for an increase in the credit line and renewal with banks it has business dealings with.		None
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution		
14th term 14th meeting 2022/11/10	1. The Company's 2022 Consolidated Financial Statements of the third quarter.	V	None
	2. Planned to amend some provisions of the Company's General Principles of Internal Control, Internal Audit Implementation Rules, and Internal Control System.	V	None
	3. Drafted the Company's 2023 audit plan.	V	None
	4. The Company's new CEO.		None
	5. The changes in the Company's President.		None
	6. Planned to amend some of the provisions of the Company's Procedures for Handling Material Inside Information.	V	None
	7. Planned to amend some of the provisions of the Company's Rules of the Board of Directors Performance Evaluation.		None
	8. The Company has applied for an increase in the credit line and renewal with banks it has business dealings with.		None
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution		
14th term 15th meeting	1. The changes in the subsidiaries' functional currencies.		None
	The Company's response to independent directors' opinions: None.		

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
2022/12/08	Resolution result: All the directors present passed the resolution		
14th term 16th meeting 2023/01/09	1. The Company's distribution of the managers' salary and year-end bonuses.		None
	2. The Company's 2023 operational plan and budget for the year.		None
	3. The Company's comprehensive re-election of directors (including independent directors).		None
	4. Removal of the non-compete clause for new directors.		None
	5. The Company's amendment to the Articles of Incorporation.		None
	6. The Company's new Chief Strategist		None
	7. The ratification of the promotion of the Company's managers.		None
	8. The ratification of the promotion of the Company's managers.		None
	9. Formulated the Company's Sustainability Development Committee Charter.		None
	10. The Company appointed Sustainability Development Committee.		None
	11. Matters related to the holding of the Company's 2023 annual general meeting.		None
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution		
14th term 17th meeting 2023/03/14	1. The Company's 2022 assessment of the validity of the internal control system and Statement on Internal Control System.	V	None
	2. The Company's 2022 business report and financial statements.	V	None
	3. The Company's 2022 earnings distribution proposal.	V	None
	4. The Company's allocation of 2022 employee compensation and the remuneration of directors.		None
	5. The Company's assessment of the independence and competency of the CPAs.	V	None
	6. The Company is responsible for appointment and compensation of CPAs.	V	None

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
	7. The Company planned to amend some of the rules and regulations.	V	None
	8. Nomination of board of directors and reviews the list of candidates for directors.		None
	9. The Company has applied for an increase in the credit line and renewal with banks it has business dealings with.		None
	The Company's response to independent directors' opinions: None.		

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: None.

V. Information on CPA Professional Fees

Monetary unit: 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 Pei-Juan Huang	4,440	0	0	0	5,743	5,743	January 1, 2022~ December 31, 2022	1. Transfer pricing report and risk assessment related services of NTD 3,140 thousand 2. The maintenance cost of the holding company of NTD 1,109 thousand which was handled by PwC Taiwan 3. Tax visa and other expenses.
BDO Taiwan	Shu-Cheng Chang	0	0	0	0	45	45	January 1, 2022~ December 31, 2022	2022 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

Monetary unit: NTD thousand

Public projects		Monetary unit: NT\$ thousand		
Fee Range		Audit Fees	Non-audit Fees	Total
1	Under NT\$2,000,000	0	0	0
2	NT\$2,000,000 - NT\$4,000,000	0	0	0
3	NT\$4,000,000 - NT\$6,000,000	4,440	5,788	10,228
4	NT\$6,000,000 - NT\$8,000,000	0	0	0
5	NT\$8,000,000 - NT\$10,000,000	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

(I) About the former CPA

Replacement Date	February 9, 2022		
Reason and Explanation of Replacement	To cooperate with PwC Taiwan to adjust the internal organization. Since the first quarter of 2022, the certified accountants of the Company have been changed from Huil-Ling Pan and Jun-Yao Lin to Hui-Ling Pan and Pei-Chuan Huang.		
It is explained that the appointor or accountant terminates or refuses to accept the appointment.	Parties involved	CPA	Appointor
	Condition	N/A	
	Active termination of appointment		
	No longer accept (continue) the appointment		
Opinions and reasons for issuing unqualified audit reports within the latest two years	None		
Any different opinions with the issuer?	Yes		Accounting principles or practices
			Disclosure of financial report
			Check scope or procedure
			Others
	None	V	
	Description: None.		
Other matters to be disclosed (Items 4-7of Section 1, Paragraph 6, Article 10 of the Standards shall be disclosed)	N/A.		

(II) About the successor CPA

CPA Firm	PwC Taiwan
Name of CPA	Huil-Ling Pan and Pei-Juan Huang
Date of appointment	February 9, 2022
Consultation matters and results on accounting treatment methods or accounting principles of specific transactions and opinions on financial reports that may be issued before appointment	N/A
Written opinions of successor CPA on different opinions of former CPA.	N/A

- (III) Reply of the former CPA to 3 matters in Item 1 and Item 2 of Paragraph 6 of Article 10 of these Standards: N/A.

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

Position	Name	2022		As of April 2, 2023	
		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	0	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
CEO	Ya-nan Chen	42,000	0	0	0
President	Chien-nan Hsu	(15,000)	0	0	0
Assistant Vice President in Accounting, Global Finance and Accounting Division	Wan-ming Huang	4,500	0	0	0
Assistant Vice President, Global Information Division and Global Supply Chain Management Division	Yun-peng Chen (Note 1)	0	0	0	0
Assistant Vice President, Global Sales Division	Pei-Lin Ho (Note 2)	0	0	0	0
Shareholding ratio exceeds Shareholder holding more than 10% of shares.	Feng-ming Chen	0	0	0	0
	Peng Wei Investment (Note 3)	37,433	0	0	3,609,000 (1,800,000)

Note 1. Senior Director Yun-peng Chen was promoted to Assistant Vice President of the Global Information Division and Global Supply Chain Management Division on January 1, 2023.

Note 2. Director Pei-Lin Ho was promoted to Assistant Vice President of Global Sales Division on January 1, 2023.

Note 3. 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

April 2, 2023 Unit: shares

NAME (NOTE 1)	SHAREHOLDER'S SHAREHOLDING		SPOUSE & MINOR SHAREHOLDING S		NOMINEE ARRANGEMENT TOTAL SHARES HELD		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
	No. Shares	Percentage of shareholding	No. Shares	%	No. Shares	Percentage of shareholding	Title (Name)	Relationship	
Feng-ming Chen	13,614,433	11.29	5,306,029	4.40	0	0	Tsun-yen Lee Mei-chi Chen Lian-chun Chen	Spouse Sister Brother-in-law	None
Peng Wei Investment Representative: Lian-chun Chen	12,387,433	10.27	0	0	0	0	Mei-chi Chen Feng-ming Chen Tsun-yen Lee	Spouse Relative-in-Law Relative-in-Law	None
Lian-mei Investment Ltd. Representative: Mei-chi Chen	11,910,000	9.88	0	0	0	0	Lian-chun Chen Feng-ming Chen Tsun-yen Lee	Spouse Brother Sister-in-law	None
Mei-chi Chen	9,656,009	8.01	2,122,577	1.76	12,387,433	10.27	Lian-chun Chen Feng-ming Chen Tsun-yen Lee	Spouse Brother Sister-in-law	None
Ming-kwong Investment Co., Ltd. Representative: Tsun-yen Lee	9,243,967	7.66	0	0	0	0	Feng-ming Chen Mei-chi Chen Lian-chun Chen	Spouse Relative-in-Law Relative-in-Law	None
Tsun-yen Lee	5,306,029	4.40	13,614,433	11.29	0	0	Feng-ming Chen Mei-chi Chen Lian-chun Chen	Spouse Relative-in-Law Relative-in-Law	None
Swedbank Robur Technology	2,500,000	2.07	0	0	0	0	None	None	None
Lian-chun Chen	2,122,577	1.76	9,656,009	8.01	12,387,433	10.27	Mei-chi Chen Feng-ming Chen Tsun-yen Lee	Spouse Relative-in-Law Relative-in-Law	None

NAME (NOTE 1)	SHAREHOLDER'S SHAREHOLDING		SPOUSE & MINOR SHAREHOLDINGS		NOMINEE ARRANGEMENT TOTAL SHARES HELD		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
	No. Shares	Percentage of shareholding	No. Shares	%	No. Shares	Percentage of shareholding	Title (Name)	Relationship	
Taipei Fubon Commercial Bank Co., Ltd	1,510,000	1.25	0	0	0	0	None	None	None
Swedbank Robur Small Cap Emerging Markets	1,400,000	1.16	0	0	0	0	None	None	None

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

Dec. 31, 2022 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%
Chen-Feng Precision Co., Ltd.	5,600	70%	0	0	5,600	70%

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

Chapter 4 Fundraising

- I. Capital Stock and Shares
- II. Corporate Bonds
- III. Preferred Shares
- IV. Global Depository 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

Chapter 4 Fundraising

I. Capital Stock and Shares

(I) Sources of capital

Month/Year	Issue Price (NTD)	Authorized capital		Paid-in capital		Note		
		Number of Shares (1,000 shares)	Amount (1,000NTD)	Number of 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	1983.12.05 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	N/A	FSC dated Sep. 30, 2004 Letter Jin-Guan-Zeng-1 No. 0930144328

Month/Year	Issue Price (NTD)	Authorized capital		Paid-in capital		Note		
		Number of Shares (1,000 shares)	Amount (1,000NTD)	Number of Shares (1,000shares)	Amount(1,000NTD)	Capital Source (1,000 NTD)	Capital increase by assets other than cash	Others
						Capitalization of capital surplus for 10,808		
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
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
Jun.2021	10	150,000	1,500,000	120,861	1,208,610	Redemption of restricted employee shares (500)	N/A	Letter Jin-Shou-Shan No. 11001095550
Dec.2021	10	150,000	1,500,000	120,789	1,207,885	Redemption of restricted employee shares (725)	N/A	Letter Jin-Shou-Shan No. 11001220690
Apr.2022	10	150,000	1,500,000	120,770	1,207,697	Redemption of restricted employee shares (187)	N/A	Letter Jin-Shou-Shan No. 11101052760
Sep.2022	10	150,000	1,500,000	120,632	1,206,320	Redemption of restricted employee shares (1378)	N/A	Letter Jin-Shou-Shan No. 11101168190

Type of Shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Registered common shares of public companies	120,631,950	29,368,050	150,000,000	

Note: Including 25,000 shares of expired restricted stock awards yet to be cancelled.

(II) Shareholder structure

April 2, 2023 Unit: shares

Shareholder structure	Government agencies	Financial institutions	Other juridical persons	Foreign institutions and natural persons	Individuals	Total
Number of Shareholders	0	8	78	61	8,197	8,344
Number of Shares Held	0	3,673,000	39,951,572	10,869,656	66,112,722	120,606,950
Ownership Percentage %	0	3.05	33.13	9.01	54.81	100.00

(III) Shareholding distribution status

1. Ordinary shares

April 2, 2023 Unit: shares

Range of Shares	Number of Shareholders	Number of Shares Held	Ownership Percentage (%)
1 – 999	1,859	341,027	0.28
1,000 – 5,000	5,233	10,214,931	8.47
5,001 – 10,000	612	4,779,096	3.96
10,001 – 15,000	175	2,250,290	1.87
15,001 – 20,000	121	2,207,103	1.83
20,001 – 30,000	110	2,793,635	2.32
30,001 – 40,000	51	1,806,472	1.5
40,001 – 50,000	32	1,444,607	1.2
50,001 – 100,000	71	5,300,587	4.39
100,001 – 200,000	39	5,353,103	4.44
200,001 – 400,000	17	4,359,214	3.61
400,001 – 600,000	6	3,116,001	2.58
600,001 – 800,000	2	1,281,000	1.06
800,001 – 1,000,000	4	3,505,809	2.91
1,000,001 or more	12	71,854,075	59.58
Total	8,344	120,606,950	100.00

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

2. Preferred shares: N/A.

(IV) List of major shareholders

April 2, 2023 Unit: shares

Shareholding	Number of Shares Held	Ownership Percentage (%)
Name		
Feng-ming Chen	13,614,433	11.29%

Shareholding Name	Number of Shares Held	Ownership Percentage (%)
Peng Wei Investment	12,387,433	10.27%
Lian-mei Investment Ltd.	11,910,000	9.88%
Mei-chi Chen	9,656,009	8.01%
Ming-kwong Investment Co., Ltd.	9,243,967	7.66%
Tsun-yen Lee	5,306,029	4.40%
Swedbank Robur Technology	2,500,000	2.07%
Lian-chun Chen	2,122,577	1.76%
Taipei Fubon Commercial Bank Co., Ltd	1,510,000	1.25%
Swedbank Robur Small Cap Emerging Markets	1,400,000	1.16%

(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

Year		2021	2022	As of April 7, 2023 (Note 8)
Item				
Market price per share (Note 1)	Highest	91.20	93.4	91.6
	Lowest	68.00	59.4	71.6
	Average	77.47	72.74	84.43
Net worth per share	Before distribution	34.41	40.68	Note 9
	After distribution	31.41	-	Note 9
Earnings per share	Weighted average of shares	120,857,200	120,061,014	Note 9
	Basic earnings per share (Note 3)	5.62	8.32	Note 9
Dividends per share	Cash dividends	3	4(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)	13.78	8.74	-
	Price/Dividend ratio (Note 6)	25.82	18.19(Note 10)	Note 9
	Cash dividend yield % (Note 7)	3.87	5.50(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 2022.

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: $P/E \text{ ratio} = \text{Average market price per share} / \text{Earnings per share}$

Note 6: $\text{Price/Dividend ratio} = \text{Average market price per share} / \text{Cash dividend per share}$

Note 7: $\text{Cash dividend yield} = \text{Cash dividend per share} / \text{Average market price per share}$

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 2022 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:

- (1) Pay taxes.
- (2) Compensate accumulated deficit/losses.
- (3) Appropriate 10 percent for the legal reserve. However, if the legal reserve has reached the same amount of the paid-in capital, this provision does not apply.
- (4) Appropriate or reverse special reserves according to laws or the regulations of competent securities authorities.
- (5) 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\$482,527,800 to shareholders from the distributable earnings for 2022, 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 50% to 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 3% to 12% 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' remuneration: The Company's employee compensation for 2022 has been approved by the board of directors on March 14, 2023 in the amount of NT\$89,095,369; the amount of remuneration for directors is NT\$26,204,520. The estimation is based on the profit as of the end of 2022.

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 2022 and to the total employee compensation for 2022: No employee stocks were distributed at this time, so it is not applicable.

The estimated earnings per share is NT\$8.32 after the employee compensation and the remuneration of directors.

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 (2022) is as follows:

Unit: in NT\$ thousands : Thousand Shares

Distribution of remuneration	Remuneration approved by the board of directors
Employee compensation in cash	89,095
Remuneration of directors and supervisors	26,205

(IX) Share repurchase None.

II. Corporate Bonds None.

III. Preferred Shares None.

IV. Global Depository 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	August 11, 2020
Date of issue	August 11, 2020
Number of restricted employee shares issued	1,200,000
Issue price	bonus shares
Number of restricted employee shares already issued as a percentage of the total number of issued shares	0.99%
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: Objects: Supervisors at all levels/General employees Company's performance targets (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. (2) When the EPS is achieved between 4.6 and the target value, 60% is vested. (3) When the EPS is achieved under 4.6 or less, 0% is vested. Personal performance: The last two assessments were above the standard Years of service/Percentage: 1 year: 25% 2 years: 25% 3 years: 25% 4 years: 25% Note: (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>1. 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: (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. (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: 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	<p>1. Resignation (voluntary/retirement/severance/dismissal): New restricted employee shares allocated that have not met the vesting conditions will be</p>

to without the vesting conditions met	<p>recovered and cancelled by the Company according to law.</p> <p>2. Unpaid leave 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	319,000
The number of new restricted employee shares with the restricted rights lifted	423,500
The number of new restricted employee shares with the restricted rights not yet lifted	457,500
Number of new restricted employee shares with the restricted rights not yet lifted as a percentage of total shares issued (%)	0.38%
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:

April 7, 2023

	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 (Note 6)	Issue Price (Note 5)	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)
Manager	Chief Executive Officer	Ya-nan Chen (Note 7)	610,000	0.51%	305,000	0	-	0.25%	305,000	0	-	0.25%
	President	Chien-nan Hsu (Note 8)										
	Assistant Vice President	Wan-ming Huang										
	Assistant Vice President	Yun-peng Chen (Note 9)										
	Assistant Vice President	Pei-lin Ho (Note 10)										
Employees (Note 3)	Head of Manufacturing	Chieh-he Li (Note 11)	400,000	0.33%	227,500	0	-	0.19%	172,500	0	-	0.14%
	Assistant Vice President	Peng-cheng Chang										
	President, U.S. Region	Tung Wang										
	Director	Shuo-chuan Chang (Note 12)										
	Senior Manager	Hsin-hui Chang										
	Senior Manager	Shih-chi Huang										
	Senior Manager	Cheng-feng Yang										
	Senior Manager	Yen-yu Chang										
	Senior Manager	Tsai-hsing Chen (Note 13)										
	Senior Manager	Chih-wei Hou										
	Senior Manager	Wei-hua Tien										
	Senior Manager	Chang-ming Cheng										
	Manager	Wei-hsing Chen										
	Manager	Ho-kang Yeh										
	Manager	Hsin-hung Chen										
	Manager	Chien-wen Wang										
	Manager	Tseng-hsuan Hu										
	Manager	Chao Huang										
	Manager	Chao Chang										

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.

Note 5: The issue price of the new shares with restricted employee rights was a cashless allotment to employees at no consideration.

Note 6: The number of shares lifted from restriction includes the number of shares cancelled.

Note 7: President Ya-nan Chen was promoted to the position of Chief Executive Officer on January 1, 2023.

Note 8: Vice President of Global Sales Division Chien-nan Hsu was appointed as President on January 1, 2023.

Note 9: Senior Director Yun-peng Chen was promoted to the position of Assistant Vice President of Global Information Division and Global Supply Chain Management Division on January 1, 2023.

Note 10: Director Pei-lin Ho was promoted to the position of Assistant Vice President of Global Sales Division on January 1, 2023.

Note 11: Head of Manufacturing of Manufacturing Division of Taiwan Lee Chieh-Ho retired on March 31, 2023.

Note 12: Director of Global Supply Chain Management Shuo-chuan Chang resigned on June 17, 2022.

Note 13: Senior Manager of System Architecture R&D Tsai-hsing Chen resigned on May 20, 2022.

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.

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. Infocomm Security Management
- VII. 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 (2022)

Unit: NT\$ thousands

Main products	Revenue	Proportion of revenue (%)
Server chassis and peripheral products	10,445,255	99%
Personal computer chassis	112,446	1%
Total	10,557,701	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

Category	Product specification
Storage (Storage/JBOD)	<ul style="list-style-type: none"> ◆ 4U high-density storage arrays, supporting 60~96 x 3.5" HDD; ◆ 4U Tri-load high-performance storage application, supporting Intel's latest Whitley and Eagle Stream platform motherboard and AMD Genoa platform, up to 48x 3.5" HDD; ◆ 2U Dual-load high-performance storage applications, supporting 12" x 13" platforms motherboards, up to 24 x 3.5" HDDs ◆ 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 and NVMe hybrid storage support ◆ Key storage products support the latest generation of SAS4 (24G) technology and PCIe Gen4/Gen5 technology. It is also planned to support E1.S and E3.S. ◆ 2U JBOD application supports high versatility 12 x 3.5" HDD.
Cloud application (Cloud)	<ul style="list-style-type: none"> ◆ Full support for 1U and 2U general purpose servers with next generation Intel Sapphire Rapids, AMD Genoa 4th generation EPYC and other CPUs ◆ Storage backplane, Riser card upgrade, support for next generation SAS4 / PCIe Gen4/5 / CXL interface technology ◆ Development of DC-MSH (Datacenter Modular Hardware System), a new modular architecture server chassis ◆ New SKU server product development for new storage type E1.S, E3.S, etc.
Edge Computing (Edge)	<ul style="list-style-type: none"> ◆ 1U Edge products support redundant power and hot-swappable 3.5" HDDs ◆ 2U, 3U Edge products support E1.S, PCIe Gen 4/5

Category	Product specification
	<ul style="list-style-type: none"> ◆ 2U, 3U Edge products support L6
Artificial Intelligence (AI)	<ul style="list-style-type: none"> ◆ 1-4U rack server chassis, supporting 2-4 GPU/GPGPU applications, single/dual-way motherboards
HPC	<ul style="list-style-type: none"> ◆ Supports Intel / AMD's latest dual CPU platform MB, and supports the new generation PCIe Gen4/5 / CXL interface technology
Platform Ecology	<ul style="list-style-type: none"> ◆ Verification of support for new CPU platform motherboards such as Eagle Stream and AMD Genoa ◆ Product support for new storage form E1.S, E3.S, etc.
The total R&D expenditure is estimated to account for 2% to 4% of the total revenue of 2023, which is the same as the previous year.	

(II) Overview of the industry

(1) Current status and development

■ Servers

DIGITIMES Research stated that in 2022, the global server market was still stronger in terms of demand from large cloud data center operators, and the demand for cloud and hybrid office in the post-epidemic era remained persistent, coupled with the shortage of ICs and components gradually returning to normal supply in the second half of the year, the annual server shipments were estimated to grow by 6%. In 2023, due to the global economic weakness, the growth of server brand and Chinese shipment will be limited, and the growth of data center expansion by cloud operators will be smaller than that of 2022, and the growth of global server shipment will be revised downward to 4.3%.

In the first half of 2022, the server industry faced a severe situation of ICs and components with long and short legs, coupled with China's strict policy of Zero-COVID and lockdown, which impeded the supply of ODMs and upstream components, resulting in some customers' demand not being met and delayed shipments. In the second half of the year, the IC shortage is gradually resolved, but the global economic recession has affected the Chinese industry and server brands in particular, and demand is obviously weakening. However, the large cloud data centers in North America maintain their capital expenditure plans and continue to build global data centers, and the four major data centers in North America will see double-digit growth in server purchases throughout the year, which will also lead to an increase in global server shipments.

In 2023, global server shipments will not grow as strongly as in 2022 due to the ongoing recession. In addition to the lack of growth momentum for U.S. brands, Chinese data center and enterprise customers will also see limited growth in 2023 due to the weak economy in China and the more stringent control policies on epidemic and network information security. The demand for servers in 2023 is expected to be stronger among large cloud operators in North America. The new generation of CPUs will drive part of the replacement demand, and the combined shipment volume of the four major companies will grow by a high single digit, and drive the global share of cloud data center server shipments to exceed that of brand companies.

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

Servers comprise hundreds of key components. Taiwan is the leader in terminal assembly and has incubated a series of key supply chains, from upstream processor chip OEM and packaging, processor heat spreader, water-cooling and air-cooling devices, high-frequency copper foil substrates, guide rails, remote management chips, power supply server host design OEM, etc. Among them, Taiwan is the main supplier for chassis, guide rails, heat dissipation and printed circuit boards, etc.

Chenbro's downstream server industry includes server motherboards (L6), complete units (L10), cabinets (L11~L12), data center networks, storage devices and other software and hardware. Taiwan's server manufacturers have different types of shipments. Some of them mainly ship motherboards, which are then shipped to local data center operators together with U.S. system integrators (SIs), while some of them ship complete servers and provide rack systems together with network and storage equipment, so the latter have larger revenues. In 2022, the three major public clouds Google, Amazon and Microsoft made strong server purchases, mainly due to demand for cloud platform rentals, remote meetings and other online

services, expansion of global data center infrastructure, and expansion of server orders to server operators for cloud computing and storage.

(3) Product development trends and competition

■ Servers

In 2022, new server products focused on cloud, high performance computing (HPC), AI, 5G edge and other applications, the server industry has adopted a wide range of CPU architectures, in addition to the Whitley platform (code Ice Lake), the third generation Epyc platform (code Milan), the fourth generation Epyc platform and other new generation CPUs (code Genova), as well as the Ampere The new generation of Ultra Max Arm architecture and PCIe 4.0 support are designed to capture the HPC/AI and edge markets. In addition, it is expected that Intel Eagle Stream will be gradually adopted by the server industry from the first half of 2023.

The new models developed by server companies are mainly for cloud data center-based HPC or AI training applications, as well as for edge 5G telecommunication or AI inference applications, with NEBS-compliant or short chassis design servers. The server industry will continue to cultivate the cloud market, and the 5G edge server is also an area of intensive deployment. Looking ahead, as server computing performance increases, so does energy consumption. The industry introduces liquid cooling solutions for servers to meet the energy-saving needs of cloud data centers due to the increasing scale of server installations.

In addition, to meet the needs of limited and diversified customers, the modular design of the server is also emphasized to create multiple product combinations more quickly; another advantage of the modular design is that it makes it easier for server operators to control the supply chain or parts procurement and accelerate the production of customized servers in the cloud. Faced with supply chain uncertainty that may become the norm, the industry has also strengthened its internal operations or parts procurement management.

Driven by cloud service providers (CSPs), the proportion of server direct sales (ODM Direct) model is increasing, and the global server market is still dominated by North America and China, while the fast-growing cloud data center is the biggest driver of global server growth. Meta, AWS, Microsoft, Google, Alibaba, Tencent, and Baidu are the top seven cloud management platforms in the world and are the largest buyers of servers worldwide. The ODM Direct model has an impact on the market share of server brands. The current market share of the top three global server brands is about 40%, and the top three global server brands are Dell EMC, HPE, and Inspur.

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. Although their data centers are not as large as the seven cloud platforms mentioned above, they are also very important buyers of servers. In addition, 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. The demand for high-performance computing such as AI and HPC continues to rise.

To sum up, Chenbro has been working in the server market for a long time and is able to provide customized, small and diverse server M&E integrated products. We continue to work with Intel, AMD, ARM, NVIDIA and other major CPU/GPU manufacturers to design products with their product blueprints, from POC validation to product design, and develop chassis compatible with next-generation CPU/GPU platforms to help technology majors optimize product performance. We closely connect to our server customers and continue to innovate in design and manufacturing technology, provide the best customized mechanical solutions and variety of flexible product solutions with modular design, 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 server 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

(2)

Unit: NT\$ thousands; %

Item	Year	2022 (Note 1)
R&D expense		187,085
Revenue		10,557,701
R&D expense as a percentage of revenue (%)		2%

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 2023 audited by CPAs. Therefore, only the data of 2022 are disclosed.

(3) Successfully developed technologies or products

Under the framework of Athena 2.0 project (technology development cycle policy), the integrity of technology development will be paid more attention in four aspects: market-driven, manufacturing-quality, differentiated value and technology deepening strategy. Market-driven approach understands the user's situation with the method of conceptual engineering, digs the pain points of users, develops innovative concepts, exchanges and learns with customers, and grows synchronously. In addition, combined with strategic alliances, it achieves common benefits. Manufacturing & quality orientation is our philosophy of continuous optimization and growth. In the R&D stage, we strictly control the quality of manufacturing process through DFMEA, DFX and SPC. Meanwhile, we also consider the feasibility of low-cost automated intelligent manufacturing to achieve the sustainable development of efficiency, quality and carbon reduction. Differentiated value orientation is an important indicator to highlight the advantages of our products. Taking the planning 2.0 (modular design 2.0 as the direction, we will enhance the scale of common parts bank to continue the universality and design standardization of products, achieve the advantages of scale production and effectively manage costs. Whether it's a small variety of Hybrid production modes or the flexible cooperation of a large number of production modes, it's always our advantage. The simultaneous implantation of UX/UI Design in products highlights the value of products with high CP value, and we pay attention to the protection of intellectual property rights, and continue to invest resources. Up to 2022, 576 patent applications have been filed in Taiwan, the United States and Chinese mainland, and 481 patents have been obtained. In 2022, we also developed and applied for new patents for various products, adding 16 inventions, designs and new patents all over the world. Deep cultivation of technology is oriented to technical breakthrough with the method of six standard deviations of technology. Meanwhile, the forward-looking concept is continuously studied with the cooperation plan of industry and university. In terms of new materials, steel and plastics with high strength, light weight, environmental protection and rapid prototyping are emphasized to improve the internal accommodation density of products and reduce the load of large data centers. New manufacturing will focus on R&D in Taiwan, made in Taiwan and cross-border integrated manufacturing, CNC intelligent manufacturing and other new technologies, and introduce lean management; The new technology will focus on the changes of server system and host shell brought by storage, 5G, artificial intelligence and edge computing, so as to develop high-performance system architecture, innovate institutions and modular development technology to maintain the leading competitive advantage in the industry.

The new products in 2022 are as follows:

OTS (Chenbro standard product)

Product Model	Product Description
RM1330403	1U rack-mounted modular multi-I/O server chassis
RM1430201	1U rack-mount modular server chassis
RM1510801	1U rack-mount modular server chassis
RM2381202	2U rack-mount modular server chassis
RM2381203	2U rack-mounted modular multi-I/O server chassis
RM2382402	2U rack-mount modular server chassis
RM25206	2U rack-mount high-speed computing modular storage server chassis (NVMe Gen4)

Product Model	Product Description
RM35206	3U rack-mount high-speed computing modular storage server chassis (NVMe Gen4)
SR1156901	4U tower high-speed computing modular storage server chassis
RM1430201	1U rack-mounted edge computing server chassis
RM3270201	3U rack-mounted edge computing server chassis

JDM (product jointly developed by Chenbro)

Product Model	Product Description
RM11956	1U rack-mount customized modular server chassis
RM12926	1U rack-mount customized modular server chassis
RM21981	2U rack-mount customized modular server chassis
RM1330801	1U rack-mount customized modular server chassis
RM13308A1	1U rack-mount customized modular server chassis
RM15104A1	1U rack-mount customized modular server chassis
RM1510802	1U rack-mount customized modular server chassis
RM15112A2	1U rack-mount customized modular server chassis
RM15112A3	1U rack-mount customized modular server chassis
RM15112A4	1U rack-mount customized modular server chassis
RM25100A1	2U rack-mount customized modular server chassis
RM2511202	2U rack-mount customized modular server chassis
RM25112A4	2U rack-mount customized modular server chassis
RM25112A5	2U rack-mount customized modular server chassis
RM25112A6	2U rack-mount customized modular server chassis
RM25112A7	2U rack-mount customized modular server chassis
RM2512404	2U rack-mount customized modular server chassis
RM25124A3	2U rack-mount customized modular server chassis
RM25124A4	2U rack-mount customized modular server chassis
RM25124A5	2U rack-mount customized modular server chassis
RM25124A6	2U rack-mount customized modular server chassis
RM1330401	1U rack-mount customized modular server chassis
RM2382401	2U rack-mount customized modular server chassis
RM19802	1U rack-mount customized high-speed computing modular storage server chassis
RM19A09	1U rack-mount customized high-speed computing modular storage server chassis
RM19A17	1U rack-mount customized high-speed computing server chassis
RM3922000501	3U rack-mounted edge computing server chassis
RM2922001301	2U rack-mounted edge computing server chassis
RM3270202	3U rack-mounted edge computing server chassis
RM12926	1U EDGE customized high-speed computing server chassis
RM1921000801	1U EDGE customized high-speed computing server chassis
RM1922000301	1U EDGE customized high-speed computing server chassis
RM2922001101	2U rack-mount customized modular storage server chassis

The new patents applications in 2022 are as follows:

Date of application	Region	Category	Patent Name	Product Category
2022/01/26	Taiwan	Utility model	Fixed components and their fixed caps	FASTENER
2022/01/26	China	Utility model	Fixed components and their fixed caps	FASTENER
2022/01/27	Taiwan	Utility model	Server device and its pull-out box	HDD TRAY
2022/01/27	China	Utility model	Server device and its pull-out box	HDD TRAY
2022/07/13	Taiwan	Utility model	Computing device	GPU HOLDER
2022/07/13	China	Utility model	Computing device	GPU HOLDER
2022/07/29	Taiwan	Utility model	Computing device	GPU HOLDER
2022/07/29	China	Utility model	Computing device	GPU HOLDER
2022/09/02	Taiwan	Utility model	Electronic devices and device containers	CHASSIS
2022/09/02	China	Utility model	Electronic devices and device containers	CHASSIS
2022/11/18	U.S.	Invention	SERVER SYSTEM	CHASSIS
2022/12/05	Taiwan	Invention	Printed circuit board	PCB
2022/12/15	Taiwan	Invention	Computer equipment and its computing devices with immersion cooling mechanism	LIQUID COOLING
2022/12/15	China	Invention	Computer equipment and its computing devices with immersion cooling mechanism	LIQUID COOLING
2022/12/16	China	Utility model	Two-phase immersion liquid cooling device	LIQUID COOLING
2022/12/16	China	Utility model	Tri-load Family Design	CHASSIS

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

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 has started operation in January 2022, which will successfully support more project service improvement, factory capacity improvement and intensive

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 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.

At the same time, the improvement of internal design capability, the design control of many components used in servers and storage systems, and our server construction enable us to quickly develop, build and test server and storage barebones, subsystems, chassis and accessories with unique configurations. Therefore, when new technologies are introduced to the market, we can usually quickly assemble a wide range of product portfolios by utilizing common building block solutions across product lines. We work with leading microprocessor, graphics processing unit ("GPU"), memory, disk/flash memory and other hardware suppliers to coordinate our new product design with their product release schedule. This enhances our ability to quickly launch new products with the latest technology. We strive to take the lead in bringing products to market with new technologies, and provide our customers with the widest selection of products using these technologies.

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.

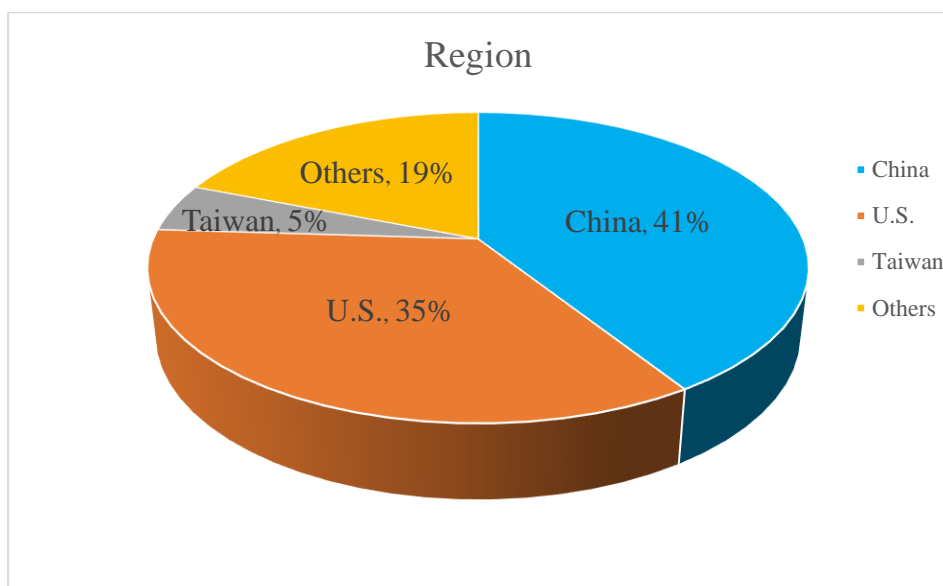
II. Analysis of the Market as well as Production and Marketing Situation

(I) Market analysis

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

Unit: in NT\$ thousands

Region	Sales revenue	Percentage
China	4,303,072	41%
U.S.	3,736,114	35%
Taiwan	533,521	5%
Others	1,984,994	19%
Total	10,557,701	100%



(2) Market shares

Chenbro is deeply involved in the white-label server market, working with system integrators (SI) to jointly develop cloud service providers (CSP) and telecom operators' customers, and also cooperating with OEMs and ODM factories to compete for end customers. In 2022, Chenbro's revenue reached a record high in its 40-year history, officially surpassing the NT\$10 billion milestone. According to the statistics and prediction of DIGITIMES Research, the global server shipments in 2022 are about 18 million units, with an annual increase of 6.1%. It is estimated that the market share of Chenbro server chassis is 12%.

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

According to DIGITIMES Research's statistics and analysis, the demand for servers in 2023 is expected to be stronger for large data centers in North America, and the combined server procurement volume of Amazon, Microsoft, Google, and Meta will grow by nearly 9%. Corporate customers are more conservative in capital spending due to the global economic downturn and are adopting flexible public cloud services instead of purchasing their own servers, resulting in the expansion of server purchases by U.S. and Chinese data center operators to provide various cloud services and teleconferencing systems. In 2023, Dell and HPE, which are mainly corporate customers, are expected to have less significant growth in server orders from OEMs and will continue to expand their subscription system for public cloud services to consolidate the existing server market as much as possible. It is estimated that in 2023, the cloud data center and enterprise customers of the Chinese company Inspur will only grow by 2~3% due to the government's strict control policy on the epidemic and the weak economy in China, and the server procurement will not be as strong as the double-digit growth in the past.

Server supply in 2023 is mainly driven by new generation of Intel and AMD server CPUs, while the US-China technology war may continue to inhibit some Chinese server shipments. Intel is expected to launch its new CPU platform Eagle Stream in the first half of 2023, and Supermicro's new fourth-generation Epyc in Q4 2022 will be released after Q2 2023, driving some of the cloud data center and brand owners to replace their devices.

(4) Competitive niche

① Transformation into a leading provider of integrated electrical and mechanical solutions

Chenbro's products go beyond the concept of pure chassis and integrate electrical and mechanical systems to develop chassis products from a system perspective and provide solutions to customers with "quasi-system" capabilities. The modular design also provides manufacturing flexibility and can be adjusted according to customer needs. Chenbro has been investing heavily in research and development and manufacturing capabilities to position itself as a leading provider of integrated electrical and mechanical solutions for the global cloud industry.

② Deepening three business models to drive rapid growth

Most of the server products have the characteristics of small quantity and diversity, and the requirements for the manufacturing partners include stable quality, on-time delivery, and competitive price. In response to this diversified and fast-changing market, Chenbro has developed and strengthened three business models, namely Joint Design and Manufacturing (JDM/ODM), Standard Products (OTS), and OEM Plus, to meet the needs of customers and the market.

③Productivity progress is recognized by international awards

In recent years, Chenbro's OTS standard products have won numerous international awards, proving the significant improvement in productivity. Chenbro's RM25324 high-density storage server chassis won the Germany iF Design Award and the Computex Best Choice Award in 2022. The innovative configuration maximizes space utilization and utilizes the exclusive dual-sided airflow-guided cooling design to achieve the best cooling effect among products of the same specification, ensuring the cooling efficiency of the hard drive and achieving energy-saving and carbon-reducing effects.

④Creating an industry eco-chain to connect with customers and suppliers

Chenbro has established in-depth partnerships with major CPU and GPU manufactures to design products with their product blueprints, from POC validation to product design, and develop chassis compatible with next-generation CPU/GPU platforms. Chenbro launched the "Reference Motherboard Program", which provides motherboard manufacturers with a series of pre-testing options and provides motherboard samples embedded in the chassis to end customers in advance, accelerating motherboard manufacturers' market expansion and providing end customers with more flexible choices when deploying servers in their data centers. Chenbro's value is to build a better and more open ecosystem in the whole IT and server industry to create a multi-win situation.

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

①Favorable factors affecting the development prospects

Under the impetus of 5G, AIoT, cloud computing and edge computing, the demand for servers is driven to grow. Besides the cloud network service industry continues to dominate the server specification, the edge computing driven by terminal demand can not be ignored. Most application services are integrated by cloud, end and network, especially those that rely on huge data computing and training, which greatly increases the server demand. Chenbro has been deeply involved in the server field for many years, coupled with the R&D experience of brand server chassis, and the customized service experience accumulated in recent years, which makes it remain competitive in the face of the ever-changing server industry and undertake the design and manufacturing needs of leading cloud computing manufacturers. In addition, the Company has developed OTS standard products, and further strategically deployed cross-industry alliances and cross-border integration of resource capability structures to facilitate subsequent operational growth.

②Unfavorable factors in the development prospects and countermeasures

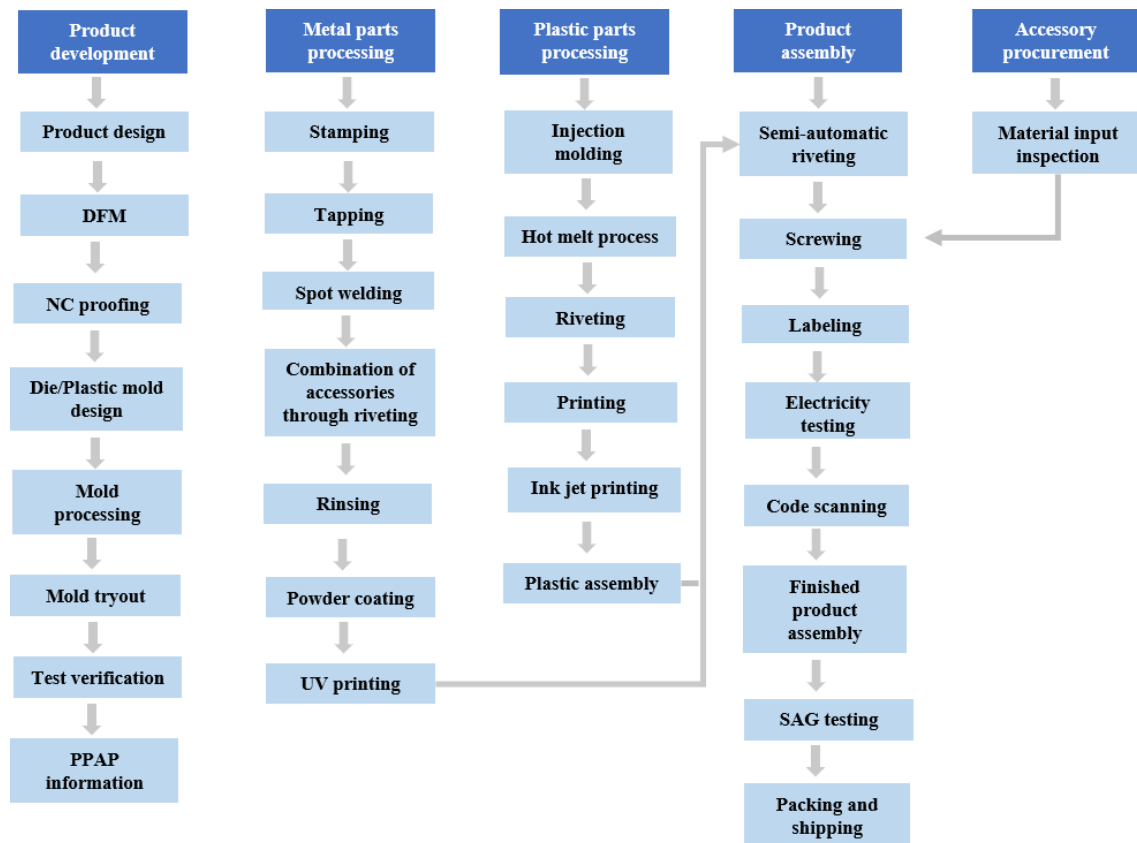
In 2022, due to the impact of war and inflation, the external market environment changed rapidly. Chenbro experienced significant inflation, factory suspension for almost 2 months under the epidemic, and adjustment of the material situation of electronic parts, etc. The Company has maintained close communication with customers and made internal adjustments immediately, and will continue to monitor the changes. In the future, the global economy will continue to face severe challenges of high inflation and downturn. Chenbro has initiated internal contingency plans to continue to build up its R&D capabilities, deepen its business model of JDM/ODM core technology, OTS diversified customization, and OEM Plus manufacturing advantages to provide the best solutions with both technical quality and operational advantages; strengthen order mastery and accelerate inventory de-stocking to minimize operational uncertainty; and continue to introduce low-cost smart manufacturing in Chiayi factory to further strengthen the Company's operational efficiency.

(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



(III) 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.
	Power supply	AcBel Polytech Inc. (Ho-Ga)
		FSP Technology Inc.
	Cooling fan	Sanyo Denki Taiwan Co., Ltd. (Xin Yonghe)
		Nidec-Read Taiwan Corporation
		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
	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	2022				2021			
	Customer name	Amount	Percentage in total net supply (%)	Relationship with the Company	Customer name	Amount	Percentage in total net supply (%)	Relationship with the Company
1	Customer C	1,917,939	18%	5	Customer C	1,470,157	16%	5
2	Customer A	1,590,445	15%	5	Customer A	1,274,819	14%	5
3	Customer D	1,051,280	10%	5	Customer D	966,762	10%	5
4	Customer B	908,631	9%	5	Customer B	1,386,130	15%	5
	Others	5,089,406	48%		Others	4,325,152	45%	
	Net sales amount	10,557,701	100%		Net sales amount	9,423,020	100%	

Note 1. 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 investee companies evaluated by equity method 3. Other substantial related 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	2022			2021		
		Production capacity	Quantity	Output value	Production capacity	Quantity	Output value
Personal computer chassis		360,000	50,039	32,289	360,000	93,391	58,397
Server computer chassis/Peripheral product components		2,880,000	2,088,801	11,505,520	2,520,000	2,218,608	7,489,741
Total		3,240,000	2,138,840	11,537,809	2,880,000	2,311,999	7,548,138

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

Unit: Amount: NTD Thousand; Quantity: Unit

Sales volume/Value Main products	Year	2022				2021			
		Domestic sales		Export		Domestic sales		Export	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Personal computer chassis		—	—	113,349	112,515	—	—	264,094	176,175
Server computer chassis/Peripheral product components		3,808	30,552	2,074,860	10,414,702	6,104	68,357	2,083,555	9,178,488
Total		3,808	30,552	2,188,209	10,527,217	6,104	68,357	2,347,649	9,354,663

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

April 7, 2023

Year		2021	2022	Current year until March 31, 2023
Number of employees	Direct employee	1,152	876	1,021
	Indirect employee	1,037	1,027	1,014
	Total	2,189	1,903	2,035
Average age		38.47	38.44	37.54
Average year of services		3.58	3.35	3.07
Education distribution	Doctorate degree	0	1	1
	Master's degree	79	96	95
	Bachelor's degree	210	288	328
	Associate's degree	257	239	248
	Senior high school	467	322	378
	Below senior high school	1,176	957	985

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:

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

(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 2022, the Company allocated a total of NT\$7.84 million to the Employee Welfare Committee for employee welfare-related activities and events. In 2022, the Company joined the "Talents, in Taiwan" and was awarded the 8th place in the World Sustainability Citizenship Award - Medium Enterprise.

(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: Promote science and technology, music, environmental education programs, sponsor Beijing Opera art, support friendly land farming, and love the earth, etc.
 4. Exercise and health: Celebrities' lectures, sports meetings, massage and aromatherapy for the blind, social activities, and the establishment of badminton clubs, yoga clubs, air-conditioning guidance clubs and other sports clubs. 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. Gender-friendly workplace environment: The Company signs contracts with childcare institutions to achieve a friendly workplace. Awarded the "Taiwan Corporate Sustainability Award - Gender Equality Leadership Award" in 2022.
 7. Height-adjustable desks: Improve employees' low back pain, sciatica, shoulder and neck stiffness, and other problems, to provide a friendly work environment.
 8. Meat-free vegetable meal: Take care of the health of employees, and at the same time respond to carbon reduction and environmental protection, and reduce air carbon emissions.
- 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: Every year, the Company handles the annual health check-up better than the laws and regulations, and regularly provides diversified health check-up packages. Family members can also participate in the Company's health check-up packages at their own expense; The Company also employs doctors and nurse practitioner to analyze the results and provide individual health guidance and care. The completion rate of health screening at Chenbro reached over 90% in 2022.
- Employee stock ownership trust system: The Company combines the employee welfare system of the concept of savings and investment and financial management, and encourages employees to work together with the Company to create good performance and share operating results.
- 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 system, 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 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 the Class A labor safety and health officer, Class B labor safety manager, fire prevention manager, and first aid personnel, and regularly organizes emergency disaster response teams and drills.
- Indoor air quality and ventilation equipment
The Company plans the appropriate workspace to reduce the overcrowded environment.
Comprehensive smoking ban policy 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 with total heat exchanger is installed to maintain proper air quality in office environment.
Ventilation equipment in the workplace is inspected and maintained regularly every year.
The environmental testing of CO₂ is conducted every six months, and the concentration of the site is in compliance with the Occupational Safety and Health Act.
- 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.
The environmental testing of lighting is conducted every six months, and is in compliance with the Occupational Safety and Health Act.
- Factors that cause physical discomfort for using computers are reduced
Ergonomic seat and lifting table are used to adjust personal comfortable working position.
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.
- 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.
External qualified fire inspection agencies are appointed to conduct monthly inspections of fire-fighting facilities such as fire extinguishers, and in accordance with the Fire Services Act, fire safety inspections are conducted by a third party every year.
Fire protection plans are compiled and submitted to the fire department for approval and completion; firefighting formation and evacuation drills are held every six months, and drill records are reported in accordance with regulations.

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.

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 and qualified by fire inspection to ensure fire safety in the workplace.

Professional and qualified electrical technicians 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.

■ 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	Five 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\$14,552,000 (Note).	In 2022, NT\$13,184,000 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 deposits 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, 2022 and 2021, please refer to the Labor Retirement Fund Utilization Report published by the government each year.

B. Defined contribution plan

- (1) Since July 1, 2005, the Company and its subsidiaries in Taiwan have established certain retirement measures in accordance with the Labor Pension Ordinance, which are applicable to employees with Taiwan 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. The Company has no further obligation except to allocate funds on schedule.
- (3) In 2022 and 2021, the cost of pensions recognized by the Company in accordance with the above-mentioned pension plans was \$13,184 and \$11,312, respectively.
- (4) Micom Source Holding Company, Cloudwell Holdings, LLC., Chenbro GmbH, Amac International Company, Amber International Company, Adept International Company and Procace & Morex Corporation have not formulated employee pension schemes or have no employees. In addition, Chenbro Micom (USA) Incorporation, 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 \$41,027 and \$35,923 recognized for 2022 and 2011, respectively, in accordance with the local governments' pension regulations.

■ Labor-management agreement

- a. Regular labor-management meetings are held to coordinate labor-management relations and promote labor-management cooperation.
 - b. A platform for employees' opinions is set to strengthen employees' complaint channels.
 - c. Based on the Labor Standards Act, management with employees at the center is adopted in business management.
- (II) 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. Infocomm Security Management

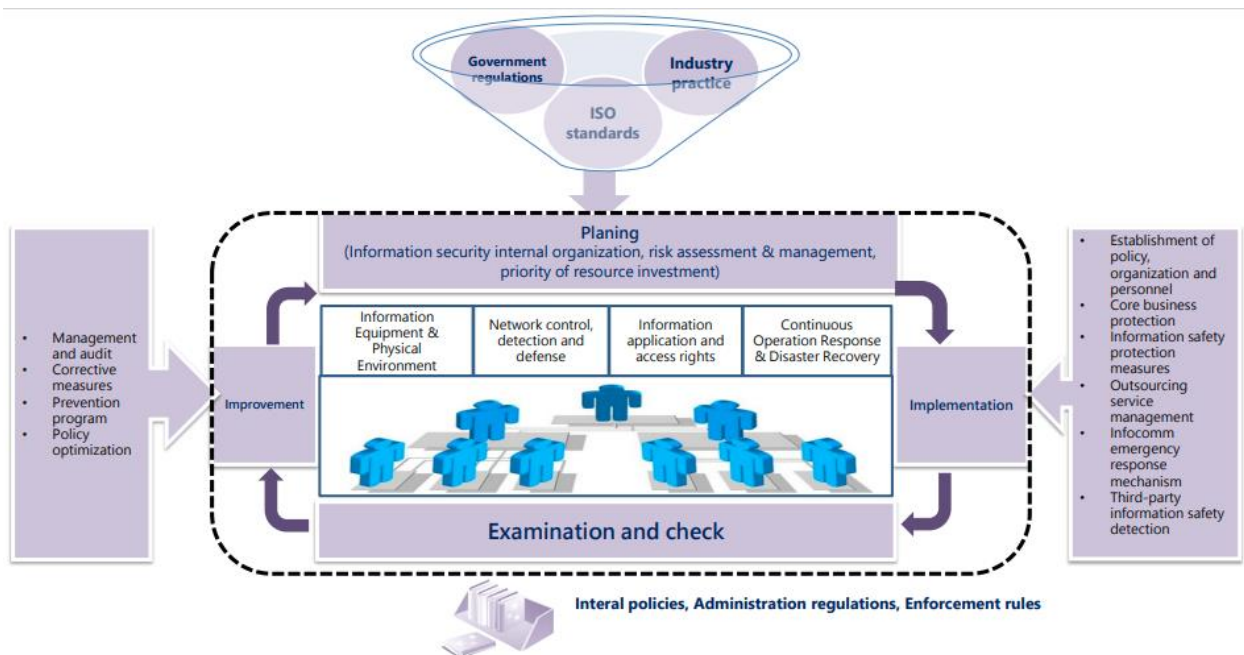
(I) Enterprise information security management strategy and architecture:

(1) Enterprise information security management strategy and architecture:

In order to ensure the confidentiality, integrity and availability of the company's operations and customer information, the Company has formulated the Company's Information Security Management Policy with reference to various government regulations, ISO Standards and Industry Practices, incorporated relevant norms and operating procedures into the Company's internal control system, and conducted annual audits on this basis to reduce the internal and external security risks faced by the Company.

In terms of information security management policy, according to the management cycle mechanism of Plan-Do-Check-Action, the company's security architecture is designed in many aspects, such as information equipment, physical environment, network control and detection, data application access rights, continuous operational contingency and disaster recovery, so as to ensure the implementation of security protection and risk supervision and management, and to achieve the safe, stable and efficient service of all systems in the company. In order to strengthen the information security protection, the Company has formulated the Company's Information Security Management Policy with reference to various laws and regulations, ISO Standards and Industry Practices, and incorporated the relevant norms and operating procedures into the Company's internal control system, and listed them as the audit items in the annual audit plan. The Company has strengthened the control, implemented the information security protection and implemented the information security risk supervision and management, so as to ensure that all systems in the Company can provide services safely, stably and efficiently.

1. In the "planning stage", the company focused on the establishment of internal management mechanism of capital security, implemented the risk management of capital security and formulated the implementation priority plan of capital security plan, which reduced the internal and external capital security threats of the enterprise from the aspects of system, technology and procedure, and not only improved the management intensity of capital security of the company, but also met the requirements of customers.
2. In the "execution stage", the company focuses on the identification and protection of core business, implements the company's capital and security management plan, implements outsourcing service management, and regularly conducts business continuity plan drills to ensure that it can recover the company's core business with the shortest time and minimum loss when attacked; Entrust a third party to conduct regular security integrity testing to maintain the confidentiality, integrity and availability of important information assets of the company and customers.
3. In the "audit stage", the Company focuses on the audit of the effectiveness of capital safety management, and continuously optimizes the capital safety management indicators according to the audit results.
4. In the "improvement stage", the Company focuses on the review and continuous improvement, focusing on the adjustment of the capital security policy, and optimizing the policy according to the results of the capital security management review and implementation to ensure that the capital security management policy can meet the needs of the company and customers.



(2) Specific management plan:

1. In the aspect of "Information Equipment Usage Management": Establish information equipment life cycle management and implement it, and make regular inventory of information equipment to clarify the responsibility of storage and use. Strengthen virus prevention and asset management control of terminal equipment to ensure its availability.
2. In the aspect of "Physical and physical environment": Still carry out the physical environment access and equipment availability management according to the corresponding management policies, so as to ensure that the information system can continuously provide services in a safe and stable environment.
3. In the aspect of "Network Control and Detection Defense": Implement control from the network infrastructure, CNC equipment management, transmission and other levels to prevent external attacks from the network level to reduce the risk of data leakage. The Group's external network is defended by firewalls, and in terms of internal network transmission, network control and detection defense are also strengthened to reduce the risk of hacker attacks.
4. In the aspect of "Data Application Access Rights": Manage system development, system access rights, system backup and maintenance, etc., to ensure that the system can be implemented under an effective control mechanism from evaluation to online stage, and leave relevant records for subsequent system optimization and maintenance; At the same time, manage the services of outsourcing vendors, and achieves the data security under the requirements of quality and on schedule.

5. In the aspect of "Business Continuity and Disaster Recovery": In order to improve the availability of the company's data and information systems, this year, the Company strengthened the group's information backup strategy and practice, re-examined the backup targets, frequency and recovery mechanism, and established backup in different places for key systems, so as to reduce the impact of system problems or external attacks on the company's operations. Established a business continuity management mechanism, and conducted regular testing to maintain its usability and reduce the risk of the company's operation.
6. In the aspect of "Staff Management": According to the daily and project work responsibilities, employees are granted the necessary information access rights to complete their work or business, and they are regularly reviewed to confirm that there are no rights conflicts or excessive situations. It is the Company's obligation to recruit staff to take necessary assessment and sign relevant operation specifications, and to train them in information security, so that employees can fully understand information security; At the same time, education and training on financial security are carried out irregularly, so that the awareness of financial security can be put into practice in daily work.

(3) Information safety objectives of the Company:

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

- (II) Up to the 2022 and the date of publication of the annual report, the Company has not had any information security risk accidents that have a significant impact on the company's operations, nor has it been involved in any related legal cases or regulatory investigations: None of the above incidents.

VII. Important contracts

Contract title	Party A	Party B	Description	Contract period
Chenbro Micom Co., Ltd. New Chiayi Factory and Office First Additional Construction Project - Contracting Agreement	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. (Additional construction costs)	2022/03/15
Industrial-academic cooperation project between National Yunlin University of Science and Technology and Chenbro Micom Co., Ltd.	Chenbro Micom Co., Ltd.	National Yunlin University of Science and Technology	2022 Intelligent Robotics Industry and Learning Camp Education and Training	2022/07/04~ 2022/08/14
2022 Group Insurance/Travel Insurance and Overseas Insurance Renewal	Chenbro Micom Co., Ltd.	Alexander Leed Risk Services, Inc.	This is the Company's annual renewal of the group insurance/travel insurance contract.	2022/05/31~ 2023/05/30

Chapter 6 Financial Overview

- I. Condensed Balance Sheet, Statement of Comprehensive Income, and CPAs' name and Audit Opinion for the Last Five Years
- II. Financial Analyses for the Last Five Fiscal Years
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- IV. The Most Recent Year's Financial Statements Including Independent Auditors' Audit Report
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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)				
		2018	2019	2020	2021	2022
Current assets		1,500,604	2,021,327	1,873,592	2,664,367	3,282,630
Property, plant and equipment (Note 2)		234,576	234,659	1,720,132	3,178,221	3,954,326
Intangible assets		3,199	3,214	4,630	12,880	13,580
Other assets		2,824,111	2,873,139	2,763,544	3,005,044	3,226,995
Total assets		4,562,490	5,132,339	6,361,898	8,860,512	10,477,531
Current liabilities	Before distribution	1,352,619	1,578,407	2,391,475	2,792,326	2,989,516
	After distribution	1,831,523	2,129,146	2,875,119	3,154,635	Undistributed
Non-current liabilities		44,891	33,925	41,071	1,911,364	2,580,873
Total liabilities	Before distribution	1,397,510	1,612,332	2,432,546	4,703,690	5,570,389
	After distribution	1,876,414	2,163,071	2,916,190	5,065,999	Undistributed
Equity attributable to the owners of parent company		3,164,980	3,520,007	3,929,352	4,156,822	4,907,142
Share capital		1,197,260	1,197,260	1,209,260	1,207,885	1,206,320
Capital surplus		48,209	48,209	145,769	147,144	148,709
Retained earnings	Before distribution	2,067,094	2,499,090	2,923,086	3,116,860	3,755,305
	After distribution	1,588,190	1,948,351	2,439,442	2,754,551	Undistributed
Other equity		(147,583)	(224,552)	(348,763)	(315,067)	(203,192)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	3,164,980	3,520,007	3,929,352	4,156,822	4,907,142
	After distribution	2,686,076	2,969,268	3,445,708	3,794,513	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.

Condensed Balance Sheet - IFRS (Consolidated Financial Statements)

Unit: in NT\$ thousands

Item \ Year		Financial information in the last five years (Note 1)				
		2018	2019	2020	2021	2022
Current assets		3,717,311	4,369,353	4,520,596	6,494,909	6,955,367
Property, plant and equipment (Note 2)		1,721,274	1,558,811	3,056,216	4,450,022	5,076,048
Intangible assets		11,700	10,335	12,004	19,145	21,029
Other assets		375,634	466,956	448,300	288,919	273,046
Total assets		5,825,919	6,405,455	8,037,116	11,252,995	12,325,490
Current liabilities	Before distribution	2,458,722	2,699,548	3,907,807	5,046,663	4,702,137
	After distribution	2,937,626	3,250,287	4,391,451	5,408,972	Undistributed
Non-current liabilities		202,717	185,900	179,267	2,029,695	2,686,618
Total liabilities	Before distribution	2,660,939	2,885,448	4,087,074	7,076,358	7,388,755
	After distribution	3,139,843	3,436,187	4,570,718	7,438,667	Undistributed
Equity attributable to the owners of parent company		3,164,980	3,520,007	3,929,352	4,156,822	4,907,142
Share capital		1,197,260	1,197,260	1,209,260	1,207,885	1,206,320
Capital surplus		48,209	48,209	145,769	147,144	148,709
Retained earnings	Before distribution	2,067,094	2,499,090	2,923,086	3,116,860	3,755,305
	After distribution	1,588,190	1,948,351	2,439,442	2,754,551	Undistributed
Other equity		(147,583)	(224,552)	(348,763)	(315,067)	(203,192)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	20,690	19,815	29,593
Total equity	Before distribution	3,164,980	3,520,007	3,950,042	4,176,637	4,936,735
	After distribution	2,686,076	2,969,268	3,466,398	3,794,513	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.

(II.) Parent-Company-Only Condensed Statement of Comprehensive Income—IFRS

Unit: in NT\$ thousands

Item \ Year	Financial information in the last five years (Note 1)				
	2018	2019	2020	2021	2022
Revenue	3,581,542	4,798,463	4,491,345	6,165,491	7,395,041
Gross operating profit	867,987	1,389,418	1,078,628	972,469	1,471,495
Operating profit and/or loss	483,426	968,169	629,111	507,032	943,693
Revenue and expense outside operation	269,575	127,807	467,106	277,641	251,874
Net income before tax	753,001	1,095,976	1,096,217	784,673	1,195,567
Net income from continuing operations	642,350	911,951	976,857	672,901	998,685
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the period	642,350	911,951	976,857	672,901	998,685
Other comprehensive income (net)	(37,545)	(78,020)	(38,074)	(5,695)	91,380
Total comprehensive income for the period	604,805	833,931	938,783	667,206	1,090,065
Net income attributable to the owners of parent company	642,350	911,951	976,857	672,901	998,685
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to the owners of parent company	604,805	833,931	938,783	667,206	1,090,065
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share (NTD)	5.37	7.62	8.16	5.62	8.32

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)				
	2018	2019	2020	2021	2022
Revenue	6,520,514	6,835,443	7,544,545	9,423,020	10,557,701
Gross operating profit	1,714,748	2,096,126	1,931,618	1,843,866	2,130,549
Operating profit and/or loss	831,399	1,128,923	963,193	882,382	1,141,601
Revenue and expense outside operation	39,333	24,483	239,960	3,608	201,114
Net income before tax	870,732	1,153,406	1,203,153	885,990	1,342,715
Net income from continuing operations	642,350	911,951	973,547	672,026	1,008,463
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the period	642,350	911,951	973,547	672,026	1,008,463
Other comprehensive income (net)	(37,545)	(78,020)	(38,074)	(5,695)	91,380
Total comprehensive income for the period	604,805	833,931	935,473	666,331	1,099,843
Net income attributable to the owners of parent company	642,350	911,951	976,857	672,901	998,685
Net income attributable to non-controlling interests	0	0	(3,310)	(875)	9,778
Total comprehensive income attributable to the owners of parent company	604,805	833,931	938,783	667,206	1,090,065
Total comprehensive income attributable to non-controlling interests	0	0	(3,310)	(875)	9,778
Earnings per share (NTD)	5.37	7.62	8.16	5.62	8.32

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
2018	Hui-chin Tseng and Ping-chun Chih	PwC Taiwan	Unqualified opinion (emphasis on items or other matters)
2019	Hui-ling Pan and Hui-chin Tseng	PwC Taiwan	Unqualified opinion (emphasis on items or other matters)
2020	Hui-ling Pan and Chun-yao Lin	PwC Taiwan	Unqualified opinion (emphasis on items or other matters)
2021	Hui-ling Pan and Chun-yao Lin	PwC Taiwan	Unqualified opinion
2022	Hui-ling Pan, Pei-Chuan Huang	PwC Taiwan	Unqualified opinion

II. Financial Analyses for the Last Five Fiscal Years

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

<div> <div></div> <div>Year</div> </div> <div>Item (Note 3)</div>		Financial Analyses for the Last Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	30.63	31.42	38.24	53.09	53.17
	Long-term funds to property, plant and equipment	1368.37	1514.51	230.82	190.93	189.36
Liquidity %	Current ratio	110.94	128.06	78.34	95.42	109.80
	Quick ratio	102.88	115.04	69.07	79.37	96.84
	Interest coverage ratio	207.25	467.77	243.63	102.62	43.85
Operating performance	Receivable turnover (times)	4.42	4.06	3.40	4.13	3.77
	Average cash collection days	82.58	89.90	107.35	88.38	96.82
	Inventory turnover (times)	22.95	22.51	17.06	18.22	19.08
	Payable turnover (times)	4.34	3.65	3.55	4.27	4.03
	Inventory turnover days	15.90	16.22	21.40	20.03	19.13
	Property, plant and equipment turnover (times)	14.92	20.45	4.60	2.52	2.07
	Total assets turnover (times)	0.84	0.99	0.78	0.81	0.76
Profitability	Return on assets (%)	15.19	18.85	17.06	8.92	10.56
	Return on equity (%)	21.11	27.28	26.23	16.64	22.04
	Pre-tax income to paid-in capital (%) (Note 7)	62.89	91.54	90.65	64.96	99.11
	Net profit margin (%)	17.94	19.01	21.75	10.91	13.50
	Earnings per share (NTD)	5.37	7.62	8.08	5.57	8.32
Cash Flow	Cash flow ratio (%)	32.00	53.40	5.70	19.03	14.27
	Cash flow adequacy ratio (%)	675.91	606.70	114.06	61.49	41.38
	Cash reinvestment ratio (%)	12.26	21.71	3.22	8.37	5.46
Leverage	Operating leverage	1.56	1.42	1.53	1.81	1.51
	Financial leverage	1.01	1.00	1.01	1.02	1.03

Item (Note 3)	Year	Financial Analyses for the Last Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
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 Quick Ratio: Mainly due to the increase in accounts receivable, which resulted in the increase in current assets.						
2. Decrease in the interest coverage ratio: Mainly due to an increase in borrowings.						
3. Increase in Return on Equity, Ratio of Net Income before Tax to Paid-in Capital, Net Profit Ratio, and Earnings Per Share: Mainly due to the increase in profit.						
4. Decrease in Cash flow Ratio: Mainly due to the decrease in net cash inflow from operating activities.						
5. Decrease in Cash Flow Adequacy Ratio and Cash Reinvestment Ratio: Mainly due to the decrease 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)

<div style="display: flex; align-items: center;"> <div style="flex: 1; border-bottom: 1px solid black; border-right: 1px solid black; padding: 5px;">Item (Note 3)</div> <div style="flex: 0.2; border-bottom: 1px solid black; border-right: 1px solid black; padding: 5px; text-align: center;">Year</div> </div>		Financial Analyses for the Last Five Fiscal Years (Note 1)				
		2018	2019	2020	2021	2022
Financial structure (%)	Debt ratio	45.67	45.05	50.85	62.88	59.95
	Long-term funds to property, plant and equipment	195.62	237.74	134.43	139.09	149.60
Liquidity %	Current ratio	151.19	161.85	115.68	128.78	147.92
	Quick ratio	126.90	124.78	78.28	78.11	92.91
	Interest coverage ratio	9,340.50	13,256.22	12,078.82	5,472.89	2900.88
Operating performance	Receivable turnover (times)	4.16	4.15	4.45	4.56	4.44
	Average cash collection days	87.74	87.95	82.02	80.04	82.20
	Inventory turnover (times)	8.51	6.14	4.67	3.96	3.51
	Payable turnover (times)	3.60	2.99	3.01	3.00	3.34
	Inventory turnover days	42.89	59.45	78.16	92.17	103.98
	Property, plant and equipment turnover (times)	3.84	4.17	3.27	2.51	2.22
	Total assets turnover (times)	1.16	1.12	1.04	0.98	0.90
Profitability	Return on assets (%)	11.60	15.03	13.64	7.11	8.80
	Return on equity (%)	21.11	27.28	26.23	16.64	22.04
	Pre-tax income to paid-in capital (%) (Note 7)	72.73	96.34	99.49	73.35	111.31
	Net profit margin (%)	9.85	13.34	12.95	7.14	9.46
	Earnings per share (NTD)	5.37	7.62	8.16	5.62	8.32
Cash Flow	Cash flow ratio (%)	42.09	42.41	8.46	8.79	10.53
	Cash flow adequacy ratio (%)	187.70	208.49	103.63	56.57	52.49
	Cash reinvestment ratio (%)	23.07	23.65	6.17	5.57	5.14
Leverage	Operating leverage	1.64	1.56	1.68	1.72	1.60
	Financial leverage	1.01	1.01	1.01	1.02	1.04

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 interest coverage ratio: Mainly due to increase in interest expense.
2. Increase in Return on Assets, Return on Equity, Ratio of Net Income before Tax to Paid-in Capital, Net Profit Ratio, and Earnings Per Share: Mainly due to the increase in profit.
3. Increase in Cash flow Ratio: Mainly due to the increase in net cash inflow from operating activities.

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 = $\text{Total liabilities} / \text{Total assets}$.
 - (2) Long-term funds to property, plant and equipment = $(\text{Total equity} + \text{Non-current liabilities}) / \text{Property, plant and equipment, net}$.
2. Liquidity
 - (1) Current ratio = $\text{Current assets} / \text{Current liabilities}$.
 - (2) Quick ratio = $(\text{Current assets} - \text{Inventory} - \text{Prepayments}) / \text{Current liabilities}$.
 - (3) Interest coverage ratio = $\text{Net income before tax and interest expenses} / \text{Interest expenditures in the current period}$.
3. Operating performance
 - (1) Receivable (including accounts receivable and notes receivables from operating activities) turnover = $\text{Net sales} / \text{Average balance of receivable (including accounts receivable and notes receivables from operating activities) of various periods}$.
 - (2) Average cash collection days = $365 / \text{Receivable turnover}$.
 - (3) Inventory turnover = $\text{Cost of sales} / \text{Average inventory}$.
 - (4) Payable (including notes payable from operating activities and accounts payable) turnover = $\text{Cost of sales} / \text{Average balance of payables (including notes payable from operating activities and accounts payable) of various periods}$.
 - (5) Inventory turnover days = $365 / \text{Inventory turnover}$.
 - (6) Property, plant and equipment turnover = $\text{Net sales} / \text{Net property, plant and equipment}$
 - (7) Total assets turnover = $\text{Net sales} / \text{Average total assets}$.
4. Profitability
 - (1) Return on asset = $[\text{Profit} / \text{Loss after tax} + \text{Interest expenses} \times (1 - \text{Tax rate})] / \text{Average total assets}$.
 - (2) Return on equity = $\text{Profit} / \text{Loss after tax} / \text{Average total equity}$.
 - (3) Net profit margin = $\text{Profit} / \text{Loss after tax} / \text{Net sales}$.
 - (4) Earnings per share (EPS) = $(\text{Profit} / \text{Loss attributable to owners of parent company} - \text{Preferred shares dividend}) / \text{Weighted average number of outstanding shares}$. (Note 4)
5. Cash Flow
 - (1) Cash flow ratio = $\text{Cash flow of operating activities} / \text{Current liabilities}$.
 - (2) Net cash flow adequacy ratio = $\text{Cash flow of operating activities over the past five years} / (\text{Capital expenditure} + \text{Amount of inventory increase} + \text{Cash dividend}) \text{ over the past five years}$.
 - (3) Cash reinvestment ratio = $(\text{Cash flow of operating activities} - \text{Cash dividend}) / (\text{Gross property, plant and equipment} + \text{Long-term investment} + \text{Other non-current assets} + \text{working capital})$. (Note 5)

6. Leverage:

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

(2) Financial Leverage = $\text{Operating income} / (\text{Operating income} - \text{Interest expenses})$.

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 156

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

Refer to [Appendix 3] on page 157

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

Refer to [Appendix 4] on page 243

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
- 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, 2022	Dec. 31, 2021	Difference		Note
			Amount	%	
Current assets	6,955,367	6,494,909	460,458	7.1	1
Property, plant and equipment	5,076,048	4,450,022	626,026	14.1	1
Other assets	294,075	308,064	(13,989)	(4.5)	1
Total assets	12,325,490	11,252,995	1,072,495	9.5	1
Current liabilities	4,702,137	5,046,663	(344,526)	(6.8)	1
Long-term liabilities	2,686,618	2,029,695	656,923	32.4	2
Total liabilities	7,388,755	7,076,358	312,397	4.4	1
Share capital	1,206,320	1,207,885	(1,565)	0.1	1
Capital surplus	148,709	147,144	1,565	1.1	1
Retained earnings	3,755,305	3,116,860	638,445	20.5	3
Other equity	(203,192)	(315,067)	111,875	(35.5)	4
Total shareholders' equity	4,936,735	4,176,637	760,098	18.2	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 long term liabilities by more than 20% was mainly due to the increase in borrowings for the construction of the Chiayi factory.
3. The increase of retained earnings by more than 20% was mainly due to the increase in profit.
4. The increase of other equity by more than 20% was mainly due to the increase in cumulative translation adjustment.

II. Future response plan: None.

II. Financial Performance

(I) Comparative analysis of business results

Consolidated Financial Statements

Unit: in NT\$ thousands

Item \ Year	2022	2021	Amount of increase (decrease)	Change, by percentage
Net operating revenue	10,557,701	9,423,020	1,134,681	12.0
Operating costs	(8,427,152)	(7,579,154)	(847,998)	11.2
Gross operating profit	2,130,549	1,843,866	286,683	15.6
Operating expenses	(988,948)	(961,484)	(27,464)	2.9
Operating income	1,141,601	882,382	259,219	29.4
Non-operating revenue and expense	201,114	3,608	197,506	5474.1
Net income before tax	1,342,715	885,990	456,725	51.5
Income tax expense	(334,252)	(213,964)	(120,288)	56.2
Net income after tax	1,008,463	672,026	336,437	50.1
Other comprehensive income (net)	91,380	(5,695)	97,075	1,704.6
Total comprehensive income for the period	1,099,843	666,331	433,512	65.1

- 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. Increase in operating income: Mainly due to an increase in customer demand.
 2. Increase in non-operating revenue and expenses: Mainly because of the increase in net foreign currency exchange gain
 3. Increase in net income before tax, income tax expense, net income after tax, other comprehensive income (net), and total comprehensive income for the period: Mainly due to 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 2023 (thousand units)
Personal computer chassis	70
Server chassis	2,150

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 net increase in cash	Cash balance (deficit)	Remedial measures for cash inadequacy	
				Investment plan	Wealth management plan
1,437,185	495,139	(79,606)	1,852,718	0	0
1. Analysis of changes in the cash flow in the current year: <ul style="list-style-type: none"> (1) Operating activities: \$495,139 was mainly from revenue and profit (2) Investing activities: (\$911,643) was mainly from the acquisition of financial assets measured at amortized cost and construction of Chiayi plant, and relevant equipment. (3) Financing activities: \$739,583 was mainly from the payment of cash dividends and long term and short term borrowings. (4) Others: \$92,454 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

(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			
				2022	2023	2024	2025
Land and plants	Self-owned funding and bank loans	112.12	570,503	569,503	10,000	0	0
Manufacturing, mold equipment, and production equipment	Self-owned funding and bank loans	112.12	439,708	289,708	150,000	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. Production equipment, mold 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 2022 was NT\$184,794 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 2022 interest and foreign exchange gains and losses are as follows:

Consolidated Financial Statements

Unit: in NT\$ thousands

Item	Year	2022
Net foreign exchange gains and losses		199,529
Net operating revenue		10,557,701
Net income before tax		1,342,715
Net foreign exchange gains and losses to net operating income		1.89%
Net foreign exchange gains and losses to net income before tax		14.86%
Interest revenue		19,655
Interest revenue to net operating income		0.19%
Interest revenue to net income before tax		1.46%
Interest expense		47,939
Interest expense to net operating income		0.45%
Interest expense to net income before tax		3.57%

Source: Financial statements audited by CPAs

- 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 (including long term and short term loan) as of December 31, 2022 were approximately NT\$4,205,460, accounting for 34.12% 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 2022 was 2.71% (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:

Around Chenbro's product market positioning of Cloud, 5G and AIOT, the modular product architecture strategy will continue to deepen to promote the horizontal and vertical development of modularization in OTS products, and further enhance the interoperability of modularization in OTS and JDM products. With the establishment of the Frontier R&D Center and regular technical forums, the connection between new markets, new technologies and new products is further strengthened, and the combination of concept engineering development theories promotes product development closer to the market and end-customer needs.

- Lightweight (new materials) and efficient cooling (liquid cooling) products will be the focus of research and development to support the new CPU products to be released by Intel, AMD, and Ampere this year.
- Further diversify GPU products and develop both rackmount and desktop applications
- Continuously deploying high-density (large-disk) storage and high-speed (full-flash) storage, and introducing support for new storage specifications such as E1.S, E1.L and E3, etc.
- Enhanced edge computing product line to support the latest generation of CPUs, GPUs and storage media.

Future R&D projects and expected R&D expenditure

Category	Product specification
Storage (Storage/JBOD)	<ul style="list-style-type: none"> ◆ 4U high-density storage arrays, supporting 60~96 x 3.5" HDD; ◆ 4U Tri-load high-performance storage application, supporting Intel's latest Whitley and Eagle Stream platform motherboard and AMD Genoa platform, up to 48x 3.5" HDD; ◆ 2U Dual-load high-performance storage applications, supporting 12" x 13" platforms motherboards, up to 24 x 3.5" HDDs ◆ 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 and NVMe hybrid storage support ◆ Key storage products support the latest generation of SAS4 (24G) technology and PCIe Gen4/Gen5 technology. It is also planned to support E1.S and E3.S. ◆ 2U JBOD application supports high versatility 12 x 3.5" HDD.
Cloud application (Cloud)	<ul style="list-style-type: none"> ◆ Full support for 1U and 2U general purpose servers with next generation Intel Sapphire Rapids, AMD Genoa 4th generation EPYC and other CPUs ◆ Storage backplane, Riser card upgrade, support for next generation SAS4 / PCIe Gen4/5 / CXL interface technology ◆ Development of DC-MSH (Datacenter Modular Hardware System), a new modular architecture server chassis ◆ New SKU server product development for new storage type E1.S, E3.S, etc.
Edge Computing (Edge)	<ul style="list-style-type: none"> ◆ 1U Edge products support redundant power and hot-swappable 3.5" HDDs ◆ 2U, 3U Edge products support E1.S, PCIe Gen 4/5
Artificial Intelligence (AI)	<ul style="list-style-type: none"> ◆ 1-4U rack server chassis, supporting 2-4 GPU/GPGPU applications, single/dual-way motherboards
HPC	<ul style="list-style-type: none"> ◆ Supports Intel / AMD's latest dual CPU platform MB, and supports the new generation PCIe Gen4/5 / CXL interface technology
Platform Ecology	<ul style="list-style-type: none"> ◆ Verification of support for new CPU platform motherboards such as Eagle Stream and AMD Genoa ◆ Product support for new storage form E1.S, E3.S, etc.
The total R&D expenditure is estimated to account for 2% to 4% of the total revenue of 2023, 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 (including information security risks) 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.

Chenbro always pays close attention to risks to its information security and the impact of technological changes on its financial operations, and develops response strategies. During the Year, Chenbro has improved the Group's overall backup strategy and mechanism for dealing with disasters and conducted annual drills to ensure their effectiveness. In addition, in order to minimize the risk of ransomware attacks, the Group has strengthened its defense and active response mechanisms for advanced attacks

in all information equipment. At the same time, in order to raise employees' awareness of this issue, the Group has disseminated information on information security and performed social engineering exercises from time to time to enhance overall information security.

(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 18% 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 9.90% 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) 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

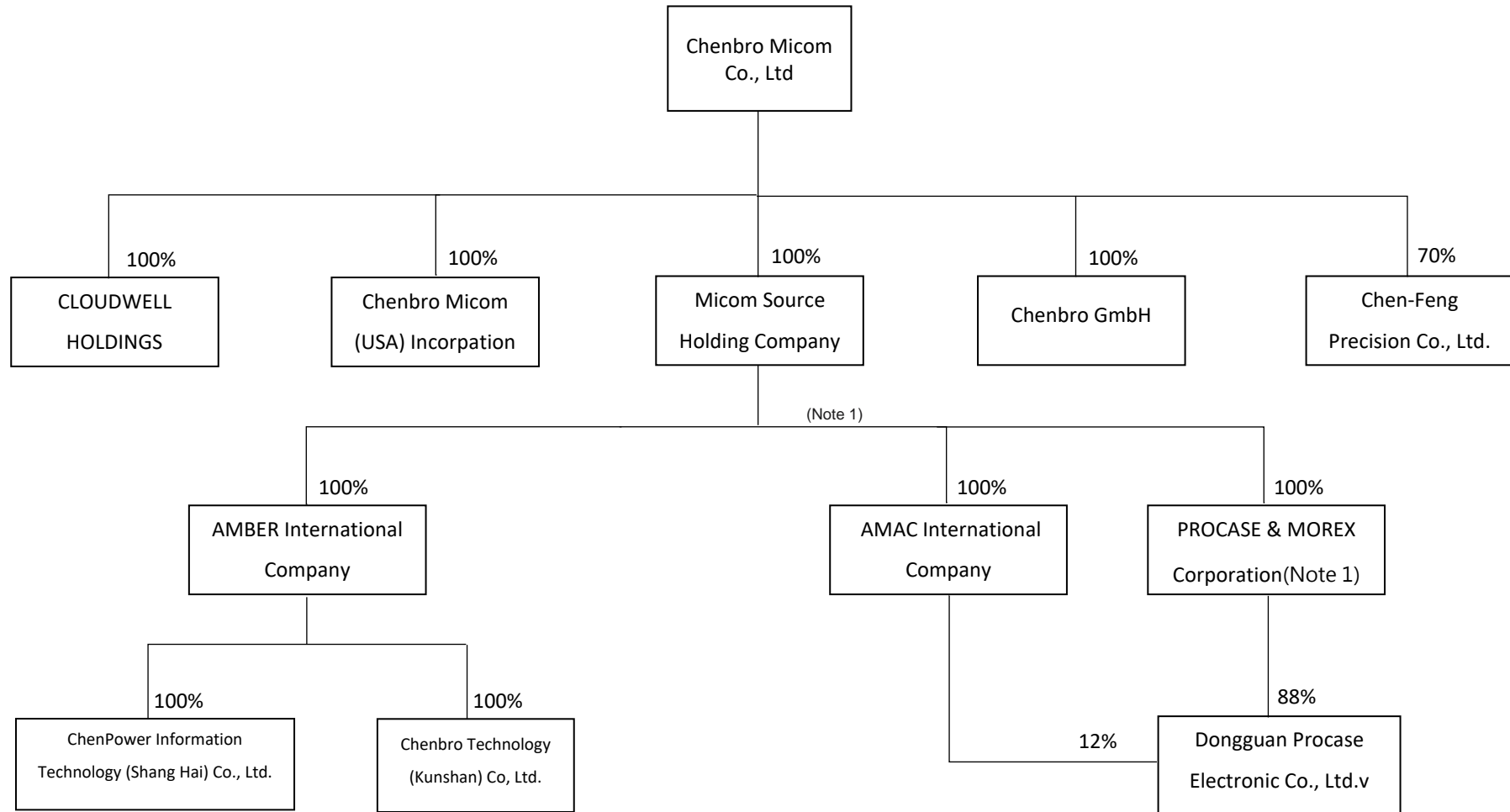
Chapter 8 Special Disclosure

I. Information on the Affiliated Enterprises

(I.) Consolidated business report of affiliated enterprises

1 Overview of affiliated enterprises

(1) Organizational chart of affiliated enterprises



Note 1: ADEPT International Company completed the capitalization of earnings on August 22, 2022, and transferred its equity interest in PROCASE & Morex Corporation to Micom Source Holding Company by means of capital reduction.

(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\$1,206,320 thousands	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 thousands	Trading of computer chassis and servers
Cloudwell Holdings, LLC.	2013.07.12	2800 E. JURUPA STREET, ONTARIO CA 91761	US\$3,600 thousands	Property leasing
Micom-Source Holding Co.	1999.01.19	Cayman Islands	US\$20,450 thousands	Holding company
AMAC International Co.	2001.12.07	Cayman Islands	US\$6,453 thousands	Holding company
AMBER International Company	2005.12.07	Cayman Islands	US\$8,240 thousands	Holding company
Chenbro Technology (Kunshan) Co, Ltd.	2003.09.08	Hi-tech Industrial Development Zone, Kunshan City, Jiangsu Province	US\$10,000 thousands	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 thousands	Manufacturing and processing of computer chassis and servers
ADEPT International Company LTD.(Note 1)	2007.02.22	British Virgin Islands	US\$15,800 thousands	Holding company
PROCASE & MOREX Corporation(Note 2)	1997.10.03	British Virgin Islands	US\$17,751 thousands	Holding company
Chenbro GmbH	2015.02.10	Carl-Friedrich-Benz-Str. 13, 47877 Willich, Germany	EUR 250 thousands	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 thousands	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 thousands	NCT production and manufacturing

Note 1: ADEPT International Company was dissolved as resolved by the board of directors on May 12, 2020, and the liquidation was completed in November, 2022.

Note 2: ADEPT International Company completed the capitalization of earnings on August 22, 2022, and transferred its equity interest in PROCASE & Morex Corporation to Micom Source Holding Company by means of capital reduction.

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

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

Enterprise 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 1)	A holding company established in a third region in accordance with the law
PROCASE & MOREX Corporation (Note2)	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
Chenbro GmbH	A subsidiary with independent sales capability
ChenPower Information Technology (Shang Hai) Co., Ltd.	A third-tier subsidiary with independent sales capabilities
Chen-Feng Precision Co., Ltd.	Subsidiary of producing and manufacturing NCT

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

Enterprise name	Position	Name
Chenbro Micom (USA) INC.	Director	Ya-nan Chen, Chien-nan Hsu, and Yun-peng Chen
	President	Chien-nan Hsu
	Supervisor	Yun-peng Chen
Micom- Source Holding Co.	Director	Mei-chi Chen
Cloudwell Holdings, LLC.	Director	Yun-peng Chen
	President	Yun-peng Chen
	Supervisor	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 Feng-Cheng Chen
	President	Yung-hsiang Chu
	Director	Wan-ming Huang
Dongguan Procace Electronic Co., Ltd.	Director	Yung-hsiang Chu, Pei-lin Ho, and Wan-ming Huang
	President	Yung-hsiang Chu
	Director	Feng-Cheng Chen
ADEPT International Company Ltd. (Note 1)	Director	Mei-chi Chen
PROCASE & MOREX CORPORATION (Note 2)	Director	Mei-chi Chen
Chenbro GmbH	Director	Mei-chi Chen
	President	Ying-Hui Tsai
ChenPower Information Technology (Shang Hai) Co., Ltd.	Director	Pei-Lin Ho, Yung-Hsiang Chu, and Feng-Cheng Chen
	President	Pei-lin Ho
	Director	Wan-ming Huang
Chen-Feng Precision Co., Ltd.	Director	Mei-chi Chen
	Supervisor	Shu-fa Shiu

(6) Overview of operations of affiliated enterprises

Unit: in NT\$ thousands

Enterprise name	Capital Stock	Total assets	Total liabilities	Net Worth	Revenue	Operating income	Profit or loss (after tax)
Chenbro Micom (USA) INC.	30,280	2,075,200	1,560,248	514,952	4,409,781	146,681	112,917
Cloudwell Holdings, LLC.	109,365	236,057	110,060	125,997	12,324	7,420	2,407
Micom- Source Holding Co.	675,969	2,518,014	0	2,518,014	0	0	66,397
AMAC International Co.	182,331	69,573	0	69,573	0	(1)	1,918
Chenbro Technology (Kunshan) Co, Ltd.	383,754	2,627,093	1,393,340	1,233,753	4,012,206	(31,943)	62,708
AMBER InternationalCompany	249,504	1,428,318	60,738	1,367,580	0	0	52,682
PROCASE & MOREX Corporation	537,500	512,829	3,204	509,625	0	(3)	14,371
Dongguan Procace Electronic Co., Ltd.	483,589	1,563,066	984,678	578,388	3,053,522	34,510	27,656
Chenbro GmbH	9,019	94,596	69,980	24,616	337,288	13,947	11,669
ChenPower Information Technology (Shang Hai) Co., Ltd.	66,906	889,968	697,913	192,055	2,521,308	23,068	24,738
Chen-Feng Precision Co., Ltd.	80,000	217,483	118,842	98,641	177,815	34,856	32,590
ADEPT International Company LTD. (Note 1)	0	0	0	0	0	0	14,372

(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, 2022, 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,

Company Name: Chenbro Micom Co., Ltd.

Chairperson: Mei-chi Chen

March 14, 2023

(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 System

Date: March 14, 2023

Based on the self-evaluation of the Company's internal control system as of December 31, 2022, 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 of evaluating effectiveness of internal control system, listed in the Regulations Governing Establishment of Internal Control Systems by Public Companies (the "Framework"). The criteria listed in the Framework divides the internal control system into five components based on management control process. 1. control environment; 2. risk assessment; 3. control activities; 4. information and communication; and 5. monitoring operations. 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, 2022, 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 14, 2023, with 9 directors present at the meeting.

Chenbro Micom Co., Ltd.
Chairperson: Mei-chi Chen
President: Chien-nan Hsu

[Appendix 2] Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2022 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.

To
Chenbro Micom Co., Ltd. 2023 Annual General Meeting

Chenbro Micom Co., Ltd.
Chairman of the Audit Committee: Wei-shun Cheng

March 14, 2023

**CHENBRO MICOM CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2022 AND 2021**

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

(22)PWCR 22003655

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, 2022 and 2021, 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, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, 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 that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of the Republic of China. 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. 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 2022 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 2022 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, 2022, the Group's inventory cost and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$2,499,628 thousand and NT\$99,699 thousand, respectively.

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

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

- A. Obtained the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses are consistent for all periods. Assessing the estimation determined by the management and relevant accounting estimates of allowance for inventory loss.
- B. Obtained an understanding of judgement logic of parameters in the inventory cost and net realisable value calculation report and verified the logical calculation accuracy of report..

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

Existence of sales revenue

Description

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

How our audit addressed the matter

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

- A. Assessing the revenue cycle and performing tests to determine that the Group's revenue process is conducted in accordance with the internal control procedures.
- B. Checking the related industry background in respect of the newly top 10 trading counterparties.
- C. 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.

- D. Examining details of sales returns and discounts from the newly top 10 and significant changes in revenue of top 10 trading counterparties that occurred after the balance sheet date and confirming whether there were no significant sales returns and discounts occurred.

Additions of property, plant and equipment

Description

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

How our audit addressed the matter

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

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

Other matter – 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, 2022 and 2021.

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 Standards on Auditing of 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 auditing standards in the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

- A. 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.

- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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.
- E. 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.
- F. 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

Huang, Pei-Chuan

For and on behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	1,852,718	15	\$	1,437,185	13
1136	Current financial assets at amortised cost, net	6(3) and 8		15,019	-		10,000	
1150	Notes receivable, net	6(4) and 7		18,864	-		25,808	-
1170	Accounts receivable, net	6(4) and 7		2,347,742	19		2,346,573	21
1200	Other receivables	7		51,152	-		95,129	1
1220	Current income tax assets			83,052	1		25,011	-
130X	Inventories	6(6)		2,399,929	19		2,398,731	21
1410	Prepayments			183,202	2		152,349	2
1470	Other current assets			3,689	-		4,123	-
11XX	Total current assets			6,955,367	56		6,494,909	58
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(2)		54,050	-		47,803	-
1535	Non-current financial assets at amortised cost	6(3) and 8		17,666	-		3,951	-
1600	Property, plant and equipment	6(7) and 8		5,076,048	41		4,450,022	40
1755	Right-of-use assets	6(8)		67,933	1		80,992	1
1780	Intangible assets	6(9)		21,029	-		19,145	-
1840	Deferred income tax assets	6(26)		62,364	1		52,409	-
1900	Other non-current assets	6(7)(10)		71,033	1		103,764	1
15XX	Total non-current assets			5,370,123	44		4,758,086	42
1XXX	Total assets		\$	12,325,490	100	\$	11,252,995	100

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021			
			Notes	AMOUNT	%	AMOUNT	%	
Current liabilities								
2100	Short-term borrowings	6(11)	\$	1,545,078	13	\$	1,076,474	9
2130	Current contract liabilities	6(20)		8,278	-		13,001	-
2150	Notes payable			-	-		80,527	1
2170	Accounts payable	7		1,978,598	16		2,994,287	27
2200	Other payables	6(12) and 7		973,041	8		764,193	7
2230	Current income tax liabilities			172,091	1		95,620	1
2280	Current lease liabilities			9,718	-		10,370	-
2320	Long-term liabilities, current portion	6(13)		8,116	-		7,117	-
2399	Other current liabilities, others			7,217	-		5,074	-
21XX	Total current liabilities			4,702,137	38		5,046,663	45
Non-current liabilities								
2540	Long-term borrowings	6(13)		2,652,266	22		1,962,658	18
2570	Deferred income tax liabilities	6(26)		2,677	-		21,552	-
2580	Non-current lease liabilities			9,754	-		20,024	-
2600	Other non-current liabilities	6(14)		21,921	-		25,461	-
25XX	Total non-current liabilities			2,686,618	22		2,029,695	18
2XXX	Total liabilities			7,388,755	60		7,076,358	63
Share capital								
3110	Share capital - common stock	6(16)		1,206,320	10		1,207,885	11
Capital surplus								
3200	Capital surplus	6(17)		148,709	2		147,144	2
Retained earnings								
3310	Legal reserve	6(18)		885,097	7		817,355	7
3320	Special reserve			270,716	2		260,504	2
3350	Unappropriated retained earnings			2,599,492	21		2,039,001	18
Other equity interest								
3400	Other equity interest	6(19)		(203,192)	(2)		(315,067)	(3)
31XX	Equity attributable to owners of the parent			4,907,142	40		4,156,822	37
36XX	Non-controlling interests			29,593	-		19,815	-
3XXX	Total equity			4,936,735	40		4,176,637	37
Significant contingent liabilities and unrecorded contract commitments								
Significant events after the balance sheet date								
3X2X	Total liabilities and equity		\$	12,325,490	100	\$	11,252,995	100

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

		Year ended December 31			
		2022		2021	
Items	Notes	AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(20) and 7	\$ 10,557,701	100	\$ 9,423,020	100
5000 Operating costs	6(6)(25) and 7	(8,427,152)	(80)	(7,579,154)	(80)
5950 Net operating margin		<u>2,130,549</u>	<u>20</u>	<u>1,843,866</u>	<u>20</u>
Operating expenses	6(25) and 7				
6100 Selling expenses		(307,749)	(3)	(323,689)	(3)
6200 General and administrative expenses		(483,782)	(5)	(433,349)	(5)
6300 Research and development expenses		(187,085)	(2)	(203,912)	(2)
6450 Expected credit impairment loss	12(2)	(10,332)	-	(534)	-
6000 Total operating expenses		(988,948)	(10)	(961,484)	(10)
6900 Operating profit		<u>1,141,601</u>	<u>10</u>	<u>882,382</u>	<u>10</u>
Non-operating income and expenses					
7100 Interest income	6(3)(21)	19,655	-	20,840	-
7010 Other income	6(22)	31,566	-	45,472	-
7020 Other gains and losses	6(23)	197,832	2	(46,214)	-
7050 Finance costs	6(24)	(47,939)	-	(16,490)	-
7000 Total non-operating income and expenses		<u>201,114</u>	<u>2</u>	<u>3,608</u>	<u>-</u>
7900 Profit before income tax		1,342,715	12	885,990	10
7950 Income tax expense	6(26)	(334,252)	(3)	(213,964)	(2)
8200 Profit for the year		<u>\$ 1,008,463</u>	<u>9</u>	<u>\$ 672,026</u>	<u>8</u>

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021

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

				Year ended December 31			
				2022		2021	
Items		Notes	AMOUNT	%	AMOUNT	%	
Other comprehensive income							
Components of other comprehensive income that will not be reclassified to profit or loss							
8311	Gain (loss) on remeasurement of defined benefit plan	6(14)	\$ 2,585	-	\$ 5,646	-	
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2)(19)	6,247	-	19,607	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		(516)	-	(1,129)	-	
8310	Other comprehensive income that will not be reclassified to profit or loss		8,316	-	24,124	-	
Components of other comprehensive income that will be reclassified to profit or loss							
8361	Financial statements translation differences of foreign operations	6(19)	84,290	1	(33,228)	-	
8399	Income tax relating to the components of other comprehensive income	6(19)(26)	(1,226)	-	3,409	-	
8360	Other comprehensive loss that will be reclassified to profit or loss		83,064	1	(29,819)	-	
8300	Total other comprehensive income for the year		<u>\$ 91,380</u>	<u>1</u>	<u>(\$ 5,695)</u>	<u>-</u>	
8500	Total comprehensive income for the year		<u>\$ 1,099,843</u>	<u>10</u>	<u>\$ 666,331</u>	<u>8</u>	
Profit, attributable to:							
8610	Owners of the parent		\$ 998,685	9	\$ 672,901	8	
8620	Non-controlling interest		9,778	-	(875)	-	
			<u>\$ 1,008,463</u>	<u>9</u>	<u>\$ 672,026</u>	<u>8</u>	
Comprehensive income attributable to:							
8710	Owners of the parent		\$ 1,090,065	10	\$ 667,206	8	
8720	Non-controlling interest		9,778	-	(875)	-	
			<u>\$ 1,099,843</u>	<u>10</u>	<u>\$ 666,331</u>	<u>8</u>	
Earnings per share		6(27)					
9750	Basic earnings per share		<u>\$ 8.32</u>		<u>\$ 5.62</u>		
9850	Diluted earnings per share		\$ 8.19		\$ 5.56		

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,342,715	\$ 885,990
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	10,332	535
Depreciation	6(7)(8)(25)	363,209	325,008
Amortization	6(9)(25)	13,675	13,490
Interest expense	6(24)	47,939	16,490
Interest income	6(21)	(19,655)	(20,840)
Loss on disposal of property, plant and equipment	6(23)	1,225	1,300
Gains arising from lease modifications	6(8)(23)	(11)	(30)
Share-based payments	6(15)	22,564	43,908
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		6,944	(24,887)
Accounts receivable		(11,552)	(595,483)
Other receivables		43,533	(51,284)
Inventories		(5,413)	(976,049)
Prepayments		(30,853)	(125,843)
Other current assets		434	1,072
Changes in operating liabilities			
Current contract liabilities		(4,723)	5,888
Notes payable		(80,527)	80,527
Accounts payable		(1,015,689)	1,024,229
Other payables		182,448	164
Other current liabilities		2,143	693
Increase in other non-current liabilities		(964)	(352)
Cash inflow generated from operations		867,774	604,526
Interest received		20,099	38,493
Interest paid		(46,340)	(14,264)
Income tax paid		(346,394)	(185,616)
Net cash flows from operating activities		495,139	443,139

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 240,479)	(\$ 7,000)
Proceeds from disposal of financial assets at amortised cost		221,000	217,000
Acquisition of property, plant and equipment	6(28)	(847,816)	(1,996,521)
Proceeds from disposal of property, plant and equipment		6,723	2,684
Acquisition of intangible assets	6(9)(28)	(50,456)	(14,808)
(Increase) decrease in other non-current assets		(615)	1,692
Net cash flows used in investing activities		(911,643)	(1,796,953)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		6,099,561	6,891,193
Repayment of short-term borrowings		(5,667,696)	(6,663,788)
Increase in short-term borrowings (including current portion)		686,470	1,866,400
Repayment of long-term borrowings (including current portion)		(6,060)	(5,684)
Payment of the principal of lease liabilities	6(8)	(10,383)	(10,678)
Increase in guarantee deposits received		-	20
Payment of cash dividends	6(18)	(362,309)	(483,644)
Net cash flows from financing activities		739,583	1,593,819
Effect on foreign exchange difference		92,454	(18,994)
Net increase in cash and cash equivalents		415,533	221,011
Cash and cash equivalents at beginning of year	6(1)	1,437,185	1,216,174
Cash and cash equivalents at end of year	6(1)	\$ 1,852,718	\$ 1,437,185

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were reported to the Board of Directors on March 14, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

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

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

(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 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by IASB
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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 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 that came into effect 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 have been adjusted where necessary to ensure 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 noncontrolling 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 30, 2022	December 31, 2021	
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	
Chenbro Micom Co., Ltd.	Chenbro GmbH	General trading company	100	100	
Chenbro Micom Co., Ltd.	Chen-Feng Precision Co., Ltd.	Manufacturing of NCT	70	70	
Micom Source Holding Company	AMAC International Company	Holding company	100	100	
Micom Source Holding Company	AMBER International Company	Holding company	100	100	
Micom Source Holding Company	ADEPT International Company	Holding company	-	100	Notes 1 and 2
Micom Source Holding Company	PROCASE & MOREX Corporation	Holding company	100	-	Note 2
AMBER International Company	Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing of computer cases	100	100	
AMBER International Company	ChenPower Information Technology (Shanghai) Co., Ltd.	General trading company	100	100	
ADEPT International Company	PROCASE & MOREX Corporation	Holding company	-	100	Notes 1 and 2
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	88	88	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 30, 2022	December 31, 2021	
AMAC International Company	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	12	12	

Note 1: On May 12, 2020, the Board of Directors of ADEPT International Company approved the dissolution of the company and completed the liquidation in December 2022.

Note 2: On August 22, 2022, ADEPT International Company increased its capital from capitalization of earnings and transferred the equity of Procace & Morex Corporation to Micom Source Holding Company by decreasing its capital.

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.

The functional currency of the subsidiaries, Micom-Source Holding Co., AMAC International Co., AMBER International Company and PROCASE & MOREX Corporation was originally "New Taiwan dollars". Considering changes in the economic conditions, Group earnings and the efficiency of capital management, the Board of Directors resolved to change the functional currency of these subsidiaries from "New Taiwan dollars" to "United States dollars", and prospective application of IAS 21, 'The effects of changes in foreign exchange rates' effective from December 1, 2022.

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 settle 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 settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;

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

(6) Cash equivalents

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

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

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

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.
- D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

(12) Inventories

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

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of

the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

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

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

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

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

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

- (a) The amount of the initial measurement of lease liability;
- (b) Any lease payments made at or before the commencement date; and
- (c) Any initial direct costs incurred by the lessee.

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

D. For lease modifications that decrease the scope of the lease, the lessee shall decrease the carrying amount of the right-of-use asset and remeasure the lease liability to reflect the partial or full termination of the lease, and recognise the difference in profit or loss.

(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, 2022, the carrying amount of inventories was \$2,399,929.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Petty cash and cash on hand	\$ 332	\$ 248
Checking account deposits	113,402	140,027
Demand deposits	284,650	225,588
Time deposits	52,920	112,755
Foreign currency deposits	1,401,414	958,567
	<u>\$ 1,852,718</u>	<u>\$ 1,437,185</u>

- A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.
- B. The Group has reclassified restricted cash and cash equivalents to 'current financial assets at amortised cost' and 'non-current financial assets at amortised cost'. Details are provided in Note 8. Additionally, the time deposits with maturity over 1 year amounting to \$1,000 were transferred to 'non-current financial assets at amortisation cost'.

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Equity instruments		
Unlisted stocks	<u>\$ 54,050</u>	<u>\$ 47,803</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 \$54,050 and \$47,803 as at December 31, 2022 and 2021, respectively.
- B. For the year ended December 31, 2022 and 2021, the amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income was \$6,247 and \$19,607, respectively.
- C. As at December 31, 2022 and 2021, 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 \$54,050 and \$47,803, 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, 2022	December 31, 2021
Current items:		
Pledged bank deposits (including time deposits)	<u>\$ 15,019</u>	<u>\$ 10,000</u>
Non-current items:		
Time deposits	\$ 1,000	\$ -
Pledged bank deposits (including time deposits)	<u>16,666</u>	<u>3,951</u>
	<u>\$ 17,666</u>	<u>\$ 3,951</u>

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

	Years ended December 31,	
	2022	2021
Interest income	<u>\$ 477</u>	<u>\$ 8,582</u>

B. As at December 31, 2022 and 2021, 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 \$32,685 and \$13,951, respectively.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2). The counterparties of the Group's investments in certificates of deposits are financial institutions with high credit quality, so the Group expects that the probability of counterparty default is remote.

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

(4) Accounts and notes receivable

	December 31, 2022	December 31, 2021
Notes receivable	<u>\$ 18,864</u>	<u>\$ 25,808</u>
Accounts receivable	\$ 2,360,932	\$ 2,349,380
Less: Allowance for uncollectible accounts	<u>(13,190)</u>	<u>(2,807)</u>
	<u>\$ 2,347,742</u>	<u>\$ 2,346,573</u>

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

	December 31, 2022		December 31, 2021	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,964,958	\$ 18,864	\$ 2,059,116	\$ 25,808
Up to 30 days	173,177	-	214,584	-
31 to 60 days	55,519	-	55,927	-
61 to 90 days	74,255	-	12,765	-
91 to 180 days	86,715	-	6,932	-
Over 181 days	6,308	-	56	-
	<u>\$ 2,360,932</u>	<u>\$ 18,864</u>	<u>\$ 2,349,380</u>	<u>\$ 25,808</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022, December 31, 2021 and January 1, 2021, the balances of receivables (including notes receivable) from contracts with customers amounted to \$2,379,796, \$2,375,188 and \$1,754,818, respectively.

C. The Group does not hold any collateral as security as at December 31, 2022 and 2021, and the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$18,864 and \$25,808 and accounts receivable was \$2,347,742 and \$2,346,573, 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.

B. As of December 31, 2022 and 2021, the Company had no accounts receivable that were sold but had not reached maturity.

C. For the years ended December 31, 2022 and 2021, the finance costs recognised arising from factoring transactions amounted to \$0 and \$29, respectively.

(6) Inventories

December 31, 2022			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 414,603	(\$ 40,738)	\$ 373,865
Semi-finished goods	59,281	(12,680)	46,601
Work in progress	60,107	(256)	59,851
Finished goods	1,965,637	(46,025)	1,919,612
	<u>\$ 2,499,628</u>	<u>(\$ 99,699)</u>	<u>\$ 2,399,929</u>
December 31, 2021			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 508,796	(\$ 53,094)	\$ 455,702
Semi-finished goods	279,266	(23,265)	256,001
Work in progress	243,212	(899)	242,313
Finished goods	1,501,617	(56,902)	1,444,715
	<u>\$ 2,532,891</u>	<u>(\$ 134,160)</u>	<u>\$ 2,398,731</u>

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

	Years ended December 31,	
	2022	2021
Cost of goods sold	\$ 8,487,243	\$ 7,575,422
Sale of scraps	(20,212)	(24,312)
(Gain on reversal of) loss on decline in market value	(38,219)	28,421
Loss on physical inventory	(1,660)	(377)
	<u>\$ 8,427,152</u>	<u>\$ 7,579,154</u>

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

B. The Group has no inventories pledged to others.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for facilities (Note)
<u>At January 1, 2022</u>												
Cost	\$ 1,333,544	\$ 1,820,724	\$ 634,518	\$ 718,433	\$ 40,548	\$ 36,460	\$ 24,914	\$ 107,031	\$ 60,500	\$ 1,469,693	\$ 6,246,365	\$ 75,882
Accumulated depreciation and impairment	-	(709,990)	(392,003)	(542,624)	(27,818)	(24,235)	(20,494)	(46,019)	(33,160)	-	(1,796,343)	-
	<u>\$ 1,333,544</u>	<u>\$ 1,110,734</u>	<u>\$ 242,515</u>	<u>\$ 175,809</u>	<u>\$ 12,730</u>	<u>\$ 12,225</u>	<u>\$ 4,420</u>	<u>\$ 61,012</u>	<u>\$ 27,340</u>	<u>\$ 1,469,693</u>	<u>\$ 4,450,022</u>	<u>\$ 75,882</u>
<u>2022</u>												
Opening net book amount	\$ 1,333,544	\$ 1,110,734	\$ 242,515	\$ 175,809	\$ 12,730	\$ 12,225	\$ 4,420	\$ 61,012	\$ 27,340	\$ 1,469,693	\$ 4,450,022	\$ 75,882
Additions	-	569,503	33,322	71,242	3,369	901	-	5,991	9,539	165,344	859,211	13,592
Disposals	- (4,440)	(1,167)	(198)	-	(16)	(155)	(120)	(1,852)	-	(7,948)	-	-
Transfers (Note)	-	1,275,598	173,759	1,996	8,500	7,238	-	7	9,500	(1,395,643)	80,955	(76,740)
Depreciation charges	- (87,438)	(56,512)	(172,989)	(6,163)	(4,414)	(2,020)	(12,747)	(10,251)	-	(352,534)	-	-
Effects of foreign exchange	7,068	25,678	7,908	5,053	159	75	1	271	93	36	46,342	(186)
Closing net book amount	<u>\$ 1,340,612</u>	<u>\$ 2,889,635</u>	<u>\$ 399,825</u>	<u>\$ 80,913</u>	<u>\$ 18,595</u>	<u>\$ 16,009</u>	<u>\$ 2,246</u>	<u>\$ 54,414</u>	<u>\$ 34,369</u>	<u>\$ 239,430</u>	<u>\$ 5,076,048</u>	<u>\$ 12,548</u>
<u>At December 31, 2022</u>												
Cost	\$ 1,340,612	\$ 3,676,257	\$ 844,748	\$ 738,898	\$ 53,862	\$ 44,529	\$ 21,429	\$ 112,950	\$ 77,147	\$ 239,430	\$ 7,149,862	\$ 12,548
Accumulated depreciation	-	(786,622)	(444,923)	(657,985)	(35,267)	(28,520)	(19,183)	(58,536)	(42,778)	-	(2,073,814)	-
	<u>\$ 1,340,612</u>	<u>\$ 2,889,635</u>	<u>\$ 399,825</u>	<u>\$ 80,913</u>	<u>\$ 18,595</u>	<u>\$ 16,009</u>	<u>\$ 2,246</u>	<u>\$ 54,414</u>	<u>\$ 34,369</u>	<u>\$ 239,430</u>	<u>\$ 5,076,048</u>	<u>\$ 12,548</u>

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

- The significant components of buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- The net difference of the transfers for this period resulted from transferring mold equipment made for customers from inventories amounting to \$4,215.
- Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Nine months ended
	Years ended December 31, 2022
Amount capitalised	<u>\$ 14,635</u>
Range of the interest rates for capitalisation	0.4%~1.53%

	Land	Buildings and structures	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for facilities (Note)
<u>At January 1, 2021</u>												
Cost	\$ 1,335,410	\$ 1,738,155	\$ 621,473	\$ 490,241	\$ 36,308	\$ 30,211	\$ 25,105	\$ 60,756	\$ 49,943	\$ 151,562	\$ 4,539,164	\$ 11,194
Accumulated depreciation and impairment	-	(637,056)	(362,849)	(361,065)	(25,146)	(20,566)	(18,405)	(34,292)	(23,569)	-	(1,482,948)	-
	<u>\$ 1,335,410</u>	<u>\$ 1,101,099</u>	<u>\$ 258,624</u>	<u>\$ 129,176</u>	<u>\$ 11,162</u>	<u>\$ 9,645</u>	<u>\$ 6,700</u>	<u>\$ 26,464</u>	<u>\$ 26,374</u>	<u>\$ 151,562</u>	<u>\$ 3,056,216</u>	<u>\$ 11,194</u>
<u>2021</u>												
Opening net book amount	\$ 1,335,410	\$ 1,101,099	\$ 258,624	\$ 129,176	\$ 11,162	\$ 9,645	\$ 6,700	\$ 26,464	\$ 26,374	\$ 151,562	\$ 3,056,216	\$ 11,194
Additions	-	11,497	17,462	199,505	5,116	6,354	-	6,278	4,857	1,460,377	1,711,446	75,211
Disposals	-	(40)	(3,745)	-	(1)	(3)	-	(190)	(5)	-	(3,984)	-
Transfers (Note)	-	94,286	13,418	3,525	-	-	-	41,503	6,087	(142,223)	16,596	(9,552)
Depreciation charges	-	(85,631)	(41,133)	(154,914)	(3,503)	(3,724)	(2,237)	(12,871)	(9,842)	-	(313,855)	-
Effects of foreign exchange	(1,866)	(10,477)	(2,111)	(1,483)	(44)	(47)	(43)	(172)	(131)	(23)	(16,397)	461
Closing net book amount	<u>\$ 1,333,544</u>	<u>\$ 1,110,734</u>	<u>\$ 242,515</u>	<u>\$ 175,809</u>	<u>\$ 12,730</u>	<u>\$ 12,225</u>	<u>\$ 4,420</u>	<u>\$ 61,012</u>	<u>\$ 27,340</u>	<u>\$ 1,469,693</u>	<u>\$ 4,450,022</u>	<u>\$ 77,314</u>
<u>At December 31, 2021</u>												
Cost	\$ 1,333,544	\$ 1,820,724	\$ 634,518	\$ 718,433	\$ 40,548	\$ 36,460	\$ 24,914	\$ 107,031	\$ 60,500	\$ 1,469,693	\$ 6,246,365	\$ 77,314
Accumulated depreciation and impairment	-	(709,990)	(392,003)	(542,624)	(27,818)	(24,235)	(20,494)	(46,019)	(33,160)	-	(1,796,343)	-
	<u>\$ 1,333,544</u>	<u>\$ 1,110,734</u>	<u>\$ 242,515</u>	<u>\$ 175,809</u>	<u>\$ 12,730</u>	<u>\$ 12,225</u>	<u>\$ 4,420</u>	<u>\$ 61,012</u>	<u>\$ 27,340</u>	<u>\$ 1,469,693</u>	<u>\$ 4,450,022</u>	<u>\$ 77,314</u>

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

- A. The significant components of buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. The net difference of the transfers for this period resulted from transferring mold equipment made for customers from inventories amounting to \$7,044.
- D. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Years ended December 31, 2021
Amount capitalised	\$ 7,024
Range of the interest rates for capitalisation	0.4%~1%

(8) Leasing arrangements - lessee

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 48,869	\$ 50,248
Buildings	13,363	22,394
Transportation equipment	4,104	6,137
Others	1,597	2,213
	<u>\$ 67,933</u>	<u>\$ 80,992</u>
	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 967	\$ 950
Buildings	6,280	6,955
Transportation equipment	2,812	2,643
Others	616	605
	<u>\$ 10,675</u>	<u>\$ 11,153</u>

- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$1,898, \$1,123 and \$8,632, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	446	695
Expense on short-term lease contracts	6,878	9,219
Expense on leases of low-value assets	1,098	1,024
Expense on variable lease payments	2,922	2,678
Gain on lease modification	11	30

- F. The Group early terminated the building leasing contract in March 2022. Accordingly, right-of-use assets and lease liabilities decreased by \$1,651 and \$1,662, respectively, and the gain on lease

modification of \$11 was recognized.

G. For the years ended December 31, 2022 and 2021, the Group's total cash outflow for leases was \$21,727 and \$24,294 (of which \$10,383 and \$10,678 represents payments of the principal of lease liabilities), respectively.

H. Variable lease payments

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

I. Extension and termination options

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

(9) Intangible assets

	<u>Trademarks</u>	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
<u>At January 1, 2022</u>				
Cost	\$ 640	\$ 57,775	\$ 5,258	\$ 63,673
Accumulated amortisation	(472)	(40,897)	(3,159)	(44,528)
	<u>\$ 168</u>	<u>\$ 16,878</u>	<u>\$ 2,099</u>	<u>\$ 19,145</u>
<u>2022</u>				
At January 1	\$ 168	\$ 16,878	\$ 2,099	\$ 19,145
Additions	493	14,876	97	15,466
Amortisation charge	(63)	(11,821)	(1,791)	(13,675)
Effects of foreign exchange	-	93	-	93
At December 31	<u>\$ 598</u>	<u>\$ 20,026</u>	<u>\$ 405</u>	<u>\$ 21,029</u>
<u>At December 31, 2022</u>				
Cost	\$ 1,133	\$ 72,824	\$ 5,355	\$ 79,312
Accumulated amortisation	(535)	(52,798)	(4,950)	(58,283)
	<u>\$ 598</u>	<u>\$ 20,026</u>	<u>\$ 405</u>	<u>\$ 21,029</u>

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

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

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2022	2021
Manufacturing cost	\$ 6,182	\$ 1,866
Selling expenses	668	795
Administrative expenses	1,550	2,511
Research and development expenses	5,275	8,318
	<u>\$ 13,675</u>	<u>\$ 13,490</u>

(10) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayments for business facilities	\$ 12,548	\$ 75,882
Guarantee deposits paid	4,204	6,894
Prepayments for intangible assets	31,420	1,432
Others	22,861	19,556
	<u>\$ 71,033</u>	<u>\$ 103,764</u>

(11) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate	Collateral
Short-term borrowings	\$ 942,687	1.45%~5.52%	A promissory note of the same amount was issued as collateral.
Short-term borrowings	172,397	0.31%	None.
Short-term secured borrowings	429,994	0.757%~4.424%	Refer to Note 8.
	<u>\$ 1,545,078</u>		

Type of borrowings	December 31, 2021	Interest rate	Collateral
Short-term borrowings	\$ 799,768	0.70%~1.00%	A promissory note of the same amount was issued as collateral.
Short-term secured borrowings	276,706	0.656%~0.741%	Refer to Note 8.
	<u>\$ 1,076,474</u>		

(12) Other payables

	December 31, 2022	December 31, 2021
Wages and bonus payable	\$ 227,137	\$ 215,491
Payables for construction and equipment	152,849	128,048
Remuneration due to directors and employee compensation	116,893	76,639
Payables for mold	116,786	94,158
Payables for export freight and customs clearance charges	85,012	40,468
Payables for service fees	11,350	12,629
Payables for consumable goods	8,733	8,785
Payables for processing fees	1,514	2,105
Payables for intangible assets	-	5,002
Others	252,767	180,868
	<u>\$ 973,041</u>	<u>\$ 764,193</u>

(13) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2022
Preferential Loans for Returning Taiwanese Businesses for the Purchase of Land in Taiwan (Note 1)	TWD 400,000 thousand; borrowing period is from January 15, 2021 to January 15, 2028; principal and interest are repayable monthly from February 15, 2023	1.00% ~ 1.655%	(Note 1)	\$ 400,000
Loan for Welcoming Overseas Taiwanese Businesses to Return to Invest in Taiwan (Note 2)	NTD 1,280,000 thousand, borrowings period is from February 8, 2021 to February 8, 2031, principal and interest are repayable monthly from March 15, 2024	0.40% ~ 1.245%	(Note 2)	1,280,000
"	NTD 736,000 thousand, borrowings period is from January 15, 2021 to January 15, 2028, principal and interest are repayable monthly from February 15, 2024	0.40% ~ 1.025%	"	239,530
"	NTD 640,000 thousand, borrowings period is from June 15, 2021 to June 15, 2028, principal and interest are repayable monthly from June 15, 2024	0.40% ~ 1.025%	"	261,340
Secured borrowings	TWD 372,000 thousand; borrowing period is from August 20, 2021 to August 20, 2036; principal and interest are repayable monthly from August 20, 2024	1.00% ~ 1.655%	Real estate located in Xinzhuang Dist., New Taipei City	372,000

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2022
Installment payment for secured foreign currency borrowings (Note 3)	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	\$ 107,512
				2,660,382
Less: Current portion				(8,116)
				\$ 2,652,266

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021
Preferential Loans for Returning Taiwanese Businesses for the Purchase of Land in Taiwan (Note 1)	TWD 400,000 thousand; borrowing period is from January 15, 2021 to January 15, 2028; principal and interest are repayable monthly from February 15, 2023	1%	(Note 1)	\$ 400,000
Loans for Returning Overseas Taiwanese Businesses (Note 2)	TWD 1,280,000 thousand; borrowing period is from February 8, 2021 to February 8, 2031; principal and interest are repayable monthly from March 15, 2024	0.40%	(Note 2)	1,000,690
"	TWD 736,000 thousand; borrowing period is from January 15, 2021 to January 15, 2028; principal and interest are repayable monthly from February 15, 2024	0.40%	"	15,900

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021
Loans for Returning Overseas Taiwanese Businesses (Note 2)	TWD 640,000 thousand; borrowing period is from June 15, 2021 to June 15, 2028; principal and interest are repayable monthly from June 15, 2024	0.40%	(Note 2)	\$ 77,810
Secured borrowings	TWD 372,000 thousand; borrowing period is from August 20, 2021 to August 20, 2036; principal and interest are repayable monthly from August 20, 2024	1%	Real estate located in Xinzhuang Dist., New Taipei City	372,000
Installment payment for secured foreign currency borrowings (Note 3)	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	103,375
				1,969,775
Less: Current portion				(7,117)
				<u>\$ 1,962,658</u>

Note 1: The Company applied for Preferential Loans for Returning Taiwanese Businesses for the Purchase of Land in Taiwan with the Bank of Taiwan in October 2020 and had drawn down the loan in January 2021. The total amount of the loan was \$400,000, and the loan term was 7 years after the first drawdown date. The interest rate of the loan was the floating interest rate on a 2-year time deposit offered by the Bank of Taiwan plus 0.155% of annual interest and the markdown interest rate shall be no less than 1%. The loan is mainly for the purchase of land. The Company pledged land in Lucao Township, Chiayi County as collateral.

Note 2: The Company applied for Loans for Returning Overseas Taiwanese Businesses with the Bank of Taiwan in October 2020. The total amount of the loan was \$1,344,000. In July 2021, the Company applied for an adjustment of loan amount to \$2,656,000, and the loan term was 7 to 10 years after the first drawdown date. The interest rate of the loan was the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank less 0.445% of annual interest and the markdown

interest rate shall be no less than 0.4%. The commission fee shall be paid by the National Development Fund at an annual interest of 0.5%, and the payment period shall not exceed 5 years. The loan is mainly for construction of plant, purchase of machinery and equipment and working capital. The Company pledged promissory note of the same amount as the loan, machinery and equipment purchased with the loan proceeds and buildings under completion as collateral.

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

Note 3: The secured borrowing contract of the subsidiary, CLOUDWELL HOLDINGS, LLC., requires that the interest coverage ratio for each year should not be lower than 1.2. If the requirement is not met, the subsidiary shall repay the outstanding borrowing or provide bank deposits as collateral. As of December 31, 2022, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(14) Pensions

A. Defined benefit plan

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

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligations	\$ 36,004	\$ 36,922
Fair value of plan assets	(14,552)	(12,030)
Net liability recognised in the balance sheet (shown as 'other non-current liabilities')	<u>\$ 21,452</u>	<u>\$ 24,892</u>

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

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2022</u>			
Balance at January 1	\$ 36,922	(\$ 12,030)	\$ 24,892
Interest expense (income)	222	(72)	150
	<u>37,144</u>	<u>(12,102)</u>	<u>25,042</u>
Remeasurements:			
Return on plan assets	-	(1,445)	(1,445)
Change in financial assumptions	(1,229)	-	(1,229)
Experience adjustments	89	-	89
	<u>(1,140)</u>	<u>(1,445)</u>	<u>(2,585)</u>
Pension fund contribution	-	(1,005)	(1,005)
Balance at December 31	<u>\$ 36,004</u>	<u>(\$ 14,552)</u>	<u>\$ 21,452</u>
	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2021</u>			
Balance at January 1	\$ 49,729	(\$ 18,810)	\$ 30,919
Current service cost	59	-	59
Interest expense (income)	149	(57)	92
	<u>49,937</u>	<u>(18,867)</u>	<u>31,070</u>
Remeasurements:			
Return on plan assets	-	(281)	(281)
Change in demographic assumptions	28	-	28
Change in financial assumptions	(725)	-	(725)
Experience adjustments	(4,668)	-	(4,668)
	<u>(5,365)</u>	<u>(281)</u>	<u>(5,646)</u>
Pension fund contribution	-	(532)	(532)
Benefits paid	(7,650)	7,650	-
Balance at December 31	<u>\$ 36,922</u>	<u>(\$ 12,030)</u>	<u>\$ 24,892</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, 2022 and 2021 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,	
	2022	2021
Discount rate	1.20%	0.60%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience for the years ended December 31, 2022 and 2021 are set based on the statics and experience of the 6th 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, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 485)	\$ 501	\$ 435	(\$ 424)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 560)	\$ 579	\$ 506	(\$ 493)

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 year.

- (e) Expected contributions to the defined pension plan of the Group for the year ending December 31, 2023 amounts to \$933.
- (e) As of December 31, 2022, the weighted average duration of the retirement plan is 6 years. The maturity analysis of pension payment was as follows:

Within 1 year	\$	15,424
1-2 year(s)		731
2-5 years		3,624
Over 5 years		8,866
	\$	<u>28,645</u>

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, 2022 and 2021, were \$13,184 and \$11,312, respectively.
- (d) Micom Source Holding Company, CLOUDWELL HOLDINGS, LLC., Chenbro GmbH, AMAC International Company, AMBER International Company, ADEPT International Company, and PROCASE & MOREX Corporation did not establish their pension plans or had no employees. In addition, the pension costs under the defined contribution pension plans of CHENBRO MICOM (USA) INCORPORATION, Chenbro Technology (Kunshan) Co., Ltd., ChenPower Information Technology (Shanghai) Co., Ltd. and Dongguan Procace Electronic Co., Ltd. for the year ended December 31, 2022 and 2021 were \$41,027 and \$35,923, respectively

(15) Share-based payment

A. The Group's share-based payment arrangements which have not expired as of December 31, 2022 were as follows:

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

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

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

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

	2022	2021
	Quantity of stocks (in thousands)	Quantity of stocks (in thousands)
Restricted stocks at the beginning of period	773	1,200
Redeemed during the period (Note)	- (	11)
Vested during the period	(144)	(279)
Retired during the period	(146)	(137)
Restricted stocks at the end of period	483	773

Note: For the year ended December 31, 2021, the Company redeemed 11 thousand shares of restricted stocks to employees, which have been retired as of April 18, 2022.

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,	
	2022	2021
Equity-settled	\$ 22,564	\$ 43,908

(16) Ordinary shares

As of December 31, 2022, 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 \$1,206,320, 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 follow:

	2022	2021
At January 1	120,778	120,926
Redemption of restricted stocks to employees yet to be retired	- (	11)
Retirement of restricted stocks	(146)	(137)
At December 31	120,632	120,778

(17) Capital surplus

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

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital.

The remaining shall take into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.

- B. The Company's dividend policy is based on the current profit and consideration of the Company's growth in the future, capital budget plan and capital needs as well as consideration of shareholders' interest and long-term financial plan, etc. Earnings can be distributed to shareholders as cash dividends or stock dividends. Cash dividends shall account for at least 10% of the total dividends distributed. If cash dividends are lower than \$0.20 (in dollars) per share, stock dividends will be issued instead.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amount of \$65,573 previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. On May 31, 2022 and May 14, 2021, the shareholders resolved the appropriations of the 2021 and 2020 earnings, respectively, as follows:

	<u>Year ended December 31, 2021</u>		<u>Year ended December 31, 2020</u>	
	<u>Amount</u>	<u>Dividend per share (in dollars)</u>	<u>Amount</u>	<u>Dividend per share (in dollars)</u>
Legal reserve	\$ 67,742	\$ -	\$ 97,474	\$ -
Special reserve	10,212	-	35,952	-
Cash dividends to shareholders	362,309	3.00	483,644	4.00
	<u>\$ 440,263</u>	<u>\$ 3.00</u>	<u>\$ 617,070</u>	<u>\$ 4.00</u>

F. On March 14, 2023 the Board of Directors has proposed the appropriations of the 2022 earnings as follow:

	Year ended December 31, 2022	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 100,075	\$ -
Special reserve	(89,311)	-
Cash dividends to shareholders	482,528	4.00
	<u>\$ 493,292</u>	<u>\$ 4.00</u>

As of March 14, 2023, the abovementioned appropriation of 2022 earnings has not yet been resolved by the shareholders.

(19) Other equity items

	2022			
	Currency translation	Unrealised losses on valuation	Other, unearned compensation	Total
At January 1	(\$ 283,825)	\$ 13,109	(\$ 44,351)	(\$ 315,067)
Valuation adjustment	-	6,247	-	6,247
Employee restricted shares:				
- Transferred to expenses	-	-	22,564	22,564
Currency translation differences:				
- Group	84,290	-	-	84,290
- Tax on Group	(1,226)	-	-	(1,226)
At December 31	<u>(\$ 200,761)</u>	<u>\$ 19,356</u>	<u>(\$ 21,787)</u>	<u>(\$ 203,192)</u>

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

(20) Operating revenue

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

	Years ended December 31,	
	2022	2021
Server cases, peripheral products and components	\$ 10,445,255	\$ 9,246,822
Personal computer cases	112,446	176,198
	<u>\$ 10,557,701</u>	<u>\$ 9,423,020</u>

B. Contract liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities - sale of products	<u>\$ 8,278</u>	<u>\$ 13,001</u>	<u>\$ 7,113</u>

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

	Years ended December 31,	
	2022	2021
Contract liabilities - sale of products	<u>\$ 5,504</u>	<u>\$ 1,070</u>

(21) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	\$ 19,178	\$ 12,258
Interest income from financial assets measured at amortised cost	477	8,582
	<u>\$ 19,655</u>	<u>\$ 20,840</u>

(22) Other income

	Years ended December 31,	
	2022	2021
Gains on write-off of past due payable	\$ 5,143	\$ 37,549
Government grant revenues	14,946	5,718
Other income, others	11,477	2,205
	<u>\$ 31,566</u>	<u>\$ 45,472</u>

(23) Other gains and losses

	Years ended December 31,	
	2022	2021
Loss on disposal of property, plant and equipment	(\$ 1,225)	(\$ 1,300)
Gains arising from lease modifications	11	30
Net currency exchange gain (loss)	199,529	(39,524)
Others	(483)	(5,420)
	<u>\$ 197,832</u>	<u>(\$ 46,214)</u>

(24) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense on bank borrowings	\$ 47,493	\$ 15,795
Interest expense on lease liabilities	446	695
	<u>\$ 47,939</u>	<u>\$ 16,490</u>

(25) Employee benefit, depreciation and amortisation expenses

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 1,065,411	\$ 989,787
Share-based payment	22,564	43,908
Labour and health insurance fees	51,716	47,893
Pension costs	54,361	47,386
Other personnel expenses	97,888	90,490
Employee benefit expense	<u>\$ 1,291,940</u>	<u>\$ 1,219,464</u>
Depreciation charges	<u>\$ 363,209</u>	<u>\$ 325,008</u>
Amortisation charges	<u>\$ 13,675</u>	<u>\$ 13,490</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' remuneration. For the Company, the ratio shall be between 3%~12% for employees' compensation and shall not be higher than 3% for directors' remuneration. For the domestic subsidiaries, the ratio shall not be lower than 5% for employees' compensation. Employees' compensation and directors' 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' 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' remuneration proportionately as described above.

- B. For the years ended December 31, 2022 and 2021. Employee's compensation were accrued at \$90,642 and \$59,221, respectively; while directors' remunerations were accrued at \$26,251 and \$17,418, respectively. The aforementioned amounts were recognized in salary expenses.

For the year ended December 31, 2022, employees' compensation and directors' remuneration amounted to \$89,095 and \$26,205 as resolved by the Board of Directors on March 14, 2023, respectively, and the differences with the amounts recognized in the current year's financial statements amounted to \$156 and \$46, respectively. The differences will be accounted for as changes in estimated in profit or loss for 2023.

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

Information about employees' compensation and directors' 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,	
	2022	2021
Current tax:		
Current tax on profits for the period	\$ 356,679	\$ 222,071
Prior year income tax under (over) estimation	8,145	(32,402)
Total current tax	364,824	189,669
Deferred tax:		
Origination and reversal of temporary differences	(30,572)	24,295
Total deferred tax	(30,572)	24,295
Income tax expense	<u>\$ 334,252</u>	<u>\$ 213,964</u>

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

	Years ended December 31,	
	2022	2021
Currency translation differences	<u>\$ 1,226</u>	<u>(\$ 3,409)</u>
Remeasurement of defined benefit obligations	<u>\$ 516</u>	<u>\$ 1,129</u>

B. Reconciliation between income tax expense and accounting profit

	Year ended December 31, 2022	Year ended December 31, 2021
Tax calculated based on profit before tax and statutory tax rate (note)	\$ 332,449	\$ 269,185
Prior year income tax (under) overestimation	8,145 (	32,402)
Expenses disallowed by tax regulation	2,001	2,278
Acquisition of cash dividends distributed by foreign investee company accounted for equity method	-	8,018
Withholding tax from dividends distributed by foreign investee company accounted for equity method	46,762	-
Effect from deduction or exemption for substantive investment from repatriated offshore funds	- (	4,009)
Temporary differences not recognised as deferred tax liabilities	(36,945) (	48,009)
Effect from taxable loss recognised	(2,761)	-
Taxable loss not recognised as deferred tax assets	-	562
Others	(15,399)	18,431
Income tax expense	<u>\$ 334,252</u>	<u>\$ 214,054</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, tax losses and investment tax credits are as follows:

	2022			
	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	\$ 11,547	(\$ 4,273)	\$ -	\$ 7,274
Unrealised gain on inter-affiliate accounts	18,203	13,820	-	32,023
Unrealised gross profit	796	(632)	-	164
Allowance for bad debts	3,241	1,260	-	4,501
Unused compensated absences	1,715	-	-	1,715
Pension	7,612	171	(516)	7,267
Unrealised exchange loss	367	(367)	-	-
Unrealised warranty provision	1,138	-	-	1,138
Others	<u>7,790</u>	<u>492</u>	<u>-</u>	<u>8,282</u>
	<u>\$ 52,409</u>	<u>\$ 10,471</u>	<u>(\$ 516)</u>	<u>\$ 62,364</u>
— Deferred tax liabilities:				
Investment income	(20,752)	21,978	(1,226)	-
Unrealised exchange gain	-	(1,942)	-	(1,942)
Book-tax difference of depreciation charges on fixed assets	(602)	119	-	(483)
Others	<u>(198)</u>	<u>(54)</u>	<u>-</u>	<u>(252)</u>
	<u>(\$ 21,552)</u>	<u>\$ 20,101</u>	<u>(\$ 1,226)</u>	<u>(\$ 2,677)</u>

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

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

December 31, 2021					
Year incurred	Amount filed/assessed	Unused amount	Unrecognised deferred tax assets	Expiry year	
2021	\$ 2,810	\$ 2,810	\$ 2,810	2031	
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, 2022 and 2021, the temporary differences unrecognised as deferred tax liabilities were \$2,162,225 and \$1,977,500, respectively.

F. The amounts of deductible temporary difference that are not recognised as deferred tax assets are as follows:

	December 31, 2022	December 31, 2021
Deductible temporary differences	\$ 58,840	\$ 66,073

G. The Company's income tax return through 2020 have been assessed and approved by the Tax Authority.

H. The subsidiary-Chen-Feng Precision Co., Ltd.'s income tax return through 2020 have been assessed and approved by the Tax Authority.

I. The Company had applied for investment of repatriated offshore funds back in Taiwan in 2021 and had paid 8~10% of the income tax. The Company will apply for 4~5% of tax refund after it completes the substantive investment and obtains the certificate issued by the Ministry of Economic Affairs. The aforementioned tax refund expected to be collected amounting to \$4,009 and \$21,113 was shown as 'Current tax assets'.

(27) Earnings per share

	Years ended December 31, 2022		
	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	\$ 998,685	120,061	\$ 8.32
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 998,685		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,380	
Restricted stocks	-	430	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 998,685	121,871	\$ 8.19

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

(28) Supplemental cash flow information

Investing activities with partial cash payments:

(a) Purchase of property, plant and equipment:

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 940,166	\$ 1,728,042
Add: Opening balance of payable on equipment	128,048	35,873
Opening balance of payable on land and building purchased	-	303,010
Ending balance of prepayments for business facilities	12,548	75,882
Less: Opening balance of prepayments for business facilities	(75,882)	(11,194)
Ending balance of payable on equipment	(152,849)	(128,048)
Transferred from inventories	(4,215)	(7,044)
Cash paid during the year	\$ 847,816	\$ 1,996,521

(b) Acquisition of intangible assets

	Years ended December 31,	
	2022	2021
Acquisition of intangible assets	\$ 15,466	\$ 20,698
Add: Ending balance of prepayment for intangible assets	31,420	1,432
Opening balance of payable for intangible assets	5,002	-
Less: Opening balance of prepayment for intangible assets	(1,432)	(2,320)
Ending balance of payable for intangible assets	-	(5,002)
Cash paid during the year	<u>\$ 50,456</u>	<u>\$ 14,808</u>

(29) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities
At January 1, 2022	\$ 1,076,474	\$ 1,969,775	\$ 30,394
Changes in cash flow from financing activities	431,865	680,410	(10,383)
Impact of changes in foreign exchange rate	36,739	10,197	-
Changes in other non-cash items	-	-	(539)
At December 31, 2022	<u>\$ 1,545,078</u>	<u>\$ 2,660,382</u>	<u>\$ 19,472</u>
	Guarantee deposits received	Liabilities from financing activities-gross	
At January 1, 2022	\$ 539	\$ 3,077,182	
Changes in cash flow from financing activities	-	1,101,892	
Impact of changes in foreign exchange rate	9	46,945	
Changes in other non-cash items	-	(539)	
At December 31, 2022	<u>\$ 548</u>	<u>\$ 4,225,480</u>	

	Short-term borrowings	Long-term borrowings	Lease liabilities
At January 1, 2021	\$ 849,069	\$ 113,361	\$ 34,903
Changes in cash flow from financing activities	227,405	1,860,716	(10,678)
Impact of changes in foreign exchange rate	- (	4,302)	-
Changes in other non-cash items	-	-	6,169
At December 31, 2021	<u>\$ 1,076,474</u>	<u>\$ 1,969,775</u>	<u>\$ 30,394</u>

	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2021	\$ 519	\$ 997,852
Changes in cash flow from financing activities	20	2,077,463
Impact of changes in foreign exchange rate	- (	4,302)
Changes in other non-cash items	-	6,169
At December 31, 2021	<u>\$ 539</u>	<u>\$ 3,077,182</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

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

(3) Significant related party transactions

A. Operating revenue

	<u>Years ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Sales:		
Other related parties	<u>\$ 1,747</u>	<u>\$ 693</u>

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,	
	2022	2021
Purchases:		
Other related parties	\$ 15,897	\$ 9,437
Other expenses:		
Other related parties	2,125	5,846
	<u>\$ 18,022</u>	<u>\$ 15,283</u>

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

(b) Other expenses: It arises from short-term leases of warehouse and management of warehouse by other related parties on behalf of the Company. Prices and terms are determined based on mutual agreements, and the collection term is 60 days after monthly billings.

C. Receivables from related parties

	December 31, 2022	December 31, 2021
Notes receivable:		
Other related parties	\$ 510	\$ 365
Accounts receivable:		
Other related parties	252	103
Other receivables - payment on behalf of others:		
Other related parties	11	5
	<u>\$ 773</u>	<u>\$ 473</u>

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

D. Payables to related parties

	December 31, 2022	December 31, 2021
Accounts payable:		
Other related parties	\$ 12,274	\$ 2,098
Other payables - payable on equipment:		
Other related parties	10	1,811
	<u>\$ 12,284</u>	<u>\$ 3,909</u>

E. Property transactions

(a) Acquisition of property, plant and equipment

	Years ended December 31,	
	2022	2021
	Consideration	Consideration
Other related parties	<u>\$ 1,700</u>	<u>\$ -</u>

(b) Disposal of property, plant and equipment:

	Years ended December 31,			
	2022		2021	
	Disposal proceeds	Losses on disposals	Disposal proceeds	Losses on disposals
Other related parties	\$ 1,000	(\$ 1,221)	\$ -	\$ -

(4) Key management compensation

	Years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 60,173	\$ 50,067
Post-employment benefits	327	407
Share-based payments	8,084	15,734
	<u>\$ 68,584</u>	<u>\$ 66,208</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Time deposits (shown as 'current financial assets at amortised cost')	<u>\$ 10,000</u>	<u>\$ 10,000</u>	Customs duty guarantee
Cash in banks (shown as 'current financial assets at amortised cost')	<u>\$ 5,019</u>	<u>\$ -</u>	Grant for research and development
Time deposits (shown as 'non-current financial assets at amortised cost')	<u>\$ 13,460</u>	<u>\$ -</u>	Research and development plan
Cash in banks (shown as 'non-current financial assets at amortised cost')	<u>\$ 3,206</u>	<u>\$ 3,951</u>	Long-term borrowings (Note 1)
Land and buildings	<u>\$ 1,222,745</u>	<u>\$ 1,208,725</u>	Long-term borrowings (Notes 1, 2 and 3)
Accounts receivable (Note 4)	<u>\$ 205,686</u>	<u>\$ 347,247</u>	Short-term borrowings

Note 1: In August, 2013, the subsidiary, CLOUDWELL HOLDINGS, LLC., signed a long-term borrowing contract for a credit line of USD 5.53 million with banks. The contract requires the subsidiary to pledge land and buildings as mortgage and USD 100 thousand as collateral.

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

Note 3: In August 2021, the Company signed a long-term borrowing contract for a credit line of \$372,000 with Bank of Taiwan. The contract requires the Company to pledge land and buildings located on 18F & 19F, Xinzhuang District, New Taipei City as mortgage.

Note 4: The subsidiary, Chenbro Technology (Kunshan) Co., Ltd., pledged its accounts receivable from the parent company, Chenbro Micom Co., Ltd., as collateral and was eliminated when preparing the consolidated financial statements.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. On December 22, 2020, the Company entered into a plant construction contract (mechatronic, fire safety and air conditioning) with RUEY LAN ENGINEERING CO., LTD. for the total price of \$289,500 (tax included). In addition, on January 11, 2022, August 30, 2022 and November 15, 2022, the Company entered into a supplemental contract for the adjustment in the construction contract price in the amount of \$81,800 (tax included), \$20,000 (tax included) and \$16,000 (tax included), respectively, and the adjusted total contract price was \$407,300 (tax included). As of December 31, 2022, the Company has made a payment of \$399,154.

B. On February 2, 2021, the Company entered into a contract for plant construction on its own land in Chiayi County Machohou Industry Park with SAN MIN CONSTRUCTION DEVELOPMENT CO., LTD. for the total price of \$1,208,529 (tax included). In addition, on March 15, 2022 and August 25, 2022, and November 15, 2022, the Company entered into a supplemental contract for the adjustment in the construction contract price in the amount of \$63,420 (tax included), \$20,000 (tax included) and \$1,088 (tax included), respectively, and the adjusted total contract price was \$1,293,037 (tax included). As of December 31, 2022, the Company has made a payment of \$1,266,110.

C. Except for the related construction of new plant, the Company has contracted but not yet incurred related capital expenditures of property, plant and equipment and intangible assets in the amount of \$35,450 and \$28,320, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 14, 2023, the Board of Directors of the Company resolved the followings:

A. Please refer to Note 6(25) B for the resolution of employees' compensation and directors' remuneration for the year ended December 31, 2022.

B. Please refer to Note 6(18) F for the appropriation of 2022 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, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 54,050	\$ 47,803
Financial assets at amortised cost		
Cash and cash equivalents	1,852,718	1,437,185
Financial assets at amortised cost	32,685	13,951
Notes receivable	18,864	25,808
Accounts receivable	2,347,742	2,346,573
Other receivables	51,152	95,129
Guarantee deposits paid	4,204	6,894
	<u>\$ 4,361,415</u>	<u>\$ 3,973,343</u>
	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,545,078	\$ 1,076,474
Notes payable	-	80,527
Accounts payable	1,978,598	2,994,287
Other payables	973,041	764,193
Long-term borrowings (including current portion)	2,660,382	1,969,775
Guarantee deposits received	548	539
Other current liabilities	7,217	5,074
	<u>\$ 7,164,864</u>	<u>\$ 6,890,869</u>
Lease liabilities	<u>\$ 19,472</u>	<u>\$ 30,394</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, 2022				
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 84,774	30.71	\$	2,603,410
USD:RMB	30,372	6.96		932,724
<u>Non-monetary items</u>				
USD:NTD	97,073	30.71		2,981,110
EUR:NTD	657	32.72		21,500
RMB:NTD	454,716	4.41		2,005,298
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$ 51,480	30.71	\$	1,580,951
USD:RMB	18,848	6.96		578,822

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

- iv. The total exchange gain (loss), including realised and unrealised, arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2022 and 2021, amounted to \$199,529 and (\$39,524), respectively.
- v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Years ended December 31, 2022			
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%	\$ 26,034	\$ -
USD:RMB	1%	9,327	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	15,810	-
USD:RMB	1%	5,788	-

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

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, 2022 and 2021 would have increased/decreased by \$540 and \$478 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

- i. The Group's interest rate risk primarily arises from various borrowings. Borrowings with variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. For the year ended December 31, 2022, the Group's borrowings were issued at fixed rate and are denominated in NTD. For the year ended December 31, 2021, the Group's borrowings were denominated in the USD and NTD.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1 basis point with all other variables held constant, profit, net of tax for the year ended December 31, 2022 would have increased/decreased by \$225. The main factor is that changes in interest expense result from floating rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the

agreed terms, and the financial assets at amortised cost and equity instruments stated at fair value through other comprehensive income.

- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. Individual risk limits are set based on internal or external factors in accordance with limits set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.
- iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using the provision matrix and loss rate methodology to estimate expected credit loss.
- vii. The Group used the forecastability of The New Basel Capital Accord to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2022 and 2021, the loss allowance is as follows:

	Not past due	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due
<u>December 31, 2022</u>				
Expected loss rate	0.03%	0.03%	3.00%	3.00%
Total book value	\$ 1,964,958	\$ 173,177	\$ 55,519	\$ 74,255
Loss allowance	\$ -	\$ 13	\$ 1,620	\$ 2,206
	91 to 180 days past due	181 to 360 days past due	Over 361 days past due	Total
<u>December 31, 2022</u>				
Expected loss rate	10.00%	10.00%	100.00%	
Total book value	\$ 86,715	\$ 6,308	\$ -	\$ 2,360,932
Loss allowance	\$ 8,717	\$ 634	\$ -	\$ 13,190

	Not past due	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due
<u>December 31, 2021</u>				
Expected loss rate	0.03%	0.03%	3.00%	3.00%
Total book value	\$ 2,059,116	\$ 214,584	\$ 55,927	\$ 12,765
Loss allowance	\$ -	\$ 22	\$ 1,680	\$ 405
	91 to 180 days past due	181 to 360 days past due	Over 361 days past due	Total
<u>December 31, 2021</u>				
Expected loss rate	10.00%	10.00%	100.00%	
Total book value	\$ 6,932	\$ 56	\$ -	\$ 2,349,380
Loss allowance	\$ 694	\$ 6	\$ -	\$ 2,807

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

	Years ended December 31,	
	2022	2021
	<u>Accounts receivable</u>	<u>Accounts receivable</u>
At January 1	\$ 2,807	\$ 2,292
Provision for impairment loss	10,332	535
Effect of exchange rate changes	51	(20)
At December 31	<u>\$ 13,190</u>	<u>\$ 2,807</u>

For the year ended December 31, 2022 and 2021, losses on impairment of accounts receivable arising from customer contracts amounted to (\$10,332) and (\$535), respectively.

(c) Liquidity risk

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

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

Non-derivative financial liabilities:

<u>December 31, 2022</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 1,554,133	\$ -	\$ -	\$ -
Accounts payable	1,978,598	-	-	-
Other payables	973,041	-	-	-
Lease liabilities	10,012	9,805	-	-
Other current liabilities	7,217	-	-	-
Long-term borrowings (including current portion)	116,602	730,773	953,185	1,030,389
Guarantee deposits received	548	-	-	-

Non-derivative financial

<u>December 31, 2021</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 1,077,890	\$ -	\$ -	\$ -
Notes payable	80,527	-	-	-
Accounts payable	2,994,287	-	-	-
Other payables	764,193	-	-	-
Lease liabilities	11,036	18,488	1,890	-
Other current liabilities	5,074	-	-	-
Long-term borrowings (including current portion)	22,970	225,066	649,809	1,166,236
Guarantee deposits received	539	-	-	-

- iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

- A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The carrying amounts of the Group's financial assets not measured at fair value, including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid (shown as other non-current assets), other current assets, other non-current assets, short-term borrowings, notes payable, accounts payable (including related parties), other payables, lease liabilities, long-term borrowings (including current portion) and guarantee deposits received (shown as other current liabilities and other non-current liabilities), are approximate to their fair values.

C. The related information on financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information on the nature of the assets and liabilities is as follows:

December 31, 2022	<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	\$ -	\$ -	\$ 54,050	\$ 54,050
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 47,803	\$ 47,803

(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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Equity securities</u>	<u>Equity securities</u>
January 1	\$ 47,803	\$ 28,196
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	<u>6,247</u>	<u>19,607</u>
At December 31	<u><u>\$ 54,050</u></u>	<u><u>\$ 47,803</u></u>

- E. For the years ended December 31, 2022 and 2021, there was no transfer into or out from Level 3.
- F. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	<u>Fair value at December 31, 2022</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (first quartile)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 54,050	Market comparable companies	Price to book ratio multiple	1.04-2.52 (1.5)	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, 2021</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (first quartile)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 47,803	Market comparable companies	Price to book ratio multiple	1.45-6.61 (1.8)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	25% (25%)	The higher the discount for lack of marketability, the lower the fair value

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, 2022			
			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%	\$ -	\$ -	\$ 540	(\$ 540)
	Discount for lack of marketability	±1%	-	-	180	(180)
			December 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 478	(\$ 478)
	Discount for lack of marketability	±1%	-	-	159	(159)

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

Due to the spread of the Covid-19, the operations of the Group's subsidiary in Kunshan have been affected in April 2022 in line with the local government's epidemic prevention policy. The Group has adopted the appropriate contingency measures. Consequently, for year ended December 31, 2022, the Group's consolidated operating revenue increased by \$1,134,681 compared to the same period last year, representing a growth rate of 12.04%. Based on the Group's assessment, the pandemic had no significant impact on the Group's finance and various risk aspects.

13. SUPPLEMENTARY DISCLOSURES

(5) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Refer to table 1.

- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): 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: Refer to table 3.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Refer to table 6.

(6) Information on investees

Counterparties' information are disclosed based on subsidiaries' financial statements, which were not reviewed by independent auditors. However, the information on investments between companies was eliminated when preparing the consolidated financial statements. The following disclosures are for reference only.

Names, locations and other information of investee companies (not including investees in Mainland China): Refer to table 7.

(7) Information on investments in Mainland China

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

Name of company	Counterparty	Accounts	Years ended December 31, 2022	Percentage representing the account of the company (%)	Note
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	\$ 3,495,056	64	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	755,515	55	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Purchases	821,751	15	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Accounts payable	122,069	9	

(8) Major shareholders information

Major shareholders information: Refer to table 9.

Note: The information disclosed by insignificant subsidiaries was not reviewed by independent auditors.

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 informatio

The accounting policies of the operating segments are in agreement with the significant accounting policies summarised in Note 4. The Group's segment profit (loss) is measured with the operating income (loss), which is used as a basis for the Group in assessing the performance of the operating segments. The Company and subsidiaries have only one reportable operating segment, thus, the reportable information is in agreement with those in the consolidated financial statements.

(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 products

Details of revenue balance is as follows:

	<u>Year ended December 31, 2022</u>	<u>Year ended December 31, 2021</u>
Server cases and components of peripheral	\$ 10,445,255	\$ 9,246,822
Personal computer cases	112,446	176,198
	<u>\$ 10,557,701</u>	<u>\$ 9,423,020</u>

(6) Geographical information

Geographical information for the years ended December 31, 2022 and 2021 as follows:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	Revenue	Non-current assets	Revenue	Non-current assets
China	\$ 4,303,072	\$ 939,794	\$ 3,883,306	\$ 1,106,236
US	3,736,114	234,458	3,534,653	213,939
Taiwan	533,521	4,057,316	567,832	3,332,574
Others	1,984,994	271	1,437,229	1,174
	<u>\$ 10,557,701</u>	<u>\$ 5,231,839</u>	<u>\$ 9,423,020</u>	<u>\$ 4,653,923</u>

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2022 and 2021 is as follows:

	<u>Year ended December 31, 2022</u>		<u>Year ended December 31, 2021</u>	
	Revenue	consolidated net operating income	Revenue	consolidated net operating income
Company C	\$ 1,917,939	18%	\$ 1,470,157	16%
Company A	1,590,445	15%	1,274,819	14%
Company D	1,051,280	10%	966,762	10%
Company B	908,631	9%	1,386,130	15%
Company F	671,159	6%	505,291	5%
Company E	610,103	6%	408,859	4%

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Years ended December 31, 2022

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

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed			Maximum outstanding endorsement/ guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary (Note 6)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 6)	Provision of endorsements/ guarantees to the party in Mainland China (Note 6)	Footnote
		Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party										
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	2	\$ 981,428	\$ 180,432	\$ 171,976	\$ 107,512	\$ -	3.50	\$ 2,944,285	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 original currency amount of maximum endorsement/guarantee provided by Chenbro Micom Co., Ltd. to CLOUDWELL HOLDINGS, LLC. was USD 5,600 thousand for the year ended December 31, 2022.

Note 5: The original currency amount of outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to CLOUDWELL HOLDINGS, LLC. was USD 5,600 thousand for the year ended December 31, 2022.

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, 2022

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

Table 2

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
CHENBRO MICOM CO., LTD.	Diamond Creative Holding Limited	None	Non-current financial assets at fair value through other comprehensive income	1,100,000	\$ 54,050	14.29%	\$ 54,050	

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Acquisition of real estate reaching NT\$300 million or 20% of paid-in capital or more
Years ended December 31, 2022
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 3

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount (Notes 1 and 2)	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHENBRO MICOM CO., LTD.	Machouhou Industry Park's productive plant	February 2, 2021 (Note 1)	\$ 1,293,037	Based on the contract schedule (Note 2)	San Min Construction Development Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Price comparison and price negotiation	Expansion of production capacity	None
CHENBRO MICOM CO., LTD.	Machouhou Industry Park's productive plant	January 11, 2022 (Note 3)	\$ 407,300	Based on the contract schedule (Note 3)	RUEY LAN ENGINEERING CO., LTD.	None	Not applicable	Not applicable	Not applicable	Not applicable	Price comparison and price negotiation	Expansion of production capacity	None

Note 1: On February 2, 2021, the Company entered into a contract with SAN MIN CONSTRUCTION DEVELOPMENT CO., LTD. at the total price of \$1,208,529 (tax included). In addition, on March 15, 2022, August 25, 2022 and November 15, 2022, the Company entered into a supplemental contract for the adjustment in the construction contract price in the amount of \$63,420 (tax included), \$20,000 (tax included) and \$1,088 (tax included), and the adjusted total contract price was \$1,293,037 (tax included).

Note 2 : As of December 31, 2022, the company has paid \$1,266,110 (\$287,422 was paid in 2022).

Note 3: The contract was the plant construction contract (mechatronic, fire safety and air conditioning). In addition, on January 11, 2022, August 30, 2022 and November 15, 2022 the Company entered into a supplemental contract for the adjustment in the construction contract price in the amount of \$81,800 (tax included), \$20,000 (tax included) and \$16,000 (tax included), respectively, and the contract price was more than \$300 million. As of December 31, 2022, the Company has made a payment of \$399,154 (\$150,184 was paid in 2022).

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

Years ended December 31, 2022

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

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsiary company	Sales	\$ 4,226,120	57	OA 120 days	Note 1	Note 1	\$ 1,353,581	60	Note 2
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Parent-subsiary company	Sales	281,904	4	90 days after monthly billing	Note 1	Note 1	50,645	2	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiary company	Sales	3,495,056	87	60 days after monthly billing	Note 1	Note 1	755,515	79	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	235,326	6	60 days after monthly billing	Note 1	Note 1	71,552	7	Note 2
Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiary company	Sales	821,751	27	60 days after monthly billing	Note 1	Note 1	122,069	16	Note 2
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	2,226,944	73	90 days after monthly billing	Note 1	Note 1	615,652	83	Note 2
Chen-Feng Precision Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiary company	Sales	149,385	84	90 days after monthly billing	Note 1	Note 1	112,448	99	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, 2022
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022 (Note 3)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts (Note 2)
					Amount	Action taken		
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Accounts receivable \$ 1,353,581	3.60	\$ 424,323	Promptly demanding collection of the overdue receivables	\$ 674,949	\$ -
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 755,515	4.09	459,861	Promptly demanding collection of the overdue receivables	506,899	-
Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 122,069	6.88	1,789	Promptly demanding collection of the overdue receivables	122,069	-
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable \$ 615,652	3.46	76,533	Promptly demanding collection of the overdue receivables	352,572	-
Chen-Feng Precision Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 112,448	2.33	15,613	Promptly demanding collection of the overdue receivables	90,359	-

Note 1: Subsequent collections as of March 14, 2023.

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
Years ended December 31, 2022
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 6

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 5)
				General ledger account	Amount (Notes 3, 6 and 7)	Transaction terms	
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Sales	\$ 4,226,120	Note 4	40
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	1,353,581	Note 4	11
0	CHENBRO MICOM CO., LTD.	Chenbro GmbH	1	Sales	281,904	Note 4	3
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	3,495,056	Note 4	33
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	755,515	Note 4	6
1	Chenbro Technology (Kunshan) Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	235,326	Note 4	2
2	Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	821,751	Note 4	8
2	Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	122,069	Note 4	1
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	2,226,944	Note 4	21
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Accounts receivable	615,652	Note 4	5
3	Chen-Feng Precision Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	149,385	Note 4	1
3	Chen-Feng Precision Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	112,448	Note 4	1

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Transaction amounts less than NT\$100 million or 20% of paid-in capital are not disclosed.

Note 4: There is no transaction similar to the above purchases and sales, which are determined in accordance with mutual agreement.

Note 5: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 6: Except for current profit (loss) for the year ended December 31, 2022 translated using the average exchange rate of that period, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2022.

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)

Years ended December 31, 2022

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

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022	Investment income (loss) recognised by the Company for the year ended December 31, 2022	Footnote
				Balance as at December 31, 2022 (Note 4)	Balance as at December 31, 2021 (Note 4)	Number of shares	Ownership (%)	Book value (Note 4)	(Note 4)	(Notes 4 and 5)	
CHENBRO MICOM CO., LTD.	Micom Source Holding Company	Cayman Islands	Holding company	\$ 720,264	\$ 720,264	22,323,002	100	\$ 2,433,582	\$ 66,397	\$ 28,721	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	421,535	112,917	119,057	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	125,993	2,407	2,407	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	21,500	11,669	11,796	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chen-Feng Precession Co., Ltd.	Taiwan	Manufacturing of NCT	56,000	56,000	5,600,000	70	69,048	32,590	22,813	
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	198,172	198,172	6,452,738	100	69,573	1,918	1,918	Notes 3 and 4
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	253,050	253,050	8,239,890	100	1,428,396	52,682	52,682	Notes 3 and 4
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	-	485,218	-	-	-	29,776	29,776	Notes 3, 4 and 6
Micom Source Holding Company	PROCASE & MOREX Corporation	British Virgin Islands	Holding company	261,035	-	35,502	100	509,625	14,371	(14,057)	Notes 2, 4, 5 and 7
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Holding company	-	261,035	-	-	-	14,371	28,428	Notes 2, 4, 5 and 7

Note 1: Investment income (loss) recognised for the year ended December 31, 2022 includes recognition and elimination of realised and unrealised gain (loss) on upstream transactions.

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

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

Note 4: Except for current profit (loss) for the year ended December 31, 2022 translated using the average exchange rate of that period, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2022.

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

Note 6: On May 12, 2020, the Board of Directors of ADEPT International Company approved the dissolution of the company. The liquidation was completed in December 2022.

Note 7: ADEPT International Company increased its capital through capitalisation of earnings on August 22, 2022 and transferred the share ownership in Procace & Morex Corporation to Micom Source Holding Company through the capital reduction.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Years ended December 31, 2022

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

Table 8

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for theyear ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 1)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	\$ 307,100	\$ 2	\$ 307,100	\$ -	\$ -	\$ 307,100	\$ 62,707	\$ 100	\$ 62,707	\$ 1,234,452	\$ 767,130	Notes 2, 4, 5 and 7
Dongguan Procace Electronic Co., Ltd.	Manufacturing and processing of computer cases	385,165	2	385,165	-	-	92,007	27,638	100	27,638	578,697	-	Notes 3 and 7
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	64,491	2	-	-	-	-	24,722	100	24,722	192,149	-	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 auditors of the Company.

Note 2: The Company reinvested through Amber International Company.

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

Note 4: The Company distributed cash dividends of \$302,406 (net of taxation on earnings remitted from Mainland China) to the Company through the holding companies, Amber International Company and Micom Source Holding Company on October 17, 2014.

Note 5: The Company distributed cash dividends of \$464,724 (net of taxation on earnings remitted from Mainland China) to the Company through the holding companies, Amber International Company and Micom Source Holding Company on May 28, 2020.

Note 6: The Company incorporated on October 8, 2016 and was reinvested by Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company at an 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, 2022 translated using the average exchange rate of that period, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2022.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 8)
CHENBRO MICOM CO., LTD.	\$ 399,107	\$ 408,697	\$ -

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, 2022

Table 9

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Chen Fengming	13,614,433	11.28
Pengwei Investment Holdings	12,387,433	10.26
Lianmei Investment	11,910,000	9.87
Chen Meichi	9,656,009	8.00
Minguang Investment Holding	9,243,967	7.66

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2022 AND 2021

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

(22) PWCR 22004069

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, 2022 and 2021, 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(s) of the other auditors (please refer to the *Other Matters* section), the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, 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 that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2022 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 2022 parent company only financial statements are stated as follows:

Valuation of inventories

Description

Refer to Note 4(11) 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, 2022, the Company's cost of inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$276,669 thousand and NT\$15,515 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. For inventories that are over a certain age and individually identified obsolete or slow-moving inventories, the net realisable values are determined by management based on historical data of inventory consumption. 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:

- A. 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 accounting estimates used by the management for providing of allowance for inventory loss.
- B. Obtaining an understanding of the logic for determining parameters used for the calculation of inventory cost and net realisable value in the inventory report and verifying the accuracy of calculation logic in the report.
- C. 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.
- D. Assessing the reasonableness of obsolescence loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.

- E. Obtaining details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.

Existence of revenue

Description

Refer to Note 4(26) for accounting policy on revenue recognition and Note 6(19) for description of revenue. 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. As the sales of the Company's top 10 trading counterparties accounted for over 90%, 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:

- A. Assessing the revenue cycle and performing tests to determine whether the Company's revenue process is conducted in accordance with the internal control procedures.
- B. Checking the related industry background in respect of the newly top 10 trading counterparties.
- C. 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.
- D. Examining details of sales returns and discounts occurred after the balance sheet date and confirming there were no significant sales returns and discounts occurred.

Additions to property, plant and equipment

Description

The capital expenditure of the Company has increased because the Company has continued to expand plants and production lines in respond to the market demand. Refer to Note 4(13) for accounting policy

on property, plant and equipment and Note 6(7) for details of property, plant and equipment. As the amount of additions to property, plant and equipment is significant to the Company's financial statements, we consider additions to property, plant and equipment a key audit matter.

How our audit addressed the matter:

Our procedures in relation to valuation of inventories included:

- A. Understanding the procedures for the additions of property, plant and equipment of the Company, sampling the purchase contracts and invoices of property, plant and equipment to confirm that the transactions have been approved appropriately and the accuracy of the recognised amount.
- B. Sampling the acceptance reports of property, plant and equipment to confirm whether the assets are ready for use and are recorded in the property listing in an appropriate timing and confirm that the timing of depreciation is provided correctly.
- C. Obtaining an understanding the reasons that unfinished construction and equipment under acceptance are not ready for use and sampling and performing physical inspection to confirm the existence of unfinished construction and equipment under acceptance.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, 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 Standards on Auditing of 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 Standards on Auditing of the Republic of China, we exercise professional judgement and professional skepticism throughout the audit. We also:

- A. 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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.
- E. 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 constituent entities and events within related transactions achieves fair presentation.

- F. 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.

Pan, Hui-Lin

Huang, Pei-Chuan

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 14, 2023

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

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets			December 31, 2022		December 31, 2021			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	473,607	5	\$	398,623	5
1136	Current financial assets at amortised cost	8		15,019	-		10,000	-
1150	Notes receivable, net	6(3)		17,940	-		24,048	-
1170	Accounts receivable, net	6(3)		816,165	8		568,444	7
1180	Accounts receivable - related parties	7		1,404,226	13		1,074,994	12
1200	Other receivables			20,100	-		15,267	-
1210	Other receivables - related parties	7		143,922	1		103,848	1
1220	Current income tax assets	6(25)		4,009	-		21,113	-
130X	Inventories	6(5)		261,154	3		355,830	4
1410	Prepayments			124,936	1		88,718	1
1470	Other current assets			1,552	-		3,482	-
11XX	Total current assets			3,282,630	31		2,664,367	30
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(2)		54,050	1		47,803	1
1535	Non-current financial assets at amortised cost	8		14,460	-		-	-
1550	Investments accounted for using equity method	6(6)(18)		3,071,658	29		2,840,349	32
1600	Property, plant and equipment	6(7) and 8		3,954,326	38		3,178,221	36
1780	Intangible assets	6(8)		13,580	-		12,880	-
1840	Deferred income tax assets	6(25)		39,354	-		33,726	-
1900	Other non-current assets	6(9)		47,473	1		83,166	1
15XX	Total non-current assets			7,194,901	69		6,196,145	70
1XXX	Total assets		\$	10,477,531	100	\$	8,860,512	100

(Continued)

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021					
			Notes	AMOUNT	%	AMOUNT	%			
Current liabilities										
2100	Short-term borrowings	6(10)	\$	942,687	9	\$	799,768	9		
2130	Current contract liabilities	6(19)		1,808	-		6,419	-		
2150	Notes payable			-	-		80,527	1		
2170	Accounts payable			376,766	4		383,481	4		
2180	Accounts payable - related parties	7		992,413	9		1,088,176	12		
2200	Other payables	6(11)		510,391	5		379,293	4		
2220	Other payables - related parties	7		661	-		2,768	-		
2230	Current income tax liabilities			163,108	1		50,385	1		
2300	Other current liabilities			1,682	-		1,509	-		
21XX	Total current liabilities			2,989,516	28		2,792,326	31		
Non-current liabilities										
2540	Long-term borrowings	6(12)		2,552,870	25		1,866,400	21		
2570	Deferred income tax liabilities	6(25)		1,942	-		14,619	-		
2600	Other non-current liabilities	6(13)		26,061	-		30,345	1		
25XX	Total non-current liabilities			2,580,873	25		1,911,364	22		
2XXX	Total liabilities			5,570,389	53		4,703,690	53		
Equity										
	Share capital	6(14)(15)								
3110	Share capital - common stock			1,206,320	11		1,207,885	14		
	Capital surplus	6(16)								
3200	Capital surplus			148,709	2		147,144	2		
	Retained earnings	6(17)								
3310	Legal reserve			885,097	8		817,355	9		
3320	Special reserve			270,716	3		260,504	3		
3350	Unappropriated retained earnings			2,599,492	25		2,039,001	23		
	Other equity interest	6(18)								
3400	Other equity interest		(203,192)	(2)	(315,067)	(4)
3XXX	Total equity			4,907,142	47		4,156,822	47		
	Significant contingent liabilities and unrecorded contract commitments	9								
	Significant events after the balance sheet date	6(17) and 11								
3X2X	Total liabilities and equity		\$	10,477,531	100	\$	8,860,512	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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

				Year ended December 31			
				2022		2021	
Items	Notes			AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19) and 7		\$	7,395,041	100	\$ 6,165,491	100
5000 Operating costs	6(5)(24) and 7	(		5,885,771)	(80)	(5,170,997)	(84)
5900 Net operating margin				1,509,270	20	994,494	16
5910 Unrealised profit from sales		(		107,334)	(1)	(69,559)	(1)
5920 Realised profit from sales				69,559	1	47,534	1
Net realised profit from sales	6(6)	(		37,775)	-	(22,025)	-
5950 Net operating margin				1,471,495	20	972,469	16
Operating expenses	6(24) and 7						
6100 Selling expenses		(		86,962)	(1)	(78,865)	(1)
6200 General and administrative expenses		(		295,954)	(4)	(243,897)	(4)
6300 Research and development expenses		(		134,044)	(2)	(142,701)	(3)
6450 Expected credit impairment (loss) gain	12(2)	(		10,842)	-	26	-
6000 Total operating expenses		(		527,802)	(7)	(465,437)	(8)
6900 Operating profit				943,693	13	507,032	8
Non-operating income and expenses							
7100 Interest income	6(20)			1,013	-	139	-
7010 Other income	6(21) and 7			13,540	-	13,545	-
7020 Other gains and losses	6(22)			80,426	1	(22,880)	-
7050 Finance costs	6(23)	(		27,899)	-	(7,722)	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	6(6)			184,794	2	294,559	5
7000 Total non-operating revenue and expenses				251,874	3	277,641	5
7900 Profit before income tax				1,195,567	16	784,673	13
7950 Income tax expense	6(25)	(		196,882)	(2)	(111,772)	(2)
8200 Profit for the year			\$	998,685	14	\$ 672,901	11

(Continued)

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

		Year ended December 31			
		2022		2021	
Items	Notes	AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gain on remeasurement of defined benefit plan	6(13)	\$ 2,585	-	\$ 5,646
8316	Unrealised gain from investments in equity instruments measured at fair value through other comprehensive income	6(2)(18)	6,247	-	19,607
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(516)	-	(1,129)
8310	Other comprehensive income that will not be reclassified to profit or loss		8,316	-	24,124
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(18)	84,290	1	(33,228)
8399	Income tax relating to the components of other comprehensive income	6(18)(25)	(1,226)	-	3,409
8360	Other comprehensive income (loss) that will be reclassified to profit or loss		83,064	1	(29,819)
8300	Other comprehensive income (loss) for the year		\$ 91,380	1	(\$ 5,695)
8500	Total comprehensive income for the year		\$ 1,090,065	15	\$ 667,206
Earnings per share (in dollars) 6(26)					
9750	Basic earnings per share		\$ 8.32	\$	5.62
9850	Diluted earnings per share		\$ 8.19	\$	5.56

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves				Retained Earnings		Other Equity Interest				Total equity
		Share capital - common stock	Capital surplus, additional paid-in capital	Treasury stock transactions	Capital Surplus, restricted stock	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Other equity - others	
<u>2021</u>												
Balance at January 1, 2021		\$ 1,209,260	\$ 41,987	\$ 6,222	\$ 97,560	\$ 719,881	\$ 224,552	\$ 1,978,653	(\$ 254,006)	(\$ 6,498)	(\$ 88,259)	\$ 3,929,352
Profit for the year		-	-	-	-	-	-	672,901	-	-	-	672,901
Other comprehensive income (loss) for the year		-	-	-	-	-	-	4,517	(29,819)	19,607	-	(5,695)
Total comprehensive income (loss)	6(2)(18)	-	-	-	-	-	-	677,418	(29,819)	19,607	-	667,206
Distribution of 2020 earnings	6(17)											
Legal reserve		-	-	-	-	97,474	-	(97,474)	-	-	-	-
Special reserve		-	-	-	-	-	35,952	(35,952)	-	-	-	-
Cash dividends		-	-	-	-	-	-	(483,644)	-	-	-	(483,644)
Share-based payments	6(14)(18)	(1,375)	22,662	-	(21,287)	-	-	-	-	-	43,908	43,908
Balance at December 31, 2021		\$ 1,207,885	\$ 64,649	\$ 6,222	\$ 76,273	\$ 817,355	\$ 260,504	\$ 2,039,001	(\$ 283,825)	\$ 13,109	(\$ 44,351)	\$ 4,156,822
<u>2022</u>												
Balance at January 1, 2022		\$ 1,207,885	\$ 64,649	\$ 6,222	\$ 76,273	\$ 817,355	\$ 260,504	\$ 2,039,001	(\$ 283,825)	\$ 13,109	(\$ 44,351)	\$ 4,156,822
Profit for the year		-	-	-	-	-	-	998,685	-	-	-	998,685
Other comprehensive income (loss) for the year		-	-	-	-	-	-	2,069	83,064	6,247	-	91,380
Total comprehensive income	6(2)(18)	-	-	-	-	-	-	1,000,754	83,064	6,247	-	1,090,065
Distribution of 2021 earnings	6(17)											
Legal reserve		-	-	-	-	67,742	-	(67,742)	-	-	-	-
Special reserve		-	-	-	-	-	10,212	(10,212)	-	-	-	-
Cash dividends		-	-	-	-	-	-	(362,309)	-	-	-	(362,309)
Share-based payments	6(14)(18)	(1,565)	11,769	-	(10,204)	-	-	-	-	-	22,564	22,564
Balance at December 31, 2022		\$ 1,206,320	\$ 76,418	\$ 6,222	\$ 66,069	\$ 885,097	\$ 270,716	\$ 2,599,492	(\$ 200,761)	\$ 19,356	(\$ 21,787)	\$ 4,907,142

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 1,195,567	\$ 784,673
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss (gain)	12(2)	10,842 (	26)
Depreciation	6(24)	64,994	31,915
Amortisation	6(8)(24)	11,533	10,216
Interest expense	6(23)	27,899	7,722
Interest income	6(20)	(1,013 ) (	139)
Loss on disposal of property, plant and equipment	6(22)	1,221	-
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	(184,794 ) (	294,559)
Net realised loss from sales	6(6)	37,775	22,025
Share-based payments	6(14)	22,564	43,908
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		6,108 (	24,048)
Accounts receivable		(258,563 ) (	220,480)
Accounts receivable - related parties		(329,232 ) (	110,221)
Other receivables		(4,833)	10,042
Other receivables - related parties		(40,074 ) (	44,829)
Inventories		94,676 (	143,937)
Prepayments		(36,218 ) (	82,014)
Other current assets		1,930 (	166)
Changes in operating liabilities			
Notes payable		(80,527)	80,527
Current contract liabilities		(4,611)	4,765
Accounts payable		(6,715)	217,676
Accounts payable - related parties		(95,763)	382,778
Other payables (including related parties)		109,132 (	8,085)
Other current liabilities		173	847
Other non-current liabilities		(3,061)	2,810
Cash inflow generated from operations		539,010	671,400
Interest received		1,013	137
Interest paid		(26,280 ) (	6,046)
Income tax paid		(87,102 ) (	134,202)
Net cash flows from operating activities		426,641	531,289

(Continued)

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2022	2021
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 19,479)	(\$ 7,000)
Proceeds from cash dividends distributed by subsidiaries	6(6)	-	82,306
Acquisition of property, plant and equipment	6(27)	(751,490)	(1,757,003)
Proceeds from disposal of property, plant and equipment		2,869	2,500
Acquisition of intangible assets	6(27)	(47,223)	(12,576)
Increase in other non-current assets		(1,668)	(6,645)
Net cash flows used in investing activities		(816,991)	(1,698,418)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(28)	4,674,033	6,087,236
Repayment of short-term borrowings	6(28)	(4,531,114)	(6,136,537)
Proceeds from long-term borrowings	6(28)	686,470	1,866,400
Payment of the principal of lease liabilities	6(9)(28)	(1,746)	(1,343)
Payment of cash dividends	6(17)	(362,309)	(483,644)
Net cash flows from financing activities		465,334	1,332,112
Net increase in cash and cash equivalents		74,984	164,983
Cash and cash equivalents at beginning of year	6(1)	398,623	233,640
Cash and cash equivalents at end of year	6(1)	\$ 473,607	\$ 398,623

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, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

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 14, 2023.

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”) that came into effect as endorsed by the Financial Supervisory Commission (“FSC”)

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

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

The above standards and interpretations have no significant impact to the 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 2023 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
Amendments to IFRS 16, 'Lease liability in a sale and leaseback'	January 1, 2024
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2024
Amendments to IAS 1, 'Non-current liabilities with covenants'	January 1, 2024

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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) 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 and notes receivable

- A. Accounts and notes 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 costs of completion and the estimated costs necessary to make the sale.

(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 ~ 10 years
Other equipment	3 ~ 5 years

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

- A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the 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 plans

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

(b) Defined benefit plans

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

C. Employees' compensation and directors' remuneration

Employees' compensation and directors' 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.

(27) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company 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 Company recognises expenses for the related costs for which the grants are intended to compensate.

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, 2022, the carrying amount of inventories was \$261,154.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Petty cash and cash on hand	\$ 58	\$ 53
Demand deposits	142	394
Checking account deposits	247,505	204,446
Foreign currency deposits	225,902	192,730
Time deposits	-	1,000
	<u>\$ 473,607</u>	<u>\$ 398,623</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 restricted cash and cash equivalents to 'current financial assets at amortised cost' and 'non-current financial assets at amortised cost'. Details are provided in Note 8. Additionally, the time deposits with maturity over 1 year amounting to \$1,000 were transferred to 'non-current financial assets at amortisation cost'.

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

<u>Items</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Non-current items:		
Equity instruments		
Unlisted stocks	<u>\$ 54,050</u>	<u>\$ 47,803</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 \$54,050 and \$47,803 as at December 31, 2022 and 2021, 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, 2022 and 2021 amounted to \$6,247 and \$19,607, respectively.

C. As at December 31, 2022 and 2021, 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 \$54,050 and \$47,803, respectively.

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

(3) Notes and accounts receivable

	December 31, 2022	December 31, 2021
Notes receivable	\$ 17,940	\$ 24,048
Accounts receivable	\$ 828,162	\$ 569,599
Less: Allowance for bad debts	(11,997)	(1,155)
	<u>\$ 816,165</u>	<u>\$ 568,444</u>

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

	December 31, 2022		December 31, 2021	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 17,940	\$ 559,537	\$ 24,048	\$ 466,610
Up to 30 days	-	73,973	-	69,156
31 to 60 days	-	38,859	-	23,161
61 to 90 days	-	68,953	-	9,052
91 to 180 days	-	80,532	-	1,564
Over 180 days	-	6,308	-	56
	<u>\$ 17,940</u>	<u>\$ 828,162</u>	<u>\$ 24,048</u>	<u>\$ 569,599</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2022, December 31, 2021, and January 1, 2021, the balances of receivables (including notes receivable) from contracts with customers amounted to \$846,102, \$593,647 and \$349,119, respectively.

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

D. As at December 31, 2022 and 2021, 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 notes and accounts receivable were \$17,940, \$24,048, \$816,165 and \$568,444, 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, 2022 and 2021, the Company had no accounts receivable that were sold but had not reached maturity.

- B. The finance costs of the Company for the years ended December 31, 2022 and 2021 were \$0 and \$29, respectively.

(5) Inventories

December 31, 2022			
		Allowance for valuation loss and obsolete and slow- moving inventories	Book value
	Cost		
Raw materials	\$ 198,176	(\$ 9,339)	\$ 188,837
Work in process	13,714	(9)	13,705
Finished goods	64,779	(6,167)	58,612
	<u>\$ 276,669</u>	<u>(\$ 15,515)</u>	<u>\$ 261,154</u>
December 31, 2021			
		Allowance for valuation loss and obsolete and slow- moving inventories	Book value
	Cost		
Raw materials	\$ 121,157	(\$ 20,244)	\$ 100,913
Finished goods	259,398	(4,481)	254,917
	<u>\$ 380,555</u>	<u>(\$ 24,725)</u>	<u>\$ 355,830</u>

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

Years ended December 31,		
	2022	2021
Cost of goods sold	\$ 5,896,023	\$ 5,160,477
(Gain on reversal of) loss on decline in market value	(9,210)	10,495
(Gain) loss on physical inventory	(1,042)	25
	<u>\$ 5,885,771</u>	<u>\$ 5,170,997</u>

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

B. The Company has no inventories pledged to others.

(6) Investments accounted for using equity method

	2022	2021
At January 1	\$ 2,840,349	\$ 2,683,349
Share of profit or loss of investments accounted for using equity method	184,794	294,559
Net unrealised profit (loss) of inter-company transactions	(37,775)	(22,025)
Backward remittance of earnings in subsidiaries	-	(82,306)
Changes in other equity items (Note 6(18))	84,290	(33,228)
At December 31	<u>\$ 3,071,658</u>	<u>\$ 2,840,349</u>
	December 31, 2022	December 31, 2021
Micom Source Holding Company	\$ 2,433,582	\$ 2,376,428
Chenbro Micom (USA) Incorporation	421,535	295,159
CLOUDWELL HOLDINGS, LLC.	125,993	111,334
Chenbro GmbH	21,500	11,193
Chen-Feng Precision Co., LTD.	69,048	46,235
	<u>\$ 3,071,658</u>	<u>\$ 2,840,349</u>

A. As resolved by the Board of Directors on March 23, 2021, Micom Source Holding Company distributed cash dividends amounting to \$82,306 which were remitted to the parent company in May 2021.

B. 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, 2022.

(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, 2022</u>												
Cost	\$ 1,268,972	\$ 362,614	\$ 17,161	\$ 262,834	\$ 27,369	\$ 25,831	\$ 4,140	\$ 53,970	\$ 12,509	\$ 1,467,742	\$ 3,503,142	\$ 66,577
Accumulated depreciation	-	(14,839)	(4,049)	(257,927)	(16,171)	(18,097)	(2,814)	(7,703)	(3,321)	-	(324,921)	-
	<u>\$ 1,268,972</u>	<u>\$ 347,775</u>	<u>\$ 13,112</u>	<u>\$ 4,907</u>	<u>\$ 11,198</u>	<u>\$ 7,734</u>	<u>\$ 1,326</u>	<u>\$ 46,267</u>	<u>\$ 9,188</u>	<u>\$ 1,467,742</u>	<u>\$ 3,178,221</u>	<u>\$ 66,577</u>
<u>2022</u>												
Opening net book amount	\$ 1,268,972	\$ 347,775	\$ 13,112	\$ 4,907	\$ 11,198	\$ 7,734	\$ 1,326	\$ 46,267	\$ 9,188	\$ 1,467,742	\$ 3,178,221	\$ 66,577
Additions	-	569,503	7,684	13,538	2,831	901	-	5,523	6,193	165,344	771,517	-
Disposals	-	-	(772)	-	-	-	-	-	(1,828)	-	(2,600)	-
Transfers	-	1,275,598	162,750	1,996	8,500	7,238	-	-	9,500	(1,393,656)	71,926	(66,577)
Depreciation charges	-	(27,522)	(10,533)	(5,437)	(5,486)	(3,472)	(690)	(7,713)	(3,885)	-	(64,738)	-
Closing net book amount	<u>\$ 1,268,972</u>	<u>\$ 2,165,354</u>	<u>\$ 172,241</u>	<u>\$ 15,004</u>	<u>\$ 17,043</u>	<u>\$ 12,401</u>	<u>\$ 636</u>	<u>\$ 44,077</u>	<u>\$ 19,168</u>	<u>\$ 239,430</u>	<u>\$ 3,954,326</u>	<u>\$ -</u>
<u>At December 31, 2022</u>												
Cost	\$ 1,268,972	\$ 2,207,715	\$ 186,823	\$ 278,368	\$ 38,700	\$ 33,970	\$ 4,140	\$ 59,493	\$ 26,374	\$ 239,430	\$ 4,343,985	\$ 66,577
Accumulated depreciation	-	(42,361)	(14,582)	(263,364)	(21,657)	(21,569)	(3,504)	(15,416)	(7,206)	-	(389,659)	(66,577)
	<u>\$ 1,268,972</u>	<u>\$ 2,165,354</u>	<u>\$ 172,241</u>	<u>\$ 15,004</u>	<u>\$ 17,043</u>	<u>\$ 12,401</u>	<u>\$ 636</u>	<u>\$ 44,077</u>	<u>\$ 19,168</u>	<u>\$ 239,430</u>	<u>\$ 3,954,326</u>	<u>\$ -</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.
- Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	<u>Year ended December 31, 2022</u>
Amount capitalised	<u>\$ 14,635</u>
Range of the interest rates for capitalisation	<u>0.4%~1.53%</u>

	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, 2021</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	\$ 2,493
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>\$ 2,493</u>
<u>2021</u>												
Opening net book amount	\$ 1,268,972	\$ 261,179	\$ 2,435	\$ 5,591	\$ 9,561	\$ 4,696	\$ 2,016	\$ 12,978	\$ 3,566	\$ 149,138	\$ 1,720,132	\$ 2,493
Additions	-	4,465	11,679	2,099	4,526	5,859	-	84	1,917	1,458,610	1,489,239	66,006
Disposals	-	-	(2,500)	-	-	-	-	-	-	-	(2,500)	-
Transfers	-	94,286	2,250	-	-	-	-	40,317	5,075	(140,006)	1,922	(1,922)
Depreciation charges	-	(12,155)	(752)	(2,783)	(2,889)	(2,821)	(690)	(7,112)	(1,370)	-	(30,572)	-
Closing net book amount	<u>\$ 1,268,972</u>	<u>\$ 347,775</u>	<u>\$ 13,112</u>	<u>\$ 4,907</u>	<u>\$ 11,198</u>	<u>\$ 7,734</u>	<u>\$ 1,326</u>	<u>\$ 46,267</u>	<u>\$ 9,188</u>	<u>\$ 1,467,742</u>	<u>\$ 3,178,221</u>	<u>\$ 66,577</u>
<u>At December 31, 2021</u>												
Cost	\$ 1,268,972	\$ 362,614	\$ 17,161	\$ 262,834	\$ 27,369	\$ 25,831	\$ 4,140	\$ 53,970	\$ 12,509	\$ 1,467,742	\$ 3,503,142	\$ 66,577
Accumulated depreciation	- (14,839)	(4,049)	(257,927)	(16,171)	(18,097)	(2,814)	(7,703)	(3,321)	- (324,921)	-	-	-
	<u>\$ 1,268,972</u>	<u>\$ 347,775</u>	<u>\$ 13,112</u>	<u>\$ 4,907</u>	<u>\$ 11,198</u>	<u>\$ 7,734</u>	<u>\$ 1,326</u>	<u>\$ 46,267</u>	<u>\$ 9,188</u>	<u>\$ 1,467,742</u>	<u>\$ 3,178,221</u>	<u>\$ 66,577</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.
- Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalisation are as follows:

	Year ended December 31, 2021
Amount capitalised	\$ 7,024
Range of the interest rates for capitalisation	0.4%~1%

(8) Intangible assets

	<u>Trademarks</u>	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
<u>At January 1, 2022</u>				
Cost	\$ 640	\$ 45,433	\$ 5,258	\$ 51,331
Accumulated amortisation	(472)	(34,820)	(3,159)	(38,451)
	<u>\$ 168</u>	<u>\$ 10,613</u>	<u>\$ 2,099</u>	<u>\$ 12,880</u>
<u>2022</u>				
At January 1	\$ 168	\$ 10,613	\$ 2,099	\$ 12,880
Additions	493	11,643	97	12,233
Amortisation charge	(63)	(9,679)	(1,791)	(11,533)
At December 31	<u>\$ 598</u>	<u>\$ 12,577</u>	<u>\$ 405</u>	<u>\$ 13,580</u>
<u>At December 31, 2022</u>				
Cost	\$ 1,133	\$ 57,076	\$ 5,355	\$ 63,564
Accumulated amortisation	(535)	(44,499)	(4,950)	(49,984)
	<u>\$ 598</u>	<u>\$ 12,577</u>	<u>\$ 405</u>	<u>\$ 13,580</u>
	<u>Trademarks</u>	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
<u>At January 1, 2021</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>2021</u>				
At January 1	\$ 155	\$ 3,069	\$ 1,406	\$ 4,630
Additions	61	13,403	2,682	16,146
Transfers (Note)	-	2,320	-	2,320
Amortisation charge	(48)	(8,179)	(1,989)	(10,216)
At December 31	<u>\$ 168</u>	<u>\$ 10,613</u>	<u>\$ 2,099</u>	<u>\$ 12,880</u>
<u>At December 31, 2021</u>				
Cost	\$ 640	\$ 45,433	\$ 5,258	\$ 51,331
Accumulated amortisation	(472)	(34,820)	(3,159)	(38,451)
	<u>\$ 168</u>	<u>\$ 10,613</u>	<u>\$ 2,099</u>	<u>\$ 12,880</u>

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

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2022	2021
Manufacturing expenses	\$ 4,766	\$ 389
Selling expenses	605	709
Administrative expenses	1,226	2,184
Research and development expenses	4,936	6,934
	<u>\$ 11,533</u>	<u>\$ 10,216</u>

(9) Other non-current assets

	December 31, 2022	December 31, 2021
Prepayment for intangible assets	\$ 31,420	\$ 1,432
Right-of-use assets	2,951	3,723
Guarantee deposits paid	1,087	3,970
Prepayments for business facilities	-	66,577
Others	12,015	7,464
	<u>\$ 47,473</u>	<u>\$ 83,166</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, 2022 and 2021, the depreciation charges of right-of-use assets were \$1,746 and \$1,343, respectively.
- D. For the years ended December 31, 2022 and 2021, the additions to right-of-use assets were \$974 and \$4,013, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

	Years ended December 31,	
	2022	2021
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 34	\$ 22
Expense on short-term lease contracts	3,956	8,512
Expense on leases of low-value assets	486	534

- F. For the years ended December 31, 2022 and 2021, the Company's total cash outflow for leases was \$6,222 and \$10,411 (of which \$1,746 and \$1,343 represents payments of the principal of lease liabilities), respectively.

(10) Short-term borrowings

Type of borrowings	December 31, 2022	Interest rate range	Collateral
Short-term borrowings	\$ 942,687	1.450%~5.520%	A promissory note of the same amount was issued as collateral.

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Short-term borrowings	\$ 799,768	0.70%~1.00%	A promissory note of the same amount was issued as collateral.

(11) Other payables

	December 31, 2022	December 31, 2021
Payables for machinery and equipment	\$ 152,343	\$ 126,967
Remuneration due to directors and supervisors and employee bonus payable	115,502	76,639
Wages and bonus payable	95,320	75,677
Payables for export freight and customs clearance charges	11,696	14,324
Payables for service fees	8,905	10,408
Payables for intangible assets	-	5,002
Payables for mold	-	1,323
Others	126,625	68,953
	<u>\$ 510,391</u>	<u>\$ 379,293</u>

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2022
Preferential Loans for Returning Taiwanese Businesses for the Purchase of Land in Taiwan (Note 1)	TWD 400,000 thousand; borrowing period is from January 15, 2021 to January 15, 2028; principal and interest are repayable monthly from February 15, 2023	1.00% ~ 1.655%	(Note 1)	\$ 400,000
Loan for Returning Overseas Taiwanese Businesses (Note 2)	NTD 1,280,000 thousand, borrowings period is from February 8, 2021 to February 8, 2031, principal and interest are repayable monthly from March 15, 2024	0.40% ~ 1.245%	(Note 2)	1,280,000

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2022
Loan for Returning Overseas Taiwanese Businesses (Note 2)	NTD 736,000 thousand, borrowings period is from January 15, 2021 to January 15, 2028, principal and interest are repayable monthly from February 15, 2024	0.40% ~ 1.025%	(Note 2)	\$ 239,530
"	NTD 640,000 thousand, borrowings period is from June 15, 2021 to June 15, 2028, principal and interest are repayable monthly from June 15, 2024	0.40% ~ 1.025%	"	261,340
Secured borrowings	TWD 372,000 thousand; borrowing period is from August 20, 2021 to August 20, 2036; principal and interest are repayable monthly from August 20, 2024	1.00% ~ 1.655%	Real estate located in Xinzhuang Dist., New Taipei City	372,000
				<u>2,552,870</u>
Less: Current portion				<u>-</u>
				<u>\$ 2,552,870</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021
Preferential Loans for Returning Taiwanese Businesses for the Purchase of Land in Taiwan (Note 1)	TWD 400,000 thousand; borrowing period is from January 15, 2021 to January 15, 2028; principal and interest are repayable monthly from February 15, 2023	1%	(Note 1)	\$ 400,000
Loans for Returning Overseas Taiwanese Businesses (Note 2)	TWD 1,000,690 thousand; borrowing period is from February 8, 2021 to February 8, 2031; principal and interest are repayable monthly from March 15, 2024	0.40%	(Note 2)	1,000,690

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021
Loans for Returning Overseas Taiwanese Businesses (Note 2)	TWD 15,900 thousand; borrowing period is from January 15, 2021 to January 15, 2028; principal and interest are repayable monthly from February 15, 2024	0.40%	(Note 2)	\$ 15,900
"	TWD 77,810 thousand; borrowing period is from June 15, 2021 to June 15, 2028; principal and interest are repayable monthly from June 15, 2024	0.40%	"	77,810
Secured borrowings	TWD 372,000 thousand; borrowing period is from August 20, 2021 to August 20, 2036; principal and interest are repayable monthly from August 20, 2024	1%	Real estate located in Xinzhuang Dist., New Taipei City	372,000
				1,866,400
Less: Current portion				-
				<u>\$ 1,866,400</u>

Note 1: The Company applied for Preferential Loans for Returning Taiwanese Businesses for the Purchase of Land in Taiwan with the Bank of Taiwan in October 2020 and had drawn down the loan in January 2021. The total amount of the loan was \$400,000, and the loan term was 7 years after the first drawdown date. The interest rate of the loan was the floating interest rate on a 2-year time deposit offered by the Bank of Taiwan plus 0.155% of annual interest and the markdown interest rate shall be no less than 1%. The loan is mainly for the purchase of land. The Company pledged land in Lucao Township, Chiayi County as collateral.

Note 2: The Company applied for Loans for Returning Overseas Taiwanese Businesses with the Bank of Taiwan in October 2020. The total amount of the loan was \$1,344,000. In July 2021, the Company applied for an adjustment of loan amount to \$2,656,000, and the loan term was 7 to 10 years after the first drawdown date. The interest rate of the loan was the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank less 0.445% of annual interest and the markdown

interest rate shall be no less than 0.4%. The commission fee shall be paid by the National Development Fund at an annual interest of 0.5%, and the payment period shall not exceed 5 years. The loan is mainly for construction of plant, purchase of machinery and equipment and working capital. The Company pledged promissory note of the same amount as the loan, machinery and equipment purchased with the loan proceeds and buildings under completion as collateral. If, during the contract period, there is a violation of any of the loan covenants, the budget of the National Development Fund may be frozen, there are changes in government policies, there is a need for capital procurement, or any other situation where the National Development Fund is not liable, the commission fee shall not be paid by the National Development Fund after notice and the interest rate of the loan shall be adjusted to the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank plus 0.055% of annual interest and the markdown interest rate shall be no less than 0.9%.

(13) 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:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of defined benefit obligation	\$ 36,004	\$ 36,922
Fair value of plan assets	(14,552)	(12,030)
Net liability recognised in the balance sheet (shown as 'other non-current liabilities')	<u>\$ 21,452</u>	<u>\$ 24,892</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, 2022</u>			
Balance at January 1	\$ 36,922	(\$ 12,030)	\$ 24,892
Interest expense (income)	222	(72)	150
	<u>37,144</u>	<u>(12,102)</u>	<u>25,042</u>
Remeasurements:			
Return on plan assets	-	(1,445)	(1,445)
Change in financial assumptions	(1,229)	-	(1,229)
Experience adjustments	89	-	89
	<u>(1,140)</u>	<u>(1,445)</u>	<u>(2,585)</u>
Pension fund contribution	-	(1,005)	(1,005)
Balance at December 31	<u>\$ 36,004</u>	<u>(\$ 14,552)</u>	<u>\$ 21,452</u>
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2021</u>			
Balance at January 1	\$ 49,729	(\$ 18,810)	\$ 30,919
Current service cost	59	-	59
Interest expense (income)	149	(57)	92
	<u>49,937</u>	<u>(18,867)</u>	<u>31,070</u>
Remeasurements:			
Return on plan assets	-	(281)	(281)
Change in demographic assumptions	28	-	28
Change in financial assumptions	(725)	-	(725)
Experience adjustments	(4,668)	-	(4,668)
	<u>(5,365)</u>	<u>(281)</u>	<u>(5,646)</u>
Pension fund contribution	-	(532)	(532)
Benefits paid	(7,650)	7,650	-
Balance at December 31	<u>\$ 36,922</u>	<u>(\$ 12,030)</u>	<u>\$ 24,892</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, 2022 and 2021 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	2022	2021
Discount rate	1.20%	0.60%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience for the years ended December 31, 2022 and 2021 are set based on the 6th 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, 2022</u>				
Effect on present value of defined benefit obligation	(\$ 485)	\$ 501	\$ 435	(\$ 424)
<u>December 31, 2021</u>				
Effect on present value of defined benefit obligation	(\$ 560)	\$ 579	\$ 506	(\$ 493)

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, 2023 are \$933.

- (g) As of December 31, 2022, the weighted average duration of the retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	15,424
1-2 year(s)		731
2-5 years		3,624
Over 5 years		8,866
	\$	<u>28,645</u>

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, 2022 and 2021 were \$12,191 and \$10,549, respectively.

(14) Share-based payment

- A. The Company’s share-based payment arrangements for the year ended December 31, 2022 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:

	2022	2021
	Quantity of stocks (in thousands)	Quantity of stocks (in thousands)
Restricted stocks at the beginning of period	773	1,200
Redeemed during the period (Note)	- (	11)
Vested during the period	(144)	(279)
Retired during the period	(146)	(137)
Restricted stocks at the end of period	483	773

Note: For the year ended December 31, 2021, the Company redeemed 11 thousand shares of restricted stocks to employees, which have been retired as of April 18, 2022.

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,
	2022 2021
Equity-settled	\$ 22,564 \$ 43,908

(15) Ordinary shares

As of December 31, 2022, 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 \$1,206,320 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:

	2022	2021
At January 1	120,778	120,926
Redemption of restricted stocks to employees yet to be retired	- (	11)
Retirement of restricted stocks	(146)	(137)
At December 31	120,632	120,778

(16) Capital surplus

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

(17) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital. The remaining shall take into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.
- B. The Company's dividend policy is based on the current profit and consideration of the Company's growth in the future, capital budget plan and capital needs as well as consideration of shareholders' interest and long-term financial plan, etc. Earnings can be distributed to shareholders as cash dividends or stock dividends. Cash dividends shall account for at least 10% of the total dividends distributed. If cash dividends are lower than \$0.20 (in dollars) per share, stock dividends will be issued instead.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amount of \$65,573 previously set aside by the Company as special reserve on initial application of IFRSs in accordance with 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 May 31, 2022 and May 14, 2021, the shareholders resolved the appropriations of 2021 and 2020 earnings as follows:

	Year ended December 31, 2021		Year ended December 31, 2020	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 67,742	\$ -	\$ 97,474	\$ -
Special reserve	10,212	-	35,952	-
Cash dividends to shareholders	362,309	3.00	483,644	4.00
	<u>\$ 440,263</u>	<u>\$ 3.00</u>	<u>\$ 617,070</u>	<u>\$ 4.00</u>

- (b) On March 14, 2023, the Board of Directors has proposed the appropriation of 2022 earnings as follows:

	Year ended December 31, 2022	
	Amount	Dividend per share (in dollars)
Legal reserve	\$ 100,075	\$ -
Special reserve	(89,311)	-
Cash dividends to shareholders	482,528	4.00
	<u>\$ 493,292</u>	<u>\$ 4.00</u>

As of March 14, 2023, the abovementioned appropriation of 2022 earnings has not yet been resolved by the shareholders.

(18) Other equity items

	Year ended December 31, 2022			
	Currency translation	Unrealised losses on valuation	Others, unearned compensation	Total
At January 1	(\$ 283,825)	\$ 13,109	(\$ 44,351)	(\$ 315,067)
Valuation adjustment	-	6,247	-	6,247
Restricted stocks :				
- Transferred to expenses	-	-	22,564	22,564
Currency translation differences:				
- Group	84,290	-	-	84,290
- Tax on Group	(1,226)	-	-	(1,226)
At December 31	<u>(\$ 200,761)</u>	<u>\$ 19,356</u>	<u>(\$ 21,787)</u>	<u>(\$ 203,192)</u>

	Year ended December 31, 2021			
	Currency translation	Unrealised losses on valuation	Others, unearned compensation	Total
At January 1	(\$ 254,006)	(\$ 6,498)	(\$ 88,259)	(\$ 348,763)
Valuation adjustment	-	19,607	-	19,607
Restricted stocks :				
- Transferred to expenses	-	-	43,908	43,908
Currency translation differences:				
- Group	(33,228)	-	-	(33,228)
- Tax on Group	3,409	-	-	3,409
At December 31	<u>(\$ 283,825)</u>	<u>\$ 13,109</u>	<u>(\$ 44,351)</u>	<u>(\$ 315,067)</u>

(19) 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,	
	2022	2021
Server cases and components of peripheral products	\$ 7,274,944	\$ 6,020,729
Personal computer cases	120,097	144,762
	<u>\$ 7,395,041</u>	<u>\$ 6,165,491</u>

(b) Geographical information

	Years ended December 31,	
	2022	2021
US	\$ 4,295,444	\$ 3,853,297
China	1,231,997	860,219
Taiwan	513,609	550,471
Singapore	469,075	382,212
Others	884,916	519,292
	<u>\$ 7,395,041</u>	<u>\$ 6,165,491</u>

B. Contract assets and liabilities

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

	December 31, 2022	December 31, 2021	January 1, 2021
Contract liabilities-sale of products	<u>\$ 1,808</u>	<u>\$ 6,419</u>	<u>\$ 1,654</u>

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

	Years ended December 31,	
	2022	2021
Contract liabilities-sale of products	<u>\$ 5,302</u>	<u>\$ 843</u>

(20) Interest income

	Years ended December 31,	
	2022	2021
Interest income from bank deposits	<u>\$ 1,013</u>	<u>\$ 139</u>

(21) Other income

	Years ended December 31,	
	2022	2021
Government grant revenues	\$ 5,143	\$ -
Gains arising from writting-off past-due payables	3,621	10,000
Other income	4,776	3,545
	<u>\$ 13,540</u>	<u>\$ 13,545</u>

(22) Other gains and losses

	Years ended December 31,	
	2022	2021
Net currency exchange gains (losses)	\$ 81,969	(\$ 22,463)
Losses on disposals of property, plant and equipment	(1,221)	-
Other expenses	(322)	(417)
	<u>\$ 80,426</u>	<u>(\$ 22,880)</u>

(23) Finance costs

	Years ended December 31,	
	2022	2021
Interest expense on bank borrowings	\$ 27,865	\$ 7,700
Interest expense on lease liabilities	34	22
	<u>\$ 27,899</u>	<u>\$ 7,722</u>

(24) Employee benefit, depreciation and amortisation expenses

	Years ended December 31,	
	2022	2021
Wages and salaries	\$ 402,652	\$ 308,614
Share-based payment	22,564	43,908
Labour and health insurance fees	25,063	22,192
Pension costs	12,341	10,700
Other personnel expenses	18,078	16,403
Employee benefit expense	<u>\$ 480,698</u>	<u>\$ 401,817</u>
Depreciation charges on property, plant and equipment	\$ 64,994	\$ 31,915
Amortisation charges on intangible assets	<u>\$ 11,533</u>	<u>\$ 10,216</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' remuneration. The ratio shall be distributed 3%~12% for employees' compensation and shall not be higher than 3% for directors' 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' 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, 2022 and 2021, employees' compensation was accrued at

\$89,251 and \$59,221, respectively; while directors' and supervisors' remuneration was accrued at \$26,251 and \$17,418, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2022, employees' compensation and directors' remuneration amounted to \$89,095 and \$26,205 as resolved by the Board of Directors on March 14, 2023, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to \$156 and \$46, respectively. The differences had been accounted for as changes in estimates in profit or loss for 2023.

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

Information about employees' compensation and directors' 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.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2022	2021
Current tax:		
Current tax on profits for the year	\$ 213,047	\$ 112,813
Prior year income tax under (over) estimation	1,354	(15,814)
Total current tax	214,401	96,999
Deferred tax:		
Origination and reversal of temporary differences	(17,519)	14,773
Total deferred tax	(17,519)	14,773
Income tax expense	\$ 196,882	\$ 111,772

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

	Years ended December 31,	
	2022	2021
Currency translation differences	\$ 1,226	(\$ 3,409)
Remeasurement of defined benefit obligation	\$ 516	\$ 1,129

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2022	2021
Tax calculated based on profit before tax and statutory tax rate	\$ 239,113	\$ 156,935
Prior year income tax under (over) estimation	1,354 (	15,814)
Expenses disallowed by tax regulation	2,001	2,278
Acquisition of cash dividends distributed by foreign investee company accounted for using equity method	-	8,018
Effect from deduction or exemption for substantive investment from repatriated offshore funds	- (	4,009)
Temporary difference not recognised as deferred tax liabilities	(36,959) (	48,120)
Others	(8,627)	12,484
Income tax expense	<u>\$ 196,882</u>	<u>\$ 111,772</u>

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

	2022			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	\$ 4,945	(\$ 1,842)	\$ -	\$ 3,103
Unrealised gain on inter-affiliate accounts	13,912	7,555	-	21,467
Customised but unrecognised gross profit	796	(632)	-	164
Allowance for bad debts	3,317	1,183	-	4,500
Unused compensated absences	1,715	-	-	1,715
Pension expense payable	7,612	171	(516)	7,267
Unrealised warranty provision	1,138	-	-	1,138
Unrealised exchange loss	367	(367)	-	-
	<u>\$ 33,802</u>	<u>\$ 6,068</u>	<u>(\$ 516)</u>	<u>\$ 39,354</u>
-Deferred tax liabilities:				
Investment income	(\$ 14,619)	\$ 13,393	\$ 1,226	\$ -
Unrealised exchange gain	-	(1,942)	-	(1,942)
	<u>(\$ 14,619)</u>	<u>\$ 11,451</u>	<u>\$ 1,226</u>	<u>(\$ 1,942)</u>

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	\$ 2,846	\$ 2,099	\$ -	\$ 4,945
Unrealised gain on inter-affiliate accounts	9,507	4,405	-	13,912
Customed but unrecognised gross profit	743	53	-	796
Allowance for bad debts	2,628	613	-	3,241
Unused compensated absences	1,715	-	-	1,715
Pension expense payable	6,837	-	(1,129)	5,708
Pension expense that exceeds the limit for tax purpose	1,831	73	-	1,904
Unrealised warranty provision	1,138	-	-	1,138
Unrealised exchange loss	2,543	(2,176)	-	367
Others	11,556	(11,556)	-	-
	<u>\$ 41,344</u>	<u>(\$ 6,489)</u>	<u>(\$ 1,129)</u>	<u>\$ 33,726</u>
-Deferred tax liabilities:				
Investment income	<u>(\$ 9,744)</u>	<u>(\$ 8,284)</u>	<u>\$ 3,409</u>	<u>(\$ 14,619)</u>

- D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2022 and 2021, the amounts of temporary differences unrecognised as deferred tax liabilities were \$2,162,295 and \$1,977,500, respectively.
- E. The Company's income tax returns through 2020 have been assessed and approved by the Tax Authority.
- F. The Company had applied for investment of repatriated offshore funds back in Taiwan in 2022 and 2021 and had paid 8%~10% of the income tax. The Company will apply for 4%~5% of tax refund after it completes the substantive investment and obtains the certificate issued by the Ministry of Economic Affairs. As of December 31, 2022 and 2021 the aforementioned tax refund expected to be collected amounting to \$4,009 and \$21,113, respectively, was shown as 'current tax assets'.

(26) Earnings per share

Year ended December 31, 2022			
	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	\$ 998,685	120,061	\$ 8.32
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 998,685		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,380	
Restricted stocks	-	430	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 998,685	121,871	\$ 8.19
Year ended December 31, 2021			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 672,901	119,834	\$ 5.62
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 672,901		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	947	
Restricted stocks	-	241	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	\$ 672,901	121,022	\$ 5.56

(27) Supplemental cash flow information

Investing activities with partial cash payments:

A. Purchase of property, plant and equipment

	Years ended December 31,	
	2022	2021
Purchase of property, plant and equipment	\$ 843,443	\$ 1,491,161
Add: Opening balance of payable on equipment	126,967	25,715
Opening balance of payable on land and building purchased	-	303,010
Ending balance of prepayments for business facilities	-	66,577
Less: Opening balance of prepayments for business facilities	(66,577)	(2,493)
Ending balance of payable on equipment	(152,343)	(126,967)
Cash paid during the year	<u>\$ 751,490</u>	<u>\$ 1,757,003</u>

B. Acquisition of intangible assets

	Years ended December 31,	
	2022	2021
Acquisition of intangible assets	\$ 12,233	\$ 18,466
Add: Ending balance of prepayment for intangible assets	31,420	1,432
Opening balance of payable for intangible assets	5,002	-
Less: Opening balance of prepayment for intangible assets	(1,432)	(2,320)
Ending balance of payable for intangible assets	-	(5,002)
Cash paid during the year	<u>\$ 47,223</u>	<u>\$ 12,576</u>

(28) Changes in liabilities from financing activities

	2022			Liabilities from
	Short-term borrowings	Long-term borrowings	Lease liabilities (Note)	financing activities-gross
At January 1, 2022	\$ 799,768	\$ 1,866,400	\$ 3,723	\$ 2,669,891
Changes in cash flow from financing activities	142,919	686,470	(1,746)	827,643
Changes in other non-cash items	-	-	974	974
At December 31, 2022	<u>\$ 942,687</u>	<u>\$ 2,552,870</u>	<u>\$ 2,951</u>	<u>\$ 3,498,508</u>

	2021			
	Short-term borrowings	Long-term borrowings	Lease liabilities (Note)	Liabilities from financing activities-gross
At January 1, 2021	\$ 849,069	\$ -	\$ 1,053	\$ 850,122
Changes in cash flow from financing activities	(49,301)	1,866,400	(1,343)	1,815,756
Changes in other non-cash items	-	-	4,013	4,013
At December 31, 2021	<u>\$ 799,768</u>	<u>\$ 1,866,400</u>	<u>\$ 3,723</u>	<u>\$ 2,669,891</u>

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 GmbH (GmbH)	Subsidiary
Chenbro Micom (USA) Incorporation (CMI)	Subsidiary
Chen-Feng Precision Co., Ltd. (Chen-Feng)	Subsidiary
ChenPower Information Technology (Shanghai) Co., Ltd. (CPT)	Subsidiary
Chenbro Technology (Kunshan) Co., Ltd. (CSH)	Subsidiary
Procace & Morex Corp. (PROCASE)	Subsidiary
Dongguan Procace Electronic Co., Ltd. (DGP)	Subsidiary
Chen-Source Inc.	Other related party

(3) Significant related party transactions

A. Operating revenue and other income

	Years ended December 31,	
	2022	2021
Sales of goods:		
Subsidiaries		
- CMI	\$ 4,226,120	\$ 3,793,048
- Other subsidiaries	316,989	313,685
Other income - management revenue:		
Subsidiaries	202	2,832
	<u>\$ 4,543,311</u>	<u>\$ 4,109,565</u>

- (a) Sales of goods: Goods are sold based on normal prices and terms. Payment collection is 90 days, 60 days and OA 120 days after monthly billings.
- (b) Management revenue: Revenue arises from managing administrative affairs on behalf of subsidiaries and payment collection is 60~90 days after monthly billings.

B. Purchases and other expenses

	Years ended December 31,	
	2022	2021
Purchases:		
Subsidiaries		
- CSH	\$ 3,495,056	\$ 3,458,311
- Other subsidiaries	972,898	588,065
Other related parties	3,823	7,347
Other expenses:		
Subsidiaries		
- Chen-Feng	3,716	5,458
Other related parties (management service expense)	2,125	5,846
	<u>\$ 4,477,618</u>	<u>\$ 4,065,027</u>

- (a) Purchases of goods: No similar transaction can be compared with. Prices and terms are determined based on mutual agreements and payment term is 60 days after monthly billings.
- (b) Other expenses: It arises from processing services, utilities, cleaning and rent for short-term office leases, which were provided by the Company's subsidiaries. Prices and terms are determined based on mutual agreements and payment term is 60 days after monthly billings.
- (c) Management service expense: It arises from short-term leases of warehouse and management of warehouse by other related parties on behalf of the Company. Prices and terms are

determined based on mutual agreements and payment term is 60 days after monthly billings.

C. Receivables from related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivable:		
Subsidiaries		
- CMI	\$ 1,353,581	\$ 991,689
- Other subsidiaries	50,645	83,305
	<u>1,404,226</u>	<u>1,074,994</u>
Other receivables:		
Subsidiaries		
- CSH	24,345	42,636
- DGP	26,286	51,764
- CMI	92,761	9,237
- Other subsidiaries	519	206
Other related parties	11	5
	<u>143,922</u>	<u>103,848</u>
	<u>\$ 1,548,148</u>	<u>\$ 1,178,842</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 on behalf of subsidiaries and other related parties and receivables from sales of molds to subsidiaries.

D. Payables to related parties

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts payable:		
Subsidiaries		
- CSH	\$ 755,515	\$ 953,643
- DGP	122,069	116,703
- Other subsidiaries	112,448	16,620
Other related parties	2,381	1,210
	<u>992,413</u>	<u>1,088,176</u>
Other payables:		
Subsidiaries	661	1,009
Other related parties	-	1,759
	<u>661</u>	<u>2,768</u>
	<u>\$ 993,074</u>	<u>\$ 1,090,944</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 property, plant and equipment:

	Years ended December 31,	
	2022	2021
	Consideration	Consideration
Other related parties	\$ 1,700	\$ -

(b) Disposal of property, plant and equipment:

	Years ended December 31, 2022		Years ended December 31, 2021	
	Disposal proceeds	Losses on disposal	Disposal proceeds	Losses on disposal
Other related parties	\$ 1,000	(\$ 1,221)	\$ -	\$ -

(c) Disposal of financial assets:

	Accounts	No. of shares(shares in thousands)	Objects	Year ended December 31, 2021	
				Proceeds	Loss
Subsidiaries					
-MICOM	Investment accounted for using equity method	(Note)	(Note)	\$ 82,306	\$ -

No financial assets were disposed for the year ended December 31, 2022.

Note: As resolved by the Board of Directors on March 23, 2021, MICOM distributed cash dividends amounting to \$82,306 which was remitted to the parent company in May 2021 and should be disclosed as a disposal of the investments accounted for using equity method.

F. Endorsements and guarantees provided to related parties

	December 31, 2022	December 31, 2021
Subsidiaries (Note)		
- CLOUDWELL	\$ 5,600	\$ 5,600

Note: unit in thousands of USD.

(4) Key management compensation

	Years ended December 31,	
	2022	2021
Short-term employee benefits	\$ 60,173	\$ 43,092
Post-employment benefits	327	244
Share-based payments	8,084	10,245
	<u>\$ 68,584</u>	<u>\$ 53,581</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2022	December 31, 2021	
Time deposits (shown as 'current financial assets at amortised cost')	<u>\$ 10,000</u>	<u>\$ 10,000</u>	Customs duty guarantee
Cash in banks (shown as 'current financial assets at amortised cost')	<u>\$ 5,019</u>	<u>\$ -</u>	Grants for research and development
Time deposits (shown as 'non-current financial assets at amortised cost')	<u>\$ 13,460</u>	<u>\$ -</u>	Research and development plan guarantee
Land (shown as 'property, plant and equipment')	<u>\$ 1,019,048</u>	<u>\$ 1,021,244</u>	Long-term borrowings (Notes 1 and 2)

Note 1: The Company applied for Loans for Returning Overseas Taiwanese Businesses and Preferential Loans for Returning Taiwanese Businesses for the Purchase of Land in Taiwan with the Bank of Taiwan in October 2020 and pledged promissory note of the same amount as the loan, machinery and equipment purchased from the loan, land in Lucao Township, Chiayi County and buildings under completion as collateral.

Note 2: In August 2021, the Company signed a long-term borrowing contract for a credit line of \$372,000 with Bank of Taiwan. The contract requires the Company to pledge land and buildings located on Xinzhuang District, New Taipei City as mortgage.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. On December 22, 2020, the Company entered into a plant construction contract (mechatronic, fire safety and air conditioning) with RUEY LAN ENGINEERING CO., LTD. for the total price of \$289,500 (tax included). On January 11, 2022, August 30, 2022 and November 15, 2022, the Company signed a supplemental contract amounting to \$81,800 (including tax), \$20,000 (including tax) and \$16,000 (including tax), and the total contract amount after adjustments was \$407,300 (including tax). As of December 31, 2022, the Company had made a payment amounting to \$399,154.

- B. On February 2, 2021, the Company entered into a contract for plant construction on its own land in Chiayi County Machohou Industry Park with SAN MIN CONSTRUCTION DEVELOPMENT CO., LTD. for the total price of \$1,208,529 (tax included). As of March 15, 2022, August 25, 2022 and November 15, 2022, the Company signed a supplemental contract amounting to \$63,420 (including tax), \$20,000 (including tax) and \$1,088 (including tax), and the total contract amount after adjustments was \$1,293,037 (including tax). As of December 31, 2022, the Company had made a payment amounting to \$1,266,110.
- C. Except for the abovementioned new plant-related project, the contracted but not yet incurred capital expenditure amounted to \$35,450 and \$28,320.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 14, 2023, the Board of Directors resolved the following matters during its meeting:

- A. Please refer to Note 6(24) B for the resolution of employees' compensation and directors' remuneration for the year ended December 31, 2022.
- B. Please refer to Note 6(17) E(b) for the appropriation of 2022 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, 2022</u>	<u>December 31, 2021</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 54,050	\$ 47,803
Financial assets at amortised cost		
Cash and cash equivalents	473,607	398,623
Financial assets at amortised cost	29,479	10,000
Notes receivable	17,940	24,048
Accounts receivable (including related parties)	2,220,391	1,643,438
Other receivables (including related parties)	164,022	119,115
Guarantee deposits paid	1,087	3,970
	<u>\$ 2,960,576</u>	<u>\$ 2,246,997</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 942,687	\$ 799,768
Accounts payable (including related parties)	1,369,179	1,471,657
Other accounts payable (including related parties)	511,052	382,061
Long-term borrowings	2,552,870	1,866,400
	<u>\$ 5,375,788</u>	<u>\$ 4,519,886</u>
Lease liability (shown as other current liabilities and other non-current liabilities)	<u>\$ 2,951</u>	<u>\$ 3,723</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, 2022			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 84,774	30.71	\$ 2,603,410
<u>Non-monetary items</u>			
USD:NTD	97,073	30.71	2,981,110
EUR:NTD	657	32.72	21,500
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 51,480	30.71	\$ 1,580,951

December 31, 2021			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 70,118	27.68	\$ 1,940,866
<u>Non-monetary items</u>			
USD:NTD	14,685	27.68	406,493
EUR:NTD	357	31.32	11,193
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 57,099	27.68	\$ 1,580,500

- 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, 2022			
Exchange gain (loss)			
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.71	(\$ 7,446)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.71	\$ 17,149
Year ended December 31, 2021			
Exchange gain (loss)			
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	27.68	(\$ 7,775)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	27.68	\$ 5,938

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

Year ended December 31, 2022			
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%	\$ 26,034	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 15,810	\$ -
Year ended December 31, 2021			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 19,409	\$ -
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 15,805	\$ -

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, 2022 and 2021 would have increased/decreased by \$540 and \$478, 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

- i. The Company's main interest rate risk arises from borrowings with variable rates, which expose the Company to cash flow interest rate risk. Borrowing with fixed rates expose the Company to fair value interest rate risk. For the year ended December 31, 2022 and 2021, the Company's borrowing at variable rates were mainly denominated in New Taiwan dollars.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2022 and 2021 would have increased/decreased by \$255 and \$141, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated at amortised cost and at fair value through other comprehensive income.
- ii. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. Individual risk limits are set based on internal or external factors in accordance with limits set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.
- iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- vi. The Company classifies customers' accounts receivable in accordance with credit risk on trade. The Company applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Company used the forecastability of The New Basel Capital Accord to adjust historical and timely information to assess the default possibility of accounts receivable. In 2022 and 2021, the loss allowance is as follows:

	Not past due	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due
<u>December 31, 2022</u>				
Expected loss rate	0.03%	0.03%	3.00%	3.00%
Total book value	\$ 559,537	\$ 73,973	\$ 38,859	\$ 68,953
Loss allowance	\$ -	\$ 13	\$ 1,172	\$ 2,080
	91 to 180 days past due	180 to 360 days past due	Over 361 days past due	Total
<u>December 31, 2022</u>				
Expected loss rate	10.00%	10.00%	100.00%	
Total book value	\$ 80,532	\$ 6,308	\$ -	\$ 828,162
Loss allowance	\$ 8,098	\$ 634	\$ -	\$ 11,997
	Not past due	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due
<u>December 31, 2021</u>				
Expected loss rate	0.03%	0.03%	3.00%	3.00%
Total book value	\$ 466,610	\$ 69,156	\$ 23,161	\$ 9,052
Loss allowance	\$ -	\$ 23	\$ 697	\$ 272
	91 to 180 days past due	180 to 360 days past due	Over 361 days past due	Total
<u>December 31, 2021</u>				
Expected loss rate	10.00%	10.00%	100.00%	
Total book value	\$ 1,564	\$ 56	\$ -	\$ 569,599
Loss allowance	\$ 157	\$ 6	\$ -	\$ 1,155

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

	Years ended December 31,	
	2022	2021
	Accounts receivable	Accounts receivable
At January 1	\$ 1,155	\$ 1,181
Impairment loss (reversal of)	10,842	(26)
At December 31	\$ 11,997	\$ 1,155

For the years ended December 31, 2022 and 2021, impairment loss (gain) of accounts receivable that arise from customer contracts is \$10,842 and (\$26), 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, 2022</u>				
Short-term borrowings	\$ 951,742	\$ -	\$ -	\$ -
Accounts payable	376,766	-	-	-
Accounts payable - related party	992,413	-	-	-
Other payables	510,391	-	-	-
Other payables - related party	661	-	-	-
Other current liabilities	1,682	-	-	-
Long-term borrowings (including current portion)	103,999	706,648	929,060	961,029
Other non-current liabilities	1,614	1,362	-	-
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2021</u>				
Short-term borrowings	\$ 801,719	\$ -	\$ -	\$ -
Accounts payable	383,481	-	-	-
Accounts payable - related party	1,088,176	-	-	-
Other payables	379,293	-	-	-
Other payables - related party	2,768	-	-	-
Other current liabilities	1,509	-	-	-
Long-term borrowings (including current portion)	12,098	203,322	628,064	1,092,846
Other non-current liabilities	-	2,280	-	-

- 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, notes receivable, 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), long-term borrowings and lease liabilities, are approximate to their fair values.
- C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

- (a) The related information of the nature of the assets and liabilities is as follows:

December 31, 2022	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 54,050	\$ 54,050
December 31, 2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 47,803	\$ 47,803

- (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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
	<u>Equity securities</u>	<u>Equity securities</u>
January 1	\$ 47,803	\$ 28,196
Recorded as unrealised gains on valuation of investments in equity instruments measured at fair value through other comprehensive income	<u>6,247</u>	<u>19,607</u>
At December 31	<u>\$ 54,050</u>	<u>\$ 47,803</u>

- E. For the years ended December 31, 2022 and 2021, 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 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, 2022</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	\$ 54,050	Market comparable companies	Price to book ratio multiple	1.04-2.52 (1.5)	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, 2021</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	\$ 47,803	Market comparable companies	Price to book ratio multiple	1.45-6.61 (1.80)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	25% (25%)	The higher the discount for lack of marketability, the lower the fair value

H. The Company has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			December 31, 2022			
	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 540	(\$ 540)
	Discount for lack of marketability	±1%	-	-	180	(180)
			December 31, 2021			
	Input	Change	Recognised in profit or loss		Recognised in other comprehensive income	
			Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 478	(\$ 478)
	Discount for lack of marketability	±1%	-	-	159	(159)

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

Due to the slowdown of the COVID-19 pandemic in the US and China and the impact of global economic recovery, the Company's consolidated operating revenue for the year ended December 31, 2022 increased by \$1,229,550 year over year, representing a growth rate of 20%. Based on the Company's assessment, there was no significant impact on the Company's financial and other risks due to the pandemic.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 3.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

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

Name of company	Counterparty	Accounts	Amount for 2022	Percentage representing the account of the company (%)	Note
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	\$ 3,495,056	64	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	755,515	55	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Purchases	821,751	15	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Accounts payable	122,069	9	

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

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.
CASH AND CASH EQUIVALENT
DECEMBER 31, 2022

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

Item	Description	Exchange Rate	Amount
Petty cash and cash on hand			\$ 58
Demand deposits - NTD deposits			247,505
- Foreign deposits	USD 7,349 thousand	30.71	225,679
	CNY 50 thousand	4.41	223
Checking account deposits			142
			<u>\$ 473,607</u>

CHENBRO MICOM CO., LTD.
NET ACCOUNTS RECEIVABLE
DECEMBER 31, 2022

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

Customer Name	Amount	Note
<u>Accounts receivable</u>		
Company A	\$ 154,430	Full names must not be disclosed as specified in the contract. " " " " "
Company B	123,060	
Company C	85,739	
Company D	64,370	
Company E	58,394	
Company F	54,648	
Others	287,521	The balance of each sporadic supplier does not exceed 5% of the amount of this account.
	828,162	
Less: Allowance for bad debts	(11,997)	
	<u>\$ 816,165</u>	
<u>Accounts receivable - related parties</u>		
Chenbro Micom (USA) Incorporation	\$ 1,353,581	
Chenbro GmbH	50,645	
	<u>\$ 1,404,226</u>	

CHENBRO MICOM CO., LTD.

INVENTORIES

DECEMBER 31, 2022

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

Items	Amount		Note
	Cost	Market Value	
Raw materials	\$ 198,176	\$ 208,042	The net realizable values of raw materials and finished goods are adopted as their market prices.
Work in process	13,714	13,714	
Finished goods	64,779	132,510	
	276,669	\$ 354,266	
Less: Allowance for valuation loss and obsolete and slow-moving inventories	(15,515)		
	<u>\$ 261,154</u>		

CHENBRO MICOM CO., LTD.
CHANGES IN INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Name	Beginning Balance		Addition		Decrease		Ending Balance			Market Value or Net Assets Value		Valuation Basis	Collateral or pledge
	Number of shares (in thousands)	Amount	Number of shares (in thousands)	Amount (Note1)	Number of shares (in thousands)	Amount (Note1)	Shares	Percentage of Ownership	Amount	Unit Price (NTD)	Total Amount		
Micom Source Holding Company	22,323	\$ 2,376,428	-	\$ 57,154	-	\$ -	22,323	100%	\$ 2,433,582	112.80	\$ 2,518,014	Equity method	None
CLOUDWELL HOLDINGS, LLC	3,600	111,334	-	14,659	-	-	3,600	100%	125,993	35.00	125,997	"	"
Chenbro GmbH	250	11,193	-	11,796	-	(1,489)	250	100%	21,500	98.46	24,616	"	"
Chenbro Micom (USA) Incorporation	10,000	295,159	-	126,376	-	-	10,000	100%	421,535	51.50	514,952	"	"
Chen-Feng Precision Co., Ltd.	5,600	46,235	-	22,813	-	-	5,600	70%	69,048	12.33	69,048	"	"
Total		<u>\$ 2,840,349</u>		<u>\$ 232,798</u>		<u>(\$ 1,489)</u>			<u>\$ 3,071,658</u>		<u>\$ 3,252,627</u>		

Note 1: The increase (decrease) during this period refers to the realized (unrealized) gross margin recognized by equity method, investment income (losses) and the cumulative translation adjustment recognized for this period.

CHENBRO MICOM CO., LTD.
CHANGES IN PROPERTY, PLANT AND EQUIPMENT
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Please refer to Note 6.(7) for relevant movements.

CHENBRO MICOM CO., LTD.
SHORT-TERM BORROWINGS
DECEMBER 31, 2022

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

Types of borrowings	Ending Balance	Contract Period	Range of Interest		Financing facility	Pledge or collateral	Note
			Rate				
Unsecured borrowings							
Citibank Taiwan, Ltd.	\$ 30,710	October 7, 2022 - January 5, 2023	4.23%	\$ 301,700	A promissory note of the same amount was issued as collateral.		
"	30,710	December 7, 2022 - March 7, 2023	4.97%	301,700		"	
"	61,420	November 18, 2022 - February 16, 2023	4.79%	301,700		"	
"	67,562	December 21, 2022 - March 21, 2023	5.04%	301,700		"	
"	24,568	December 21, 2022 - February 17, 2023	4.97%	301,700		"	
The Shanghai Commercial & Savings Bank, Ltd.	92,746	November 15, 2022 - May 12, 2023	5.52%	153,550		"	
"	60,472	November 23, 2022 - May 22, 2023	5.52%	153,550		"	
The Hongkong and Shanghai Banking Corporation Limited	92,130	November 17, 2022 - February 17, 2023	5.24%	184,260		"	
Cathay United Bank	47,369	July 19, 2022 - January 13, 2023	4.54%	6,142,000		"	
Yuanta Commercial Bank Co., Ltd.	185,000	December 21, 2022 - March 21, 2023	1.55%	9,213,000		"	
"	50,000	December 21, 2022 - January 18, 2023	1.45%	9,213,000		"	
Taipei Fubon Commercial Bank Co., Ltd.	200,000	October 3, 2022 - April 3, 2023	1.49%	6,142,000		"	
	<u>\$ 942,687</u>						

CHENBRO MICOM CO., LTD.

LONG-TERM BORROWINGS

DECEMBER 31, 2022

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

Please refer to Note 6.(12) for details of long-term borrowings.

CHENBRO MICOM CO., LTD.

ACCOUNTS PAYABLE

DECEMBER 31, 2022

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

Name of supplier	Amount	Note
<u>Accounts payable</u>		
		Full names must not be disclosed as specified in the contract.
Supplier A	\$ 57,108	
Supplier B	42,840	"
Supplier C	35,639	"
Supplier D	31,572	"
Supplier E	31,507	"
Supplier F	24,732	"
Supplier G	22,840	"
		The balance of each sporadic supplier does not exceed 5% of the amount of this account.
Others	130,528	
	<u>\$ 376,766</u>	
<u>Accounts payable - related parties</u>		
Chenbro Technology (Kunshan) Co., Ltd.	\$ 755,515	
Dongguan Procace Electronic Co., Ltd.	122,069	
Chen-Feng Precision Co., Ltd.	112,448	
		The balance of each sporadic supplier does not exceed 5% of the amount of this account.
Others	2,381	
	<u>\$ 992,413</u>	

CHENBRO MICOM CO., LTD.

OTHER PAYABLES

DECEMBER 31, 2022

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

Please refer to Note 6.(11) for details of other payables.

CHENBRO MICOM CO., LTD.
OPERATING REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Volume (in thousands of units)	Amount
Server cases, peripheral products and components	1,326	\$ 7,274,944
Personal computer cases	122	120,097
		<u>\$ 7,395,041</u>

CHENBRO MICOM CO., LTD.
OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Amount
Raw materials at the beginning of the period	\$ 121,157
Add: Purchases during this period	1,361,716
finished goods reclassified to raw materials	83,590
Expenses reclassified to raw materials	9,826
Gain on physical inventory	1,085
Less: Raw materials at the end of the period	(198,176)
Raw materials reclassified to expenses	(62,024)
Raw materials reclassified to finished goods	(1,801)
Raw materials sold	(579,755)
Raw materials consumed during this period	735,618
Direct labor	23,477
Manufacturing expenses	393,308
Manufacturing cost	1,152,403
Add: Work in progress at the beginning of the period	-
Less: Work in progress at the end of the period	(13,714)
Cost of finished goods	1,138,689
Finished goods at the beginning of the period	259,398
Add: Purchases during this period	4,066,192
Raw materials reclassified to finished goods	1,801
Less: Finished goods at the end of the period	(64,779)
finished goods reclassified to raw materials for production	(83,590)
Finished goods reclassified to expenses	(183)
Loss on physical inventory	(43)
Finished goods scrapped	(1,217)
Production and sales costs for finished goods	5,316,268
Costs of raw materials sold	579,755
Cost of goods manufactured and sold	5,896,023
Gain on reversal of loss on decline in market value	(9,210)
Gain on physical inventory	(1,042)
Operating costs	\$ 5,885,771

CHENBRO MICOM CO., LTD.
MANUFACTURING EXPENSE
FOR THE YEAR ENDED DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Items	Amount	Note
Processing expenses	\$ 144,549	
Indirect labor	103,519	Including pension costs.
Depreciation	34,543	
Service expense	29,025	
Import expenses	28,126	
Others	53,546	The balance of each item did not exceed 5% of the total amount of this account.
	<u>\$ 393,308</u>	

CHENBRO MICOM CO., LTD.
SELLING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
 (Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Item	Amount	Note
Salary and wages	\$ 52,285	Including pension costs.
Export expense	14,287	
Others	20,390	The balance of each item did not exceed 5% of the total amount of this account.
	<u>\$ 86,962</u>	

CHENBRO MICOM CO., LTD.
GENERAL AND ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Item	Amount	Note
Salary and wages	\$ 137,862	Including pension costs.
Service expense	33,734	
Depreciation	29,791	
Directors' remuneration	26,251	
Others	68,316	The balance of each item did not exceed 5% of the total amount of this account.
	\$ 295,954	

CHENBRO MICOM CO., LTD.
RESEARCH AND DEVELOPMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Item	Amount	Note
Salary and wages	\$ 98,235	Including pension costs.
Service expense	8,972	
Insurance	7,053	
Others	19,784	
	<u>\$ 134,044</u>	The balance of each item did not exceed 5% of the total amount of this account.

CHENBRO MICOM CO., LTD.
CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

Nature	Function	Year ended December 31, 2022			Year ended December 31, 2021		
		Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee Benefit Expense							
Wages and salaries		\$ 118,739	\$ 280,226	\$ 398,965	\$ 83,650	\$ 251,454	\$ 335,104
Directors' remuneration		-	26,251	26,251	-	17,418	17,418
Labour and health insurance fees		8,731	16,332	25,063	5,753	16,439	22,192
Pension costs		4,185	8,156	12,341	2,594	8,106	10,700
Other personnel expenses		7,929	10,149	18,078	4,775	11,628	16,403
Total		<u>\$ 139,584</u>	<u>\$ 341,114</u>	<u>\$ 480,698</u>	<u>\$ 96,772</u>	<u>\$ 305,045</u>	<u>\$ 401,817</u>
Depreciation Expense		<u>\$ 34,543</u>	<u>\$ 30,451</u>	<u>\$ 64,994</u>	<u>\$ 5,380</u>	<u>\$ 26,535</u>	<u>\$ 31,915</u>
Amortisation Expense		<u>\$ 4,766</u>	<u>\$ 6,767</u>	<u>\$ 11,533</u>	<u>\$ 389</u>	<u>\$ 9,827</u>	<u>\$ 10,216</u>

Note:

1. As at December 31, 2022 and 2021, the Company had 382 and 262 employees, respectively, both including 8 non-employee directors.
2. A company whose stock is listed for trading on the stock exchange or over-the-counter securities exchange shall additionally disclose the following information :
 - (1) Average employee benefit expense in current year was \$1,215 thousand. ("Total employee benefit expense for this year - Total directors' remuneration" / "Number of employees for this year - Number of directors who did not concurrently serve as employees").
 - Average employee benefit expense in previous year was \$1,513 thousand. ("Total employee benefit expense for the prior year - Total directors' remuneration" / "Number of employees for the prior year - Number of directors who did not concurrently serve as employees").

CHENBRO MICOM CO., LTD.
CURRENT PERIOD EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES BY FUNCTION (Cont.)
FOR THE YEAR ENDED DECEMBER 31, 2022

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

- (2) Average employees salaries in current year were \$1,067 thousand. (Total salary and wages for this year / “Number of employees for this year - Number of directors who did not concurrently serve as employees”).

Average employees salaries in previous year were \$1,319 thousand. (Total salary and wages for the prior year / “Number of employees for the prior year - Number of directors who did not concurrently serve as employees”).

- (3) The decrease of the average employee salary and wages is -19.10%. (“Average employee salary and wages for this year - Average employee salary and wages for the prior year” / Average employee salary and wages for the prior year).

- (4) Please disclose the company's remuneration policy (including directors, independent director, managerial officers and employees).

Directors:

(A) When the directors of the company perform their duties, regardless of the company's operating profit or loss, the company may pay remuneration, and the remuneration is authorized to the board of directors according to the degree of participation in the company's operations and the value of its contribution, and shall be negotiated with consideration.

(B) A ratio of profit of the current year distributable, shall be distributed as directors' remuneration. For the Company, the ratio shall not be higher than 3% for directors' remuneration. However, if the Company has accumulated deficit, the Company should cover accumulated losses first.

Managers and employees:

(A) A ratio of profit of the current year distributable, shall be distributed as employees' compensation. For the Company, the ratio shall be between 3% ~ 12% for employees' compensation.

(B) Based on the salary survey level, the company's annual operating performance and profit status, the company determines the salary adjustment level for the current year after comprehensive consideration. At the same time, implement reward differentiation and strive for fairness in the salary structure; follow the company's performance appraisal policy, implement the link between strategic goals and performance appraisal, and use the appraisal results as the basis for employee/manager salary, promotion, training and development, so as to exert the incentive effect .

CHENBRO MICOM CO., LTD.

Provision of endorsements and guarantees to others

Years ended December 31, 2022

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

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2022 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2022 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary (Note 6)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 6)	Provision of endorsements/ guarantees to the party in Mainland China (Note 6)	Footnote
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	2	\$ 981,428	\$ 180,432	\$ 171,976	\$ 107,512	\$ -	3.50	\$ 2,944,285	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 original currency amount of maximum endorsement/guarantee provided by Chenbro Micom Co., Ltd. to CLOUDWELL HOLDINGS, LLC. was USD 5,600 thousand for the year ended December 31, 2022.

Note 5: The original currency amount of outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to CLOUDWELL HOLDINGS, LLC. was USD 5,600 thousand for the year ended December 31, 2022.

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, 2022

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

Table 2

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of December 31, 2022				
				Number of shares	Book value	Ownership (%)	Fair value	Footnote
CHENBRO MICOM CO., LTD.	Diamond Creative Holding Limited	None	Non-current financial assets at fair value through other comprehensive income	1,100,000	\$ 54,050	14.29%	\$ 54,050	

CHENBRO MICOM CO., LTD.

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

Years ended December 31, 2022

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

Table 3

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount (Notes 1 and 2)	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHENBRO MICOM CO., LTD.	Machouhou Industry Park's productive plant	February 2, 2021 (Note 1)	\$ 1,293,037	Based on the contract schedule (Note 2)	San Min Construction Development Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Price comparison and price negotiation	Expansion of production capacity	None
CHENBRO MICOM CO., LTD.	Machouhou Industry Park's productive plant	January 11, 2022 (Note 3)	\$ 407,300	Based on the contract schedule (Note 3)	RUEY LAN ENGINEERING CO., LTD.	None	Not applicable	Not applicable	Not applicable	Not applicable	Price comparison and price negotiation	Expansion of production capacity	None

Note 1: On February 2, 2021, the Company entered into a contract with SAN MIN CONSTRUCTION DEVELOPMENT CO., LTD. at the total price of \$1,208,529 (tax included). In addition, on March 15, 2022, August 25, 2022 and November 15, 2022, the Company entered into a supplemental contract for the adjustment in the construction contract price in the amount of \$63,420 (tax included), \$20,000 (tax included) and \$1,088 (tax included), and the adjusted total contract price was \$1,293,037 (tax included).

Note 2 : As of December 31, 2022, the company has paid \$1,266,110 (\$287,422 was paid in 2022).

Note 3: The contract was the plant construction contract (mechatronic, fire safety and air conditioning). In addition, on January 11, 2022, August 30, 2022 and November 15, 2022 the Company entered into a supplemental contract for the adjustment in the construction contract price in the amount of \$81,800 (tax included), \$20,000 (tax included) and \$16,000 (tax included), respectively, and the contract price was more than \$300 million. As of December 31, 2022, the Company has made a payment of \$399,154 (\$150,184 was paid in 2022).

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

Years ended December 31, 2022

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

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction			Credit term	Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)		Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Sales	\$ 4,226,120	57	OA 120 days	Note 1	Note 1	\$ 1,353,581	60	Note 2
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Parent-subsidiary company	Sales	281,904	4	90 days after monthly billing	Note 1	Note 1	50,645	2	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	3,495,056	87	60 days after monthly billing	Note 1	Note 1	755,515	79	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	235,326	6	60 days after monthly billing	Note 1	Note 1	71,552	7	Note 2
Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	821,751	27	60 days after monthly billing	Note 1	Note 1	122,069	16	Note 2
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	2,226,944	73	90 days after monthly billing	Note 1	Note 1	615,652	83	Note 2
Chen-Feng Precision Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	149,385	84	90 days after monthly billing	Note 1	Note 1	112,448	99	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.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

December 31, 2022

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

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2022 (Note 3)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts (Note 2)
					Amount	Action taken		
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Accounts receivable \$ 1,353,581	3.60	\$ 424,323	Promptly demanding collection of the overdue receivables	\$ 674,949	\$ -
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 755,515	4.09	459,861	Promptly demanding collection of the overdue receivables	506,899	-
Dongguan Procase Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 122,069	6.88	1,789	Promptly demanding collection of the overdue receivables	122,069	-
Dongguan Procase Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable \$ 615,652	3.46	76,533	Promptly demanding collection of the overdue receivables	352,572	-
Chen-Feng Precision Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 112,448	2.33	15,613	Promptly demanding collection of the overdue receivables	90,359	-

Note 1: Subsequent collections as of March 14, 2023.

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.

Significant inter-company transactions during the reporting period

Years ended December 31, 2022

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

Table 6

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Notes 3, 6 and 7)	Transaction terms	Transaction
							Percentage of consolidated total operating revenues or total assets (Note 5)
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Sales	\$ 4,226,120	Note 4	40
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	1,353,581	Note 4	11
0	CHENBRO MICOM CO., LTD.	Chenbro GmbH	1	Sales	281,904	Note 4	3
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	3,495,056	Note 4	33
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	755,515	Note 4	6
1	Chenbro Technology (Kunshan) Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	235,326	Note 4	2
2	Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	821,751	Note 4	8
2	Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	122,069	Note 4	1
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	2,226,944	Note 4	21
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Accounts receivable	615,652	Note 4	5
3	Chen-Feng Precision Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	149,385	Note 4	1
3	Chen-Feng Precision Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	112,448	Note 4	1

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

- (1) Parent company is '0'.
- (2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:

- (1) Parent company to subsidiary.
- (2) Subsidiary to parent company.
- (3) Subsidiary to subsidiary.

Note 3: Transaction amounts less than NT\$100 million or 20% of paid-in capital are not disclosed.

Note 4: There is no transaction similar to the above purchases and sales, which are determined in accordance with mutual agreement.

Note 5: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 6: Except for current profit (loss) for the year ended December 31, 2022 translated using the average exchange rate of that period, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2022.

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

CHENBRO MICOM CO., LTD.

Information on investees (not including investees in Mainland China)

Years ended December 31, 2022

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

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2022			Net profit (loss) of the investee for the year ended December 31, 2022 (Note 4)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Notes 4 and 5)	Footnote
				Balance as at December 31, 2022 (Note 4)	Balance as at December 31, 2021 (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	\$ 2,433,582	\$ 66,397	\$ 28,721	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	421,535	112,917	119,057	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	125,993	2,407	2,407	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	21,500	11,669	11,796	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chen-Feng Precession Co., Ltd.	Taiwan	Manufacturing of NCT	56,000	56,000	5,600,000	70	69,048	32,590	22,813	
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	198,172	198,172	6,452,738	100	69,573	1,918	1,918	Notes 3 and 4
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	253,050	253,050	8,239,890	100	1,428,396	52,682	52,682	Notes 3 and 4
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	-	485,218	-	-	-	29,776	29,776	Notes 3, 4 and 6
Micom Source Holding Company	PROCASE & MOREX Corporation	British Virgin Islands	Holding company	261,035	-	35,502	100	509,625	14,371	14,057	Notes 2, 4, 5 and 7
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Holding company	-	261,035	-	-	-	14,371	28,428	Notes 2, 4, 5 and 7

Note 1: Investment income (loss) recognised for the year ended December 31, 2022 includes recognition and elimination of realised and unrealised gain (loss) on upstream transactions.

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

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

Note 4: Except for current profit (loss) for the year ended December 31, 2022 translated using the average exchange rate of that period, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2022.

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

Note 6: On May 12, 2020, the Board of Directors of ADEPT International Company approved the dissolution of the company. The liquidation was completed in December 2022.

Note 7: ADEPT International Company increased its capital through capitalisation of earnings on August 22, 2022 and transferred the share ownership in Procasse & Morex Corporation to Micom Source Holding Company through the capital reduction.

CHENBRO MICOM CO., LTD.

Information on investments in Mainland China

Years ended December 31, 2022

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

Table 8

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2022	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for theyear ended December 31, 2022		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Net income of investee for the year ended December 31, 2022	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2022 (Note 1)	Book value of investments in Mainland China as of December 31, 2022	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2022	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	\$ 307,100	\$ 2	\$ 307,100	\$ -	\$ -	\$ 307,100	\$ 62,707	\$ 100	\$ 62,707	\$ 1,234,452	\$ 767,130	Notes 2, 4, 5 and 7
Dongguan Procace Electronic Co., Ltd.	Manufacturing and processing of computer cases	385,165	2	385,165	-	-	92,007	27,638	100	27,638	578,697	-	Notes 3 and 7
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	64,491	2	-	-	-	-	24,722	100	24,722	192,149	-	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 auditors of the Company.

Note 2: The Company reinvested through Amber International Company.

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

Note 4: The Company distributed cash dividends of \$302,406 (net of taxation on earnings remitted from Mainland China) to the Company through the holding companies, Amber International Company and Micom Source Holding Company on October 17, 2014.

Note 5: The Company distributed cash dividends of \$464,724 (net of taxation on earnings remitted from Mainland China) to the Company through the holding companies, Amber International Company and Micom Source Holding Company on May 28, 2020.

Note 6: The Company incorporated on October 8, 2016 and was reinvested by Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company at an 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, 2022 translated using the average exchange rate of that period, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2022.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2022	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 8)
CHENBRO MICOM CO., \$ LTD.	399,107	\$ 408,697	\$ -

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.

Major shareholders information

December 31, 2022

Table 9

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Chen Fengming	13,614,433	11.28
Pengwei Investment Holdings	12,387,433	10.26
Lianmei Investment	11,910,000	9.87
Chen Meichi	9,656,009	8.00
Minguang Investment Holding	9,243,967	7.66

