

Chenbro Micom Co., Ltd

2021 Annual Report

Stock Code : 8210

1.Spokesperson

Name : Corona Chen

Title : President

Tel : (02)8226-5500

E-mail : ir@chenbro.com

Deputy Spokesperson : Eric Wong

Title : Global Finance & Accounting Division Associate Vice President

Tel : (02)8226-5500

E-mail : ir@chenbro.com

2.Headquarters, Branches and Plant

Headquarter : 18F., No.558, Xinzhuang Rd., Xinzhuang Dist., New Taipei City 242,
Taiwan (R.O.C.)

Tel : (02)8226-5500

Chiayi Factory : No.2, Machouhouyuanqu 1st Rd., Lucao, Chiayi County 611001,
Taiwan

Tel : (05)362-5500

3.Stock Transfer Agent

NAME : Stock Transfer Agency Unit, Yuanta Securities Co., Ltd.

Address : B1, No.210, Sec. 3, Chengde Rd., Datong District, Taipei City

Website : <http://www.yuanta.com.tw>

Tel : (02) 2586-5859

4.Auditors

Auditors : Pan Hui Lin, Chun-yao Lin

Accounting Firm : PricewaterhouseCoopers

Address : 27F, No. 333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei 11012, Taiwan

Website : <http://www.pwc.tw>

Tel : (02)2729-6666

5.Overseas Securities Exchange

None

6.Corporate : <http://www.chenbro.com>

Table of Contents

1.	Letter to Shareholders	2
2.	Company Profile	8
3.	Company Governance Report	
	I. Organization.....	12
	II. Information on the Company's Directors, Supervisors, President, Vice Presidents, Assistant Vice Presidents, and Heads of the Company's Divisions and Branches.....	16
	III. Remuneration Paid During the Most Recent Fiscal Year to Directors, Supervisors, President, and Vice Presidents	25
	IV. Implementation of Corporate Governance	34
	V. Information on CPA Professional Fees.....	90
	VI. Information on Replacement of CPAs.....	92
	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	93
	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.....	93
	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.....	95
	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	96
4.	Fundraising	
	I. Capital Stock and Shares	98
	II. Corporate Bonds	104
	III. Preferred Shares	104
	IV. Global Depository Receipts	104
	V. Employee Stock Options	104
	VI. New Restricted Employee Shares	105
	VII. Issuance of New Shares in Connection with Mergers or Acquisitions or with Acquisitions of Shares of Other Companies	108
	VIII. Implementation of Capital Utilization Plan	108
5.	Operational Overview	
	I. Business Activities.....	110
	II. Analysis of the Market as well as Production and Marketing Situation	117
	III. Number of Employees in the Past 2 Years up to the Publication Date of the Annual Report	121
	IV. Environmental Protection Expenditure	121
	V. Labor-management relations	122
	VI. Infocomm Security Management	126
	VII. Important Contracts	128

6.	Financial Overview	
I.	Condensed balance sheet, statement of comprehensive income, and CPAs' name and audit opinion for the last five years	130
II.	Financial Analyses for the Last Five Fiscal Years	138
III.	Audit Committee's Review Report of the Financial Statements in the Most Recent Year	143
IV.	The Most Recent Year's Financial Statements Including Independent Auditors' Audit Report	143
V.	Parent Company-Only Financial Statement for the Most Recent Fiscal Year, Certified by CPAs	143
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	143
7.	Review and Analysis of the Company's Financial Position and Financial Performance, and Listing of Risks	
I.	Financial Position	145
II.	Financial Performance	146
III.	Cash Flow	147
IV.	Effect Upon Financial Operations of Any Major Capital Expenditures During the Most Recent Year	148
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	149
VI.	Risk Analysis and Assessment.	149
VII.	Other Important Matters.....	155
8.	Special Disclosure	
I.	Information on the Affiliated Enterprises	157
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	163
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	163
IV.	Other Supplementary Information	163
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	163

Chapter 1

Letter to Shareholders

- I. Operating Performance in 2021
- II. Outline of the 2022 Business Plan
- III. Future Development Strategy
- IV. Impact of External Competition Environment, Legal Environment, and Overall Business Environment

Chapter 1 Letter to Shareholders

Dear Shareholders,

Looking back on 2021, the COVID-19 pandemic continued to ravage the world, resulting in rising raw material prices and shortages of components and labor. Lifestyles and business models have undergone irreversible changes. For example, online services have become the new norm in daily life. Increased demand for digital transformation and remote work has accelerated the growth of the cloud industry. In the face of rising business challenges and opportunities, Chenbro's top priority was to stay competitive with high agility and resilience.

While taking proactive action to follow the market trends and satisfy customer needs with highly compatible and customized products, Chenbro maintained good interactions with the entire supply chain. To improve business resilience, Chenbro adopted a pull system (lean production) with flexible schedules. The new plant in Chiayi has put into production in January 2022 and is expected to better satisfy Chenbro's growing customer needs with its full capacity.

Despite the challenges and uncertainties in 2021, Chenbro braved the storm with resilience and fearlessness. With the collective efforts made by all employees, Chenbro reported revenue of NT\$9.42 billion with a record 25% growth rate. Looking ahead to 2022, existing challenges can create opportunities for the growth of the cloud industry. As part of its core values, Chenbro will focus on enhancing system integration capabilities and standard products, strengthening customer relationships and market presence, and pursuing a win-win outcome with partners, with an aim of becoming a leading business of electromechanical integration solutions in the global cloud industry. The following is a summary of Chenbro's operating performance in 2021 and the 2022 outlook:

I. 2021 operating performance

(I) Financial results

1. Results of the business plan

Unit: NT\$ thousand

Item	2021	2020	Amount of increase (decrease)	Increase (decrease) (%)
Operating revenue	9,423,020	7,544,545	1,878,475	24.90
Gross income from operations	1,843,866	1,931,618	(87,752)	(4.54)
Operating income	882,382	963,193	(80,811)	(8.39)
Net income before tax	885,990	1,203,153	(317,163)	(26.36)
Net income	672,026	973,547	(301,521)	(30.97)
Net income attributable to owners of the parent company	672,901	976,857	(303,956)	(31.12)

2. Budget execution

According to the current laws and regulations, the Company did not prepare public financial estimates for 2021.

3. Financial income and expenditure and profitability analysis

Item		2021	2020
Capital structure (%)	Debt ratio	62.88	50.85
	Long-term funds to real estate, plants and equipment ratio	139.09	134.43
Liquidity(%)	Current ratio	128.78	115.68
	Quick ratio	78.11	78.28
	Interest guarantee (times)	5,472.89	12,078.82
Return on investment	Return on assets (ROA) (%)	7.11	13.64
	Return on equity (ROE) (%)	16.64	26.23
	Operating income to paid-in capital (%)	73.05	79.65
	Pre-tax income to paid-in capital (%)	73.35	99.49
	Net profit margin (%)	7.14	12.95
	Earnings per share (NTD)	5.62	8.16

(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 2021, it has filed 560 patent applications and obtained 458 patents in Taiwan, the U.S., and mainland China.

In 2021, Chenbro was also engaged in development of and application for new patents for various products, and acquired a total of another 64 patents worldwide. The products ranged from rack-mounted chassis structures, high density storage 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. It learned from and cooperated with various industries and the academia to improve 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.

II. Overview of 2022 Business Plan

(I) Management Principles

Looking ahead, Chenbro will continue to optimize the existing products and develop brand-new products that are in line with the market needs by means of its core technology. The lean management model introduced three years ago has led to significant improvements in process and productivity, as well as inventory reduction. Together with the value management system (A VM), the Company conducts a comprehensive review of operation costs, develops the ability for

stock-taking, and continues to promote the concept of accountability, so as to create a positive work environment. With an equal focus on corporate governance and corporate culture, the Company aims to improve operational performance and creates maximum profits for the Company.

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

(II) Sales volume forecast and basis

Main products	Sales volume in 2022 (thousand units)
Personal computer chassis	150
Server chassis	2,150

(III) Key production and sales policy

1. Sales strategy

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

2. Production strategy

Chenbro integrates the manufacturing capabilities of each production base and applies customer-oriented strategies to provide more flexible delivery services. Chenbro's engineering team continues to satisfy customers' product development and verification needs to ensure high quality and rapid response to meet customers' needs. The Company will invest more money in key process automation to further increase the capacity in response to growing customer needs.

Meanwhile, the Company will continue to implement lean management and AVM in its factories, optimize operating procedures and reasonable working methods, and adjust the production layout with process automation to overcome hidden dangers of rising labor costs and maximize quality at the same time. It will also implement the BILLION strategy

thoroughly, and conduct in-depth improvement and optimization in terms of quality, safety, efficiency, and cost, and carry out smart manufacturing and transformation into information-oriented automated factories. The Company will strive to minimize costs through lean management and maximize profits with AVM, to achieve a win-win outcome with customers.

3. R&D strategy

In terms of R&D strategy, Chenbro has set up a R&D center and organized technology seminars from time to time to efficiently develop products and applications with cutting-edge technologies. Focusing on technological breakthroughs, R&D talents research high-strength, lightweight materials and efficient heat dissipation solutions to get prepared for the advent of the 5G era, cloud data centers, edge computing, and AIoT, and other relevant applications. Chenbro will also continue to promote the growth of server demand while making breakthroughs in the development of new products and innovative patented technologies. By introducing the idea of concept engineering, the Company strives to develop products that better meet customer needs. The Company will work to form strategic alliances with quality corporate partners to provide customers with standardized and customized enclosure solutions at one stop. In the meantime, Chenbro will continue to move towards modularization, compatibility, flexibility, and green and high-efficiency, with an aim of achieving automated production and assembly. In addition to in-depth development of customers in the U.S. and China, the Company will continue to expand and develop a wider global development layout in Europe and South Korea.

III. Future development strategy

Looking ahead to 2022, Chenbro will continue to adhere to its business philosophy of "diligence, humbleness, and honesty," with the vision of being "the leading business in electromechanical integration solutions in the global cloud industry." Building on the four core values of "integrity, innovation, inclusion, 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."

With the rapid development of artificial intelligence (AI), Internet of Things (IoT), and cloud server industries, Chenbro will focus on data centers, industrial personal computers (IPCs), AI, IoT, 5G applications, and other fields with innovative business models and competitive products that meet market trends. Chenbro will increase the market share of servers, storage servers, IPCs, and personal computer chassis products. In addition to further developing the two regional markets of China and the U.S., Chenbro will step into the markets of Europe, India, Australia and the ASEAN region, with an aim of achieving business goals with the collective efforts made by all employees at home and abroad.

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 2021 operating performance and the 2022 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

President: 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	<p>Invested NT\$82.09 million to purchase a new office in Zhonghe</p> <p>A U.S. subsidiary invested US\$7.94 million to purchase new plants and offices to facilitate overseas business expansion</p> <p>Invested CNY 18.73 million to purchase an office in Beijing to provide timely services to local customers</p>
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	<p>Won the Red Dot Award Winner, SGS ISO 9001 Plus Award-Performance Management Award</p> <p>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</p>
2019	<p>Won the CHR Healthy Corporate Citizen–Excellence Award in Health Activity</p> <p>Invested NT\$500.08 million to purchase a new office in Fuduxin, Xinzhuang</p>
2020	Invested in the establishment of an NCT factory with Chen-Feng Precision Co., Ltd. investing NT\$35 million, 70% of the equity
2021	<p>Invested in establishment of a new factory on the phase 1 production land in the Machouhou Industrial Park, Chiayi</p> <p>Was awarded Commonwealth Magazine CRS benchmark enterprise--Hard Core Enterprise Award(ranked at 6).</p> <p>Was ranked as 41th place at 2021 Commonwealth Magazine "Top 2000 Enterprise Survey" computer and peripherals category.</p>

Chapter3

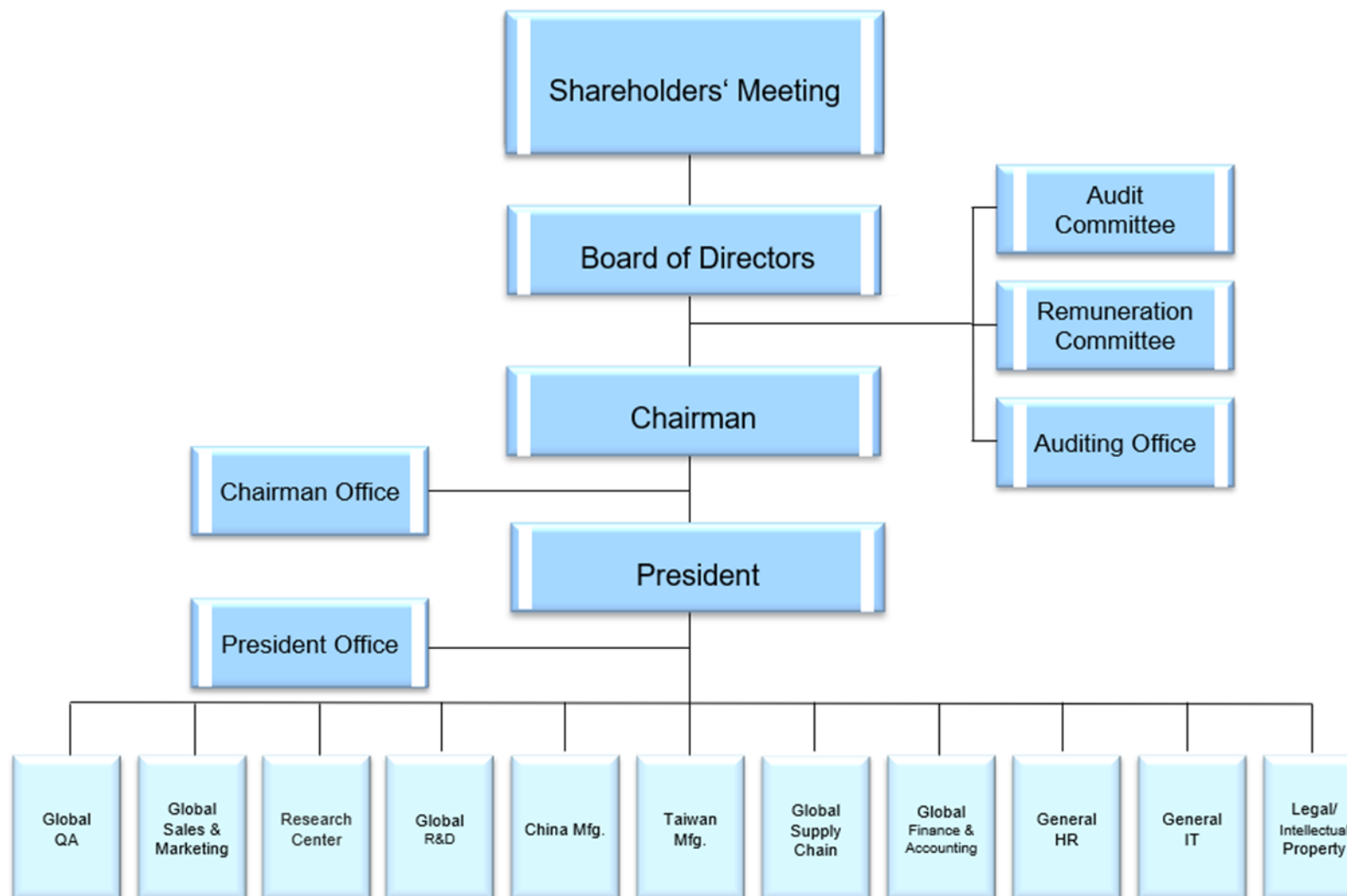
Corporate Governance Report

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

Chapter3 Corporate Governance Report

I. Organization

(I) Organizational Chart



(I) Functions of Major Divisions

Division	Major Functions
Chairperson's Office	Outline the corporate development vision and blueprint. Shape the corporate culture. Encourage employees to innovate. Promote corporate ESG commitments.
President's Office	Assist the President in coordinating with the Company's overall operating strategy, planning, preparing statistics, doing follow-ups, etc.
Global Quality Assurance Division	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 Business Sales Division	Develop and execute the Company's global business and sales 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.
Prospective R&D Center	Guided by the research and development of core technologies, establish forward-looking technologies. Cooperate closely with the existing global business/sales division to integrate and exchange the market product functional requirements information and forward-looking technology transfer, and provide the basis for mass production of the global manufacturing divisions.
Global Research and Development Division	Responsible for new product R&D, improve production technology, and strengthen customer-oriented concepts and module design capabilities. Promote innovative technological research.
Manufacturing Center in China	The main business is server & 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. Customer service in mainland China. Responsible for storage environment, industrial safety, occupational health and risk management, and compliance with relevant laws and regulations. Responsible for energy saving and cost reduction, social care, assistance to the disadvantaged, green energy use, and resource recycling and regeneration.
Manufacturing Center in Taiwan	The main business is server & 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.

Division	Major Functions
	<p>Promote lean production & low-cost intelligent manufacturing to provide fast and accurate delivery of production capacity.</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 service 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 Management Division	<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 Division	<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 Human Resources Division	<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 Information Division	<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>
Legal Affairs & Intellectual Property Division	<p>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.</p>
Audit Office	<p>Formulate the annual internal control audit plan, and complete the items that should be audited every month to make an audit report package, including the internal control audit of the group headquarters and subsidiaries; Or according to the management needs of the Board of Directors and senior management, conduct independent project audit and improvement tracking.</p> <p>Check and review the deficiencies of the internal control system, measure the effectiveness and efficiency of the operation, and provide improvement suggestions in a timely manner and produce a follow-up report to ensure the</p>

Division	Major Functions
	<p>continuous and effective implementation of the internal control system while serving as the basis for the revision of the internal control system.</p> <p>Related announcement and reporting of internal control review and internal audit.</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, 2022

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	8.00	2,121,000	1.76	12,350,000	10.23	EMBA, National Taiwan University Department of Money and Banking, National Chengchi University	Chairperson of the Company Director, Peng Wei Investment Chairperson, Lian-mei Investment Ltd. Director, Chen-Source Inc. Chairperson, Chen-Feng Precision Co., Ltd.	Executive assistance to Chairman	Tsun-yeen Lee	Relative-in-law	N/A
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	N/A	N/A	N/A	N/A
Director	ROC	Tsun-yeen Lee	Female 51 ~ 60 years old	Jun. 23, 2020	3 years	Jun. 26, 2009	5,296,029	4.42	5,306,029	4.39	13,614,433	11.27	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	N/A
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 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, Huaan 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 Advisor, Taipei City Government	N/A	N/A	N/A	N/A

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	
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	Chairperson, Chunghwa Tax Research Center, Corporate Body Independent Director, CMMT Co., Ltd. Director, Taiwan Star Telecom Corporation Limited Director, CardPlus Pte. Ltd. Chain Coffee Company, Singapore Honorary Chairman, Chunghwa Institute of International Taxation Adjunct Professor, Department of Accounting, Dongwu University Chairperson, Hu Hsia Strategy Management Consulting Co., Ltd.	N/A	N/A	N/A	N/A
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.	N/A	N/A	N/A	N/A

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	
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. Supervisor, ezTravel Co., Ltd. Supervisor, ezTravel Travel Agency Co., Ltd. Director, eLAND information Co., Ltd. Chairman, Kuo-fu Global Fortune Management Co., Ltd. Representative of institutional director, Phoenix innovation Investment Corporation Representative of institutional director, Phoenix innovation Investment Corporation Director, Conserve & Associates, Inc.	N/A	N/A	N/A	N/A
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. Representative of Institutional Director & President, Kang-li Investment Co., Ltd. Representative of Institutional Director & President, Lung-li Investment Co., Ltd.	Director, Shirre Lab Co. Independent Director, Daxin Materials Corp. Independent Director, Raydium Semi-conductor Corporation Independent Director, Unicton Technologies Corporation	N/A	N/A	N/A	N/A
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.	Independent Director, Huxen Corporation Independent Director, Medical Imaging Corporation Independent Director, Avary Holding (Shenzhen) Co., Limited Guest professor, College of Management, Chang Gung University	N/A	N/A	N/A	N/A

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	
														Chairman, Dotcom Charity Foundation						

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: N/A
- (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, 2022

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.	N/A
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. 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.	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.	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 line with the establishment of independent directors of public companies and the regulations of Article 3, Paragraph 1, Items 5-8).	N/A

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.	<p>4. 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.</p> <p>5. Not a person under any conditions defined in Article 30 of the Company Act.</p>	1
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.		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

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
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

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

Date: April 2, 2022

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	
President	ROC	Ya-Nan Chen	Female	July 2, 2018	70,214	0.06	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	N/A	N/A	N/A	N/A	N/A
Global Sales Division Vice President	Hong Kong	Chien-Nan Hsu	Male	July 2, 2018	150,000	0.12	0	0.00	0	0.00	Department of Mechanical Engineering, The Hong Kong Polytechnic University Intel Asia-Pacific Research & Development Ltd, Shanghai, China Astec Customer Power (HK) Ltd., Hong Kong, China Tectrol Inc., Toronto, Canada Astec Customer Power (HK) Ltd., Hong Kong, China	N/A	N/A	N/A	N/A	N/A
Global Research and Development Division Vice President	ROC	Yu-Tzu Huang (Note 2)	Male	Aug. 1, 2019	64,833	0.05	52	0.00	0	0.00	Department of Applied Foreign Languages, Lunghwa University of Science and Technology Department of Mechanical Engineering, National Kaohsiung University of Applied Sciences Ranbon Electronic Industrial Co., Ltd.	N/A	N/A	N/A	N/A	N/A

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	
Global Finance Division Accounting Assistant	ROC	Chia-ling Chih (Note 3)	Female	Sep. 30, 2008	51,999	0.04	0	0.00	0	0.00	EMBA, National Taiwan University/Department of Accounting, Soochow University Motorola Solutions, Inc.	N/A	N/A	N/A	N/A	N/A
Global Finance Division Finance/Accounting Assistant	Malaysia	Wan-Ming Huang (Note 4)	Male	Aug. 28, 2020	7,500	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.	N/A	N/A	N/A	N/A	N/A
Vice President, Manufacturing Division, Taiwan Vice President	ROC	Ming-Chi Li (Note 5)	Male	Oct. 15, 2020	0	0.00	1,000	0.00	0	0.00	Institute of Mechanical Engineering, National Taiwan University of Science and Technology Xiamen Hongfa Electroacoustic Co., Ltd. Darwin Precisions Corporation	N/A	N/A	N/A	N/A	N/A

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

Note 2. Vice President of Global Research and Development Division Yu-tzu Huang retired on September 30, 2021, whose change of equity was calculated until the resignation date.

Note 3. Vice President of Global Finance and Accounting Division Wan-ming Huang retired on August 31, 2021, whose change of equity was calculated until the resignation date.

Note 4. Assistant Vice President of Global Finance and Accounting Division Wan-ming Huang retired on August 10, 2021.

Note 5. Vice President of Department of Manufacturing, Taiwan Ming-chi Li resigned on April 14, 2021, whose change of equity was calculated until the resignation date.

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, 2021 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)						
		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)	Remuneration from any Investee or parent company other than subsidiaries(Note 11)
Amount of Cash	Amount of Stock	Amount of Cash	Amount of Stock	The Company	Companies in the financial statements (Note 7)																	
Director	Mei-Chi Chen	2,600	2,600	0	0	9,570	9,570	60	60	1.82%	1.82%	1,400	0	24	24	408	0	408	0	2.09%	2.09%	
	Chung-Pao Wu																					
	Tsun-Yen Lee																					
	Yu-Ling Tsai																					
	Te-Feng Wu																					
Independent Director	Wen-Cheng Huang	0	0	0	0	7,656	7,656	60	60	1.15%	1.15%	0	0	0	0	0	0	0	0	1.15%	1.15%	
	An-Pang Tsao																					
	Wei-Shun Cheng																					
	Chung-Hsing Huang																					

- 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. N/A

2. Please explain the independent director remuneration policy, system, standard, and structure, and the connection between the amount of remuneration received and the factors, such as job responsibilities, risks, and the time devoted. :
- (1) Honoraria: 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.
 - (2) Remuneration of directors/supervisors: It is handled in accordance with Article 24 of the Articles of Incorporation of the Company. If the Company makes a profit at the end of the year, it shall allocate no more than 3% as the remuneration of the directors and supervisors. The distribution of remuneration to directors and supervisors shall be reported to the shareholders' meeting. However, when the Company still has accumulated losses, it shall reserve an amount of compensation in advance, and then allocate the remuneration to directors and supervisors in proportion to the percentage in the preceding paragraph. The board of directors shall draft a proposal for the distribution of remuneration to directors and supervisors, and the remuneration to directors and supervisors after the report is submitted to the shareholders' meeting shall be distributed and paid according to their positions and years of service. Remuneration can only be distributed when the Company has a surplus in its final accounts, so it will not cause risks to the Company's future operations. Although the after-tax net profit of the current period is lower than last year, it is reasonable that the remuneration of directors is lower 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)	Wei-Shun Cheng/Yu-Ling Tsai/Te-Feng Wu/Chung-Hsing Huang	Wei-Shun Cheng/Yu-Ling Tsai/Te-Feng Wu/Chung-Hsing Huang	Wei-Shun Cheng/Yu-Ling Tsai/Te-Feng Wu/Chung-Hsing Huang	Wei-Shun Cheng/Yu-Ling Tsai/Te-Feng Wu/Chung-Hsing Huang
NT\$2,000,000 (included) - NT\$3,500,000(excluded)	Chung-Pao Wu/Wen-Cheng Huang/An-Pang Tsao/Tsun-Yen Lee/Mei-Chi Chen	Chung-Pao Wu/Wen-Cheng Huang/An-Pang Tsao/Tsun-Yen Lee/Mei-Chi Chen	Chung-Pao Wu/Wen-Cheng Huang/An-Pang Tsao	Chung-Pao Wu/Wen-Cheng Huang/An-Pang Tsao
NT\$3,500,000 (included) - NT\$5,000,000 (excluded)			Tsun-Yen Lee	Tsun-Yen Lee
NT\$5,000,000 (included) - NT\$10,000,000 (excluded)			Mei-Chi Chen	Mei-Chi Chen
NT\$10,000,000 (included) - NT\$15,000,000 (excluded)				
NT\$15,000,000 (included) - NT\$30,000,000 (excluded)				
NT\$30,000,000 (included) - NT\$50,000,000 (excluded)				
NT\$50,000,000 (included) - NT\$100,000,000 (excluded)				
Over NT\$100,000,000				
Total	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 2021 (including director's salary, duty allowance, severance pay, bonuses, rewards, etc.).

- Note 3. The allocation of remuneration to directors for 2021 is based on the amount approved by the board of directors in 2022.
- Note 4. The directors' professional practice payments in 2021 (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 2021. 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 2022, as approved by the board of directors, a total of NT\$58,569 thousand of employee remuneration for the directors was allocated for 2021, which will be reported to the 2022 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 2021 is NT\$672,901 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, 2021 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			
President	Ya-nan Chen	6,117	11,511	220	383	12,903	19,972	12,333	0	12,333	0	4.69	6.57	0
Vice President	Yu-tzu Huang (Note 1)													
Vice President	Chien-nan Hsu													
Vice President	Ming-chi Li(Note 2)													

Note 1. Vice President of Global Research and Development Division Yu-tzu Huang retired on September 30, 2021.

Note 2. Vice President of Department of Manufacturing, Taiwan Ming-chi Li resigned on April 14, 2021.

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

Table of Remuneration Ranges

The Remuneration Ranges of the President and Deputy Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	All companies included in the financial
Less than NT\$1,000,000		
NT\$1,000,000 (included) - NT\$2,000,000 (excluded)	Ming-chi Li(Note 10)	Ming-chi Li(Note 10)
NT\$2,000,000 (included) - NT\$3,500,000(excluded)		
NT\$3,500,000 (included) - NT\$5,000,000 (excluded)	Yu-tzu Huang(Note 11)	Yu-tzu Huang(Note 11)
NT\$5,000,000 (included) - NT\$10,000,000 (excluded)		
NT\$10,000,000 (included) - NT\$15,000,000 (excluded)		Chien-nan Hsu
NT\$15,000,000 (included) - NT\$30,000,000 (excluded)	Ya-nan Chen	Ya-nan Chen
NT\$30,000,000 (included) - NT\$50,000,000 (excluded)		
NT\$50,000,000 (included)~NT\$100,000,000 (excluded)		
Over NT\$100,000,000		
Total	3 persons	4 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 2021.

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 2021. If housing, vehicle, or other means of transportation, or personal expenses are provided, the nature and cost of such assets provided, the rental calculated based on the actual cost or the fair market value, fuel, and other payments shall be disclosed. If a chauffeur is provided, disclose compensation paid to the chauffeur in a note; however, do not calculate such as part of the remuneration of the President and Vice Presidents. In addition, any salary listed under IFRS 2 Share-Based Payment, including employee stock warrants, new restricted employee shares, and cash capital increase by stock subscription, shall also be included in remuneration.

Note 4. The employee compensation distribution in 2021. After the board of directors approved the distribution of employee compensation in 2022 in the amount of amount NT\$58,569 thousand, the distribution situation will be reported to the 2022 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 2021 is NT\$672,901 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.
- Note 10. Vice President of Department of Manufacturing, Taiwan Ming-chi Li resigned on April 14, 2021.
- Note 11. Vice President of Global Research and Development Division Yu-Tzu Huang retired on September 30, 2021.
- * 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, 2021 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	16,995	16,995	1.74
	Vice President, Global Sales Division	Chien-nan Hsu				
	Vice President, Global Research and Development Division	Yu-Tzu Huang (Note 5)				
	Assistant Vice President in Accounting/ Global Finance and Accounting Division	Chia-ling Chih (Note 6)				
	Assistant Vice President/ Global Finance and Accounting Division	Wan-Ming Huang (Note 7)				
	Vice President, Department of Manufacturing, Taiwan	Ming-Chi Li (Note 8)				

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 2020 was distributed in 2021.

Note 5. Vice President of Global Research and Development Division Yu-Tzu Huang retired on September 30, 2021.

Note 6. Note Assistant Vice President of Global Finance and Accounting Division Wan-Ming Huang retired on August 31, 2021.

Note 7. Assistant Vice President of Global Finance and Accounting Division Wan-Ming Huang retired on August 10, 2021.

Note 8. Vice President of Department of Manufacturing, Taiwan Ming-chi Li resigned on April 14, 2021.

- (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			
	2020		2021	
	The Company	Consolidated financial statements	The Company	Consolidated financial statements
Director	1.37	1.37	2.09	2.09
Independent Director	0.88	0.88	1.15	1.15
Supervisor	0.36	0.36	-	-
President and Vice Presidents	3.98	5.04	4.69	6.57

- Note 1. The amount of employee bonuses and the remuneration of directors and supervisors for the managers for 2020 are calculated based on the proportion of the amount actually distributed last year.
- Note 2. As the shareholders' meeting decided to set up an Audit Committee to replace the supervisors on June 23, 2020, the supervisors were dismissed on June 23, 2020, and the current year's remuneration was paid in proportion to the number of days in office.
- Note 3. The net income after tax here refers to the net income after tax in the amount of NT\$ 672,901 thousand in the Company's 2021 individual financial statements with IFRS adopted, and the net income after tax in the 2020 individual financial statements with IFRS adopted were in the amount of NT\$976,857 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/supervisors :

It is handled in accordance with Article 24 of the Articles of Incorporation of the Company. If the Company makes a profit at the end of the year, it shall allocate no more than 3% as the remuneration of the directors and supervisors. The distribution of remuneration to directors and supervisors shall be reported to the shareholders' meeting. However, when the Company still has accumulated losses, it shall reserve an amount of compensation in advance, and then allocate the remuneration to directors and supervisors in proportion to the percentage in the preceding paragraph. The board of directors shall draft a proposal for the distribution of remuneration to directors and supervisors, and the remuneration to directors and supervisors after the report is submitted to

the shareholders' meeting shall be distributed and paid according to their positions and years of service. Remuneration can only be distributed when the Company has a surplus in its final accounts, so it will not cause risks to the Company's future operations.

(2) President and Vice Presidents

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

IV. Implementation of Corporate Governance

(I) Operations of board of directors

A total of 5 (A) board meetings were held in 2021. 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	5	0	100	Re-elected on Jun. 23, 2020
Director	Tsun-yen Lee	5	0	100	Re-elected on Jun. 23, 2020
Director	Chung-pao Wu	5	0	100	Re-elected on Jun. 23, 2020
Director	Yu-ling Tsai	5	0	100	First elected on Jun. 23, 2020
Director	Te-feng Wu	5	0	100	First elected on Jun. 23, 2020
Independent Director	An-pang Tsao	5	0	100	Re-elected on Jun. 23, 2020
Independent Director	Wen-cheng Huang	5	0	100	Re-elected on Jun. 23, 2020
Independent Director	Chung-hsing Huang	5	0	100	First elected on Jun. 23, 2020
Independent Director	Wei-shun Cheng	5	0	100	First elected on Jun. 23, 2020

The independent directors' attendance at board meetings in 2021 and 2022 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
		January. 29, 2021	Mar. 23, 2021	May 14, 2021	August 10, 2021	November 9, 2021	January 14, 2022	March. 15, 2022
Independent Director	An-pang Tsao	●	●	●	●	●	●	X
Independent Director	Wen-cheng Huang	●	●	●	●	●	●	●
Independent Director	Chung-hsing Huang	●	●	●	●	●	●	●
Independent Director	Wei-shun Cheng	●	●	●	●	●	●	●

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 36–38.

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

Date of the Board of Directors	Bill Contents	Reasons for avoidance of interest and participation in voting
March 15, 2022 Eleventh of the 14th session	Bill of lifting the restriction of directors' prohibition of business strife	Director Wu, De-Feng is an interested party in this bill, and according to Article 206 of the Company Law, he did not participate in the discussion and vote, so this bill was passed

III. Information such as the evaluation cycle and period, evaluation scope, evaluation method and evaluation content of self (or peer) evaluation by the board of directors of the Company is disclosed in the following table.

Frequency	Period	Scope	Method	Content	Evaluation results
Once a year	From January. 01, 2021 To December. 31, 2021	Director	Self-evaluation of Directors	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.	The overall average score was 4.81 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.
		Individual Director	Self-evaluation of Directors	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.	The overall average score was 4.85 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.
		Functional Committees	Self-evaluation of Directors	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 functional committees. (5)Internal control	The average score of the committees was 4.97 points (out of 5 points), and the evaluation results were excellent, indicating that all functional committee members have fulfilled their responsibilities, and the overall operation was adequate in line with the requirements of corporate governance to enhance the functions of the board of directors effectively.

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

- (I) Improve the functions of board of directors:
- (1) Chenbro believes that a well-established governance system and an efficient board of directors are the foundation of corporate governance. Based on this principle, the Company has established a Remuneration Committee. After the re-election of directors and supervisors in 2020, the Audit Committee was established and the supervisor was abolished, to assist the board of directors in performing its duties and strengthen management functions.
 - (2) Please refer to pages 34-36 for the composition and responsibilities of the board of directors.
 - (3) Strengthen corporate governance: The Company has formulated and approved by the Board of Directors the Code of Good Faith, the Code of Corporate Governance, the Code of Corporate Social Responsibility, the Performance Evaluation Method of the Board of Directors and the Rules of Procedure of the Board of Directors (including the standard operating procedures for handling directors' requirements), and in accordance with the Performance Evaluation Method of the Board of Directors, the Board of Directors, individual directors and the functional committee regularly complete the performance evaluation by self-evaluation every year.
 - (4) Improve information transparency: The Company has formulated and approved by the Board of Directors the Operating Procedures for Internal Material Information Processing.

(II) Assessment of the implementation:

The Company adheres to information transparency consistently. In 2021, the board of directors met 5 times. The average actual attendance rate of directors reached 100%. A team of CPAs was invited to attend in non-voting capacity to provide opinions and held 7 investor conferences in 2021 to improve investors' recognition of the Company.

On March 17, 2020, the Board of Directors of the Company adopted the Performance Evaluation Method for the Board of Directors, and completed the performance evaluation on March 15, 2022, and reported the performance evaluation results to the Audit Committee and the Board of Directors respectively. The comprehensive evaluation of this performance evaluation is excellent. Overall, the operation of the Board of Directors is good, and it will be continuously strengthened according to the performance self-evaluation results of this Board of Directors, so as to improve the corporate governance effect.

Independent directors' opinions on material proposals or resolution results

Board of Directors	Proposal content and subsequent response	Circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors' dissenting or qualified opinion
14th term 5th meeting January. 29, 2021	1. The Remuneration Committee of the Company met on January 29, 2021 to resolve the distribution of salaries and year-end bonuses to managers.		N/A
	2. Assessed CPAs' independence	V	N/A
	3. Amended the Company's Articles of Incorporation.	V	N/A
	4. Planned to recovery and cancelation of new restricted employee shares for capital reduction.	V	N/A
	5. Formulated the shareholder proposal operations for the 2021 annual general meeting.		N/A
	6. Matters related to the holding of the Company's 2021 annual general meeting.		N/A
	7. Proposal for increase of the financing limit for investment plans for purchasing land, building factories, purchasing new machinery and equipment, and mid-term working capital in response to the Ministry of Economic Affairs' "Action Plan for Welcoming Overseas Taiwanese Businesspeople to Invest in Taiwan".	V	N/A
	The Company's response to independent directors' opinions: None. Resolution result: All the directors present passed the resolution.		
14th term 6th session Mar. 23, 2021	1. The Company's 2020 Statement on Internal Control System.	V	N/A
	2. The Company's 2020 business report and financial statements.	V	N/A
	3. The Company's 2020 earnings distribution proposal.	V	N/A
	4. The Company convened the Remuneration Committee on March 23, 2021, and resolved the 2020 employee compensation and the distribution of directors' and supervisors' remuneration.		N/A
	5. The Company planned to amend some of the rules and regulations.	V	N/A

Board of Directors	Proposal content and subsequent response	Circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors' dissenting or qualified opinion
	6. Added new proposals for the Company's 2021 annual general meeting.		N/A
	7. The Company planned to distribute US\$2.37 million from the capital surplus of Procace & Morex Corporation.		N/A
	8. The Company planned to issue a cash dividend of US\$2.42 million from ADEPT International Company.		N/A
	9. The company planned to issue cash dividends from Micom-Source Holding Co.		N/A
	10. The Company's amendment to the Articles of Incorporation.	V	N/A
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution.		
14th term 7th meeting May 14, 2021	1. The Remuneration Committee of the Company met on May 14, 2021 to resolve the distribution of remuneration of directors, supervisors, and the managers. The bill of payment of directors' remuneration and managers' remuneration of committee, directors and supervisors.		N/A
	2. Planned to recovery and cancelation of new restricted employee shares for capital reduction.		N/A
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution.		
14th term 8th meeting August. 10, 2021	1. The bill of the Company's intend to change its stock affairs agency.		N/A
	2. The bill of change of Accounting Supervisor and Corporate Governance Supervisor of the Company.	V	N/A
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution.		
14th term 9th meeting November 9, 2021	1. Drafted the Company's 2022 audit plan.	V	N/A
	2. The BILL of change of R&D supervisor of the Company.		N/A
	3. Planned to recovery and cancelation of new restricted employee shares for capital reduction.		N/A
	4. Responsible for remuneration of CPAs.	V	N/A
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution.		
14th term 10th meeting January 14, 2022	The Remuneration Committee of the Company met on January 14, 2022 to resolve the distribution of remuneration of directors, supervisors, and the managers.		N/A
	2. The Company's 2022 business plan and budget.		N/A
	3. The Company's discussion matters and proposals for the 2022 annual general meeting.		N/A
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution.		
14th term 11th meeting March. 15, 2022	1. Deliberated the Company's allocation of 2021 employee compensation and the remuneration of directors.		N/A
	2. The Company's 2021 business report and financial statements.	V	N/A
	3. The Company's 2021 earnings distribution proposal.	V	N/A
	4. Situation about the Company's change of accountants and regular evaluation of the independence of certified accountants.	V	N/A
	5. Responsible for appointment, and remuneration of CPAs.	V	N/A
	6. The Company's 2021 Statement on Internal Control System.	V	N/A

Board of Directors	Proposal content and subsequent response	Circumstances referred to in Article 14-3 of the Securities and Exchange Act	Independent directors' dissenting or qualified opinion
	7. Planned to recovery and cancelation of new restricted employee shares for capital reduction.		N/A
	8. Removal of the Company's non-compete clause for directors	V	N/A
	9. Amended the Company's Articles of Incorporation.	V	N/A
	10. The Company planned to amend some of the rules and regulations.	V	N/A
	11. The Company's discussion matters and proposals for the 2022 annual general meeting.		N/A
	The Company's response to independent directors' opinions: None.		
	Resolution result: All the directors present passed the resolution.		

(II) The status of operations of the Audit Committee 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 7 times in 2021 and 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	An-pang Tsao	6	0	85.71	
Independent Director	Wen-Cheng Huang	7	0	100	
Independent Director	Chung-Hsing Huang	7	0	100	
Independent Director	Wei-Shun Cheng	7	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	Matters listed in Article 14 -5 of the Securities and Exchange Act	If two-thirds of all directors have passed a resolution but it was not approved by the Audit Committee
1st term 4th meeting January. 29, 2021	1. Assessed CPAs' independence	V	None
	2. Amended the Company's Articles of Incorporation.	V	None
	3. Proposal for increase of the financing limit for investment plans for purchasing land, building factories, purchasing new machinery and equipment, and mid-term working capital in response to the Ministry of Economic Affairs' "Action Plan for Welcoming Overseas Taiwanese Businesspeople to Invest in Taiwan".	V	None
	The resolution results of audit committee (January 29, 2021): 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, it is not applicable.		
1st term 5th meeting Mar. 23, 2021	1. The Company's 2020 Statement on Internal Control System.	V	None
	The Company's 2020 business report and financial statements.	V	None
	The Company's 2020 earnings distribution proposal.	V	None
	4. The Company planned to amend some of the rules and regulations.	V	None
	5. The Company's amendment to the Articles of	V	None

Audit Committee	Proposal content and subsequent response	Matters listed in Article 14 -5 of the Securities and Exchange Act	If two-thirds of all directors have passed a resolution but it was not approved by the Audit Committee
	Incorporation.		
	The resolution results of audit committee (March 23, 2021): 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, it is not applicable.		
1st term 6th session May 14, 2021	The bill of the increase and renewal of the company's bank credit line.	V	None
	The resolution results of audit committee (May 14, 2021) 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, it is not applicable.		
1st term 7th meeting August. 10, 2021	The bill of change of Accounting Supervisor and Corporate Governance Supervisor of the Company.	V	None
	The resolution results of audit committee (August 10, 2021) 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, it is not applicable.		
1st term 8th meeting November 9, 2021	1. Drafted the Company's 2022 audit plan.	V	None
	2. Responsible for remuneration of CPAs.	V	None
	The resolution results of audit committee (November 9, 2021) 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, it is not applicable.		
1st term 9th meeting March. 15, 2022	1. The Company's 2021 business report and financial statements.	V	None
	2. The Company's 2021 earnings distribution proposal.	V	None
	3. Situation of the company's change of accountants and regular evaluation of the independence of certified accountants.	V	None
	4. Responsible for appointment, and remuneration 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 planned to amend some of the rules and regulations.	V	None

Audit Committee	Proposal content and subsequent response	Matters listed in Article 14 -5 of the Securities and Exchange Act	If two-thirds of all directors have passed a resolution but it was not approved by the Audit Committee
	The resolution results of audit committee (March 15, 2022) 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, 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 in 2021:

Date	Summary	Results	Results of the Company's response independent directors' opinions
January 29, 2021 Audit Committee	Report the implementation of the audit plan of the Company in January 2021.	Approved as proposed	Independent directors had no opinion
March 23, 2021 Audit Committee	Report the implementation of the audit plan of the Company from February to March, 2021 and the expected implementation plan in April, 2021.	Approved as proposed	Independent directors had no opinion
	The Company's 2020 Audit Statement on Internal Control System.	Submitted to the board of directors after	Independent directors had no opinion

Date	Summary	Results	Results of the Company's response independent directors' opinions
		deliberation and approval	
May 14, 2021 Audit Committee meeting	Report the implementation of the audit plan of the Company since April 2021 and the expected implementation plan in May 2021.	Approved as proposed	Independent directors had no opinion
August 10, 2021 Audit Committee meeting	Report on the execution of internal audit business from June to August in 2021.	Approved as proposed	Independent directors had no opinion
November 9, 2021 Audit Committee meeting	Report on the execution of internal audit business from September to November of 2021.	Approved as proposed	Independent directors had no opinion
	Report on 2022 annual audit plan.	Submitted to the board of directors after deliberation and approval	Independent directors had no opinion
November 9, 2021 Separate Meeting	Discuss whether the internal control audit is difficult to perform operations, whether the main problems found are difficult to perform improvement tracking, and report the main operational audit work direction in 2022.	Approved as proposed	Independent directors had no opinion
November 9, 2021 Audit Committee	Report that the company's audit plan in 2021 has been completed, the implementation in January 2022 and the expected implementation plan in February 2022.	Approved as proposed	Independent directors had no opinion
March 15, 2022 Audit Committee	Report the implementation of the audit plan of the Company from February to March 2022 and the expected implementation plan in April 2022.	Approved as proposed	Independent directors had no opinion
	The Company's 2021 Audit 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 in 2021:

Date	Summary	Results	Results of the Company's response independent directors' opinions
March 23, 2021 Audit Committee	Report on audit results of 2020 consolidated financial statements and 2020 individual financial statements, and discussion and communication on the impact of some new legal amendments.	Submitted to the board of directors after deliberation and approval	Independent directors had no opinion
May 14, 2021 Audit Committee	Report on audit results of consolidated financial statements for the first quarter of 2021, 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 10, 2021 Audit Committee	Report on audit results of consolidated financial statements for the second quarter of 2021, 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
November 9, 2021 Audit Committee	Report on audit results of consolidated financial statements for the third quarter of 2021, 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 15, 2022 Separate Meeting	Progress of compiling the financial report and whether there is any need for assistance in the checking process.	Approved as proposed	Independent directors had no opinion
March 15, 2022 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

(II) 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 www.chenbro.com , and has been disclosed on the Market Observatory Post System (MOPS) at: https://mops.twse.com.tw/mops/web/index	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, and regularly files reports on changes in the equity of directors, supervisors, and managers.	
(III) Does the company establish and enforce risk control and firewall systems with its affiliated businesses?	V		(III) The financial, business, and management powers and responsibilities between the affiliated enterprises are independent. The business between the affiliated enterprises is based on the principle of fairness and reasonableness, and handled in accordance with relevant operating standards.	
(IV) Does the company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?	V		(IV) The Company formulated the Procedures for Handling Material Inside Information on December 29, 2009, and made the third amendment on May 12, 2020 to prohibit the Company's insiders from using undisclosed information on the market to buy and sell securities.	
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 has been formulated. The nomination and selection of members of the Company's board of directors is in accordance	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	
			<p>with the Company's Articles of Incorporation, and the Company adopts a candidate nomination system. In addition to evaluating the education, experience, and qualifications of each candidate, the Company refers to the opinions of stakeholders and abides by the Rules of Election of Directors and Supervisors and the Company's Corporate Governance Best Practice Principles to ensure the diversity and independence of directors.</p> <p>2. The members of the board of directors of the Company are based on the diversity policy according to the Company's operation, operation type, and development needs. Among the 9 newly elected directors in 2020, there are 3 female directors; in addition to the diversity and gender equality, when directors are selected, the directors' management ability, crisis management ability, financial accounting expertise, and other abilities will be evaluated to meet the purpose of and implement the diversity policy of the director structure. For details of directors' specialty fields, please refer to Note 1 on page 48</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%; two independent directors have been in office for 6–9 years, and the other one for 12 years. Seven are between 60 and 69 years old, and 2 was under 60 years old.</p> <p>4. The board of Directors' policy on membership diversity is disclosed on the company's website and open information Observatory.</p>	<p>No major differences.</p> <p>No major differences.</p> <p>No major differences.</p>
(II) In addition to the Remuneration Committee and the Audit Committee established according to law, has the company voluntarily established other functional committees?		V	(II) The Company held a re-election in 2020 and the board of directors has set up an Audit Committee. In the future, other functional committees may be set up according to actual operational needs.	No major differences.
(III) Has the company established standards to measure the performance of the board, and does the company implement such standards annually? Does it report the results of the performance evaluation to the board and use them as a reference for each director's remuneration and nomination of term renewal?	V		(III) In order to implement corporate governance and enhance the function of the Company's board of directors, the Company has formulated the Rules of the Board of Directors Performance Evaluation on Mar. 17, 2020. Performance evaluation will be conducted annually and regularly, and the results of the performance evaluation will be reported to the board of directors.	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	
(IV) Has the company implemented assessment of the independence of the CPAs regularly?	V		(IV) 1. According to Article 29 of the Company's Corporate Governance Best-Practice Principles, the independence of the appointed CPAs shall be assessed at least once a year. 2. The Company has formulated the Regulations for Selection and Review of Certified Public Accountants on Nov. 10, 2014. 3. PwC Taiwan has reported on and declared the independence of its CPAs at the board meeting on March 15, 2022. Please refer to the description on page 49. 4. The Finance and Accounting Division of the Company evaluates the independence of CPAs once a year, and submitted the results to the board of directors on March 15, 2022, which were approved after deliberation. The CPAs met the Company's independence criteria in the assessment in the most recent year and are able to serve as the Company's CPAs. Please refer to the description on pages 49–51 for the CPA independence assessment questionnaire.	No major differences.
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 August 10, 2021 to appoint Wan-Ming Huang, director of 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. Please refer to Note 4 on page 52 for the corporate governance officer's business execution and continuing education in 2021.	No major differences.
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		The Company has engaged spokespersons, acting spokespersons, and staff dedicated to investor relations, to be responsible for real-time communication with investors through various channels (including telephone, mail, email, company website, etc.). In addition, 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	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	
			information filing operation method, so that stakeholders can quickly understand the communication channels for various relevant issues and obtain appropriate response, the content of which is detailed on page 76-78 of this annual report.	
VI. Does the company appoint a professional shareholder service agency to handle shareholder affairs?	V		The Company's stock affairs agency is the stock affairs agency department, Yuanta Securities Co., Ltd., the website is: 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?	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 www.chenbro.com	No major differences.
(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		(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.	
(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 74-78	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 8th (2021) Corporate Governance Evaluation Company have not announced. In the 7th (2020) 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 board of directors of the Company met on May 14, 2021. (2) The Company follows the Core option of Global Reporting Initiative (GRI) G4 Edition Program (G4 Edition) to prepare and declare the Enterprise Sustainability Report, which has not been verified by a third-party certification body.				

Note 2. Statement on Independence of CPAs

Independence of CPAs

Independence

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

Note 3. Questionnaire for assessment of CPAs' independence

Chenbro Micom Co., Ltd.

Evaluation Form for CPAs

Review Date: March 15, 2022

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.	✓			

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	
09	The CPA does not have a CPA partner who has retired for less than one year and does not serve as a director or manager or a position that has a significant influence on audit projects at Chenbro.	✓			
10	The CPA or member of the audit service team does not receive gifts or special offers of great value from Chenbro or Chenbro's directors, managers, or major shareholders.	✓			
11	The CPA is currently not employed by the client or audited entity to perform routine work for which he or she receives a fixed salary, or currently serves as a director or supervisor thereof.	✓			
12	TWSE/TPEX-listed companies: The CPA has not provided audit services to the Company for seven consecutive years. Non-TWSE/TPEX-listed companies: The CPA has not provided audit services to the Company for ten consecutive years.	✓			
II, Review of Implementation of independence (Where a "No" is check in any of the following items, further understanding of the facts is required)					
No.	Assessment Content	Please check			Note
		Yes	No	N/A	
01	The CPA has recused him/herself from accepting the case if his/her service or he/she has a direct or material indirect relationship with or interest in the matter concerned that may affect his/her fairness and independence.	✓			
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	✓			

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	
	audit procedures, the methods of handling audit issues and judgments, quality control inspections of independence, and risk management.				
04	The CPA firm has promptly notified the audit committee of any material issues and developments in risk management, corporate governance, financial accounting, and relevant risk control.	✓			

Note 4. The corporate governance officer's business execution and continuing education in 2021

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 84 for the continuing education.

➤ The business execution in 2021 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 21-22).	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 6 (A) meetings were held in the most recent year. 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	6	0	100%	Re-appointed on Jun. 23, 2020
Committee Member	Wei-shun Cheng	6	0	100%	Newly appointed on Jun. 23, 2020
Committee Member	Chung-hsing Huang	5	1	83.33%	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 55.

- 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 1st meeting Aug. 11,2020	1. Elected the convener of the 4th Remuneration Committee. 2. Amended the Company's Remuneration Committee Charter. 3. Passed the proposal for new restricted employee shares, regarding the number of the shares allocated to managers.	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
4th term 2nd meeting January 29, 2021	The Company's distribution of the managers' salary and year-end bonuses.	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
4th term 3rd meeting Mar. 23, 2021	1. Deliberated the Company's allocation of 2020 employee compensation and the remuneration of directors and supervisors. 2. The Company's amendment to the Articles of Incorporation.	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
4th term 4th meeting May 14,2021	Deliberated the Company's distribution of remuneration of directors and supervisors as well as managers for 2020	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
4th term 5th meeting January 14, 2022	The Company's distribution of the managers' salary and year-end bonuses.	Passed by the agreement of all committee members.	Submitted to the board of directors and approved by all the directors present.
4th term 6th session March 15, 2022	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.

(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		The company takes the Sustainable Management Promotion Group as its responsibility to promote sustainable management and corporate social responsibility, and takes the sustainable development of enterprises as the highest guiding principle. The chairman and general manager jointly lead colleagues to promote related work. The working 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, and regularly report the annual results to the board of directors.	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 environmental, social and corporate governance issues related to its operations, and formulates relevant risk management strategies, including but not limited to strictly following the local laws and regulations of the factory and the verification requirements of ISO 45001, and carrying out the risk assessment process, hoping to achieve the goal of zero accidents and zero disasters. The factory management representative is responsible for reviewing hazard identification and risk assessment, holding regular safety and health-related meetings, and using internal/external audits to review the applicability of hazard identification and risk assessment, and making timely discussions and modifications.	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		III. Environmental issues (I) In 2019, CHENBRO put forward the project of "Breaking Waste, Sustaining CHENBRO". Based on the environmental protection concept of energy saving and carbon reduction, it promoted waste reduction with comprehensive planning, so that the project results blossomed everywhere. Besides reducing resource waste in management, CHENBRO was committed to "creating low-carbon process" to reduce the impact of production process on the environment. Since 2020, CHENBRO has carried out the "Breaking Waste, Sustaining CHENBRO 2.0 Project" with the concept of in-depth promotion, with two major directions of "improving energy efficiency and optimizing precise production". On the basis of 1.0, CHENBRO has continued to take root, and successively introduced three blocks: Green Process, Sustainable Process and Friendly Environment, and Sustainable Design and Packaging, so as to turn the concept of environmental sustainability into action, and strive to control and reduce the impact of operations on the natural environment. Qinkun Plant has obtained ISO14001 Environmental Management System and ISO14064 Greenhouse Gas Inventory Certification; Qiansheng Plant has obtained ISO14001 Environmental Management System Certification, and will continue to obtain more ISO certifications in the future.	No major differences.
(II) Does the Company committed to improving energy efficiency and using recycled materials with low impact on environmental load?	V		(II) Since 2020, the Company has set up a rotating working group to open source and reduce expenditure, and continuously conduct open source and reduce expenditure inspections for each workshop/office during off-hours, so as to check the electricity consumption, water and air-conditioning usage and shutdown status of each unit. The Chiayi Plant, which was opened in 2022, built an air-conditioning energy-saving structure, adopting a component ice storage system, using electricity to store	No major differences.

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
(III) Does the Company evaluate the current and future potential risks and opportunities of climate change, and adopt countermeasures related to climate issues?	V		<p>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> <p>(III) In addition to conducting research and development through the sustainability Team, 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 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 gradually realize the commitment of diligent and sincere green products.</p>	No major differences.
(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>(IV) 1. The company's data collection covers two factories in Chinese mainland, and the data are presented annually.</p> <p>(1) Greenhouse gas: The data collected by the Company are mainly in Category I and Category II, of which 10,763.76 tons were discharged in 2019, accounting for 0.15% of the turnover; 10,830.64 tons was discharged in 2020, accounting for 0.14% of the turnover; 11,973.89 tons was discharged in 2021, accounting for 0.13% of the turnover.</p>	No major differences.

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
			<p>(2) Water consumption: In 2019, a total of 11,800 tons of water was recovered, accounting for 2.4% of the turnover; In 2020, a total of 9,000 tons of water was recovered, accounting for 1.8% of the turnover; In 2021, a total of 9,000 tons of water was recovered, accounting for 1.6% of the turnover.</p> <p>(3)Waste: A total of 744.9 tons of waste were reused in 2019, 2,307.87 tons in 2020 and 2,071.36 tons in 2021.</p> <p>2. 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> <p>(1) Greenhouse gas: Actively reduce greenhouse gas emissions.</p> <p>(2) Water 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.</p> <p>(3) 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. In the factory area, the waste storage and temporary storage areas are regularly inspected through the inspection table, and the non-conformities are required to be improved and completed within the time limit, 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.</p> <p>(4) Chiayi Plant: The construction project planned with "green building" has been improved in the</p>	

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
			aspects of energy management, water resources management, waste reduction, noise reduction allocation, etc., and invested NT\$ 7.76 million in environmental protection facilities such as wastewater treatment and air pollution treatment to reduce the impact of the production process on the environment. In October 2021, it won the bronze medal of green building.	
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 internationally recognized human rights standards such as the United Nations Universal Declaration of Human Rights, the United Nations Global Covenant, the United Nations Guiding Principles on Business and Human Rights, and the United Nations International Labor Organization. Human resources units are responsible for human rights issues related to employees' operation. Besides introducing RBA management mechanism for risk management, CHENBRO is also committed to creating a gender-friendly working environment, a diversified and inclusive workplace. In terms of policies, CHENBRO has worked out internal measures such as 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.	No major differences.
(II) Has the company formulated and implemented reasonable employee benefits measures (including remuneration, leave, and other benefits), and appropriately reflected the operating performance or achievements in the employee compensation?	V		(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	No major differences.

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?	V		<p>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 diversified welfare programs to take care of employees, including: Bonuses for three major Taiwanese holidays, birthday/marriage/childbirth allowances, employee stock ownership trust, a year-end party, welfare committee activities, club activities and subsidies, high-value group insurance, and health check ups, parking subsidies, meal subsidies, and many other employee benefits.</p>	No major differences
			<p>(III) 1. In line with the safety inspections of various government units, regular education and training are held as follows:</p> <p>(1) Assign general affairs staff to participate in labor safety and health training courses regularly.</p> <p>(2) Conduct annual fire safety inspections.</p> <p>(3) Conduct public safety inspections of buildings every two years.</p> <p>(4) Conduct regular inspection of drinking water.</p> <p>(5) Appoint cleaning companies to send dedicated personnel to provide services in the work environment.</p> <p>(6) Regularly organize employee health checkups and advanced health checkups for senior executives.</p> <p>(7) Occupational health and safety policy: Committed to establishing an occupational health</p>	No major differences

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>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. CHENBRO was shortlisted for the 2021 Healthy Corporate Citizenship Award of Common Health, gaining recognition to promote workplace health in Taiwan and improve the healthy productivity of employees.</p> <p>3. In 2021, all employees had no occupational diseases or disasters.</p> <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 2021, the total number of education and training courses held was nearly 12,156 hours, and the average training hours per person was about 67.2 hours. The actual implementation of the training plan was as follows:</p> <p>1. 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>2. 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</p>	No major differences

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
			<p>employees' professional ability and core functions.</p> <p>3. Senior management training includes four modules: management ability, professional ability, personal development plan (IDP) and job rotation.</p> <p>(1) In 2021, middle and senior executives were arranged to attend courses on strategic planning, process improvement and talent management development of external management consulting companies, 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> <p>(2) Since 2018, we particularly hired external professional HR consultants to carry out the enhancement and trainings courses for the succession plan execution.</p> <p>(3) It worked with three major EMBA courses with National Taiwan University in 2016 to allow senior executives to learn leadership skills, strategic planning skills, and new career development capabilities; sent senior executives to the National Taiwan University to attend the Global Executive Program to stay up-to-date with the international industry trends in real-time. The courses for senior executives were broad in vision and have economical efficiency, leading entrepreneurs to develop innovative business ideas and international management thinking. In the succession plan, in addition to professional competences, it pays special attention to senior executives' personal core abilities, vision and strategy, planning and organization, coaching and mentoring.</p>	

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
(V) Do the company's product and service comply with relevant regulations and international rules for customers' health and safety, privacy, sales, and labelling, and set policies to protect consumers' rights and consumer complaint procedures?	V		<p>(V) Although the Company rarely directly faces end consumers, Chenbro still values consumers' voice and rights, and provides transparent and efficient complaint procedures and channels for the Company's products and services. The Company has set up a dedicated unit for customer services to be responsible for product service, solving customer problems, and relevant product warranty issues. The repair policy is based on the announcement on Chenbro's official website.</p> <p>Chenbro complies with international regulations and policies, and has announced the implementation of relevant policies on the Company's official website, including policies on quality, green commitment, corporate social responsibility, occupational health and safety, environment, and non-conflict minerals, and has obtained professional certifications including: ISO 9001, ISO 14001, ISO 45001.</p> <p>Products comply with ROHS, REACH, and other international environmental protection regulations, and follow ISO 11469 for the identification and labeling of plastic products. In order to protect consumers from unsafe products, the Company also conducts UL inspections on products, to meet customers' requirements and international safety standards and fulfill the obligations and services of the green environmental protection policy.</p>	No major differences
(VI) Does the company set supplier management policy and request suppliers to comply with relevant standards on the topics of environmental, occupational safety and health, or labor right, and their implementation status?	V		<p>(VI) Chenbro 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 2. Strengthen conflict-free mineral management, ensure that products are not used for restricted substances, check REACH+SVHC high attention to the 	No major differences

Promoted Item	Implementation status			Differences from code of practice for sustainable Development of listed companies and reasons
	Yes	No	Summary	
			specification of substances, and construct material procurement. 3. Promote the green supply chain, and work together with suppliers to clean up the environment. 4. Suppliers sign the corporate social responsibility consent form and actively implement ESG issues.	
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	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 http://www.chenbro.com.tw/ . In 2021, the Chenbro's Sustainability Report was published, which has not been certified by a third-party verification agency. In line with honesty and transparency, Chenbro inspected and disclosed the Company's management strategies and implementation results of sustainability issues for the first time. The specific achievements of Chenbro's implementation of social corporate responsibility have been highly recognized, and it has also been awarded the 2021 Middle-Standing Enterprises Award of CSR Benchmarking Enterprises of the Common Wealth magazine.	No major differences
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: The Company has established the Code of Ethical Conduct and the Ethical Corporate Management Best Practice Principles on March 24, 2014, and the Corporate Social Responsibility Best Practice Principles on April 29, 2015, to fulfill the spirit of corporate social responsibility, and the operating situation is no different from what is stipulated in the principles.				
VII. Other important information to facilitate better understanding of the company's implementation of corporate social responsibility: Please refer to pages 84-87 of this annual report				

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

Evaluation item	Operation situation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
<p>I. Establishment of ethical corporate management policy and implementation measures</p> <p>(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?</p>	V		<p>(I) 1. In order to improve the development of the Company on the basis of honesty and integrity, by integrating the business philosophy of integrity, transparency, and responsibility, the Company established the Code of Ethical Conduct and the Ethical Corporate Management Best Practice Principles on March 24, 2014, and established good corporate governance, a risk control mechanism, and perfect internal control to prevent the occurrence of unethical conduct, in order to create a sustainable business environment for the Company, and implement the Company's work rules and the Code of Ethical Conduct as required. The principles is available in the corporate governance section of the Company's website.</p> <p>2. The Company's employee work rules and the Code of Ethical Conduct stipulate that employees shall not use their jobs to gain illegal benefits, accept entertainment, gifts, or kickbacks, embezzle company funds, engage in illegal behavior, conceal or seek illegal benefits, or accept gifts or rebates or other illegal interests, to prevent unethical conduct.</p> <p>3. The Company also explicitly stipulates that personnel shall not engage in any lending, material asset transactions, guarantees, or other transactions that conflict with the Company's interests in the name of themselves or others, and when performing duties, they shall not request, agree to, deliver, or accept any form of gifts, entertainment, kickbacks, bribes, or other improper benefits for the benefit of themselves, the Company, or third parties.</p>	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		(II) The Company has formulated the Code of Ethical Conduct and the Ethical Corporate Management Best Practice Principles, as well as their regulatory operating procedures, guidelines, disciplinary actions, and a grievance system. It also announces the relevant rules and regulations and codes of conduct to employees, regularly offers education, training, and awareness-raising activities, while incorporating ethical conduct into one of the performance evaluation criteria.	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. Each donation and sponsorship fund of the Company must be reported to the level for approval to comply with internal operating procedures. 2. Offer education to internal employees about relevant rules and regulations to raise their awareness from time to time. 3. Encourage open and transparent communication on professional ethics. When employees encounter relevant problems, in addition to seeking advice from supervisors, they can also contact human resources for appropriate advice. 4. If employees are aware that there is an inconsistency suspected of noncompliance with professional ethics, they have the responsibility to report to their immediate supervisors and human resources supervisors at any time.	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 quarterly audit to ensure that suppliers do comply with Chenbro's relevant regulations.	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		(II) The Company's ethical management operations are promoted or implemented by the Audit Department, Legal Affairs Department, Human Resources Department, Accounting Department, and Chairperson's Office, and the Chairperson's Office is responsible for compiling the implementation status.	No major differences
(III) Does the company establish policies to prevent conflicts of interest, provide appropriate communication channels, and implement them accordingly?	V		(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. 2. When hiring new employees, the Company ask them to sign the Service Commitment Letter. Including compliance with professional ethics, integrity clauses, and conflicts of interest accusal clauses, and a clause requiring all employees to proactively declare any conflicts of interest. 3. Employees can report through channels, such as their unit supervisors, audit supervisors, human resources supervisors, legal supervisors, or whistle-blowing mailboxes, Chenbro Voice-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
(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		(IV) The Company ensures the correctness and integrity of the financial reporting process and relevant controls, and entrusts CPAs to perform audits. The Company also designs relevant internal control systems for operating objectives and risk management procedures. Internal audits are also performed in accordance with the annual audit plan, and the audit results are reported to the board of directors and the management, and the	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>improvement results are tracked to implement ethical management and ensure compliance with laws and regulations. In order to pursue a good corporate culture and sound development, the Company has established the Ethical Corporate Management Best Practice Principles for directors, managers, and employees to comply with. It also prohibits unethical conduct in the code of conduct for employees as a code of conduct for employees in the group. The internal audit unit's must-audit items every year—compliance, which also includes checking the implementation of ethical management, and it shall prepare an audit report to the board of directors.</p> <p>(V) 1. The Company's new recruits training includes education and training on the code of conduct for employees to develop their concept and spirit of ethical management; the semi-annual performance evaluation also includes integrity as one of the employee evaluation items, and a meeting will be held before the performance evaluation to explain the evaluation to strengthen the employees' concept of ethical management.</p> <p>2. The Company's code of conduct for employees incorporates the spirit of the Ethical Corporate Management Best Practice Principles, and the principles are available on the Company's intranet for employees to check at any time.</p>	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. 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		(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 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.	No major differences.
(II) Does the company establish standard operating procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	V		(II) 1. 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 of the case is conducted in an undisclosed manner. In the acceptance, investigation and handling of complaint cases, the personnel involved in the handling of reported cases shall strictly abide by the principle of confidentiality, and shall not disclose the complainant's name, other sufficient identification information and case contents. If there	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>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 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</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	
			<p>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.) ● 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 also set up a "Chenbro Voice" channel, through which employees can report anonymously. 	
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.				

Evaluation item	Operation situation			Deviations from the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Summary	
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
Corporate Governance Best Practice Principles Rules of Procedures for the Shareholders' Meetings Rules of Procedures for the Board of Directors Meetings Rules of Election of Directors Terms and Conditions of Appointment of Independent Directors Code of Ethical Conduct Ethical Corporate Management Best Practice Principles Remuneration Committee Charter Corporate Social Responsibility Best Practice Principles Articles of Incorporation Procedures for Handling Material Inside Information Whistleblower Channels and Protection System Operating Procedures Regulations for the Acquisition and Disposal of Assets Endorsement and Guarantee Regulations Board of Directors Performance Evaluation Regulations The Operating Procedures for Loaning of Funds to Others Audit Committee Charter	MOPS: http:// mops.twse.com.tw/mops/index Query in the "Corporate Governance" section The Company's website: http:// www.chenbro.com

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

1. Employee rights and employee care

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

■ Free from discrimination

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

■ Human resource development

- (1) Talent introduction: The important key to the success and growth of an enterprise comes from having a group of like-minded people with the same vision in their DNA to work together and move forward. In order to strengthen sustainable operation, the Company actively recruits outstanding talents at all levels and from various countries, and recruits them in a fair and open procedure and assigns them to suitable positions. The Company has established an internal NCG program to provide fresh graduates in the workplace with diverse learning opportunities and stages. In-house mentors are assigned to them for guidance, project discussion, competence training, and factory internships are provided, so that fresh graduates can quickly fit in with the workplace and surpass their peers quickly.
- (2) Chenbro Academy: The development of employees is inseparable from the growth of the Company. In order to actively cultivate high-quality talents, the Company provides diverse learning courses, including pre-employment training, professional competence, core functional competence, and management competence; has established a dedicated education and training unit, and hired professional human resource consultants to customize diverse courses for Chenbro, while continuing to increase the investment in employee learning and development, training internal lecturers, passing important knowledge and skills onto new recruits within the Company, and shaping a learning and development environment. In 2021, the total number of education and training courses held was nearly 12,156 hours, and the average training hours per person was about 67.2 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 is determined to strive for high-quality talents, and the salary and remuneration policy is highly competitive. In addition to the salary, through various bonuses,

such as project bonuses, performance bonuses, competition bonuses, year-end bonuses, and employee compensation (bonuses), to motivate employees to capitalize on their potential positively and actively.

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

2. Investor relations

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

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

3. Supplier relationship

Chenbro regards suppliers as long-term partners, and hopes to work with upstream and downstream suppliers to create a sustainable and co-prosperous value chain, and to make continuous progress in quality, technology, environment, human rights, and other aspects. In the future, based on the principles of sustainable development, Chenbro will pay more attention to the promotion of supply chain in governance, environment, and society, in order to work with partners to promote sustainable development. Therefore, in order to strengthen 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.

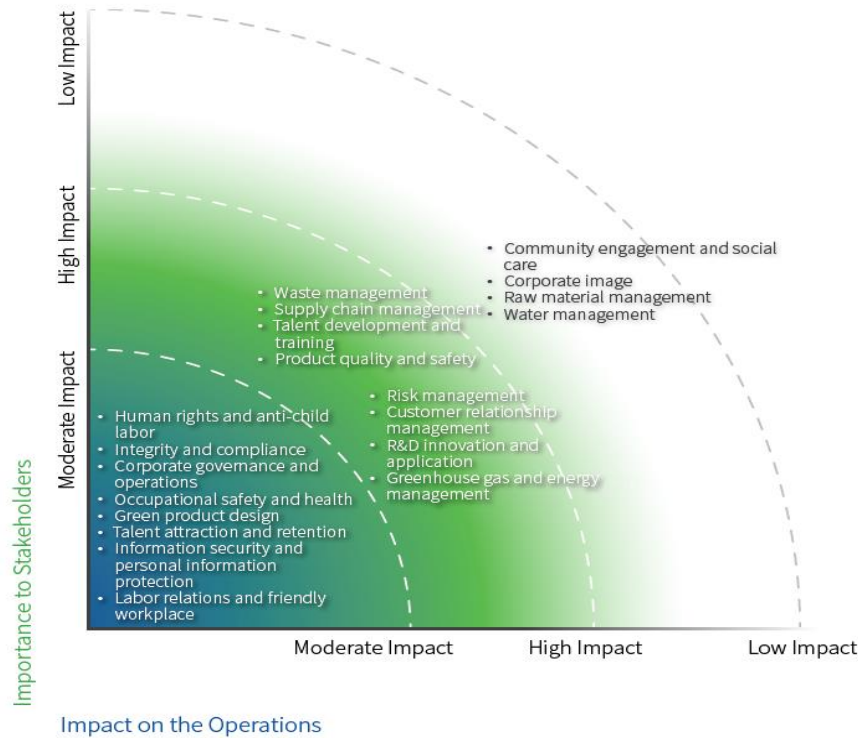
4. Stakeholders' rights

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 page 77-78 for details.

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

Importance and Impact of Sustainability Issues



Stakeholders	Material issues of concern	Communication channels and response methods
Investors	Corporate governance and operations, corporate image, supply chain management, risk control, R&D innovation and application development, integrity and compliance, data security and personal data protection, as well as human rights and against child labor	<ul style="list-style-type: none"> • There are full-time staff dedicated to investor relations • Point of contact: ir@chenbro.com • Annual general meeting • An investor conference is held every quarter to publish quarterly financial statements and operational information. Important information will be announced in real time and will be simultaneously published on the MOPS and the Company's website • An email and contact number are available on the Company's website a smooths communication channel between investors and the Company. Face-to-face communication meetings and teleconferences with domestic and foreign investment institutions are held from time to time. • Face-to-face communication meetings and teleconferences with domestic and foreign investment institutions are held from time to time
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	<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

	and retention, labor-employment relations, and friendly workplace	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</p> <p>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 and energy management, integrity and compliance, data security and personal data protection, as well as human rights and against child labor	<ul style="list-style-type: none"> ●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 84-87 of the annual report and the corporate social responsibility section of the Company's official website ●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 (2021)

Position	Name	Date of Class	Organizer	Class Title	Number of Hours	Total Number of Hours
Director	Mei-chi Chen	September 1, 2021	FSC	The 13th Taipei Corporate Governance Forum	6	9
		November 15, 2021	Taiwan Institute of Directors	The 10th Annual Forum of Ethnic Chinese Family Enterprises	3	
Director	Tsun-yen Lee	September 1, 2021	FSC	The 13th Taipei Corporate Governance Forum	6	6
Director	Chung-pao Wu	September 8, 2021	Taiwan Corporate Governance Association	Opportunities and Challenges for Enterprises to Avoid Climate Disasters	3	6
		October 8, 2021	Taiwan Corporate Governance Association	Discussion on Employee Reward Strategy and Tool Application in Enterprises	3	
Director	Te-feng Wu	November 16, 2021	Taiwan Corporate Governance Association	Operation and Decision-making Effectiveness of Board of Directors	3	6
		November 18, 2021	Taiwan Corporate Governance Association	Case Analysis of Hostile Merger and Acquisition, Competition for Management Rights and Company Counter-measures	3	
Director	Yu-ling Tsai	November 12, 2021	Corporate Securities and Futures Development Foundation of the Republic of China	2021 Publicity Meeting on Preventing Insider Trading	3	9
		Dec. 7, 2021	TWSE	2021 Cathay Pacific Sustainable Finance and Climate Change Summit Forum	6	
Independent Director	Wen-cheng Huang	September 1, 2021	FSC	The 13th Taipei Corporate Governance Forum	3	6
		September	Corporate Securities	The Value of Information	3	

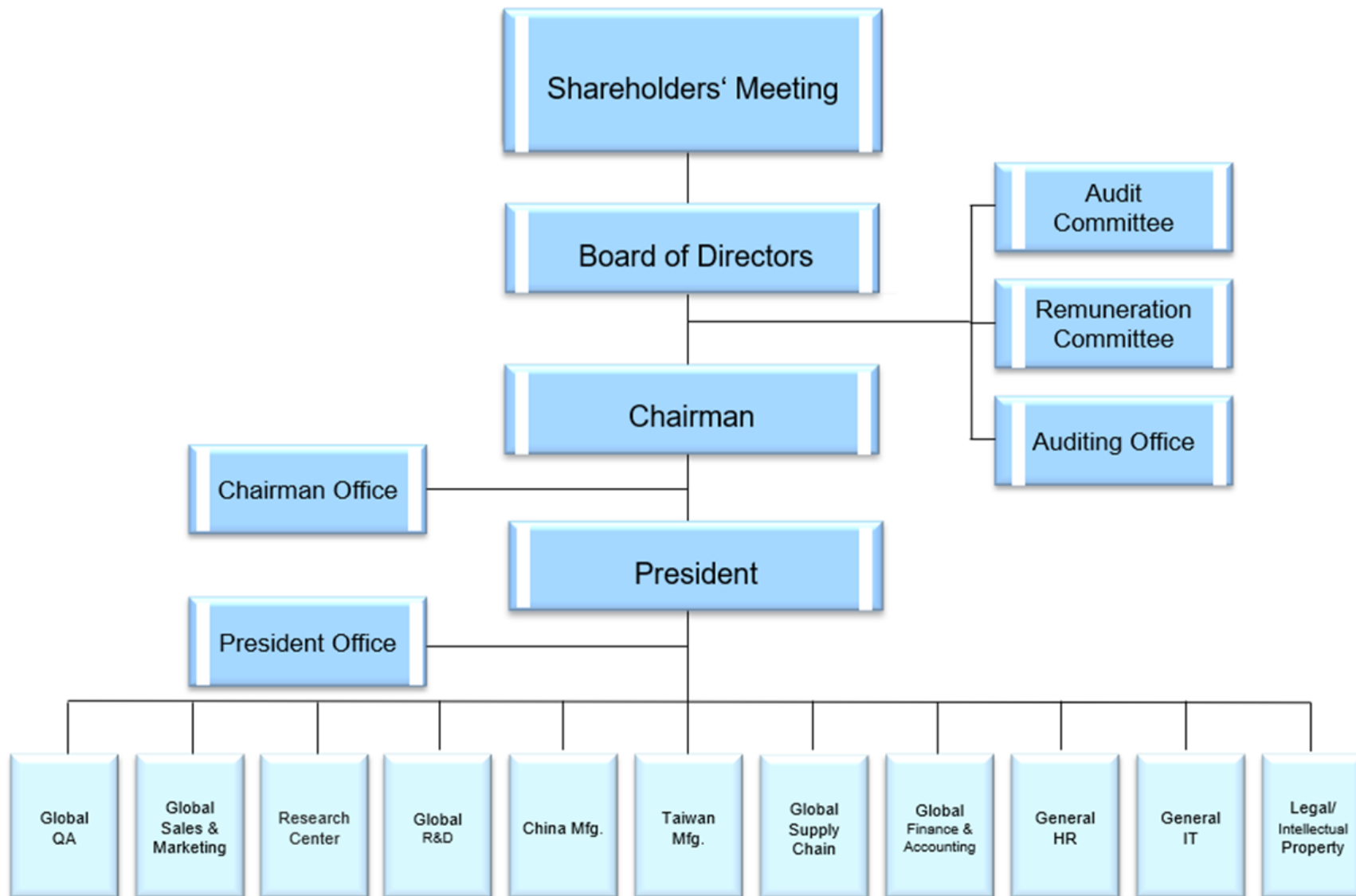
Position	Name	Date of Class	Organizer	Class Title	Number of Hours	Total Number of Hours
		16, 2021	and Futures Development Foundation of the Republic of China	Security in The Post-Pandemic Era and the China-US Trade War		
Independent Director	Chung-hsing Huang	Mar. 16, 2021	Taiwan Corporate Governance Association	Securities Regulations	3	9
		Mar. 16, 2021	Taiwan Corporate Governance Association	Legal Liability of Directors and Supervisors of Public Companies	3	
		Mar. 17, 2021	Taiwan Corporate Governance Association	General trend of CSR and sustainable governance	3	
Independent Director	Wei-shun Cheng	Mar. 23, 2021	China Association of Independent Directors	Strengthen the function of the board from Corporate Governance 3.0	3	11
		May 6, 2021	Securities and Futures Market Development Foundation	Corporate Governance and Securities Regulations	3	
		August 19, 2021	Securities and Futures Market Development Foundation	Discussion on Employee Reward Strategy and Tool Application	3	
		August 31, 2021	Corporate TPEX Securities Trading Center of the Republic of China	2021 Online Forum for TPEX Sustainable Upgrade	2	
Independent Director	An-pang Tsao	April 15, 2021	Taiwan Corporate Governance Association	Directors and Supervisors Responsibility and Risk Management Seminar of Fubon Insurance Co., Ltd.	3	6
		September 1, 2021	FSC	The 13th Taipei Corporate Governance Forum	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	Finance Department	Financial investment review unit (Members: (Members: Global Finance Division, President, 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	System Verification Department, Software R&D Department, Mechanism Design Department, System Architecture Department and Simulation Technology Department.	R&D review unit (Members: (Members: Global Research and Development Division, President, and Chairperson)	
V. Changes in policies and laws VI. Litigation and non-litigation matters VII. Contract formulation and review VIII. Examination of patents, trademarks, and other intellectual property rights	Legal Affairs & Intellectual Property Division	Legal affairs review unit (Members: (Members: President's Office, President, and Chairperson)	
IX. IX. Analysis of technological and industrial changes X. X. Changes in products and corporate image	Prospective R&D Center Product Development Management Department Standard Product Project Division Enterprise Marketing Division	Marketing review Unit (Members: (Members: Executive Vice-President, President, and Chairperson)	
XI. Production and sales coordination XII. Expansion of plants or production XIII. Centralized purchase or sales	Dongguan Procace Electronic Co., Ltd., Chenbro Technology (Kunshan) Co, Ltd., Section of Outsourcing Molds, Production Management Section, Procurement Section, Storage and Transportation Section, Sales Department, U.S. subsidiary, European subsidiary, Greater China area, and salespeople of Chenbro Technology (Kunshan) Co, Ltd.	Production and sales review unit (Members: (Members: Global Supply Chain Management Division, China/Taiwan manufacturing centers, Global Sales Division, President, and Chairperson)	
XIV. Changes in the equity of directors, supervisors, and major shareholders XV. Changes in operating rights	Accounting Department and Board of Directors	Operation review unit (Members: (Members: Global Finance Division, Chairperson, and the Board of Directors)	
XVI. Information security risks	Global Information Division	Information security review unit (Members: (Member: Global Information Division and President)	

7. Implementation of customer policy

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

8. Purchases liability insurance for directors and supervisors

Party insured	Insurance company	Insured amount (NTD)	Policy period	Date of submission to the board of directors
All directors	Fubon Insurance Co., Ltd.	294,900,000	From: September 7, 2020 To: September 7, 2021	November 10, 2020
All directors	Fubon Insurance Co., Ltd.	276,250,000	From: September 7, 2021 To: September 7, 2022	November 9, 2021

9. Managers' continuing education and training in corporate governance (2021):

Position	Name	Date of Class	Organizer	Class Title	Number of Hours	Total Number of Hours
Assistant Vice President, Global Finance and Accounting Division Accounting Assistant	Wan-Ming Huang	September 1, 2021	FSC	The 13th Taipei Corporate Governance Forum	6	9
		October 27, 2021	Taiwan Corporate Governance Association	2021 Annual Insider Equity Trading Law Compliance Propaganda Meeting	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 4 consecutive years, was promoted to sixth place in 2021. Its contribution to social participation has been recognized by the judges, which has motivated us to make continuous progress in the hope of bringing more positive energy to the society.

(1) Environmental sustainability

A. Environmental actions

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

B. Continue to support green transformation

Since 2018, friendly enterprises and the Internet were launched in series to jointly rescue 3,000 bags of green farmers' nontoxic onions in Pingtung. So far, Chenbro has continuously initiated the subscription of green agricultural products every year, including: Organic pear, non-toxic onion, organic avocado, organic mango, jam and dried fruit products, in addition to the employees' subscription, these will be used as the accompanying gifts for annual festivals and activities, and these healthy and delicious food will be shared with customers, suppliers and external partners. It is hoped that more people will support changing the inertia farming method to friendly planting, purchasing agricultural products at fair prices, safeguarding farmers' rights and sustainable production methods.

(2) Social participation

A. Giving back to hometown to promote innovative education-"169 school times; 534 volunteers; 4,272-hour service"

Since 2013, Chenbro has cooperated with Xergo and Aaeon Culture and Education Foundation to promote Yunlin children's education, bringing art resources to the corners of rural areas, and taking this as a starting point, it has been gradually extended to science and technology, music and environmental education. By the end of 2021, 169 schools have participated in the project promotion. This year, three educational projects are invested in order to enrich the learning horizon of children in rural areas.

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

In 2018, it has implemented the Yunlin Science and Technology New Paradise Project, in which the expertise and resources of five science and technology education foundations are integrated to develop science and technology education based on the concept of paradise. The Company has worked to bringing resources to schools, and arranged the Life Technology School Exhibition Tour based on the five themes of food, clothing, housing, travel, and future to showcase daily-life technology application examples. In addition, the modularized digital teaching materials developed for the DIY activities at the exhibition provide modularized and digital teaching materials to enhance the effectiveness of the event. Furthermore, the science DIY activities and the Taipei Science and Technology Exploration and Learning Tour aimed to promote the daily life science to basic education in a simple and profound way. Due to the epidemic situation, the study tour of 2021 Science and Technology New Paradise will be extended to 2022.

Magic House of Classical Music: 2019—present

The "Magic House of Classical Music" was launched in 2019, to extend teaching through five categories of exhibitions: woodwind, brass, string, keyboard and percussion, supplemented by music guide, music flash, music tour, music exploration and learning tour to enrich children's music literacy. For the sake of epidemic prevention, the original study tour was changed to visit school, so that children can still feel the characteristics and related

knowledge of each scenic spot at school through the introductory films recorded in advance at the scenic spots; And invite the Jiasong ensemble to hold a concert on Yunlin campus, so that children can experience the beauty of music.

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

As the earth's environment has undergone man-made destruction, Chenbro will invest NT\$1.1 million and work with the Chi Po-lin Foundation for the first time to promote environmental education in the theme of "Environmental Taiwan". In 2021, the photography exhibition directed by Chi, Po-lin has been carried out, five environmental issues have been designed, and the "Campus Environmental Education Tour Exhibition" has been launched, and the digital modular teaching materials have been used for in-depth promotion on campus. In 2022, the theme of "Environmental Education Theme Poster Team Making Competition" and "Environmental Education Exploration and Learning Tour" will be held, leading children to visit environmental protection fields on the spot, so that the awareness of protecting beautiful mountains and rivers will take root from an early age.

B. Flip Education

Long-term Public Welfare Partner of the 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.

Sponsoring Xuesida Flip Education

Teachers are the push hand of education, lit the teacher's inner strength, flip teaching methods and thinking, just have the opportunity to flip education from the root. Chenbro provided NT\$1 million this year to co-sponsor the Xuesida Education Association with Aaeon Foundation, hoping that through the promotion of Xuesida teaching method, teachers can help students start the cycle of "self-learning, thinking, discussion, expression and integration" in class, change the duck-feeding education and cultivate children's ability to face the future world.

C. Art and Literature

Sponsored the immersive theater project "Stanley and Livingstone"

Chenbro has provided financial sponsorship for contemporary Legend Theater every year since 2016. In the past two years, many performances of the troupe have been cancelled due to the epidemic and its operation has been greatly affected. Chenbro cherishes these performers who persist without regret, and cherishes the power of art and culture to comfort people and improve the city. To achieve the achievement of contemporary Legend Theatre, the Dang Kou Zhi from Water Margin Trilogy was transformed into 3D and staged in Taipei 101. In addition to the investment of NT\$2 million, Chairman Mei-Chi Chen also called on eight corporate friends to co-sponsor the event. After a year and a half of work in front of and behind the camera, The World premiere of "The Great Men: The Ultimate Heroes" in 3D, 4K and 5G will finally be held on December 17, 2021. Chenbro took the lead in hosting two events for customers, suppliers and public welfare partners, which received warm response. At the same time, I bought 240 tickets and gave them to employees and public welfare groups. Thanks to word of mouth, I helped the troupe to increase the number of booked performances from 30 to 44. In addition to injecting income, the company has gained the attention of relevant departments of arts and culture and the business community, greatly enhancing its popularity and creating resources and opportunities for the future performance of young actors.

D. Social Care

Subscribe for Happy Socks to help young Malians set up social enterprises.

After pledging 200 boxes of "Mary MAMA Happy Socks" last year to support Maria Foundation to set up a social enterprise, Chenbro held a charity sale in April this year and donated all the proceeds of NT\$120,000 to the foundation to purchase epidemic prevention materials. In December, we held a charity Christmas event. In addition to buying happy socks as gifts to all our colleagues, we also held a pop-up charity sale, with a total subscription of more than 600 pairs, helping the Foundation successfully complete the fundraising of happy socks. It was reported and publicized on the Facebook page of "Maggi Love Share", which was forwarded by Maria Foundation.

The Maggi Love Share platform

In December 2013, Chenbro established the Maggi Love Share charity website: www.maggiloveshare.com. Through Maggi Love Share, the bits and pieces of Chenbro's corporate culture and social participation in the form of text, photos and videos are collected and shared with all employees, business partners and public welfare partners through the unlimited power of the Internet, hoping to serve as a "sharing" platform to achieve more positive energy in the society! Maggi Love Share has been established for seven years. As of December 2021, it has published 286 articles, with more than 4,000 e-newsletters are sent every month.

(IX) Implementation of internal control system

1. Statement on Internal Control System: Refer to [Appendix 1] on page 164.
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 2021 shareholders' meeting and implementation

Chenbro's 2021 annual general meeting was held on May 14, 2021, 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	2021 Annual General Meeting
May 14, 2021	1. Ratified the 2020 business report and financial statements (including individual and consolidated financial statements) Implementation status: The relevant documents have been submitted to the competent authority for inspection and announced in accordance with the Company Act and other relevant laws and regulations.
	2. Ratified the 2020 earnings distribution proposal Implementation status: For the 2020 earnings distribution and shareholders' dividends, based on the number of outstanding shares of 120,910,950 shares, it was NT\$4.0 per share, a total of NT\$483,643,800 was allocated for cash dividends, plus NT\$21,743,508 for remuneration to directors and supervisors in cash and NT\$71,485,309 for employee compensation. on May 14, 2021, the Chairperson decided that June 6, 2021 was the record date of ex-dividend, and cash dividends were paid on June 18, 2021.
	3. Approved the amendment to the Articles of Incorporation. Implementation status: The amendment was registered per the Letter Jin-Shou-Shan No. 1100109555 issued by the Ministry of Economic Affairs dated June 16, 2021.
	4. Approved the amendment to the Rules of Procedures for the Shareholders' Meetings. Implementation status: The amendment was resolved to be passed and announced on the MOPS and the Company's website and handled in accordance with the amended rules.
	5. Approved the amendment to the Rules of Election of Directors and Supervisors Implementation status: The amendment was resolved to be passed and handled in accordance with the amended rules.

2. Important resolutions made by the board of directors

Date of Major Resolutions	Major Resolution
14th term 5th meeting January 29, 2021	<ol style="list-style-type: none"> Resolved to pass the proposal for convening of the Company's Remuneration Committee meeting on January 29, 2021 regarding the distribution of managers' salaries and year-end bonuses. Resolved to pass the evaluation of CPAs' independence Resolved to pass the Company's amendment to the Articles of Incorporation. Resolved to pass the proposal for recovery and cancelation of new restricted employee shares for capital reduction. Resolved to pass the formulation of the shareholder proposal operations for the 2021 annual general meeting. Resolved to pass the matters related to the holding of the Company's 2021 annual general meeting. Resolved to pass the proposal for increase of the financing limit for investment plans for purchasing land, building factories, purchasing new machinery and equipment, and mid-term working capital in response to the Ministry of Economic Affairs' "Action Plan for Welcoming Overseas Taiwanese Businesspeople to Invest in Taiwan".
14th term 6th session Mar. 23, 2021	<ol style="list-style-type: none"> Resolved to pass the Company's 2020 Statement on Internal Control System. The resolution was passed The Company The Company's 2020 business report and financial statements. Resolved to pass the Company's 2020 earnings distribution proposal.

Date of Major Resolutions	Major Resolution
	<ol style="list-style-type: none"> 4. Resolved to pass the proposal for the distribution of managers' salaries and year-end bonuses submitted by the Company's Remuneration Committee convened on January 10, 2020. 5. Resolved to pass the proposal for amendment to some of the Company's rules and regulations. 6. Resolved to pass the proposal for adding new proposals for the Company's 2021 annual general meeting. 7. Resolved to pass the Company's proposal for allocation of US\$2.37 million from the capital surplus of Procise & Morex Corporation. 8. Resolved to pass the Company's proposal for distribution of cash dividends of US\$2.42 million from ADEPT International Company. 9. Resolved to pass the Company's proposal for distribution of cash dividends from Micom-Source Holding Co. 10. Resolved to pass the Company's amendment to the Articles of Incorporation.
14th term 7th meeting May 14, 2021	<ol style="list-style-type: none"> 1. Resolved to pass the distribution of the remuneration of directors and supervisors and the remuneration of managers submitted by the Remuneration Committee convened on May 14, 2021. 2. Resolved to pass the proposal for recovery and cancelation of new restricted employee shares for capital reduction. 3. Resolved to apply for the increase and renewal of credit line through the bank.
14th term 8th meeting August 10, 2021	<ol style="list-style-type: none"> 1. Resolved to pass the case of changing the company's stock affairs agency. 2. Resolved the change of accounting supervisor and corporate governance supervisor. 3. Resolved to apply for the increase and renewal of credit line through the bank.
14th term 9th meeting November 9, 2021	<ol style="list-style-type: none"> 1. Resolved to pass the drafting of the Company's 2022 audit plan. 2. Resolved the change of R&D supervisor of the Company. 3. Resolved to pass the proposal for recovery and cancelation of new restricted employee shares for capital reduction. 4. Resolved to approve the evaluation of CPAs' and compensation. 5. Resolved to apply for the increase and renewal of credit line through the bank.
14th term 10th meeting January 14, 2022	<ol style="list-style-type: none"> 1. Resolved to pass the proposal for convening of the Company's Remuneration Committee meeting on January 14, 2022 regarding the distribution of managers' salaries and year-end bonuses. 2. Resolved to pass the Company's 2022 business plan and budget. 3. Resolved to pass the formulation of the shareholder proposal operations for the 2022 annual general meeting. 4. Resolved to apply for the increase and renewal of credit line through the bank.
14th term 11th meeting March 15, 2022	<ol style="list-style-type: none"> 1. The resolution was passed Deliberated the Company's allocation of 2021 employee compensation and the remuneration of directors. 2. The resolution was passed The Company's 2021 business report and financial statements. 3. Resolved to pass the Company's 2021 earnings distribution proposal. 4. Resolved to approve the replacement of accountants and the periodic evaluation of the independence of certified accountants. 5. Resolved to approve the evaluation of CPAs' and compensation. 6. Resolved to pass the Company's 2021 Statement on Internal Control System. 7. Resolved to pass the removal of the non-compete clause for new directors. 8. Resolved to pass the proposal for recovery and cancelation of new restricted employee shares for capital reduction. 9. Approved the amendment to the Articles of Incorporation. 10. Resolved to pass the proposal for amendment to some of the Company's rules and regulations. 11. Resolved to pass the proposal for adding new proposals for the Company's 2022 annual general meeting.

For relevant announcement information, please visit MOPS ([http:// mops.twse.com.tw](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:

Position	Name	Date of appointment	Date of dismissal	Cause
Director of Accounting and Corporate Governance	Chia-ling Chih	Sep. 30, 2008	August. 31, 2021	Retired
R&D Supervisor	Yu-Tzu Huang	Aug. 1, 2019	September 30, 2021	Retired

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 Chun-Yao Lin	4,135	0	0	0	5,338	5,338	January 1, 2021~ December 31, 2021	1. Transfer pricing report and risk assessment related services of NTD 2,847 thousand 2. The maintenance cost of the holding company of NTD 1,065 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, 2021~ December 31, 2021	2021 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		Audit Fees	Non-audit Fees	Total
Fee Range				
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	4,135	5,383	9,518
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
	Condition		Appointor
	Active termination of appointment		N/A
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
	N/A	V	
		Description: None.	
Other matters to be disclosed (Items 4-7 of 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	2021		As of April 2, 2022	
		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
President	Ya-nan Chen	70,000	0	0	0
Vice President, Global Sales Division	Chien-nan Hsu	0	0	0	0
Vice President, Global Research and Development Division	Yu-tzu Huang (Note 1)	7,500	0	0	0
Assistant Vice President in Accounting, Global Finance and Accounting Division	Chia-ling Chih (Note 2)	0	0	0	0
Assistant Vice President in Accounting, Global Finance and Accounting Division (Note 3)	Wan-ming Huang	7,500	0	0	0
Vice President, Department of Manufacturing, Taiwan	Ming-Chi Li (Note 4)	0	0	0	0
Shareholding ratio exceeds Shareholder holding more than 10% of shares.	Feng-ming Chen (Note 5)	0	0	0	0
	Peng Wei Investment (Note 5 Note:6)	141,000	0	0	0

- Note 1. Vice President of Global Research and Development Division, Yu-tzu Huang retired on September 30, 2021, whose number of stock changes is calculated as of the resignation date.
- Note 2. Accounting assistant of the global accounting division, Chia-ling Chih, retired on August 31, 110, whose number of stock changes is calculated as of the resignation date.
- Note 3. Assistant Vice President of Global Finance and Accounting Division took up the post of accounting supervisor on August 10, 2021.
- Note 4. Vice President of Department of Manufacturing, Taiwan, Ming-chi Li, resigned on April 14, 2021, whose number of stock changes is calculated as of the resignation date.
- Note 5. A major shareholder holding more than 10% of the shares.
- Note 6. 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, 2022 Unit: shares

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	
Feng-ming Chen	13,614,433	11.27	5,306,029	4.39	0	0	Tsun-yen Lee Mei-chi Chen Lian-chun Chen	Spouse Sister Brother-in-law	N/A
Peng Wei Investment Representative: Lian-chun Chen	12,350,000	10.23	0	0	0	0	Mei-chi Chen Feng-ming Chen Tsun-yen Lee	Spouse Relative-in-Law Relative-in-Law	N/A
Lian-mei Investment Ltd. Representative: Mei-chi Chen	11,907,000	9.86	0	0	0	0	Lian-chun Chen Feng-ming Chen Tsun-yen Lee	Spouse Brother Sister-in-law	N/A
Mei-chi Chen	9,656,009	8.00	2,121,000	1.76	12,350,000	10.23	Lian-chun Chen Feng-ming Chen Tsun-yen Lee	Spouse Brother Sister-in-law	N/A
Ming-kwong Investment Co., Ltd. Representative: Tsun-yen Lee	9,243,967	7.65	0	0	0	0	Feng-ming Chen Mei-chi Chen Lian-chun Chen	Spouse Relative-in-Law Relative-in-Law	N/A
Tsun-yen Lee	5,306,029	4.39	13,614,433	11.27	0	0	Feng-ming Chen Mei-chi Chen Lian-chun Chen	Spouse Relative-in-Law Relative-in-Law	N/A
Swede Bank Robotech Investment Account with Deutsche Bank as the custodian	2,500,000	2.07	0	0	0	0	N/A	N/A	N/A
Lian-chun Chen	2,121,000	1.76	9,656,009	8.00	12,350,000	10.23	Mei-chi Chen	Spouse	N/A
Taipei Fubon Commercial Bank Co., Ltd	1,510,000	1.25	0	0	0	0	N/A	N/A	N/A
Chen-Source Inc. Representative: Feng-ming Chen	1,130,628	0.94	0	0	0	0	Feng-ming Chen	Spouse Relative-in-Law	N/A

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	
							Mei-chi Chen Lian-chun Chen	Relative-in-Law	

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, 2021 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 (1,000shares)	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 (1,000 shares)	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

Type of Shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Registered common shares of public companies	120,769,700	29,230,300	150,000,000	

(II) Shareholder structure

April 2, 2022 Unit: shares

Shareholder structure Number	Government agencies	Financial institutions	Other juridical persons	Foreign institutions and natural persons	Individuals	Total
Number of Shareholders	0	5	72	66	8,488	8,631
Number of Shares Held	0	3,650,000	40,605,463	8,833,807	67,680,430	120,769,700
Ownership Percentage %	0	3.02	33.63	7.32	56.03	100.00

(III) Shareholding distribution status

1. Ordinary shares

April 2, 2022 Unit: shares

Range of Shares	Number of Shareholders	Number of Shares Held	Ownership Percentage (%)
1 – 999	1,524	296,069	0.25%
1,000 – 5,000	5,756	11,266,329	9.33%
5,001 – 10,000	698	5,439,950	4.50%
10,001 – 15,000	180	2,286,680	1.89%
15,001 – 20,000	133	2,436,966	2.02%
20,001 – 30,000	114	2,906,044	2.41%
30,001 – 40,000	48	1,709,549	1.42%
40,001 – 50,000	38	1,759,741	1.46%
50,001 – 100,000	67	4,854,260	4.02%
100,001 – 200,000	38	5,073,001	4.20%
200,001 – 400,000	12	3,246,564	2.69%
400,001 – 600,000	4	1,981,706	1.64%
600,001 – 800,000	3	2,093,734	1.73%
800,001 – 1,000,000	3	2,868,042	2.37%
1,000,001 or more	13	72,551,065	60.07%
Total	8,631	120,769,700	100.00%

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

2. Preferred shares: N/A.

(IV) List of major shareholders

April 2, 2022 Unit: shares

Shareholding Name	Number of Shares Held	Ownership Percentage (%)
Feng-ming Chen	13,614,433	11.27%
Peng Wei Investment	12,350,000	10.23%
Lian-mei Investment Ltd.	11,907,000	9.86%
Mei-chi Chen	9,656,009	8.00%
Ming-kwong Investment Co., Ltd.	9,243,967	7.65%
Tsun-yen Lee	5,306,029	4.39%
Swede Bank Robotech Investment Account with Deutsche Bank as the custodian	2,500,000	2.07%

Shareholding Name	Number of Shares Held	Ownership Percentage (%)
Lian-chun Chen	2,121,000	1.76%
Taipei Fubon Commercial Bank Co., Ltd	1,510,000	1.25%
Chen-Source Inc.	1,130,628	0.94%

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

Unit: NTD/Share

Item		Year	2020	2021	As of April 2, 2022 (Note 8)
Market price per share (Note 1)	Highest		117.5	91.20	86.8
	Lowest		63.6	68.00	76.3
	Average		89.64	77.47	82.12
Net worth per share	Before distribution		32.49	31.42	Note 9
	After distribution		29.07	-	Note 9
Earnings per share	Weighted average of shares		119,725,950	119,834,395	Note 9
	Basic earnings per share (Note 3)		8.16	5.62	Note 9
Dividends per share	Cash dividends		4	3	-
	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)		10.99	13.78	-
	Price/Dividend ratio (Note 6)		22.41	Note 10	Note 9
	Cash dividend yield % (Note 7)		4.46	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\$3.00 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 ratio = Average market price per share / Earnings per share

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

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

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

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

Note 10: The 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\$362,309,100 to shareholders from the distributable earnings for 2021, with a cash dividend of NT\$3.00 per share. The cash dividend will be resolved by the annual general meeting of shareholders to authorize the board of directors to set a record date for dividend distribution.

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

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

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

Not applicable as no stock dividend was distributed this year

(VIII) Remuneration of employees, directors, and supervisors

1. In accordance with the Company's Articles of Incorporation, if the Company has earnings, it shall set aside 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 2021 has been approved by the board of directors on March 15, 2022 in the amount of NT\$58,569,238; the amount of remuneration for directors is NT\$17,226,247. The estimation is based on the profit as of the end of 2021.

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 2021 and to the total employee compensation for 2021: No employee stocks were distributed at this time, so it is not applicable.

The estimated earnings per share is NT\$5.62 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 (2021) is as follows:

Unit: in NT\$ thousands : Thousand Shares

	Remuneration approved by the board of directors
I. Distribution	
1. Employee compensation in cash	58,569
2. Employee compensation in stock	0
(1) No. Shares	0
(2) Amount	0
(3) As a percentage of the shares outstanding at end of the year	0
3. Remuneration of directors and supervisors	17,226

(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	91.3
Number of restricted employee shares already issued as a percentage of the total number of issued shares	1%
Vesting conditions of restricted employee shares	<p>1. From the day (i.e. the record date of the capital increase by means of issue of the new restricted employee shares) employees are allocated with new restricted employee shares according to the timelines below, employees are still in service and meet the performance criteria required by the Company (both the Company's performance targets and personal performance targets must be met; if any of the performance criteria is not met, the annual vested ratio is still 0%) (the board of directors authorizes the Chairperson to set the performance targets); the percentages of shares for meeting the vesting conditions are as follows: 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	156,250
The number of new restricted employee shares with the restricted rights lifted	278,750
The number of new restricted employee shares with the restricted rights not yet lifted	765,000
Number of new restricted employee shares with the restricted rights not yet lifted as a percentage of total shares issued (%)	0.63
The impact on shareholders' equity	<p>1. Amount that is potentially expensed: The Company shall measure the fair value of the shares on the grant date and recognize the relevant expenses annually during the vesting period. Based on the trial calculation, with the closing price of the Company's common stock at NT\$91 on August 11, 2020, the total amount that may be potentially expensed will be NT\$109,560,000 if all said shares met the vesting conditions. It is temporarily estimated that amount that may be expensed from 2020 to 2024 is NT\$23,776,000, NT\$45,650,000, NT\$23,996,000, NT\$12,173,000, and NT\$3,994,000, respectively.</p> <p>2. Dilution of the Company's earnings per share: Based on the Company's 119,725,950 ordinary shares outstanding as of August 11, 2020, it is temporarily estimated that the possible reduction in the earnings per share from 2020 to 2024 is NT\$0.20, NT\$0.38, NT\$0.20, NT\$0.1, and NT\$0.03, respectively.</p> <p>3. Other matters affecting shareholders' equity: No material impact.</p>

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

March 31, 2022

	Position (Note 1)	Name	Number of New Restricted Employee Shares	Number of New Restricted Employee Shares to the Total Number of Issued Shares (%) (Note 4)	Restrictions Lifted (Note 2)				Restricted (Note 2)			
					Number of Shares	Issue Price (Note 10)	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	President	Ya-nan Chen	540,000	0.45%	122,500			0.10%	417,500			0.35%
	Executive Vice President	Chien-nan Hsu										
	Vice President (Note 5)	Yu-tzu Huang										
	Assistant Vice President (Note 6)	Wan-ming Huang										
	Vice President (Note 7)	Ming-chi Li										
Employees (Note 3)	Senior Director	Yun-peng Chen	400,000	0.33%	95,000			0.08%	305,000			0.25%
	Senior Director (Note 8)	Hai-yin Pai										
	Head of Manufacturing	Yung-hsiang Chu										
	Head of Manufacturing	Chieh-he Li										
	Director	Pei-lin Ho										
	Director	Shih-chi Huang										
	Senior Manager	Shuo-chuan Chang										
	Senior Manager	Hsin-hui Chang										
	Senior Manager (Note 9)	Po-chung Huang										
	Manager	Ho-kang Yeh										

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

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

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

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

Note 5: Vice President of Global Research and Development Division Yu-tzu Huang retired on September 30, 2021.

Note 6: Assistant Vice President of Global Finance and Accounting Division Wan-ming Huang retired on August 10, 2021.

Note 7: Vice President of Department of Manufacturing, Taiwan Ming-chi Li resigned on April 14, 2021.

Note 8: Senior Director Hai-yin Pai retired on September 30, 2021.

Note 9: Senior Manager Po-chung Huang resigned on August 13, 2021.

Note 10: The issue price of the new shares with restricted employee rights was a cashless allotment to employees at no consideration.

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 (2021)

Unit: NT\$ thousands

Main products	Revenue	Proportion of revenue (%)
Server chassis and peripheral products	9,246,822	98%
Personal computer chassis	176,198	2%
Total	9,423,020	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 48/72/96(102) x 3.5" HDD; ◆ 4U Tri-load high-performance storage application, supporting Intel's latest Whitley and Eagle Stream platform motherboard, up to 48x 3.5" HDD; ◆ 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.
Cloud application (Cloud)	◆ Full support of 1U and 2U general-purpose servers for new generation CPUs such as Intel Sapphire Rapids and AMD Genoa.
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)	◆ 2-4U rack and 4U desktop universal purpose server chassis, supporting 2-6 GPU/GPGPU applications, single/dual-way motherboards
HPC	◆ 2U 4-node server, supporting Intel's latest Whitley platform Ice Lake dual-channel CPU, SFF, and LFF storage hard drives
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, E1.L, E3, etc.
The total R&D expenditure is estimated to account for 3% to 4% of the total revenue of 2022, which is the same as the previous year.	

(II) Overview of the industry

(1) Current status and development

■ Servers

According to the statistics and analysis of DIGITIMES Research, the global server market is in short supply in 2021. As the epidemic continues to drive the demand for cloud, home office and online services (e.g. e-commerce, social audio-visual platform), Hyper CSPs(Cloud Server Providers) purchase servers strongly. However, due to the shortage of IC and components, the supply progress is hindered, and the

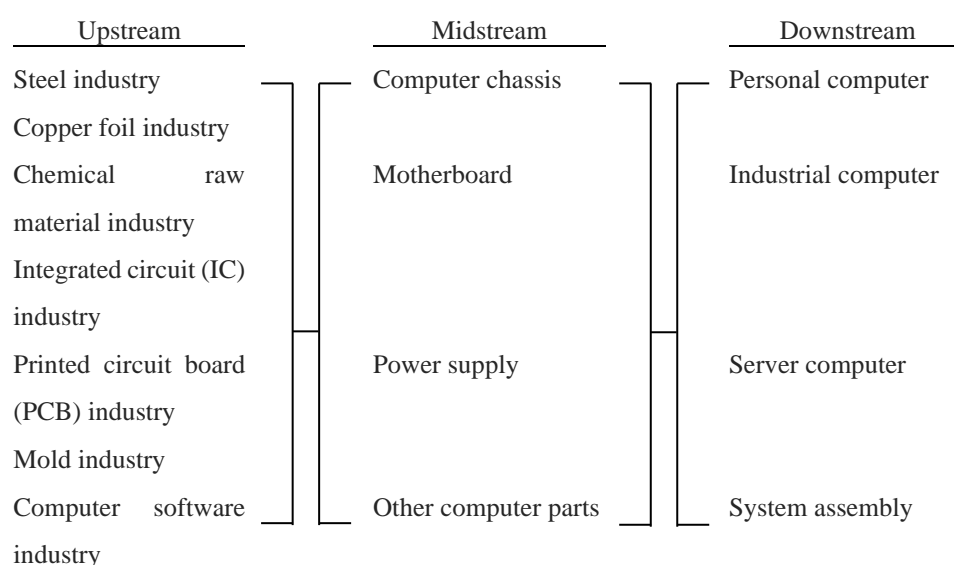
annual shipment volume only increases in single digits. In 2022, the growing demand trend for the server industry is expected to continue, and orders impacted by the shortage in the previous year will be deferred to 2022. In addition, the new CPU platform is expected to be another catalyst in the server market. Observing the trend in the next five years, the continuous growth of HPC, AI and edge computing, coupled with the competition between x86 architecture and Arm architecture, will accelerate the update of CPU platform, which will drive the tide of server replacement.

In 2021, server manufacturers, especially ODM, benefited from the global demand for cloud applications such as cloud rental, e-commerce, audio-visual platforms, etc, and the strong purchase of CSPs (Cloud Service Providers), including Amazon, Google, and Microsoft. The cloud applications are expected to be diversified and therefore the demand for servers shall continue to grow in the future.

In recent years, the server industry is evolving. CSPs are expanding self-development structure, while the brands such as HP(Hewlett-Packard) and Dell are acquiring the capability of system integration to create market differentiation.

Overall, global server shipment shows a strong growth with the diversified applications, the easing shortage issues, and the new-launched CPU generation.

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



(3) Product development trends and competition

■ Servers

In 2021, CPU manufacturers are competing to release a new generation of products, including Intel, AMD and Arm with x86 architecture. In addition to improving CPU processing efficiency, each chip manufacturer also emphasizes improving the integrity of server hardware and software ecosystem for expanding the market share.

According to the report of DIGITIMES Research, the core competitiveness of CPU manufacturers include three levels. The first one is to enhance the computing performance of a single server to improve the high-speed computing and multiplexing performance of HPC and AI servers. The second one is to enhance the management performance of the huge server cluster in the cloud data center. Overall consideration from the large-scale server computing, network, storage and other interoperability processing speed, as well as software and hardware system optimization management applications, etc. The third one is to consolidate the cooperation between the hardware and software ecosystem to enhance the processing efficiency in various application fields.

According to IDC's global server shipment data, the top-five suppliers are still Dell, Inspur, HPE, Lenovo and SuperMicro, and the growth momentum of ODM Direct remains. The overall server demands are dominated by North America and China markets, and Hyper CSPs including Meta, AWS, Microsoft, Google, Alibaba, Tencent and Baidu own the most data centers all over the world and bring the booming demand for servers. In addition, telecom operators, e-commerce, and social media companies are building up their own data centers as well, creating another growth catalysts.

In terms of the various applications, the commercialization of 5G in the near future would 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 AI, HPC and other high-performance computing continues to heat up.

To sum up, the demand for the server industry has been strong these years, and Chenbro has been deeply involved in the server market for a long time with high customized and high compatible products. Chenbro has not only closely engaged with CPU/GPU vendors such as Intel, AMD, NVIDIA, etc., to optimize product efficiency and market adaptation, but also closely links with server customers to provide innovative solutions and win-win partnerships.

(III) Technology and R&D

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

Unit: NT\$ thousands; %

Item	Year	2021 (Note 1)
R&D expense		203,912
Revenue		9,423,020
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 2022 audited by CPAs. Therefore, only the data of 2021 are disclosed.

- (2) 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. 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 2021, 560 patent applications have been filed in Taiwan, the United States and Chinese mainland, and 458 patents have been obtained. In 2021, we also developed and applied for new patents for various products, adding 64 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 2021 are as follows:

OTS (Chenbro standard product)

Product Model	Product Description
DS25224	2U rack-mount modular storage server chassis
RM13304	1U 机架式多 I rack-mount modular storage server chassis
RM14302	1U rack-mounted edge computing server chassis
RM15104	1U rack-mount modular storage server chassis
RM15108	1U rack-mount modular storage server chassis
RM15110	1U rack-mount modular storage server chassis
RM15112	1U rack-mount modular storage server chassis
RM23800	2U rack-mount high-speed computing modular storage server chassis
RM23804	2U rack-mount modular storage server chassis
RM23812	2U rack-mounted multiple I/O high-speed computing storage server chassis
RM24500	2U rack-mount high-speed computing modular storage server chassis
RM24504	2U rack-mount modular storage server chassis
RM25108	2U rack-mount modular storage server chassis
RM25112	2U rack-mount modular storage server chassis
RM25116	2U rack-mount modular storage server chassis
RM25124	2U rack-mount modular storage server chassis
RM25204	2U rack-mount high-speed computing modular storage server chassis
RM25206	2U rack-mount high-speed computing modular storage server chassis
RM25324	2U rack-mount side-panel PSU high-speed computing modular storage server chassis
RM32702	3U module storage server chassis
RM35206	3U rack-mount high-speed computing modular storage server chassis
RM43736	4U rack-mount side-panel PSU high-speed computing modular storage server chassis
SR11369	4U tower high-speed computing modular storage server chassis

JDM (product jointly developed by Chenbro)

Product Model	Product Description
RM19911	1U blade customized modular high-speed computing storage server chassis
RM12925	1U customized high-speed computing server chassis
RM1921000801	1U customized high-speed computing server chassis
RM13931	1U rack-mounted customized module storage server chassis
RM15112A01	1U rack-mounted customized module storage server chassis
RM11956	1U rack-mounted customized module storage server chassis
RM15112A2	1U rack-mounted customized module storage server chassis
21-0020	1U rack-mounted customized module storage server chassis
21-315101	1U rack-mounted customized module storage server chassis
21-315102	1U rack-mounted customized module storage server chassis
RM12926	1U rack-mounted customized edge computing server chassis
20-0290	1U rack-mount customized modular storage server chassis
RM13930	1U rack-mount customized high-end dual-channel modular server chassis
RM19A12	1U rack-mount customized high-speed computing modular storage server chassis
20-0145	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 modular storage server chassis
RM19802	1U rack-mount customized high-speed computing modular storage server chassis
RM19A07	1U rack-mount customized high-speed computing modular storage server chassis
RM19A08	1U rack-mount customized high-speed computing modular storage server chassis
RM22913	2U EDGE Customized high-speed computing server chassis

Product Model	Product Description
RM2921001201	2U EDGE Customized high-speed computing server chassis
RM25900	2U rack-mounted customized side-drawing hot-plug modular high-speed computing storage server chassis
20-0265	2U rack-mounted customized module storage server chassis
RM21992	2U rack-mounted customized module storage server chassis
RM21977	2U rack-mounted customized module storage server chassis
RM21981	2U rack-mounted customized module storage server chassis
20-0169	2U rack-mounted customized module storage server chassis
RM25112A3	2U rack-mounted customized module storage server chassis
RM21990	2U rack-mounted customized module storage server chassis
RM25112A4	2U rack-mounted customized module storage server chassis
RM25124A3	2U rack-mounted customized module storage server chassis
20-0198	2U rack-mounted customized module storage server chassis
21-0033	2U rack-mounted customized module storage server chassis
21-325102	2U rack-mounted customized module storage server chassis
21-325103	2U rack-mounted customized module storage server chassis
21-325104	2U rack-mounted customized module storage server chassis
RM23951	2U rack-mount customized modular storage server chassis
RM23942	2U rack-mount customized high-speed computing modular storage server chassis
RM23944	2U rack-mount customized high-speed computing modular storage server chassis
RM23948	2U rack-mount customized high-speed computing modular storage server chassis
RM23949	2U rack-mount customized high-speed computing modular storage server chassis
RM23950	2U rack-mount customized high-speed computing modular storage server chassis
RM23952	2U rack-mount customized high-speed computing modular storage server chassis
RM23953	2U rack-mount customized high-speed computing modular storage server chassis
RM23955	2U rack-mount customized high-speed computing modular storage server chassis
21-3237A2	2U rack-mount customized high-speed computing modular storage server chassis
20-0280	2U rack-mount customized high-speed computing modular storage server chassis
20-0118	2U rack-mount customized high-speed computing modular storage server chassis
RM3270202	3U customized storage server chassis
RM32915	3U rack-mounted customized module storage server chassis
21-3329A1	3U rack-mounted customized module storage server chassis
RM32914	3U rack-mount customized high-speed computing modular storage server chassis
RM49911	4U blade customized modular high-density storage server chassis
RM4374801	4U rack-mount side-panel PSU high-speed computing modular storage server chassis
21-343701	4U rack-mount side-panel PSU high-speed computing modular storage server chassis
RM4920000102	4U rack-mount customized modular storage server chassis
20-0271	4U rack-mount customized modular storage server chassis
RM59901	5U rack-mount customized modular high-density storage server chassis
18-0209	5U rack-mount high-density storage server chassis
22-300001	Customized HDD Tray module

The new patents applications in 2021 are as follows:

Date of application	Region	Category	Patent Name	Product Category
September 5, 2021	U.S.	Invention	Server Case	RACKMOUNT
May. 13, 2021	U.S.	Invention	SERVER EQUIPMENT AND ITS LATCH MECHANISM	LATCH

Date of application	Region	Category	Patent Name	Product Category
April 23, 2021	U.S.	Invention	TESTING DEVICE WITH POWER PROTECTION AND ITS TESTING PLATFORM	TESTING PLATFORM
May. 14, 2021	Taiwan	Utility model	Fixed module of server and its expansion card	OCP CARD HOLDER
May. 14, 2021	Mainland	Utility model	Fixed module of server and its expansion card	OCP CARD HOLDER
June 24, 2021	Taiwan	Utility model	Server and its solid-state hard disk	RULER HOLDER
June 24, 2021	Mainland	Utility model	Server and its solid-state hard disk	RULER HOLDER
June 24, 2021	Taiwan	Utility model	Interface card module	EE
June 24, 2021	Mainland	Utility model	Interface card module	EE
March 23, 2021	Taiwan	Design	Chassis panel	BEZEL
March 23, 2021	Mainland	Design	Chassis panel	BEZEL
September 22, 2021	U.S.	Design	CASE PANEL	BEZEL
September 23, 2021	EU	Design	CASE PANEL	BEZEL
March 31, 2021	Taiwan	Design	Chassis panel	BEZEL
March 31, 2021	Mainland	Design	Chassis panel	BEZEL
September 27, 2021	U.S.	Design	CASE PANEL	BEZEL
September 30, 2021	EU	Design	CASE PANEL	BEZEL
May 10, 2021	Taiwan	Design	Chassis panel	BEZEL
May 10, 2021	Mainland	Design	Chassis panel	BEZEL
October 5, 2021	U.S.	Design	CASE PANEL	BEZEL
October 20, 2021	EU	Design	CASE PANEL	BEZEL
May 10, 2021	Taiwan	Design	Chassis plaque	BEZEL
May 10, 2021	Mainland	Design	Chassis plaque	BEZEL
October 7, 2021	U.S.	Design	CASE TAG	BEZEL
November 9, 2021	EU	Design	CASE TAG	BEZEL
March 17, 2021	Taiwan	Design	Chassis panel	BEZEL
March 17, 2021	Mainland	Design	Chassis panel	BEZEL
April 9, 2021	Taiwan	Design	Chassis cover plate	CHASSIS
April 9, 2021	Mainland	Design	Chassis cover plate	CHASSIS
June 18, 2021	U.S.	Design	CASING COVER	CHASSIS
August 16, 2021	EU	Design	COVERS FOR ELECTRONIC DEVICES	CHASSIS
April 9, 2021	Taiwan	Design	Chassis bracing member	HOLDER
April 9, 2021	Mainland	Design	Chassis bracing member	HOLDER
June 22, 2021	U.S.	Design	CASING SUPPORT MEMBER	HOLDER
2021/8/16	EU	Design	CASING SUPPORT MEMBER	HOLDER
May. 14, 2021	Taiwan	Design	Chassis bracing member	HOLDER
May. 14, 2021	Mainland	Design	Chassis bracing member	HOLDER
June 18, 2021	U.S.	Design	CASING SUPPORT MEMBER	HOLDER

Date of application	Region	Category	Patent Name	Product Category
August 16, 2021	EU	Design	CASING SUPPORT MEMBER	HOLDER
June 4, 2021	Taiwan	Design	Fan module cover plate	CHASSIS
June 4, 2021	Mainland	Design	Fan module cover plate	CHASSIS
July 1, 2021	U.S.	Design	FAN MODULE COVER	CHASSIS
July 6, 2021	EU	Design	Computer front panels Computer housings	CHASSIS
June 30, 2021	Taiwan	Design	Chassis handle	HANDLE MODULE
July 28, 2021	Mainland	Design	Chassis handle	HANDLE MODULE
July 26, 2021	U.S.	Design	HANDLE	HANDLE MODULE
August 16, 2021	EU	Design	HANDLE	HANDLE MODULE
May 19, 2021	U.S.	Invention	SERVER SYSTEM	CHASSIS
July 6, 2021	U.S.	Invention	SERVER SYSTEM	CHASSIS
July 6, 2021	Taiwan	Invention	Server system	CHASSIS
July 6, 2021	Taiwan	Utility model	Server system	CHASSIS
July 6, 2021	Mainland	Invention	Server system	CHASSIS
July 6, 2021	Mainland	Utility model	Server system	CHASSIS
July 6, 2021	Europe	Invention	Server system	CHASSIS
December 3, 2021	Taiwan	Utility model	Server device and its latch mechanism	LATCH
December 3, 2021	Mainland	Utility model	Server device and its latch mechanism	LATCH
November 1, 2021	Taiwan	Utility model	Detection device with power protection and its detection platform	TESTING PLATFORM
November 25, 2021	Mainland	Utility model	Detection device with power protection and its detection platform	TESTING PLATFORM
September 10, 2021	Taiwan	Utility model	Server device and its fan module	FAN MODULE
September 10, 2021	Mainland	Utility model	Server device and its fan module	FAN MODULE
September 3, 2021	Taiwan	Utility model	Server architecture	HOLDER
September 3, 2021	Mainland	Utility model	Server architecture	HOLDER
August 25, 2021	Taiwan	Design	Hand disk mobile rack panel	BEZEL
August 25, 2021	Mainland	Design	Hand disk mobile rack panel	BEZEL

(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	3,883,306	41%
U.S.	3,534,653	38%
Taiwan	567,832	6%
Others	1,437,229	15%
Total	9,423,020	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. According to the statistics and analysis of DIGITIMES Research, the global server shipments in 2021 are about 17 million units, with an annual increase of 4.5%. It is estimated that the market share of Chenbro server chassis is 12.29%.

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

According to the latest forecast data of the global public cloud market released by Gartner, the global public cloud service spending of end users will reach US\$ 396 billion in 2021, and it is expected that the growth rate will reach 21.7% next year, pushing up the global public cloud service market to US\$ 482 billion. In

addition, Gartner predicts that by 2026, more than 45% of IT spending of global enterprises will be invested in public cloud, which is much higher than that of less than 17% in 2021.

DIGITIMES Research statistics and analysis also pointed out that the global server market was in short supply in 2021, with an increase of 4.5% to nearly 17 million units. In 2022, the demand for online services in the cloud will not fall, and some unsatisfied orders in the previous year will be deferred. In addition, the new CPU platform models will attract some buying power, and the global server shipments are expected to grow by 6.8%. According to the analysis report of the III, China and the U.S. are still the largest markets for servers, and Taiwan will expand R&D centers in response to data centers and brands. Mainland China will also invest in the research and development of server architecture. In addition to the cloud service industry, the market demand in the servers market also includes the vast edge computing industry. Relying on the local data center and AI computing architecture, the demand for servers will come from telecom operators all over the world, the equipment will be closer to consumers, and the demand for servers will be pushed up again.

(4) Competitive niche

1) Complete product lines

Chenbro owns desktop PC chassis, industrial PC chassis, server chassis, storage server barebones, storage capacity expansion kit and other product lines and customized services, providing customers with complete solutions. Because of the long-term accumulated modular design and complete product line planning, different solutions are provided for customers of server brands and white brands, and selection of the chassis or partial module modification designed by Chenbro can achieve the purpose of fast listing, which helps customers to quickly expand the market and increase revenue.

2) Multi-operation mode

Servers are quite diversified IT equipment. The application scenarios and scales of end customers are different, which will affect their specifications for servers. If there is only one service mode, it is difficult to meet the vast and changeable market demand. Therefore, Chenbro has developed three service modes: OTS Standard, OEM Plus, JDM/ODM, to fully meet the needs of various types of customers.

3) Continuous investment in research and development

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

4) Lean management and decision-making

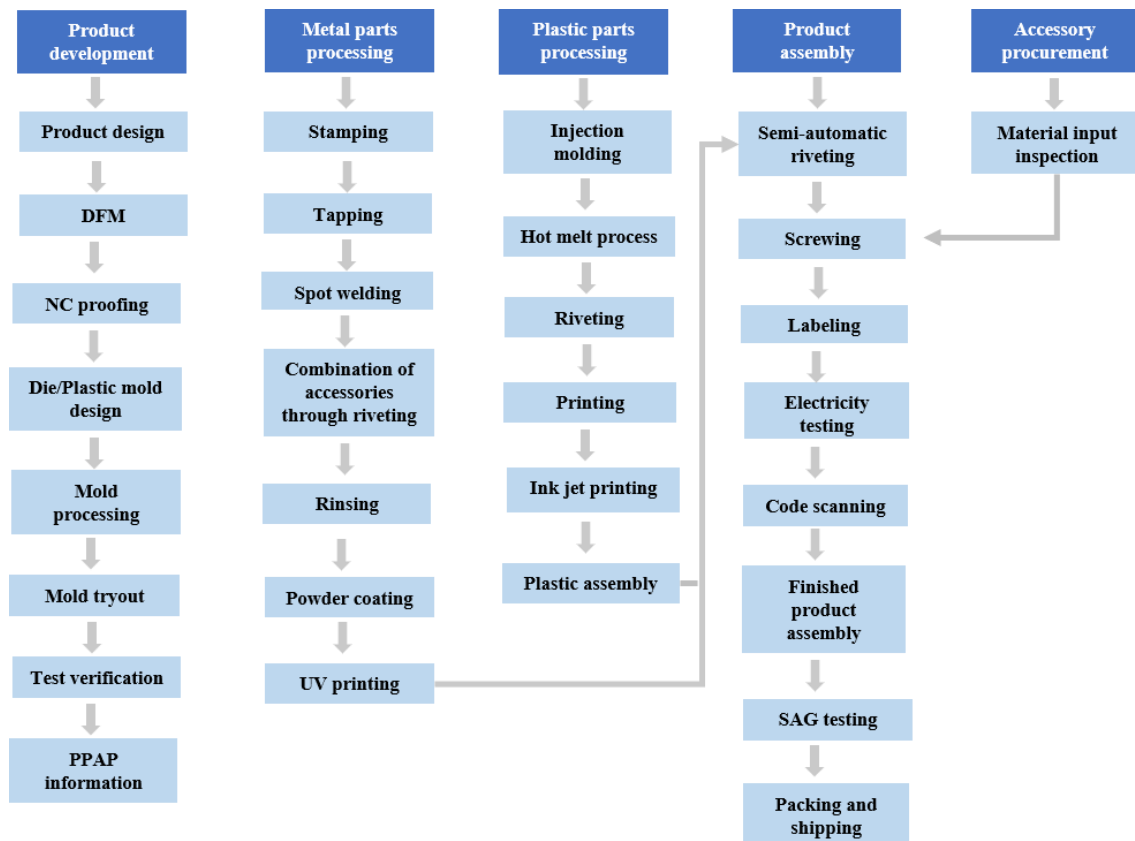
In addition to the headquarters in Taipei, Chenbro currently has overseas operations bases in North America, Europe, and China, responsible for local customer services, collecting market demand information, and providing information to teams in product development, manufacturing, and logistics management. In addition, the two plants in China and the new factory in Chiayi have introduced lean management, which can immediately reflect market information, customer demand, product information and production progress, and provide value-added products and services.

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

1) Favorable factors affecting the development prospects

Under the impetus of 5G, AIoT, cloud computing and edge computing, various applications are constantly innovating, which drives the growth of server demand. 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 OEM 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 the industrial environment driven by the continuous and stable development of market demand and the continuous improvement of the technological capabilities, further strategic cross-industry alliances and cross-industry integration of resource structures will be conducive to subsequent business growth.

2) Unfavorable factors in the development prospects and countermeasures



A. Fierce competition in the product market

As some low-end technology manufacturers adopt a price war strategy and imitate improved products, they have greatly disrupted the overall market order and directly affected the competition in the overall market. However, Chenbro continues to invest in server materials and intelligent manufacturing to raise the technical threshold of products, use products with high added value to avoid price competition, and gradually plan the functions of overseas distribution centers to provide fast and convenient logistics operation services.

B. Challenges of manufacturing services

Because the scale and level of customers served by Chenbro are constantly improving, the demand for orders requires faster and more flexible delivery services, which will pose operational challenges. In response to this trend, Chenbro is developing towards lean management, constantly improving various logistics operations, supply chain management, customer service management and other systems, strengthening the resilience and flexibility of enterprise operations, and improving the quality of customer manufacturing services.

C. Challenge of supply chain shortage of goods and materials

The epidemic has brought many challenges to the global science and technology industry. Factors such as shortage of materials, shortage of work, port congestion, power cut and so on have led to chaos in the manufacturing industry. At present, the server supply chain is still short of long and short materials, and the delivery cycle of some key components is prolonged. However, due to the challenge of chain break caused by the epidemic, Chenbro has turned to a more flexible purchasing strategy, actively stocked and increased suppliers' material sources to avoid the problem of material break, and adopted rolling adjustment to strengthen the supply chain management.

(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	2021				2020			
	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	1,470,157	16%	5	Customer C	1,494,091	20%	5
2	Customer B	1,386,130	15%	5	Customer B	937,706	12%	5
3	Customer A	1,274,819	14%	5	Customer A	760,211	10%	5
4	Customer D	966,762	10%	5	Customer D	478,300	6%	5
5	Customer E	408,859	4%	5	Customer E	1,099,368	15%	5
	Others	3,916,303	41%		Others	2,774,869	37%	
	Net sales amount	9,423,020	100%		Net sales amount	7,544,545	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	2021			2020		
		Production capacity	Quantity	Output value	Production capacity	Quantity	Output value
Personal computer chassis		360,000	93,391	58,397	360,000	176,354	99,630
Server computer chassis/Peripheral product components		2,520,000	2,218,608	7,489,741	2,520,000	1,650,145	5,309,879
Total		2,880,000	2,311,999	7,548,138	2,880,000	1,826,499	5,409,509

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

Unit: Amount: NTD Thousand; Quantity: Unit

Sales volume/Value Main products	Year	2021				2020			
		Domestic sales		Export		Domestic sales		Export	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Personal computer chassis		—	—	264,094	176,175	—	—	288,860	197,544
Server computer chassis/Peripheral product components		6,104	68,357	2,083,555	9,178,488	4,683	12,297	1,542,474	7,334,704
Total		6,104	68,357	2,347,649	9,354,663	4,683	12,297	1,831,334	7,532,248

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

February 28, 2022

Year		2020	2021	Current year until February 28, 2022
Number of employees	Direct employee	1,152	1,001	1,398
	Indirect employee	1,037	1,002	1,051
	Total	2,189	2,003	2,449
Average age		38.47	37.53	38.24
Average year of services		3.58	4.03	3.92
Education distribution	Doctorate degree	0	1	0
	Master's degree	79	96	87
	Bachelor's degree	210	221	232
	Associate's degree	257	247	249
	Senior high school	467	317	333
	Below senior high school	1,176	1,121	1,548

IV. Environmental Protection Expenditure

- (I) In the most recent year and up to the publication date of the annual report, losses suffered due to environmental pollution (including compensation and environmental protection audit results that violate environmental protection laws and regulations, the penalty date, document number, laws and regulations violated, content of violations, and

content of penalty), the estimated amount that may be incurred at present and in the future, and countermeasures shall be disclosed. If it cannot be reasonably estimated, the reason that it cannot be reasonably estimated shall be explained: None.

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

- (1) In March, 2021, Qinkun invested RMB 136,000 (including tax) in the maintenance project of rain and sewage drainage pipeline inside the factory, and treated the mixed flow, blockage, water leakage and other conditions of the original pipeline. So as to improve the environmental protection discharge of water quality in an all-round way, and obtain an effective drainage water quality inspection qualified report.

- (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 2021, the Company allocated a total of NT\$6.18 million to the Employee Welfare Committee for employee welfare-related activities and events.

(3) Diverse welfare projects

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

- Diverse welfare activities projects to design more considerate and diversified services, so that employees can work with peace of mind and live happily :

1. Festivals and celebrations: Birthday parties, holiday parties (e.g., Christmas, Spring Festival, Mother's Day, etc.)
 2. Culture and travel: Art performances, film festivals, parent-child days, employee travel, visits, etc.
 3. Public welfare activities: 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. Friendly workplace environment for both gender: The Company signs contracts with childcare institutions to achieve a friendly workplace.
 7. Height-adjustable desks are provided to improve employees' low back pain, sciatica, shoulder and neck stiffness, and other problems, to provide a friendly work environment.
 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 employ doctors and nurse practitioner to analyze the results and provide individual health guidance and care.
 - 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, 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 strict monitoring system, and a contract is signed with the security company to maintain office security.

In order to maintain the safety and hygiene of employees and promote the safety and hygiene business, the Company has a supervisor of Class A occupational safety and hygiene business and several first-aid personnel.

■ 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.

■ 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.

Regular illuminance inspection is conducted every year, and the requirements of occupational safety law are met.

■ 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.

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

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

Qualified fire extinguishers shall be placed in the office area according to regulations; fire extinguishers are maintained and checked from time to time to ensure their effectiveness, and fire safety information is filed in accordance with regulations. New recruits need to attend fire protection lectures in orientation to learn about the relevant information on the fire equipment and escape route in the office area.

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

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

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

■ 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\$12,030,000 (Note).	In 2021, NT\$11,312,000 was appropriated.

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

A. Defined benefit plans

1. In compliance with the requirements set forth in the Labor Standards Act, the Company has stipulated a defined benefit pension plan, which is applicable to the years of service rendered by regular employees prior to, and after (if employees elect to continue to apply the Labor Standards Act), the implementation of the Labor Pension Act on July 1, 2005. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company sets aside 2% of the employee's total salary each month as pension funds and deposit it to the designated account under the name of the Labor Pension Funds Supervisory Committee at the Bank of Taiwan. Before the end of each year, the Company assesses the balance in the designated account. If the total available amount of the contribution is less than the amount required for the payment of pensions to all the employees who are eligible to retire in the following year, calculated according to the above method, the Company will make up for the difference in a lump sum before the end of March in the following year.
2. The fund asset of the Company's defined benefit pension plan ("the Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (i.e., deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any inadequacy in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. The Company has no right to participate in managing and operating the Fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with paragraph 142, IAS 19. For the fair value of the total pension fund as at December 31, 2021 and 2020, 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 the 2021 and 2020, the cost of pensions recognized by the Company in accordance with the above-

mentioned pension plans was \$11,312 and \$10,111, respectively.

- (4) Micom Source Holding Company, CLOUDWELL HOLDINGS, LLC., Chenbro GmbH, Cloud International Company Limited, AMAC International Company, A MBER International Company, ADEPT International Company and PROCASE & MOREX Corporation have no employee pension scheme or have no employees. In addition, the total net pension costs recognized by CHENBRO MICOM (USA) INCORPORATION, Qinkun Technology (Kunshan) Co., Ltd., Hsiang Yi Information Technology (Shanghai) Co., Ltd. and Dongguan Procace Electronics Co., Ltd. in 2021 and 2020 according to the pension method prescribed by the local government were \$35,923 and \$5,747 respectively. At the beginning of 2020, due to the impact of the pandemic in China, pension insurance was exempted as announced by the local governments from the end of February, 2020 to the end of December, 2020.

■ Labor-management agreement

- a. Regular labor-management meetings are held to coordinate labor-management relations and promote labor-management cooperation.
- b. 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

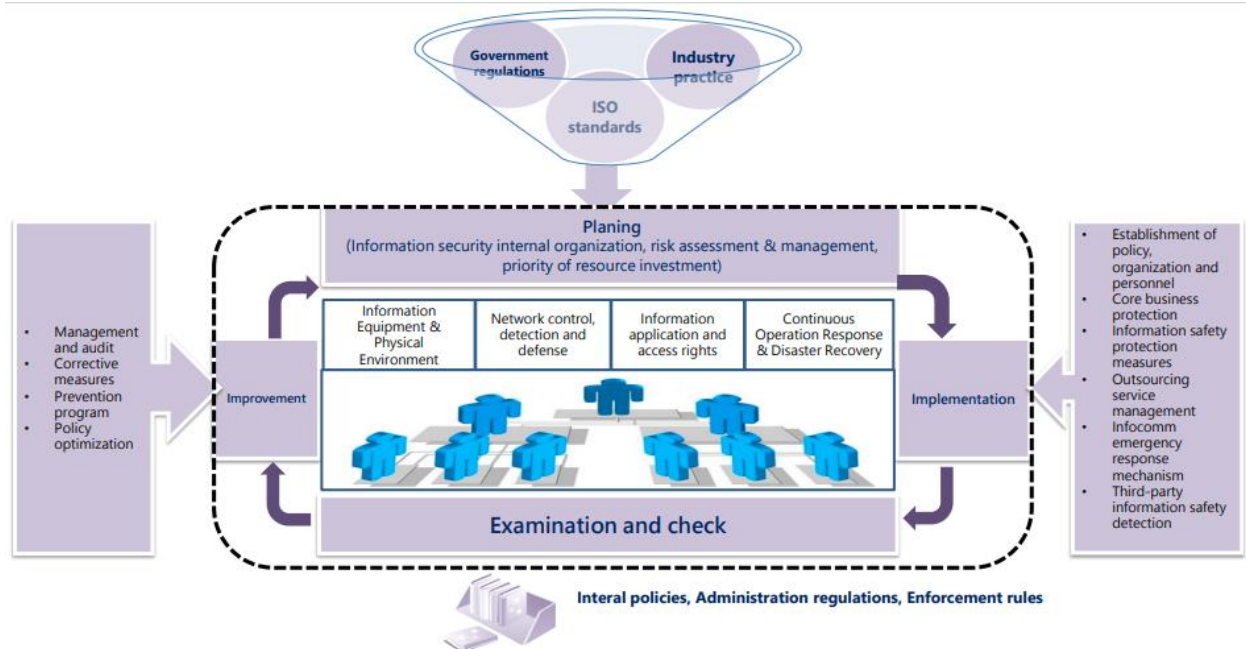
- (I) Enterprise information security management strategy and architecture:

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.



(II) 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.

(III) 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.
5. Respond and cope appropriately when any information security incident causes damage to the rights and interests of related parties (stakeholders).

Up to the 2021 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.

VII. Important contracts

Contract title	Party A	Party B	Description	Contract period
New Project operated by Chiayi Plant of Chenbro-The Contract Letter	Chenbro Micom Co., Ltd.	San Min Construction Development Co., Ltd.	The company announced the establishment of a factory in Machouhou Park, Chiayi County.	2021/02/02
2021 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.	2021/06/01~2022/05/31
Industry-university cooperation plan between the National Chengchi University and Chenbro Micom Co., Ltd.	Chenbro Micom Co., Ltd.	National Chengchi University	Industry-University Cooperation Plan with the National Chengchi University	2021/10/15

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
- III. Audit Committee's Review Report of the Financial Statements in the Most Recent Year
- IV. The Most Recent Year's Financial Statements Including Independent Auditors' Audit Report
- V. Parent Company-Only Financial Statement for the Most Recent Fiscal Year, Certified by CPAs
- 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

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

Year		Financial information in the last five years (Note 1)				
		2017	2018	2019	2020	2021
Item						
Current assets		1,053,782	1,500,604	2,021,327	1,873,592	2,664,367
Property, plant and equipment (Note 2)		245,684	234,576	234,659	1,720,132	3,178,221
Intangible assets		5,079	3,199	3,214	4,630	12,880
Other assets		2,627,573	2,824,111	2,873,139	2,763,544	3,005,044
Total assets		3,932,118	4,562,490	5,132,339	6,361,898	8,860,512
Current liabilities	Before distribution	950,069	1,352,619	1,578,407	2,391,475	2,792,326
	After distribution	1,309,247	1,831,523	2,129,146	2,875,119	Undistributed
Non-current liabilities		62,696	44,891	33,925	41,071	1,911,364
Total liabilities	Before distribution	1,012,765	1,397,510	1,612,332	2,432,546	4,703,690
	After distribution	1,371,943	1,876,414	2,163,071	2,916,190	Undistributed
Equity attributable to the owners of parent company		2,919,353	3,164,980	3,520,007	3,929,352	4,156,822
Share capital		1,197,260	1,197,260	1,197,260	1,209,260	1,207,885
Capital surplus		48,209	48,209	48,209	145,769	147,144
Retained earnings	Before distribution	1,783,465	2,067,094	2,499,090	2,923,086	3,116,860

Year Item		Financial information in the last five years (Note 1)				
		2017	2018	2019	2020	2021
	After distribution	1,424,287	1,588,190	1,948,351	2,439,442	Undistributed
Other equity		(109,581)	(147,583)	(224,552)	(348,763)	(315,067)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	2,919,353	3,164,980	3,520,007	3,929,352	4,156,822
	After distribution	2,560,175	2,686,076	2,969,268	3,445,708	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)				
		2017	2018	2019	2020	2021
Current assets		3,504,349	3,717,311	4,369,353	4,520,596	6,494,909
Property, plant and equipment (Note 2)		1,675,691	1,721,274	1,558,811	3,056,216	4,450,022
Intangible assets		7,732	11,700	10,335	12,004	19,145
Other assets		188,221	375,634	466,956	448,300	288,919
Total assets		5,375,993	5,825,919	6,405,455	8,037,116	11,252,995
Current liabilities	Before distribution	2,237,570	2,458,722	2,699,548	3,907,807	5,043,502
	After distribution	2,596,748	2,937,626	3,250,287	4,391,451	Undistributed
Non-current liabilities		219,070	202,717	185,900	179,267	2,032,856
Total liabilities	Before distribution	2,456,640	2,660,939	2,885,448	4,087,074	7,076,358
	After distribution	2,815,818	3,139,843	3,436,187	4,570,718	Undistributed
Equity attributable to the owners of parent company		2,919,353	3,164,980	3,520,007	3,929,352	4,156,822
Share capital		1,197,260	1,197,260	1,197,260	1,209,260	1,207,885
Capital surplus		48,209	48,209	48,209	145,769	147,144
Retained earnings	Before distribution	1,783,465	2,067,094	2,499,090	2,923,086	3,116,860
	After distribution	1,424,287	1,588,190	1,948,351	2,439,442	Undistributed
Other equity		(109,581)	(147,583)	(224,552)	(348,763)	(315,067)
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	20,690	19,815
Total equity	Before distribution	2,919,353	3,164,980	3,520,007	3,950,042	4,176,637
	After distribution	2,560,175	2,686,076	2,969,268	3,466,398	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)				
	2017	2018	2019	2020	2021
Revenue	2,888,796	3,581,542	4,798,463	4,491,345	6,165,491
Gross operating profit	692,930	867,987	1,389,418	1,078,628	972,469
Operating profit and/or loss	339,415	483,426	968,169	629,111	507,032
Revenue and expense outside operation	185,264	269,575	127,807	467,106	277,641
Net income before tax	524,679	753,001	1,095,976	1,096,217	784,673
Net income from continuing operations	455,442	642,350	911,951	976,857	672,901
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the period	455,442	642,350	911,951	976,857	672,901
Other comprehensive income (net)	(33,705)	(37,545)	(78,020)	(38,074)	(5,695)
Total comprehensive income for the period	421,737	604,805	833,931	938,783	667,206
Net income attributable to the owners of parent company	455,442	642,350	911,951	976,857	672,901
Net income attributable to non-controlling interests	0	0	0	0	0

Item \ Year	Financial information in the last five years (Note 1)				
	2017	2018	2019	2020	2021
Total comprehensive income attributable to the owners of parent company	421,737	604,805	833,931	938,783	672,901
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
Earnings per share (NTD)	3.80	5.37	7.62	8.16	5.62

Note 1: The financial information in the last five years 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)				
	2017	2018	2019	2020	2021
Revenue	5,513,754	6,520,514	6,835,443	7,544,545	9,423,020
Gross operating profit	1,469,319	1,714,748	2,096,126	1,931,618	1,843,866
Operating profit and/or loss	683,190	831,399	1,128,923	963,193	882,382
Revenue and expense outside operation	(67,953)	39,333	24,483	239,960	3,608
Net income before tax	615,237	870,732	1,153,406	1,203,153	885,990
Net income from continuing operations	455,422	642,350	911,951	973,547	672,026
Loss from discontinued operations	0	0	0	0	0
Net profit (loss) of the period	455,442	642,350	911,951	973,547	672,026
Other comprehensive income (net)	(33,705)	(37,545)	(78,020)	(38,074)	(5,695)
Total comprehensive income for the period	421,737	604,805	833,931	935,473	666,331
Net income attributable to the owners of parent company	455,442	642,350	911,951	976,857	672,901
Net income attributable to non-controlling interests	0	0	0	(3,310)	(875)
Total comprehensive income attributable to the owners of parent company	421,737	604,805	833,931	938,783	667,206

Item \ Year	Financial information in the last five years (Note 1)				
	2017	2018	2019	2020	2021
Total comprehensive income attributable to non-controlling interests	0	0	0	(3,310)	(875)
Earnings per share (NTD)	3.80	5.37	7.62	8.16	5.62

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
2017	Hui-chin Tseng and Ping-chun Chih	PwC Taiwan	Unqualified opinion (emphasis on items or other matters)
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

II. Financial Analyses for the Last Five Fiscal Years

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

Year Item (Note 3)		Financial Analyses for the Last Five Fiscal Years (Note 1)				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt ratio	25.76	30.63	31.42	38.24	53.09
	Long-term funds to property, plant and equipment	1213.77	1368.37	1514.51	230.82	190.93
Liquidity %	Current ratio	110.92	110.94	128.06	78.34	95.42
	Quick ratio	96.21	102.88	115.04	69.07	79.37
	Interest coverage ratio	273.28	207.25	467.77	243.63	102.62
Operating performance	Receivable turnover (times)	4.20	4.42	4.06	3.82	4.55
	Average cash collection days	86.93	82.58	89.90	95.55	80.22
	Inventory turnover (times)	15.20	22.95	22.51	21.84	22.48
	Payable turnover (times)	3.57	4.34	3.65	4.24	4.48
	Inventory turnover days	24.01	15.90	16.22	16.71	16.24
	Property, plant and equipment turnover (times)	11.35	14.92	20.45	4.60	3.61
	Total assets turnover (times)	0.72	0.84	0.99	0.82	0.92
Profitability	Return on assets (%)	11.45	15.19	18.85	17.06	10.12
	Return on equity (%)	15.77	21.11	27.28	27.54	18.38
	Pre-tax income to paid-in capital (%) (Note 7)	43.82	62.89	91.54	90.65	64.96
	Net profit margin (%)	15.77	17.94	19.01	21.75	10.91
	Earnings per share (NTD)	3.80	5.37	7.62	8.08	5.62
Cash Flow	Cash flow ratio (%)	25.90	32.00	53.40	5.53	19.03
	Cash flow adequacy ratio (%)	333.28	675.91	606.70	113.83	107.7
	Cash reinvestment ratio (%)	7.50	12.26	21.71	3.12	8.37

Year Item (Note 3)		Financial Analyses for the Last Five Fiscal Years (Note 1)				
		2017	2018	2019	2020	2021
Leverage	Operating leverage	1.59	1.56	1.42	1.53	1.81
	Financial leverage	1.01	1.01	1.00	1.01	1.02
<p>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%)</p> <ol style="list-style-type: none"> 1.Increase in the debt ratio: Mainly due to an increase in short-term and long-term borrowings which resulted in an increase in the debt ratio. 2.Increase of current ratio: Mainly due to revenue growth and preparation of inventory to avoid inventory shortage, which resulted in increase of current assets. 3.Decrease in property, plant and equipment turnover: Mainly due to an increase in property, plant and equipment. 4.Decrease of 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 decrease of profit. 5.Increase of cash reinvestment ratio: Mainly due to the increase in capital expenditure on property and plant. 						

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

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

Financial Analysis-IFRS (Consolidated Financial Reporting)

<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: 0.5; 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)				
		2017	2018	2019	2020	2021
Financial structure (%)	Debt ratio	45.70	45.67	45.05	50.85	62.88
	Long-term funds to property, plant and equipment	187.29	195.62	237.74	134.43	139.09
Liquidity %	Current ratio	156.61	151.19	161.85	115.68	128.78
	Quick ratio	125.25	126.90	124.78	78.28	78.11
	Interest coverage ratio	7,739.85	9,340.50	13,256.22	12,078.82	5,472.89
Operating performance	Receivable turnover (times)	4.19	4.16	4.15	4.45	4.56
	Average cash collection days	87.11	87.74	87.95	82.02	80.04
	Inventory turnover (times)	6.40	8.51	6.14	4.67	3,96
	Payable turnover (times)	3.40	3.60	2.99	3.01	3.00
	Inventory turnover days	57.03	42.89	59.45	78.16	92.17
	Property, plant and equipment turnover (times)	3.40	3.84	4.17	3.27	2.51
	Total assets turnover (times)	1.06	1.16	1.12	1.04	0.98
Profitability	Return on assets (%)	8.92	11.60	15.03	13.64	7.11
	Return on equity (%)	15.77	21.11	27.28	26.23	16.64
	Pre-tax income to paid-in capital (%) (Note 7)	51.39	72.73	96.34	99.49	73.35
	Net profit margin (%)	8.26	9.85	13.34	12.95	7.14
	Earnings per share (NTD)	3.80	5.37	7.62	8.16	5.62
Cash Flow	Cash flow ratio (%)	20.45	42.09	42.41	8.46	8.79
	Cash flow adequacy ratio (%)	132.61	187.70	208.49	103.63	56.57
	Cash reinvestment ratio (%)	10.59	23.07	23.65	6.17	5.57
Leverage	Operating leverage	1.72	1.64	1.56	1.68	1.72
	Financial leverage	1.01	1.01	1.01	1.01	1.02

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

1. Increase in the debt ratio: Mainly due to increase of short-term and long-term borrowings, which caused the increase of debt to asset ratio.
2. Decrease in the interest coverage ratio: Mainly due to increase of short-term and long-term borrowings, which caused the increase of interest expense.
3. Decrease in property, plant and equipment turnover: Mainly due to an increase in property, plant and equipment.
4. Decrease of 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 decrease of profit.
5. Decrease in cash reinvestment ratio: Mainly due to the increase in capital expenditure on property and plant.

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

Note 2: The calculate formulas are as follows:

1. Financial structure
 - (1) Debt ratio = $\text{Total liabilities} / \text{Total assets}$.
 - (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 = Cash flow of operating activities / Current liabilities.
- (2) Net cash flow adequacy ratio = Cash flow of operating activities over the past five years / (Capital expenditure + Amount of inventory increase + Cash dividend) over the past five years.
- (3) Cash reinvestment ratio = (Cash flow of operating activities – Cash dividend) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + working capital). (Note 5)

6. Leverage:

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

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

1. Shares outstanding is based on weighted average shares, and not based on year-end shares outstanding.
2. The weighted average number of shares outstanding shall be calculated for cash capital increase or treasury stock transactions.
3. In the case of capitalization of earnings or capital surplus, when the earnings per share of prior years and semi-annual period are calculated, retrospective adjustments shall be made according to the capital increase proportion, regardless of the period of the capital increase.
4. If preferred shares are cumulative non-convertible preferred shares, dividends shall be subtracted (regardless of whether they are already distributed), from net income after tax or added to net loss after tax. If preferred shares are non-cumulative, in the event of net income after tax, preferred shares shall be subtracted from net income after tax, but no adjustments needed in the case of losses.

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

1. Cash flows of operating activities refers to the net cash inflow from operating activities in the statement of cash flow.
2. Capital expenditure refers to the cash outflow from capital investment each year.
3. The increase in inventory is only included when the ending balance is greater than the opening balance. If the inventory decreases at the end of the year, it will be calculated as zero.
4. Cash dividends includes cash dividends from common stock and preferred shares.
5. Gross property, plant, and equipment refers to the total amount of property, plant and equipment before deduction of accumulated depreciation.

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

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

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

Refer to [Appendix 2] on page 165

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

Refer to [Appendix 3] on page 166

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

Refer to [Appendix 4] on page 251

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, 2021	Dec. 31, 2020	Difference		Note
			Amount	%	
Current assets	6,494,909	4,520,596	1,974,313	43.7	2
Property, plant and equipment	4,450,022	3,056,216	1,393,806	45.6	3
Other assets	308,064	460,304	(152,240)	(33.1)	4
Total assets	11,252,995	8,037,116	3,215,879	40.0	5
Current liabilities	5,043,502	3,907,807	1,135,695	29.1	6
Long-term liabilities	2,032,856	179,267	1,853,589	1034.0	6
Total liabilities	7,076,358	4,087,074	2,989,284	73.1	6
Share capital	1,207,885	1,209,260	1,375	0.1	1
Capital surplus	147,144	145,769	1,375	0.94	1
Retained earnings	3,116,860	2,923,086	193,774	6.6	1
Other equity	(315,067)	(348,763)	33,696	9.7	1
Total shareholders' equity	4,176,637	3,950,042	226,595	5.7	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 current assets by more than 20% was mainly due to the growth in revenue and the advance stocking of shortages and higher stocking requirements from customers.
3. The increase of property, plant and equipment by more than 20% from the previous year was mainly due to the construction of the Chiayi plant and the purchase of equipment by the Group in 2021.
4. The decrease of other asset by more than 20% was mainly due to the decrease in financial instruments (fixed deposits)
5. The increase of total asset by more than 20% was mainly due to the construction of the Chiayi plant and the purchase of equipment by the Group in 2021.
6. The increase of current liabilities, long term liabilities and total liabilities by more than 20% was mainly due to the increase in borrowings for the construction of the Chiayi plant.

II. Future response plan: None.

II. Financial Performance

(I) Comparative analysis of business results

Consolidated Financial Statements

Unit: in NT\$ thousands

Item \ Year	2021	2020	Amount of increase (decrease)	Change, by percentage
Net operating revenue	9,423,020	7,544,545	1,878,475	24.9
Operating costs	(7,579,154)	(5,612,927)	1,966,227	35.0
Gross operating profit	1,843,866	1,931,618	(87,752)	(4.5)
Operating expenses	(961,484)	(968,425)	(6,941)	(0.7)
Operating income	882,382	963,193	(80,811)	(8.4)
Non-operating revenue and expense	3,608	239,960	(236,352)	(98.5)
Net income before tax	885,990	1,203,153	(317,162)	(26.4)
Income tax expense	(213,964)	(229,606)	(15,642)	(6.8)
Net income after tax	672,026	973,547	(301,521)	(31.0)
Other comprehensive income (net)	(5,695)	(38,074)	(32,379)	(85.0)
Total comprehensive income for the period	666,331	935,473	(269,142)	(28.8)

- 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):
 - Increase in operating revenue: Mainly due to an increase in customer demand.
 - Increase in operating costs, decrease in the gross operating profit and the operating income: Mainly due to the increase in prices of raw materials, transportation costs and customs duties.
 - Decrease in non-operating revenue and expenses: Mainly due to the gain from the sale of property in Zhonghe in 2020, which was not recorded in the current period.
 - Decrease in net income before tax, net income after tax, and total comprehensive income for the current period: Mainly due to the decrease in profit for the current period.
- Impact of changes in financial position in the last two years: No significant impact on financial performance.
- 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 2022 (thousand units)
Personal computer chassis	150
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 cash inflow	Cash balance (deficit)	Remedial measures for cash inadequacy	
				Investment plan	Wealth management plan
1,216,174	443,139	221,011	1,437,185	0	0
1. Analysis of changes in the cash flow in the current year: <ul style="list-style-type: none"> (1) Operating activities: \$443,139 was mainly from revenue and profit. (2) Investing activities: (\$1,796,953) was mainly from the acquisition of financial assets measured at amortized cost and the purchase of offices and construction of Chiayi plant, and relevant equipment. (3) Financing activities: \$1,593,819 was mainly from the payment of cash dividends and long term and short term borrowings. (4) Others: (\$18,994) 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			
				2021	2022	2022	2023
Land and plants	Self-owned funding and bank loans	111.12	1,740,000	1,191,000	549,000	0	0
Manufacturing, mold equipment, and production equipment	Self-owned funding and bank loans	111.12	900,000	537,000	363,000	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 2021 was NT\$294,559 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 2021 interest and foreign exchange gains and losses are as follows:

Consolidated Financial Statements

Unit: in NT\$ thousands

Item	Year	2021
Net foreign exchange gains and losses		(39,524)
Net operating revenue		9,423,020
Net income before tax		885,990
Net foreign exchange gains and losses to net operating income		(0.42%)
Net foreign exchange gains and losses to net income before tax		(4.46%)
Interest revenue		20,840
Interest revenue to net operating income		0.22%
Interest revenue to net income before tax		2.35%
Interest expense		16,490
Interest expense to net operating income		0.17%
Interest expense to net income before tax		1.86%

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, 2021 were approximately NT3,046,249 thousands, accounting for 27.07% 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 2021 was 2.62% (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 48/72/96(102) x 3.5" HDD; ● 4U Tri-load high-performance storage application, supporting Intel's latest Whitley and Eagle Stream platform motherboard, up to 48x 3.5" HDD; ● 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.
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 and other CPUs
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"> ● 2-4U rack and 4U desktop universal purpose server chassis, supporting 2-6 GPU/GPGPU applications, single/dual-way motherboards
HPC	<ul style="list-style-type: none"> ● 2U 4-node server, supporting Intel's latest Whitley platform Ice Lake dual-channel CPU, SFF, and LFF storage hard drives
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, E1.L, E3, etc.
The total R&D expenditure is estimated to account for 2% to 4% of the total revenue of 2022, 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.

(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 16% 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 4% 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

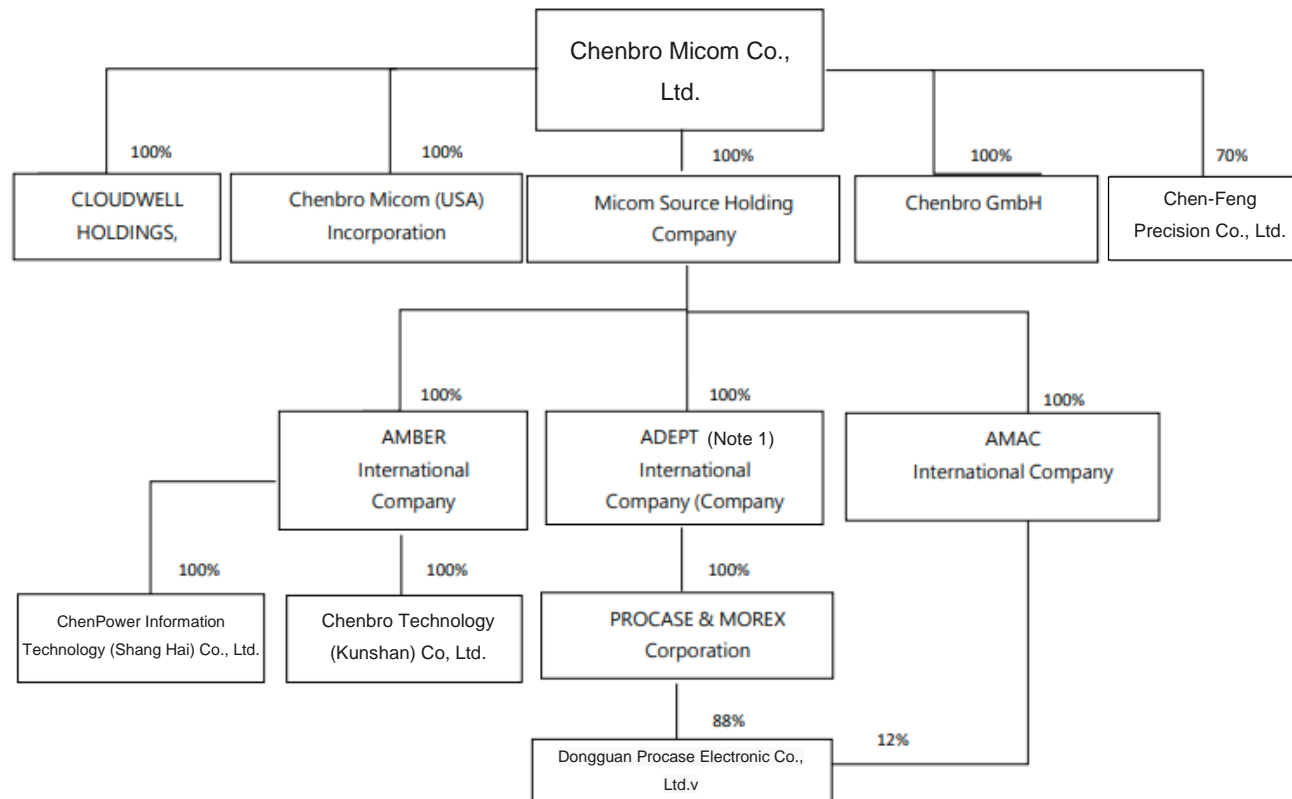
Chapter 8 Special Disclosure

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 was dissolved by resolution of the Board of Directors on May 12, 2020 and is still in the process of liquidation.

(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\$1,207,885,000	R&D, manufacturing, processing, and trading of computer chassis and servers
Chenbro Micom (USA) INC.	2000.01.25	2800 E. JURUPA STREET, ONTARIO CA 91761	US\$1,000,000	Trading of computer chassis and servers
Cloudwell Holdings, LLC.	2013.07.12	2800 E. JURUPA STREET, ONTARIO CA 91761	US\$3,600,000	Property leasing
Micom-Source Holding Co.	1999.01.19	Cayman Islands	US\$20,450,000	Holding company
AMAC International Co.	2001.12.07	Cayman Islands	US\$6,453,000	Holding company
AMBER International Company	2005.12.07	Cayman Islands	US\$8,240,000	Holding company
Chenbro Technology (Kunshan) Co, Ltd.	2003.09.08	Hi-tech Industrial Development Zone, Kunshan City, Jiangsu Province	US\$10,000,000	Manufacturing and processing of computer chassis and servers
Dongguan Procace Electronic Co., Ltd.	1995.12.18	Hongye Industrial Zone, Tangxia Town, Dongguan City	HKD 85,600,000	Manufacturing and processing of computer chassis and servers
ADEPT International Company LTD.	2007.02.22	British Virgin Islands	US\$15,800,000 (Note 1)	Holding company
PROCASE & MOREX Corporation	1997.10.03	British Virgin Islands	US\$17,751,000	Holding company
Chenbro GmbH	2015.02.10	Carl-Friedrich-Benz-Str. 13, 47877 Willich, Germany	EUR 250,000	Trading of computer chassis and servers
ChenPower Information Technology (Shang Hai) Co., Ltd.	2016.10.08	Room 150, Area J, 1F, Building 1, No. 1362, Huqingping Road, Qingpu District, Shanghai.	US\$2,100,000	Trading of computer chassis and servers
Chen-Feng Precision Co., Ltd.	2020.03.04	No.107, Wugong 2nd Rd., Wugu Dist., New Taipei City	NT\$80,000,000	NCT production and manufacturing

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

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

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	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

Enterprise name	Position	Name
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	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

(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	1,614,240	1,254,769	359,471	4,171,727	179,476	132,116
Cloudwell Holdings, LLC.	109,365	216,606	105,272	111,334	11,556	6,927	2,017
Micom- Source Holding Co.	675,969	2,423,184	0	2,423,184	0	0	179,855
AMAC International Co.	195,389	79,872	0	79,872	0	0	4,980
Chenbro Technology (Kunshan) Co, Ltd.	383,754	3,566,675	2,053,858	1,512,817	4,287,587	115,976	104,607
AMBER International Company	249,504	1,739,662	66,693	1,672,969	0	0	141,302
ADEPT International Company LTD.	530,787	584,913	0	584,913	0	(1)	36,326
PROCASE & MOREX Corporation	537,500	589,037	4,133	584,904	0	(2)	36,329
Dongguan Procace Electronic Co., Ltd.	483,589	1,750,519	1,085,814	664,705	2,654,410	37,610	41,528
Chenbro GmbH	9,019	100,071	88,166	11,905	246,532	476	(1,297)
ChenPower Information Technology (Shang Hai) Co., Ltd.	66,906	1,108,185	882,709	225,476	2,606,068	43,949	39,437
Chen-Feng Precision Co., Ltd.	80,000	98,220	32,170	66,050	58,207	(5,796)	(2,915)

(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, 2021, 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 15, 2022

(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 15, 2022

Based on the self-evaluation of the Company's internal control system as of December 31, 2021, 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, 2021, 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 15, 2022, with 8 directors present at the meeting.

Chenbro Micom Co., Ltd.

Chairperson: Mei-chi Chen

President: Ya-nan Chen

[Appendix 2] Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2021 Business Report, Financial Statements, and proposal for allocation of earnings. The CPA firm of PricewaterhouseCoopers Taiwan was retained to audit Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Chenbro Micom Co., Ltd. According to relevant requirements of the Securities and Exchange Act and the Company Law, we hereby submit this report.

Chenbro Micom Co., Ltd.

Chairman of the Audit Committee: Wei-shun Cheng

March 15, 2022

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

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

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

(21)PWCR 21004437

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

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

Valuation of inventories

Description

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

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

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

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

Existence of sales revenue

Description

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

How our audit addressed the matter

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

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

Additions of property, plant and equipment

Description

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

How our audit addressed the matter

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

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

Other matter – Reference to the audits of other auditors

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

Other matter – Parent company only financial reports

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

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

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

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

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Penny Pan

Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

March 15, 2022

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

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

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

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

(Continued)

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

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

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

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2021 AND 2020

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

		Year ended December 31			
		2021		2020	
Items	Notes	AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gain (loss) on remeasurement of defined benefit plan	6(14)			
		\$	5,646	-	(\$ 2,653)
8316	Unrealised gain (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2)(19)			
			19,607	-	(262)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(26)			
		(	1,129)	-	531
8310	Other comprehensive income (loss) that will not be reclassified to profit or loss				
			24,124	-	(2,384)
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(19)			
		(	33,228)	-	19,155
8399	Income tax relating to the components of other comprehensive income	6(19)(26)			
			3,409	-	(54,845)
8360	Other comprehensive loss that will be reclassified to profit or loss				
		(	29,819)	-	(35,690)
8300	Other comprehensive income for the year				
		(\$	5,695)	-	(\$ 38,074)
8500	Total comprehensive income for the period				
		\$	666,331	8	\$ 935,473
Profit, attributable to:					
8610	Owners of the parent				
		\$	672,901	8	\$ 976,857
8620	Non-controlling interest				
		(	875)	-	(3,310)
		\$	672,026	8	\$ 973,547
Comprehensive income attributable to:					
8710	Owners of the parent				
		\$	667,206	8	\$ 938,783
8720	Non-controlling interest				
		(	875)	-	(3,310)
		\$	666,331	8	\$ 935,473
Earnings per share (in dollars)					
6(27)					
9750	Basic earnings per share				
		\$	5.62	\$	8.16
9850	Diluted earnings per share				
		\$	5.56	\$	8.08

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

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

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

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

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

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

(Continued)

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

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

1. HISTORY AND ORGANISATION

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts - cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018 - 2020	January 1, 2022
The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.	

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless

otherwise stated.

(1) Compliance statement

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

(2) Basis of preparation

- A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through other comprehensive income.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

- A. Basis for preparation of consolidated financial statements:
 - (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
 - (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries are in consistency with the policies adopted by the Group.
 - (c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.
 - (d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

B. Subsidiaries included in the consolidated financial statements:

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

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

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

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

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their

translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

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

B. Translation of foreign operations

- (a) The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than

twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

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

(8) Financial assets at amortised cost

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

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

(12) Inventories

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

(13) Property, plant and equipment

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

will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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

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

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

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

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

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

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

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

(15) Intangible assets

A. Trademarks

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

B. Computer software

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

C. Patents

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

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services.
- B. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

Employees' compensation and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive

obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(22) Employee share-based payment

- A. For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.
- B. Restricted stocks:
- (a) Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.
 - (b) For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Group recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.
 - (c) For restricted stocks where employees do not have to pay to acquire those stocks, the Company will redeem at no consideration and retire the unvested stocks if employees resign during the vesting period.

(23) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- D. Deferred tax assets are recognised only to the extent that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(25) Dividends

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

(26) Revenue recognition

- A. The Group manufactures and sells computer cases and related products. Sales are recognised

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

- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term after the transfer of controls in 45 to 60 days, which is consistent with market practice.
- C. A receivable is recognised when the control of products is transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(27) Government grants

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

(28) Operating segments

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

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

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

The Group's inventories are stated at the lower of cost and net realisable value. There might be material changes to the evaluation of inventory value as the technology changes rapidly, the items of the inventory

in the balance sheet date are numerous, and the identification of obsolete inventory and determination of net realisable value are subject to management's judgement.

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

A. The Group associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has reclassified restricted cash and cash equivalents to 'current financial assets at amortised cost' and 'non-current financial assets at amortised cost'. Details are provided in Note 8.

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Equity instruments		
Unlisted stocks	<u>\$ 47,803</u>	<u>\$ 28,196</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 \$47,803 and \$28,196 as at December 31, 2021 and 2020, respectively.

B. For the year ended December 31, 2021 and 2020, the amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income (loss) was \$19,607 and (\$262), respectively.

C. As at December 31, 2021 and 2020, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$47,803 and \$28,196, respectively.

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

(3) Financial assets at amortised cost

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

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

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

B. As at December 31, 2021 and 2020, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$13,951 and \$224,946, respectively.

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

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

(4) Accounts and notes receivable

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

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

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

The above ageing analysis was based on past due date.

- B. As of December 31, 2021, December 31, 2020 and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$2,375,188, \$1,754,818 and \$1,639,140, respectively.
- C. The Group does not hold any collateral as security as at December 31, 2021 and 2020, and the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$25,808 and \$921 and accounts receivable was \$2,346,573 and \$1,751,605, respectively.
- D. Information relating to credit risk is provided in Note 12(2).

(5) Transfer of financial assets

- A. The Group entered into a factoring agreement with banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Group decreased the estimated amount of business dispute and derecognised the transferred accounts receivable. There were no outstanding accounts receivable factoring as of December 31, 2022. As of December 31, 2020, the related information is as follows:

December 31, 2020							
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 2,738	\$ 2,738	\$ 20,000	\$ -	\$ -	\$ -	-

Note: Shown as 'other receivables'.

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

(6) Inventories

December 31, 2021			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 508,796	(\$ 53,094)	\$ 455,702
Semi-finished goods	279,266	(23,265)	256,001
Work in progress	243,212	(899)	242,313
Finished goods	1,501,617	(56,902)	1,444,715
	<u>\$ 2,532,891</u>	<u>(\$ 134,160)</u>	<u>\$ 2,398,731</u>
December 31, 2020			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 267,242	(\$ 14,939)	\$ 252,303
Semi-finished goods	136,546	(10,437)	126,109
Work in progress	165,249	(1,805)	163,444
Finished goods	969,323	(81,453)	887,870
	<u>\$ 1,538,360</u>	<u>(\$ 108,634)</u>	<u>\$ 1,429,726</u>

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

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

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

B. The Group has no inventories pledged to others.

(7) Property, plant and equipment

	Land	Buildings and structures	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for facilities (Note)
<u>At January 1, 2021</u>												
Cost	\$ 1,335,410	\$ 1,738,155	\$ 621,473	\$ 490,241	\$ 36,308	\$ 30,211	\$ 25,105	\$ 60,756	\$ 49,943	\$ 151,562	\$ 4,539,164	\$ 11,194
Accumulated depreciation and impairment	-	(637,056)	(362,849)	(361,065)	(25,146)	(20,566)	(18,405)	(34,292)	(23,569)	-	(1,482,948)	-
	<u>\$ 1,335,410</u>	<u>\$ 1,101,099</u>	<u>\$ 258,624</u>	<u>\$ 129,176</u>	<u>\$ 11,162</u>	<u>\$ 9,645</u>	<u>\$ 6,700</u>	<u>\$ 26,464</u>	<u>\$ 26,374</u>	<u>\$ 151,562</u>	<u>\$ 3,056,216</u>	<u>\$ 11,194</u>
<u>2021</u>												
Opening net book amount	\$ 1,335,410	\$ 1,101,099	\$ 258,624	\$ 129,176	\$ 11,162	\$ 9,645	\$ 6,700	\$ 26,464	\$ 26,374	\$ 151,562	\$ 3,056,216	\$ 11,194
Additions	-	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	-	(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).

- 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 \$7,044.
- 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	<u>\$ 7,024</u>
Range of the interest rates for capitalisation	0.4% ~ 1%

	Land	Buildings and structures	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for facilities (Note)
<u>At January 1, 2020</u>												
Cost	\$ 210,674	\$ 1,570,573	\$ 527,210	\$ 437,021	\$ 26,956	\$ 29,672	\$ 26,688	\$ 59,083	\$ 41,670	\$ 8,069	\$ 2,937,616	\$ 80,182
Accumulated depreciation and impairment	-	(608,372)	(320,438)	(325,037)	(23,803)	(19,605)	(16,928)	(41,913)	(22,709)	-	(1,378,805)	-
	<u>\$ 210,674</u>	<u>\$ 962,201</u>	<u>\$ 206,772</u>	<u>\$ 111,984</u>	<u>\$ 3,153</u>	<u>\$ 10,067</u>	<u>\$ 9,760</u>	<u>\$ 17,170</u>	<u>\$ 18,961</u>	<u>\$ 8,069</u>	<u>\$ 1,558,811</u>	<u>\$ 80,182</u>
<u>2020</u>												
Opening net book amount	\$ 210,674	\$ 962,201	\$ 206,772	\$ 111,984	\$ 3,153	\$ 10,067	\$ 9,760	\$ 17,170	\$ 18,961	\$ 8,069	\$ 1,558,811	\$ 80,182
Additions	1,219,692	284,391	54,505	8,755	10,025	2,167	-	17,291	12,512	151,391	1,760,729	13,410
Disposals	(140,737)	(72,589)	(3,513)	-	-	(13)	(614)	(485)	(27)	-	(217,978)	-
Transfers (Note)	49,280	-	34,983	72,189	-	1,406	-	(425)	1,157	(7,892)	150,698	(79,967)
Depreciation charges	-	(75,404)	(37,846)	(65,422)	(1,923)	(4,064)	(2,498)	(7,167)	(6,433)	-	(200,757)	-
Effects of foreign exchange	(3,499)	2,500	3,723	1,670	(93)	82	52	80	204	(6)	4,713	(111)
Closing net book amount	<u>\$ 1,335,410</u>	<u>\$ 1,101,099</u>	<u>\$ 258,624</u>	<u>\$ 129,176</u>	<u>\$ 11,162</u>	<u>\$ 9,645</u>	<u>\$ 6,700</u>	<u>\$ 26,464</u>	<u>\$ 26,374</u>	<u>\$ 151,562</u>	<u>\$ 3,056,216</u>	<u>\$ 13,514</u>
<u>At December 31, 2020</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	\$ 13,514
Accumulated depreciation	-	(637,056)	(362,849)	(361,065)	(25,146)	(20,566)	(18,405)	(34,292)	(23,569)	-	(1,482,948)	-
	<u>\$ 1,335,410</u>	<u>\$ 1,101,099</u>	<u>\$ 258,624</u>	<u>\$ 129,176</u>	<u>\$ 11,162</u>	<u>\$ 9,645</u>	<u>\$ 6,700</u>	<u>\$ 26,464</u>	<u>\$ 26,374</u>	<u>\$ 151,562</u>	<u>\$ 3,056,216</u>	<u>\$ 13,514</u>

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

- A. The significant components of buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. The net difference of the transfers for this period resulted from transferring mold equipment made for customers from inventories amounting to \$70,731.
- D. No borrowing costs for property, plant and equipment were capitalised for this period.

(8) Leasing arrangements - lessee

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

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

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

- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$8,632 and \$174,227, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

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

F. The Group early terminated the building leasing contract in April 2022. Right-of-use assets and lease liabilities have decreased by \$2,433 and \$2,463, respectively, and the gain on lease modification of \$30 was recognised.

G. For the years ended December 31, 2021 and 2020, the Group's total cash outflow for leases was \$24,294 and \$19,856 (of which \$10,678 and \$7,385 represents payments of the principal of lease liabilities), respectively.

H. Variable lease payments

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

I. Extension and termination options

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

(9) Intangible assets

	<u>Trademarks</u>	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
<u>At January 1, 2021</u>				
Cost	\$ 579	\$ 44,154	\$ 2,576	\$ 47,309
Accumulated amortisation	(424)	(33,711)	(1,170)	(35,305)
	<u>\$ 155</u>	<u>\$ 10,443</u>	<u>\$ 1,406</u>	<u>\$ 12,004</u>
<u>2021</u>				
At January 1	\$ 155	\$ 10,443	\$ 1,406	\$ 12,004
Additions	61	15,635	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').

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

Details of amortisation on intangible assets are as follows:

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

(10) Other non-current assets

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

(11) Short-term borrowings

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

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

(12) Other payables

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

(13) Long-term borrowings

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

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021
Loans for Returning Overseas Taiwanese Businesses (Note 2)	TWD 15,900 thousand; borrowing period is from January 15, 2021 to January 15, 2028; principal and interest are repayable monthly from February 15, 2024	0.40%	(Note 2)	15,900
“	TWD 77,810 thousand; borrowing period is from June 15, 2021 to June 15, 2028; principal and interest are repayable monthly from June 15, 2024	0.40%	“	77,810
Secured borrowings	TWD 372,000 thousand; borrowing period is from August 20, 2021 to August 20, 2036; principal and interest are repayable monthly from August 20, 2024	1%	Real estate located in Xinzhuang Dist., New Taipei City	372,000
Installment payment for secured foreign currency borrowings (Note 3)	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	<u>103,375</u>
Less: Current portion (shown as ‘other current liabilities’)				1,969,775
				(<u>7,117</u>)
				<u>\$ 1,962,658</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2020
Installment payment for secured foreign currency borrowings (Note 2)	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	\$ 113,361
Less: Current portion (shown as 'other current liabilities')				(7,056)
				<u>\$ 106,305</u>

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

Note 2: The Company applied for Loans for Returning Overseas Taiwanese Businesses with the Bank of Taiwan in October 2020. The total amount of the loan was \$1,344,000. In July 2021, the Company applied for an adjustment of loan amount to \$2,656,000, and the loan term was 7 to 10 years after the first drawdown date. The interest rate of the loan was the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank less 0.445% of annual interest and the markdown interest rate shall be no less than 0.4%. The commission fee shall be paid by the National Development Fund at an annual interest of 0.5%, and the payment period shall not exceed 5 years. The loan is mainly for construction of plant, purchase of machinery and equipment and working capital. The Company pledged promissory note of the same amount as the loan, machinery and equipment purchased with the loan proceeds and buildings under completion as collateral.

If, during the contract period, there is a violation of any of the loan covenants, the budget of the National Development Fund may be frozen, there are changes in government policies, there is a need for capital procurement, or any other situation where the National Development Fund is not liable, the commission fee shall not be paid by the National Development Fund after notice and the interest rate of the loan shall be adjusted to the floating interest rate on a 2-year time deposit offered by the Directorate General of the Postal Remittances and Savings Bank plus 0.055% of annual interest and the markdown

interest rate shall be no less than 0.9%.

Note 3: The secured borrowing contract of the subsidiary, CLOUDWELL HOLDINGS, LLC., requires that the interest coverage ratio for each year should not be lower than 1.2. If the requirement is not met, the subsidiary shall repay the outstanding borrowing or provide bank deposits as collateral. As of December 31, 2021, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(14) Pensions

A. Defined benefit plan

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

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

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

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

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

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

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

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

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

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

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

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

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

compared to the previous period.

- (f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2022 amount to \$1,089.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 7 years. The maturity analysis of pension payment was as follows:

Within 1 year	\$	13,826
1-2 year(s)		1,915
2-5 years		3,294
Over 5 years		7,480
	\$	<u>26,515</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, 2021 and 2020 were \$11,312 and \$10,111, respectively.
- (d) Micom Source Holding Company, CLOUDWELL HOLDINGS, LLC., Chenbro GmbH, Cloud International Company Limited, AMAC International Company, AMBER International Company, ADEPT International Company, and PROCASE & MOREX Corporation did not establish their pension plans or had no employees. In addition, the pension costs under the defined contribution pension plans of CHENBRO MICOM (USA) INCORPORATION, Chenbro Technology (Kunshan) Co., Ltd., ChenPower Information Technology (Shanghai) Co., Ltd. and Dongguan Procace Electronic Co., Ltd. for the years ended December 31, 2021 and 2020 were \$35,923 and \$5,747, respectively. At the beginning of 2020, due to the influence of the Covid-19 pandemic in China, the local government has exempted pension insurance from February 2020 to December 2020.

(15) Share-based payment

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

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

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

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

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

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

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

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

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

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

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

(16) Ordinary shares

As of December 31, 2021, the Company's authorised capital was \$1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was \$1,207,885, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding (shares in thousands) are as follows:

	2021	2020
At January 1	120,926	119,726
Issuance of restricted stocks	-	1,200
Redemption of restricted stocks to employees yet to be retired	(11)	-
Retirement of restricted stocks	(137)	-
At December 31	120,778	120,926

(17) Capital surplus

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

(18) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital. The remaining shall take into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.
- B. The Company's dividend policy is based on the current profit and consideration of the Company's growth in the future, capital budget plan and capital needs as well as consideration of shareholders' interest and long-term financial plan, etc. Earnings can be distributed to shareholders as cash dividends or stock dividends. Cash dividends shall account for at least 10% of the total dividends distributed. If cash dividends are lower than \$0.20 (in dollars) per share, stock dividends will be issued instead.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amount of \$65,573 previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Order No. Financial-Supervisory-Securities-1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. On May 14, 2021 and June 23, 2020, the shareholders during their meeting resolved the appropriations of the 2020 and 2019 earnings, respectively, as follows:

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

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

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

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

(19) Other equity items

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

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

(20) Operating revenue

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

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

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

B. Contract liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities - sale of products	<u>\$ 13,001</u>	<u>\$ 7,113</u>	<u>\$ 6,624</u>

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

	Years ended December 31,	
	2021	2020
Contract liabilities - sale of products	<u>\$ 1,070</u>	<u>\$ 988</u>

(21) Interest income

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

(22) Other income

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

(23) Other gains and losses

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

(24) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense on bank borrowings	\$ 15,795	\$ 8,850
Interest expense on lease liabilities	695	1,194
	<u>\$ 16,490</u>	<u>\$ 10,044</u>

(25) Employee benefit, depreciation and amortisation expenses

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

- A. According to the Articles of Incorporation of the Company and its domestic subsidiaries, a ratio of profit of the current year distributable, shall be distributed as employees' compensation and directors' and supervisors' remuneration. For the Company, the ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration. For the domestic subsidiaries, the ratio shall not be lower than 5% for employees' compensation. Employees' compensation and directors' and supervisors' remuneration will be distributed in the form of stock or cash as resolved by the Board of Directors. Employees who are entitled to receive employees' compensation include employees of subsidiaries of the company meeting certain specific requirements. Related regulations were set by the Board of Directors. The distribution of employees' compensation and directors' and supervisors' remuneration should be reported to the stockholders. However, if the Company has accumulated deficit, the Company should cover accumulated losses first, then distribute employees'

compensation and directors' and supervisors' remuneration proportionately as described above.

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

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

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

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

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. Reconciliation between income tax expense and accounting profit:

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

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

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

	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>

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

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

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

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

- F. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.
- G. The subsidiary-Chen-Feng Precision Co., Ltd. was established on March 4, 2020. Its income tax returns have not been assessed and approved by the Tax Authority.
- H. The Company had applied for investment of repatriated offshore funds back in Taiwan in 2021 and 2020 and had paid 8~10% of the income tax. The Company will apply for 4~5% of tax refund after it completes the substantive investment and obtains the certificate issued by the Ministry of Economic Affairs. The aforementioned tax refund expected to be collected amounting to \$21,113 and \$18,002 was shown as 'current tax assets'.

(27) Earnings per share

	Years ended December 31, 2021		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<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

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

(28) Supplemental cash flow information

Investing activities with partial cash payments:

A. Purchase of property, plant and equipment:

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 1,728,042	\$ 1,911,427
Add: Opening balance of payable on equipment	35,873	4,132
Opening balance of payable on land and building purchased	303,010	-
Ending balance of prepayments for business facilities	77,314	11,194
Less: Opening balance of prepayments for business facilities	(11,194)	(30,902)
Opening balance of prepayment for land purchases	-	(49,280)
Ending balance of payable on equipment	(128,048)	(35,873)
Ending balance of payable on land and building purchased	-	(303,010)
Transferred from inventories	(7,044)	(70,731)
Cash paid during the period	\$ 1,997,953	\$ 1,436,957

B. Acquisition of intangible assets

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

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

	Year ended December 31, 2020
Cash returned	<u>\$ 14,327</u>
Carrying amounts of the assets and liabilities of Edge International Company limited	
Cash	\$ 14,327
Total net assets	<u>\$ 14,327</u>

(29) Changes in liabilities from financing activities

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

	Short-term borrowings	Long-term borrowings	Lease liabilities	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2020	\$ 59,960	\$ 126,411	\$ 4,766	\$ 586	\$ 191,723
Changes in cash flow from financing activities	789,109	(6,971)	(7,385)	(67)	774,686
Impact of changes in foreign exchange rate	-	(6,079)	1	-	(6,078)
Changes in other non-cash items	-	-	37,521	-	37,521
At December 31, 2020	<u>\$ 849,069</u>	<u>\$ 113,361</u>	<u>\$ 34,903</u>	<u>\$ 519</u>	<u>\$ 997,852</u>

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>2021</u>	<u>2020</u>
Sales:		
Other related parties	\$ <u>693</u>	\$ <u>540</u>

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

B. Purchases and other expenses

	<u>Years ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Purchases:		
Other related parties	\$ 9,437	\$ 3,988
Other expenses:		
Other related parties	<u>5,846</u>	<u>4,416</u>
	<u>\$ 15,283</u>	<u>\$ 8,404</u>

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

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

C. Receivables from related parties

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

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

D. Payables to related parties

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

(a) Accounts payable bear no interest.

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

(4) Key management compensation

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

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Time deposits (shown as 'current financial assets at amortised cost')	\$ 10,000	\$ 3,000	Customs duty guarantee
Cash in banks (shown as 'non-current financial assets at amortised cost')	\$ 3,951	\$ 2,946	Long-term borrowings (Note 1)
Land and buildings	\$ 1,208,725	\$ 755,251	Long-term borrowings (Notes 1, 2 and 3)
Accounts receivable (Note 4)	\$ 347,247	\$ -	Short-term borrowings

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

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

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

A. On December 22, 2020, the Company entered into a plant construction contract (mechatronic, fire safety and air conditioning) with RUEY LAN ENGINEERING CO., LTD. for the total price of \$289,500 (tax included). In addition, on January 11, 2022, the Company contracted a supplemental construction payment in the amount of \$81,800 (tax included), the adjusted total contract price was \$371,300 (tax included). As of December 31, 2021, the Company has made a payment of \$248,970.

B. On February 2, 2021, the Company entered into a contract for plant construction on its own land in Chiayi County Machohou Industry Park with SAN MIN CONSTRUCTION DEVELOPMENT CO., LTD. for the total price of \$1,208,529 (tax included). In addition, on March 15, 2022, the Company contracted a supplemental construction payment in the amount of \$63,420 (tax included), the adjusted

total contract price was \$1,271,949 (tax included). As of December 31, 2021, the Company has made a payment of \$978,908.

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

- A. Please refer to Note 6(26) B for the resolution of employees' compensation and directors' and supervisors' remuneration for the year ended December 31, 2021.
- B. Please refer to Note 6(18) F for the appropriation of 2021 earnings.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 1,076,474	\$ 849,069
Notes payable	80,526	-
Accounts payable (including related parties)	2,994,287	1,970,058
Other payables	761,033	967,636
Long-term borrowings (including current	1,969,775	113,361
Guarantee deposits received	539	519
Other current liabilities	5,074	3,862
	<u>\$ 6,887,708</u>	<u>\$ 3,904,505</u>
Lease liabilities	<u>\$ 30,394</u>	<u>\$ 34,903</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, 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
December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 52,234	28.48	\$ 1,487,624
USD:RMB	32,494	6.50	925,104
<u>Non-monetary items</u>			
USD:NTD	10,968	28.48	312,363
EUR:NTD	300	35.02	10,505
RMB:NTD	510,928	4.38	2,237,863
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 29,827	28.48	\$ 849,473
USD:RMB	10,151	6.50	288,999

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

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

Years ended December 31, 2021				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<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		-
Years ended December 31, 2020				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 14,876	\$	-
USD:RMB	1%	9,251		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	8,495		-
USD:RMB	1%	2,890		-

Price risk

- The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.
- Shares were issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other comprehensive income for the years ended December 31, 2021 and 2020 would have increased/decreased by \$478 and \$282 as a result of gains or losses on equity investment at fair value through other comprehensive income, respectively.

Cash flow and fair value interest rate risk

- A. The Group's interest rate risk primarily arises from various borrowings. Borrowings with variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. For the year ended December 31, 2021, the Group's borrowings were issued at fixed rate and are denominated in NTD. For the year ended December 31, 2020, the Group has no borrowings issued at fixed rate.
- B. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1 basis point with all other variables held constant, profit, net of tax for the years ended December 31, 2021 would have increased/decreased by \$141. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial assets at amortised cost and equity instruments stated at fair value through other comprehensive income.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. Individual risk limits are set based on internal or external factors in accordance with limits set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.
- iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using the provision matrix and loss rate methodology to estimate expected credit loss.
- vii. The Group used the forecastability of The New Basel Capital Accord to adjust historical and timely information to assess the default possibility of accounts receivable. As of December 31, 2021 and 2020, the loss allowance is as follows:

	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2021</u>				
Expected loss rate	0.03%	0.03%-0.2%	0.03%-2.8%	0.03%-11.51%
Total book value	\$ 2,059,116	\$ 283,276	\$ 6,932	\$ 56
Loss allowance	\$ -	\$ 2,107	\$ 694	\$ 6
	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2021</u>				
Expected loss rate	0.03%-100%	100.00%		
Total book value	\$ -	\$ -	\$ 2,349,380	
Loss allowance	\$ -	\$ -	\$ 2,807	
	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2020</u>				
Expected loss rate	0.03%	0.03%-0.14%	0.03%-1.14%	0.03%-7.05%
Total book value	\$ 1,548,932	\$ 192,931	\$ 12,034	\$ -
Loss allowance	\$ -	\$ 1,272	\$ 1,020	\$ -
	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2020</u>				
Expected loss rate	0.03%-100%	100.00%		
Total book value	\$ -	\$ -	\$ 1,753,897	
Loss allowance	\$ -	\$ -	\$ 2,292	

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

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

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

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity

requirements to ensure it has sufficient cash to meet operational needs.

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

Non-derivative financial liabilities:

<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	80,526	-	-	-
Accounts payable	2,994,287	-	-	-
Accounts payable - related party	-	-	-	-
Other payables	761,033	-	-	-
Lease liabilities	11,036	18,488	1,890	-
Other current liabilities	5,074	-	-	-
Long-term borrowings (including current portion)	22,970	225,066	649,809	1,166,236
Guarantee deposits received	539	-	-	-

Non-derivative financial liabilities:

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

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

(3) Fair value information

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

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

volume to provide pricing information on an ongoing basis.

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

Level 3: Unobservable inputs for the asset or liability.

B. The carrying amounts of the Group's financial assets not measured at fair value, including cash and cash equivalents, financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid (shown as other non-current assets), other current assets, other non-current assets, short-term borrowings, notes payable, accounts payable (including related parties), other payables, lease liabilities, long-term borrowings (including current portion) and guarantee deposits received (shown as other current 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, 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
December 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 28,196	\$ 28,196

(b) The methods and assumptions the Group used to measure fair value are as follows:

- i. The fair value of the Group's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

- ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

- D. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	2020
	<u>Equity securities</u>	<u>Equity securities</u>
January 1	\$ 28,196	\$ 28,458
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	<u>19,607</u>	<u>(262)</u>
At December 31	<u>\$ 47,803</u>	<u>\$ 28,196</u>

- E. For the years ended December 31, 2021 and 2020, there was no transfer into or out from Level 3.
- F. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	<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
	<u>Fair value at December 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (first quartile)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 28,196	Market comparable companies	Price to book ratio multiple	1.15-7.84 (1.33)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	25% (25%)	The higher the discount for lack of marketability, the lower the fair value

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

			December 31, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 478	(\$ 478)
	Discount for lack of marketability	±1%	-	-	159	(159)
			December 31, 2020			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 282	(\$ 282)
	Discount for lack of marketability	±1%	-	-	94	(94)

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

Due to the slowdown of the COVID-19 pandemic in the US and China and the impact of global economic recovery, the Group's consolidated operating revenue for the years ended December 31, 2021 increased by \$1,878,475 year over year, representing a growth rate of 24.9%. Based on the Group's assessment, there was no significant impact on the Group's financial and other risks due to the pandemic.

The Group has implemented staggered work schedules and work from home according to characteristics of each department and enhanced disinfection at workplace and common area in accordance with preventive measures imposed by the government. In addition to strengthening preventive measures, the Group continued paying attention to the development of the pandemic situation, and updated the relevant contingency measures in a rolling manner in response to the challenges of the pandemic and to ensure that its overall operations will not be affected by the

pandemic. Consequently, the pandemic has no significant impact on the Group's operations and production activities as the Group has a good understanding and control over each risk.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 3.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

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

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

(3) Information on investments in Mainland China

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

Name of company	Counterparty	Accounts	Amount 2021	Percentage representing the account of the company (%)	Note
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Sales	\$ 108,352	2	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	3,458,311	71	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	953,643	61	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Purchases	533,967	11	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Accounts payable	116,703	8	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Other receivables	42,636	2	Note
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Other receivables	51,764	3	Note

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

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. OPERATING SEGMENT INFORMATION

(1) General information

Because each plant possesses similar economic characteristics, produces similar products under similar production process, uses the same machinery and equipment, as well as the distribution methods and customer categories are alike, the Company and subsidiaries' chief operating decision-maker has assessed that the Company and its subsidiaries only have one reportable operating segment. Furthermore, the measurement basis for the Company is in agreement with the basis stated in the reports reviewed by the chief operating decision-maker.

(2) Measurement of segment information

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

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

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

(4) Reconciliation for segment income (loss)

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

(5) Information on product

Details of revenue balance is as follows:

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

(6) Geographical information

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

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

(7) Major customer information

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2021

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

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed			Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary (Note 6)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 6)	Provision of endorsements/ guarantees to the party in Mainland China (Note 6)	Footnote
		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	\$ 831,364	\$ 159,824	\$ 155,008	\$ 103,375	\$ -	3.73	\$ 2,494,093	Y	N	N	Note 3

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is as follows:

- (1) A company with which the Company does business
- (2) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company
- (4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares
- (5) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
- (6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages
- (7) Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", ceiling on accumulated endorsements/guarantees to others and limit on endorsements/guarantees to a single party was 60% and 20% of the Company's net assets, respectively.

Note 4: The maximum endorsement/guarantee provided by Chenbro Micom Co., Ltd. to CLOUDWELL HOLDINGS, LLC. was \$5,600 thousand for the year ended Deceember 31, 2021.

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period

December 31, 2021

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

Table 2

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2021

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

Table 3

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount (Note 1)	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHENBRO MICOM CO., LTD.	Machouhou Industry Park's productive plant	February 2, 2021	\$ 1,271,949	Based on the contract schedule (Note 2)	San Min Construction Development Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Price comparison and price negotiation	Expansion of production capacity	None

Note 1: On February 2, 2021, the Company entered into a contract at the total price of \$1,208,529 (tax included). In addition, on March 15, 2022, the Company contracted a supplemental construction payment in the amount of \$63,420 (tax included), the adjusted total contract price was \$1,271,949 (tax included).

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2021

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

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsiidiary company	Sales	\$ 3,793,048	62	T/T 120 days	Note 1	Note 1	\$ 991,689	59	Note 2
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Parent-subsiidiary company	Sales	199,735	3	90 days after monthly billing	Note 1	Note 1	83,306	5	Note 2
CHENBRO MICOM CO., LTD.	Dongguan Procace Electronic Co., Ltd.	Parent-subsiidiary company	Sales	108,352	2	60 days after monthly billing	Note 1	Note 1	-	-	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiidiary company	Sales	3,458,311	81	60 days after monthly billing	Note 1	Note 1	953,643	72	Note 2
Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiidiary company	Sales	533,967	20	60 days after monthly billing	Note 1	Note 1	116,703	15	Note 2
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	2,101,649	79	90 days after monthly billing	Note 1	Note 1	670,699	84	Note 2

Note 1: Terms and prices for the abovementioned transactions are the same with third parties.

Note 2: The transactions were eliminated when preparing the consolidated financial statements.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Receivables from related parties reaching \$100 million or 20% of paid-in capital or more
December 31, 2021
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021 (Note 3)	Turnover rate	Overdue receivables		Amount 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 \$ 991,689	3.99	\$ 758	Subsequent collection	\$ 443,346	\$ -
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 953,643	4.43	-		396,731	-
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable \$ 670,699	3.13	-		365,042	-
Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 116,703	5.10	-		116,703	-

Note 1: Subsequent collections as of March 15, 2022.

Note 2: As the related parties have excellent credit condition, no allowance for doubtful accounts was recognised.

Note 3: The transactions were eliminated when preparing the consolidated financial statements.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Year ended December 31, 2021
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 6

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

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

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

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

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

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

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Information on investees (not including investees in Mainland China)
Year ended December 31, 2021
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021	Investment income (loss) recognised by the Company for the year ended December 31, 2021	Footnote
				Balance as at December 31, 2021 (Note 4)	Balance as at December 31, 2020 (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	\$ 2,376,437	\$ 179,858	\$ 166,968	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	295,159	132,119	129,094	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	111,334	2,017	2,017	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	11,193 (	1,297) (	1,479)	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chen-Feng Precession Co., Ltd.	Taiwan	Manufacturing of NCT	56,000	56,000	5,600,000	70	46,235 (	2,915) (	2,041)	
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	178,619	178,619	6,452,738	100	79,872	4,980	-	Notes 3 and 4
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	228,083	228,083	8,239,890	100	1,733,607	141,302	-	Notes 3 and 4
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	437,344	437,344	35,346	100	609,667	33,589	-	Notes 3, 4 and 6
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Holding company	235,280	235,280	35,502	100	584,904	36,329	-	Notes 2, 4 and 5

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

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

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

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

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2021

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

Table 8

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 1)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	\$ 276,800	\$ 2	\$ 276,800	\$ -	\$ -	\$ 276,800	\$ 104,607	\$ 100	\$ 104,607	\$ 1,512,817	\$ 767,130	Notes 2, 4, 5 and 7
Dongguan Procase Electronic Co., Ltd.	Manufacturing and processing of computer cases	347,163	2	82,929	-	-	82,929	41,528	100	41,528	664,705	-	Notes 3 and 7
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	58,128	2	-	-	-	-	39,437	100	39,437	225,396		Notes 2, 6 and 7

Investment method:

1.Directly invest in a company in Mainland China.

2.Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

3.Others.

Note 1: The investment income / loss of current period were audited by independent accounts of the Company.

Note 2: The Company reinvested through Amber International Company.

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

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

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

Note 6: The Company incorporated on October 8, 2016 and was reinvested by Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company at amount of USD\$ 2.1 million as capital of the Company on December 23, 2016.

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

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Major shareholders information

December 31, 2021

Table 9

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

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2021 AND 2020

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

INDEPENDENT AUDITORS' REPORT

(21) PWCR 21003983

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, 2021 and 2020, 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2021 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 2021 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, 2021, the Company's cost of inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$380,555 thousand and NT\$24,725 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:

1. Obtaining the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses are consistent for all periods. Assessing the accounting estimates used by the management for providing of allowance for inventory loss.
2. 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.
3. 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.
4. Assessing the reasonableness of obsolescence loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.

5. 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:

1. Assessing the revenue cycle and performing tests to determine whether the Company's revenue process is conducted in accordance with the internal control procedures.
2. Checking the related industry background in respect of the newly top 10 trading counterparties.
3. Obtaining and selecting samples to verify related vouchers of the sales revenue from the newly top 10 and significant changes in revenue of top 10 trading counterparties and confirming that the sales revenue transactions of these trading counterparties actually occurred.
4. Examining details of sales returns and discounts 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:

1. 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.
2. 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.
3. 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.

Other matter – Reference to the audits of other auditors

As stated in Note 6(6), we did not audit the financial statements of an investments accounted for using the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of this associates, is based solely on the report of the other auditors. The balance of this investments accounted for unsing the equity method amounted to NT\$112,500 thousand, constituting 2% of the total assets as at December 31, 2020 and the comprehensive income recognised from this associate accounted for using the equity method amounted to NT\$1,884 thousand, constituting 0% of the total comprehensive income for the year then ended.

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

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

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

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

Auditors' responsibilities for the audit of the parent company only financial statements

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

Pan, Hui-Lin

Lin, Chun-Yao

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 15, 2022

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2021		December 31, 2020			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	398,623	5	\$	233,640	4
1136	Current financial assets at amortised cost	8		10,000	-		3,000	
1150	Notes receivable, net	6(3)		24,048	-		-	-
1170	Accounts receivable, net	6(3)		568,444	7		347,938	6
1180	Accounts receivable - related parties	7		1,074,994	12		964,773	15
1200	Other receivables	6(4)		15,267	-		25,307	-
1210	Other receivables - related parties	7		103,848	1		59,019	1
1220	Current income tax assets	6(25)		21,113	-		18,002	-
130X	Inventories	6(5)		355,830	4		211,893	3
1410	Prepayments			88,718	1		6,704	-
1470	Other current assets			3,482	-		3,316	-
11XX	Total current assets			2,664,367	30		1,873,592	29
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(2)		47,803	1		28,196	1
1550	Investments accounted for using equity method	6(6)(18)		2,840,349	32		2,683,349	42
1600	Property, plant and equipment	6(7) and 8		3,178,221	36		1,720,132	27
1780	Intangible assets	6(8)		12,880	-		4,630	-
1840	Deferred income tax assets	6(25)		33,726	-		41,344	1
1900	Other non-current assets	6(9)		83,166	1		10,655	-
15XX	Total non-current assets			6,196,145	70		4,488,306	71
1XXX	Total assets		\$	8,860,512	100	\$	6,361,898	100

(Continued)

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

Liabilities and Equity			December 31, 2021		December 31, 2020	
Notes			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 799,768	9	\$ 849,069	13
2130	Current contract liabilities	6(19)	6,419	-	1,654	-
2150	Notes payable		80,527	1	-	-
2170	Accounts payable		383,481	4	165,805	3
2180	Accounts payable - related parties	7	1,088,176	12	705,398	11
2200	Other payables	6(11)	379,293	4	581,587	9
2220	Other payables - related parties	7	2,768	-	2,823	-
2230	Current income tax liabilities		50,385	1	84,477	1
2300	Other current liabilities		1,509	-	662	-
21XX	Total current liabilities		2,792,326	31	2,391,475	37
Non-current liabilities						
2540	Long-term borrowings	6(12)	1,866,400	21	-	-
2570	Deferred income tax liabilities	6(25)	14,619	-	9,744	-
2600	Other non-current liabilities	6(13)	30,345	1	31,327	1
25XX	Total non-current liabilities		1,911,364	22	41,071	1
2XXX	Total Liabilities		4,703,690	53	2,432,546	38
Equity						
Share capital		6(14)(15)				
3110	Share capital - common stock		1,207,885	14	1,209,260	19
Capital surplus		6(14)(16)				
3200	Capital surplus		147,144	2	145,769	2
Retained earnings		6(17)				
3310	Legal reserve		817,355	9	719,881	11
3320	Special reserve		260,504	3	224,552	4
3350	Unappropriated retained earnings		2,039,001	23	1,978,653	31
Other equity interest		6(18)				
3400	Other equity interest		(315,067)	(4)	(348,763)	(5)
3XXX	Total equity		4,156,822	47	3,929,352	62
Significant contingent liabilities and unrecorded contract commitments		9				
Significant events after the balance sheet date		6(17) and 11				
3X2X	Total liabilities and equity		\$ 8,860,512	100	\$ 6,361,898	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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2021		2020	
Items	Notes		AMOUNT	%	AMOUNT	%
4000	Operating revenue	6(19) and 7	\$ 6,165,491	100	\$ 4,491,345	100
5000	Operating costs	6(5)(24) and 7	(5,170,997)	(84)	(3,452,851)	(77)
5900	Net operating margin		994,494	16	1,038,494	23
5910	Unrealised profit from sales		(69,559)	(1)	(47,534)	(1)
5920	Realised profit on from sales		47,534	1	87,668	2
	Net realised profit from sales	6(6)	(22,025)	-	40,134	1
5950	Net operating margin		972,469	16	1,078,628	24
	Operating expenses	6(24) and 7				
6100	Selling expenses		(78,865)	(1)	(74,039)	(1)
6200	General and administrative expenses		(243,897)	(4)	(209,719)	(5)
6300	Research and development expenses		(142,701)	(3)	(164,904)	(4)
6450	Expected credit impairment (loss) gain	12(2)	26	-	(855)	-
6000	Total operating expenses		(465,437)	(8)	(449,517)	(10)
6900	Operating profit		507,032	8	629,111	14
	Non-operating income and expenses					
7100	Interest income	6(20)	139	-	982	-
7010	Other income	6(21) and 7	13,545	-	8,211	-
7020	Other gains and losses	6(22)	(22,880)	-	172,310	4
7050	Finance costs	6(23)	(7,722)	-	(4,518)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	6(6)	294,559	5	290,121	7
7000	Total non-operating revenue and expenses		277,641	5	467,106	11
7900	Profit before income tax		784,673	13	1,096,217	25
7950	Income tax expense	6(25)	(111,772)	(2)	(119,360)	(3)
8200	Profit for the year		\$ 672,901	11	\$ 976,857	22

(Continued)

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

		Year ended December 31			
		2021		2020	
Items	Notes	AMOUNT	%	AMOUNT	%
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(13)			
		\$	5,646	-	(\$ 2,653)
8316	Unrealised gain (losses) from investments in equity instruments measured at fair value through other comprehensive income	6(2)(18)			
			19,607	-	(262)
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)			
		(	1,129)	-	531
8310	Other comprehensive gain (loss) that will not be reclassified to profit or loss				
			24,124	-	(2,384)
Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(18)			
		(	33,228)	-	19,155
8399	Income tax relating to the components of other comprehensive income	6(18)(25)			
			3,409	-	(54,845)
8360	Other comprehensive loss that will be reclassified to profit or loss				
		(	29,819)	-	(35,690)
8300	Other comprehensive loss for the year				
		(\$	5,695)	-	(\$ 38,074)
8500	Total comprehensive income for the year				
		\$	667,206	11	\$ 938,783
Earnings per share (in dollars) 6(26)					
9750	Basic earnings per share				
		\$	5.62	\$	8.16
9850	Diluted earnings per share				
		\$	5.56	\$	8.08

The accompanying notes are an integral part of these parent company only financial statements.

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

	Notes	Capital Reserves				Retained Earnings		Other equity interest				Total equity
		Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Capital Surplus, restricted stock	Legal reserve	Special reserve	Total unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Other equity - others	
<u>2020</u>												
Balance at January 1, 2020		\$ 1,197,260	\$ 41,987	\$ 6,222	\$ -	\$ 628,686	\$ 213,156	\$ 1,657,248	(\$ 218,316)	(\$ 6,236)	\$ -	\$ 3,520,007
Profit for the year		-	-	-	-	-	-	976,857	-	-	-	976,857
Other comprehensive loss for the year	6(2)(18)	-	-	-	-	-	-	(2,122)	(35,690)	(262)	-	(38,074)
Total comprehensive income (loss)		-	-	-	-	-	-	974,735	(35,690)	(262)	-	938,783
Distribution of 2019 earnings	6(17)											
Legal reserve		-	-	-	-	91,195	-	(91,195)	-	-	-	-
Special reserve		-	-	-	-	-	11,396	(11,396)	-	-	-	-
Cash dividends		-	-	-	-	-	-	(550,739)	-	-	-	(550,739)
Share-based payments	6(14)(18)	12,000	-	-	97,560	-	-	-	-	-	(88,259)	21,301
Balance at December 31, 2020		<u>\$ 1,209,260</u>	<u>\$ 41,987</u>	<u>\$ 6,222</u>	<u>\$ 97,560</u>	<u>\$ 719,881</u>	<u>\$ 224,552</u>	<u>\$ 1,978,653</u>	<u>(\$ 254,006)</u>	<u>(\$ 6,498)</u>	<u>(\$ 88,259)</u>	<u>\$ 3,929,352</u>
<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		<u>\$ 1,207,885</u>	<u>\$ 64,649</u>	<u>\$ 6,222</u>	<u>\$ 76,273</u>	<u>\$ 817,355</u>	<u>\$ 260,504</u>	<u>\$ 2,039,001</u>	<u>(\$ 283,825)</u>	<u>\$ 13,109</u>	<u>(\$ 44,351)</u>	<u>\$ 4,156,822</u>

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31	
	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		\$ 784,673	\$ 1,096,217
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment (gain) loss	12(2)	(26)	855
Depreciation	6(24)	31,915	20,751
Amortisation	6(8)(24)	10,216	2,191
Interest expense	6(23)	7,722	4,518
Interest income	6(20)	(139)	(982)
Gain on disposal of property, plant and equipment	6(22)	-	(213,500)
Loss on disposal of investments accounted for using equity method	6(22)	-	437
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	(294,559)	(290,121)
Net realised loss (profit) from sales	6(6)	22,025	(40,134)
Profit from lease modification	6(22)	-	(7,159)
Share-based payments	6(14)	43,908	21,301
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net	(	24,048)	-
Accounts receivable	(	220,480)	(25,555)
Accounts receivable - related parties	(	110,221)	36,285
Other receivables		10,042	(10,638)
Other receivables - related parties	(	44,829)	47,796
Inventories	(	143,937)	(19,050)
Prepayments	(	82,014)	2,351
Other current assets	(	166)	(2,761)
Changes in operating liabilities			
Notes payable		80,527	-
Current contract liabilities		4,765	697
Accounts payable		217,676	(66,111)
Accounts payable - related parties		382,778	(139,493)
Other payables (including related parties)	(	8,085)	(10,363)
Other current liabilities		847	(22)
Other non-current liabilities		2,810	316
Cash inflow generated from operations		671,400	407,826
Interest received		137	991
Interest paid	(	6,046)	(4,558)
Income tax paid	(	134,202)	(267,932)
Net cash flows from operating activities		531,289	136,327

(Continued)

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

		Year ended December 31	
	Notes	2021	2020
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets at amortised cost		(\$ 7,000)	\$ -
Acquisition of investments accounted for using equity method	6(6)	-	(70,963)
Proceeds from disposal of investments accounted for using equity method	6(6)(27)	-	14,327
Proceeds from cash dividends distributed by subsidiaries	6(6)	82,306	464,724
Acquisition of property, plant and equipment	6(27)	(1,757,003)	(1,339,853)
Proceeds from disposal of property, plant and equipment		2,500	427,245
Acquisition of intangible assets	6(27)	(12,576)	(5,927)
Increase in other non-current assets		(6,645)	(515)
Net cash flows used in investing activities		(1,698,418)	(510,962)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Proceeds from short-term borrowings	6(28)	6,087,236	4,909,812
Repayment of short-term borrowings	6(28)	(6,136,537)	(4,120,703)
Proceeds from long-term borrowings	6(28)	1,866,400	-
Payment of the principal of lease liabilities	6(9)(28)	(1,343)	(180)
Payment of cash dividends	6(17)	(483,644)	(550,739)
Net cash flows from financing activities		1,332,112	238,190
Net increase (decrease) in cash and cash equivalents		164,983	(136,445)
Cash and cash equivalents at beginning of year	6(1)	233,640	370,085
Cash and cash equivalents at end of year	6(1)	<u>\$ 398,623</u>	<u>\$ 233,640</u>

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, 2021 AND 2020
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

Chenbro Micom Co., Ltd. was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in December 1983. The Company 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 15, 2022.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

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

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

(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 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 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
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendment to IFRS 17, 'Initial application of IFRS 17 and IFRS 9 - comparative information'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 12, 'Deferred tax related to assets and liabilities arising from a single transaction'	January 1, 2023

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the Regulations

Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

- A. Except for the following items, the financial statements have been prepared under the historical cost convention:
 - (a) Financial assets at fair value through other comprehensive income.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the Company entities, associates and joint

arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.
- (b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Company still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Cash equivalents

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

operations are classified as cash equivalents.

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

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

(7) Financial assets at amortised cost

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

(8) Accounts 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 cost of completion and applicable variable selling expenses.

(12) Investments accounted for using equity method / subsidiaries

- A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- B. Unrealised gains or losses on transactions between the Company and its subsidiaries have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

- D. Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.
- E. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.
- D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	5~50 years
Machinery and equipment	6~12 years
Mold equipment	2~4 years
Computer communication equipment	3~4 years
Testing equipment	3~10 years
Transportation equipment	5 years
Office equipment	3~10 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.

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, 2021, the carrying amount of inventories was \$355,830.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Petty cash and cash on hand	\$ 53	\$ 112
Demand deposits	204,446	140,462
Checking account deposits	394	161
Foreign currency deposits	192,730	91,905
Time deposits	<u>1,000</u>	<u>1,000</u>
	<u>\$ 398,623</u>	<u>\$ 233,640</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has reclassified cash and cash equivalents pledged to 'current financial assets at amortised cost'. Details are provided in Note 8.

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

<u>Items</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Non-current items:		
Equity instruments		
Unlisted stocks	<u>\$ 47,803</u>	<u>\$ 28,196</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 \$47,803 and \$28,196 as at December 31, 2021 and 2020, 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, 2021 and 2020 amounted to \$19,607 and (\$262), respectively.

C. As at December 31, 2021 and 2020, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was \$47,803 and \$28,196, respectively.

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

(3) Notes and accounts receivable

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Notes receivable	<u>\$ 24,048</u>	<u>\$ -</u>
Accounts receivable	\$ 569,599	\$ 349,119
Less: Allowance for bad debts	<u>(1,155)</u>	<u>(1,181)</u>
	<u>\$ 568,444</u>	<u>\$ 347,938</u>

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

	December 31, 2021		December 31, 2020	
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable
Not past due	\$ 24,048	\$ 466,610	\$ -	\$ 284,044
Up to 30 days	-	69,156	-	39,303
31 to 90 days	-	32,213	-	17,602
91 to 180 days	-	1,564	-	8,170
Over 180 days	-	56	-	-
	<u>\$ 24,048</u>	<u>\$ 569,599</u>	<u>\$ -</u>	<u>\$ 349,119</u>

The above ageing analysis was based on past due date.

B. As of December 31, 2021, December 31, 2020, and January 1, 2020, the balances of receivables (including notes receivable) from contracts with customers amounted to \$593,647, \$349,119 and \$323,564, respectively.

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

D. As at December 31, 2021 and 2020, 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 \$24,048, \$0, \$568,444 and \$347,938, 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, 2021, no transferred accounts receivable were matured. As of December 31, 2020, the related information is as follows:

December 31, 2020							
Purchaser of accounts receivable	Accounts receivable transferred	Amount	Facilities	Amount	Interest	Footnote	
	(Note)	derecognised		advanced	rate of amount advanced		
Chang Hwa Bank	\$ 2,738	\$ 2,738	\$ 20,000	\$ -	\$ -	-	

Note: Shown as 'other receivables'.

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

(5) Inventories

December 31, 2021			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
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>
December 31, 2020			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 62,233	(\$ 9,869)	\$ 52,364
Work in process	1,682	-	1,682
Finished goods	162,208	(4,361)	157,847
	<u>\$ 226,123</u>	<u>(\$ 14,230)</u>	<u>\$ 211,893</u>

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

Years ended December 31,		
	2021	2020
Cost of goods sold	\$ 5,160,477	\$ 3,490,089
Loss on (gain on reversal of) decline in market value	10,495 (	37,319)
Loss on physical inventory	25	81
	<u>\$ 5,170,997</u>	<u>\$ 3,452,851</u>

The Company reversed a previous inventory write-down because obsolete and slow-moving inventories and inventories with decline in market value were partially sold by the Company during the year ended December 31, 2020.

B. The Company has no inventories pledged to others.

(6) Investments accounted for using equity method

	2021	2020
At January 1	\$ 2,683,349	\$ 2,742,464
Addition of investments accounted for using equity method	-	70,963
Share of profit or loss of investments accounted for using equity method	294,559	290,121
Disposal of investments accounted for using equity method	- (	14,764)
Net unrealised (loss) profit of inter-company transactions	(22,025)	40,134
Backward remittance of earnings in subsidiaries	(82,306)	(464,724)
Changes in other equity items (Note 6(17))	(33,228)	19,155
At December 31	<u>\$ 2,840,349</u>	<u>\$ 2,683,349</u>
	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Micom Source Holding Company	\$ 2,376,428	\$ 2,312,205
Chenbro Micom (USA) Incorporation	295,159	199,863
CLOUDWELL HOLDINGS, LLC.	111,334	112,500
Chenbro GmbH	11,193	10,505
Chen-Feng Precision Co., LTD.	46,235	48,276
	<u>\$ 2,840,349</u>	<u>\$ 2,683,349</u>

- A. The financial statements of investee accounted for using equity method, CLOUDWELL HOLDINGS, LLC., were audited by their appointed auditors. The Company recognised comprehensive income of \$1,884 on investees accounted for using equity method based on such financial statements for the year ended December 31, 2020. As of December 31, 2020, the balance of the related investment accounted for using equity method was \$112,500.
- B. Edge International Company Limited was established on December 31, 2019. The funds were in place in February 2020. The company was dissolved under the resolution of the Board of Directors on May 12, 2020. The liquidation was completed in October 2020.
- C. Chen-Feng Precision Co., Ltd. was established on March 4, 2020. The established capital was \$50,000. The Company held 70% of the ordinary shares. In addition, the investee increased its capital in November 2020. The Company participated in the capital increase proportionately to its ownership by \$21,000 as resolved by the Board of Directors. The process was completed in December 2020.
- D. As resolved by the Board of Directors on March 23, 2021 and March 17, 2020, Micom Source Holding Company distributed cash dividends amounting to \$82,306 and \$464,724 which were remitted to the parent company in May 2021 and May 2020, respectively.
- E. 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, 2021.

(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, 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%

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
<u>At January 1, 2020</u>												
Cost	\$ 140,737	\$ 126,628	\$ 6,037	\$ 257,577	\$ 13,720	\$ 20,927	\$ 4,140	\$ 12,382	\$ 9,816	\$ -	\$ 591,964	\$ 49,280
Accumulated depreciation	-	(51,567)	(3,062)	(254,126)	(12,874)	(15,273)	(1,434)	(11,858)	(7,111)	-	(357,305)	-
	<u>\$ 140,737</u>	<u>\$ 75,061</u>	<u>\$ 2,975</u>	<u>\$ 3,451</u>	<u>\$ 846</u>	<u>\$ 5,654</u>	<u>\$ 2,706</u>	<u>\$ 524</u>	<u>\$ 2,705</u>	<u>\$ -</u>	<u>\$ 234,659</u>	<u>\$ 49,280</u>
<u>2020</u>												
Opening net book amount	\$ 140,737	\$ 75,061	\$ 2,975	\$ 3,451	\$ 846	\$ 5,654	\$ 2,706	\$ 524	\$ 2,705	\$ -	\$ 234,659	\$ 49,280
Additions	1,219,692	263,863	122	3,838	9,616	2,190	-	13,569	1,322	149,138	1,663,350	2,493
Disposals	(140,737)	(72,589)	-	-	-	-	-	(419)	-	-	(213,745)	-
Transfers	49,280	-	-	-	-	-	-	-	-	-	49,280	(49,280)
Depreciation charges	-	(5,156)	(662)	(1,698)	(901)	(3,148)	(690)	(696)	(461)	-	(13,412)	-
Closing net book amount	<u>\$ 1,268,972</u>	<u>\$ 261,179</u>	<u>\$ 2,435</u>	<u>\$ 5,591</u>	<u>\$ 9,561</u>	<u>\$ 4,696</u>	<u>\$ 2,016</u>	<u>\$ 12,978</u>	<u>\$ 3,566</u>	<u>\$ 149,138</u>	<u>\$ 1,720,132</u>	<u>\$ 2,493</u>
<u>At December 31, 2020</u>												
Cost	\$ 1,268,972	\$ 263,863	\$ 5,732	\$ 261,415	\$ 23,336	\$ 19,972	\$ 4,140	\$ 13,569	\$ 5,517	\$ 149,138	\$ 2,015,654	\$ 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>

Note: Prepayments for business facilities are shown as 'other non-current assets'. Details are provided in Note 6(9).

- A. The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. No borrowing costs for property, plant and equipment were capitalised for this period.

(8) Intangible assets

	<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>
	<u>Trademarks</u>	<u>Computer software</u>	<u>Patents</u>	<u>Total</u>
<u>At January 1, 2020</u>				
Cost	\$ 576	\$ 27,798	\$ 884	\$ 29,258
Accumulated amortisation	(377)	(25,120)	(547)	(26,044)
	<u>\$ 199</u>	<u>\$ 2,678</u>	<u>\$ 337</u>	<u>\$ 3,214</u>
<u>2020</u>				
At January 1	\$ 199	\$ 2,678	\$ 337	\$ 3,214
Additions	3	1,912	1,692	3,607
Amortisation charge	(47)	(1,521)	(623)	(2,191)
At December 31	<u>\$ 155</u>	<u>\$ 3,069</u>	<u>\$ 1,406</u>	<u>\$ 4,630</u>
<u>At December 31, 2020</u>				
Cost	\$ 579	\$ 29,710	\$ 2,576	\$ 32,865
Accumulated amortisation	(424)	(26,641)	(1,170)	(28,235)
	<u>\$ 155</u>	<u>\$ 3,069</u>	<u>\$ 1,406</u>	<u>\$ 4,630</u>

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,	
	2021	2020
Manufacturing expenses	\$ 389	\$ -
Selling expenses	709	48
Administrative expenses	2,184	1,182
Research and development expenses	6,934	961
	<u>\$ 10,216</u>	<u>\$ 2,191</u>

(9) Other non-current assets

	December 31, 2021	December 31, 2020
Prepayments for business facilities	\$ 66,577	\$ 2,493
Prepayment for intangible assets	1,432	2,320
Guarantee deposits paid	3,970	1,144
Right-of-use assets	3,723	1,053
Others	7,464	3,645
	<u>\$ 83,166</u>	<u>\$ 10,655</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, 2021 and 2020, the depreciation charges of right-of-use assets were \$1,343 and \$7,339, respectively.
- D. For the years ended December 31, 2021 and 2020, the additions to right-of-use assets were \$4,013 and \$137,008, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

	Years ended December 31,	
	2021	2020
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 22	\$ 702
Expense on short-term lease contracts	8,512	6,036
Expense on leases of low-value assets	534	321
Gains arising from lease modifications	-	7,159

- F. The Company terminated the lease contract for housing in advance in December 2020. The right of-use asset and lease liability decreased by \$129,547 and \$136,706, respectively. Accordingly, the Company recognised gain arising from lease modification amounting to \$7,159 for the year

ended December 31, 2020.

G. For the years ended December 31, 2021 and 2020, the Company's total cash outflow for leases was \$10,411 and \$7,239 (of which \$1,343 and \$180 represents payments of the principal of lease liabilities), respectively.

(10) Short-term borrowings

Type of borrowings	December 31, 2021	Interest rate range	Collateral
Short-term borrowings	<u>\$ 799,768</u>	0.70%~1.00%	A promissory note of the same amount was issued as collateral.
Type of borrowings	December 31, 2020	Interest rate range	Collateral
Short-term borrowings	<u>\$ 849,069</u>	0.65%~1.00%	A promissory note of the same amount was issued as collateral.

(11) Other payables

	December 31, 2021	December 31, 2020
Payables for machinery and equipment	\$ 126,967	\$ 25,715
Remuneration due to directors and supervisors and employee bonus payable	76,639	92,729
Wages and bonus payable	75,677	82,725
Payables for export freight and customs clearance charges	14,324	9,381
Payables for service fees	10,408	21,815
Payables for intangible assets	5,002	-
Payables for mold	1,323	17,124
Payables for buildings and land purchases	-	303,010
Others	68,953	29,088
	<u>\$ 379,293</u>	<u>\$ 581,587</u>

(12) Long-term borrowings

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

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2021
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
"	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%	"	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
				<u>1,866,400</u>
Less: Current portion				<u>-</u>
				<u>\$ 1,866,400</u>

As of December 31, 2020, the Company has no long-term borrowings.

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

(c) Movements in present value of defined benefit obligation are as follows:

	<u>Present value of defined benefit obligation</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)	<u>149</u>	<u>(57)</u>	<u>92</u>
	<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	<u>(725)</u>	<u>-</u>	<u>(725)</u>
Experience adjustments	<u>(4,668)</u>	<u>-</u>	<u>(4,668)</u>
	<u>(5,365)</u>	<u>(281)</u>	<u>(5,646)</u>
Pension fund contribution	-	(532)	(532)
Benefits paid	<u>(7,650)</u>	<u>7,650</u>	<u>-</u>
Balance at December 31	<u>\$ 36,922</u>	<u>(\$ 12,030)</u>	<u>\$ 24,892</u>
<u>Year ended December 31, 2020</u>			
Balance at January 1	\$ 46,043	(\$ 17,562)	\$ 28,481
Current service cost	116	-	116
Interest expense (income)	<u>322</u>	<u>(123)</u>	<u>199</u>
	<u>46,481</u>	<u>(17,685)</u>	<u>28,796</u>
Remeasurements:			
Return on plan assets	-	(595)	(595)
Change in financial assumptions	1,383	-	1,383
Experience adjustments	<u>1,865</u>	<u>-</u>	<u>1,865</u>
	<u>3,248</u>	<u>(595)</u>	<u>2,653</u>
Pension fund contribution	-	(530)	(530)
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31	<u>\$ 49,729</u>	<u>(\$ 18,810)</u>	<u>\$ 30,919</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, 2021 and 2020 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.
- (e) The principal actuarial assumptions used were as follows:

	2021	2020
Discount rate	0.60%	0.30%
Future salary increases	3.00%	3.00%

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

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

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

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, 2022 are \$1,089.
- (g) As of December 31, 2021, the weighted average duration of the retirement plan is 7 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	13,826
1-2 year(s)		1,915
2-5 years		3,294
Over 5 years		7,480
	\$	<u>26,515</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, 2021 and 2020 were \$10,549 and \$9,801, respectively.

(14) Share-based payment

- A. The Company’s share-based payment arrangements for the year ended December 31, 2021 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:

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

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

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

Type of arrangement	Grant date	Stock price (in dollars)	Exercise price (in dollars)	Expected option life	Fair value per unit (in dollars)
Restricted stocks to employees	2020.8.11	\$ 91.30	-	4 years	\$ 91.30

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

	Years ended December 31,
	2021 2020
Equity-settled	\$ <u>43,908</u> \$ <u>21,301</u>

(15) Ordinary shares

As of December 31, 2021, the Company's authorised capital was \$1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was \$1,207,885 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding (shares in thousands) are as follows:

	2021	2020
At January 1	120,926	119,726
Issuance of restricted stocks	-	1,200
Redemption of restricted stocks to employees yet to be retired	(11)	-
Retirement of restricted stocks	(137)	-
At December 31	120,778	120,926

(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 14, 2021 and June 23, 2020, the shareholders resolved the appropriations of 2020 and 2019 earnings as follows:

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

- (b) On March 15, 2022, the Board of Directors has proposed the appropriation of 2021 earnings as follows:

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

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

(18) Other equity items

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>

Year ended December 31, 2020				
	Currency translation	Unrealised losses on valuation	Others, unearned compensation	Total
At January 1	(\$ 218,316)	(\$ 6,236)	\$ -	(\$ 224,552)
Valuation adjustment	-	(262)	-	(262)
Employee restricted shares:				
- Granted for the year	-	-	(109,560)	(109,560)
- Transferred to expenses	-	-	21,301	21,301
Currency translation differences:				
- Group	19,155	-	-	19,155
- Tax on Group	(54,845)	-	-	(54,845)
At December 31	<u>(\$ 254,006)</u>	<u>(\$ 6,498)</u>	<u>(\$ 88,259)</u>	<u>(\$ 348,763)</u>

(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,	
	2021	2020
Server cases and components of peripheral products	\$ 6,020,729	\$ 4,345,839
Personal computer cases	144,762	145,506
	<u>\$ 6,165,491</u>	<u>\$ 4,491,345</u>

(b) Geographical information

	Years ended December 31,	
	2021	2020
US	\$ 3,853,297	\$ 2,452,040
China	860,219	577,411
Taiwan	550,471	962,379
Singapore	382,212	83,186
Others	519,292	416,329
	<u>\$ 6,165,491</u>	<u>\$ 4,491,345</u>

B. Contract assets and liabilities

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

	December 31, 2021	December 31, 2020	January 1, 2020
Contract liabilities-sale of products	<u>\$ 6,419</u>	<u>\$ 1,654</u>	<u>\$ 957</u>

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

	Years ended December 31,	
	2021	2020
Contract liabilities-sale of products	<u>\$ 843</u>	<u>\$ 537</u>

(20) Interest income

	Years ended December 31,	
	2021	2020
Interest income from bank deposits	<u>\$ 139</u>	<u>\$ 982</u>

(21) Other income

	Years ended December 31,	
	2021	2020
Gains arising from writing-off past-due payables	\$ 10,000	\$ -
Other income	<u>3,545</u>	<u>8,211</u>
	<u>\$ 13,545</u>	<u>\$ 8,211</u>

(22) Other gains and losses

	Years ended December 31,	
	2021	2020
Net currency exchange loss	(\$ 22,463)	(\$ 45,701)
Loss on disposal of investment	-	(437)
Gain on disposal of property, plant and equipment	-	213,500
Gains arising from lease modifications	-	7,159
Other expenses	(417)	(2,211)
	<u>(\$ 22,880)</u>	<u>\$ 172,310</u>

(23) Finance costs

	Years ended December 31,	
	2021	2020
Interest expense on bank borrowings	\$ 7,700	\$ 3,816
Interest expense on lease liabilities	22	702
	<u>\$ 7,722</u>	<u>\$ 4,518</u>

(24) Employee benefit, depreciation and amortisation expenses

	Years ended December 31,	
	2021	2020
Wages and salaries	\$ 308,614	\$ 294,167
Share-based payment	43,908	21,301
Labour and health insurance fees	22,192	22,292
Pension costs	10,700	10,116
Other personnel expenses	16,403	14,991
Employee benefit expense	<u>\$ 401,817</u>	<u>\$ 362,867</u>
Depreciation charges on property, plant and equipment	<u>\$ 31,915</u>	<u>\$ 20,751</u>
Amortisation charges on intangible assets	<u>\$ 10,216</u>	<u>\$ 2,191</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, 2021 and 2020, employees' compensation was accrued at \$59,221 and \$70,985, respectively; while directors' and supervisors' remuneration was accrued at \$17,418 and \$21,744, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2020, 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.

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

Information about employees' compensation and directors' 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,	
	2021	2020
Current tax:		
Current tax on profits for the year	\$ 112,813	\$ 155,552
Prior year income tax (over) under estimation	(15,814)	7,137
Total current tax	<u>96,999</u>	<u>162,689</u>
Deferred tax:		
Origination and reversal of temporary differences	<u>14,773</u>	(43,329)
Total deferred tax	<u>14,773</u>	(43,329)
Income tax expense	<u>\$ 111,772</u>	<u>\$ 119,360</u>

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

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

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2021	2020
Tax calculated based on profit before tax and statutory tax rate	\$ 156,935	\$ 219,243
Prior year income tax (over) under estimation	(15,814)	7,137
Expenses disallowed by tax regulation	2,278	1,508
Acquisition of cash dividends distributed by foreign investee company accounted for using equity method	8,018	18,589
Effect from deduction or exemption for substantive investment from repatriated offshore funds	(4,009)	(57,810)
Tax exempted income from sales of land	-	(30,384)
Land value Increment tax	-	6,177
Temporary difference not recognised as deferred tax liabilities	(48,120)	(47,029)
Others	12,484	1,929
Income tax expense	<u>\$ 111,772</u>	<u>\$ 119,360</u>

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

	2021			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	\$ 2,846	\$ 2,099	\$ -	\$ 4,945
Unrealised gain on inter-affiliate accounts	9,507	4,405	-	13,912
Customised 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>

2020				
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	\$ 10,310	(\$ 7,464)	\$ -	\$ 2,846
Unrealised gain on inter-affiliate accounts	18,255	(8,748)	-	9,507
Customised but unrecognised gross profit	-	743	-	743
Allowance for bad debts	2,649	(21)	-	2,628
Unused compensated absences	1,456	259	-	1,715
Pension expense payable	6,306	-	531	6,837
Pension expense that exceeds the limit for tax purpose	1,788	43	-	1,831
Unrealised warranty provision	1,138	-	-	1,138
Unrealised exchange loss	2,320	223	-	2,543
Others	3,510	8,046	-	11,556
	<u>\$ 47,732</u>	<u>(\$ 6,919)</u>	<u>\$ 531</u>	<u>\$ 41,344</u>
-Deferred tax liabilities:				
Investment income	(\$ 5,147)	\$ 50,248	(\$ 54,845)	(\$ 9,744)

- D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2021 and 2020, the amounts of temporary differences unrecognised as deferred tax liabilities were \$395,500 and \$363,643, respectively.
- E. The Company's income tax returns through 2019 have been assessed and approved by the Tax Authority.
- F. The Company had applied for investment of repatriated offshore funds back in Taiwan in 2021 and 2020 and had paid 8%~10% of the income tax. The Company will apply for 4%~5% of tax refund after it completes the substantive investment and obtains the certificate issued by the Ministry of Economic Affairs. As of December 31, 2021 and 2020 the aforementioned tax refund expected to be collected amounting to \$21,113 and \$18,002, respectively, was shown as 'current tax assets'.

(26) Earnings per share

Year ended December 31, 2021			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	<u>\$ 672,901</u>	119,834	<u>\$ 5.62</u>
<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	<u>-</u>	<u>241</u>	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 672,901</u>	<u>121,022</u>	<u>\$ 5.56</u>
Year ended December 31, 2020			
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (shares in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	<u>\$ 976,857</u>	119,726	<u>\$ 8.16</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the Company	\$ 976,857		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,053	
Restricted stocks	<u>-</u>	<u>75</u>	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 976,857</u>	<u>120,854</u>	<u>\$ 8.08</u>

(27) Supplemental cash flow information

Investing activities with partial cash payments:

A. Purchase of property, plant and equipment

	Years ended December 31,	
	2021	2020
Purchase of property, plant and equipment	\$ 1,491,161	\$ 1,712,630
Add: Opening balance of payable on equipment	25,715	2,735
Opening balance of payable on land and building purchased	303,010	-
Ending balance of prepayments for business facilities	66,577	2,493
Less: Opening balance of prepayments for business facilities	(2,493)	(49,280)
Ending balance of payable on equipment	(126,967)	(25,715)
Ending balance of payable on land and building purchased	-	(303,010)
Cash paid during the year	<u>\$ 1,757,003</u>	<u>\$ 1,339,853</u>

B. Acquisition of intangible assets

	Years ended December 31,	
	2021	2020
Acquisition of intangible assets	\$ 18,466	\$ 3,607
Add: Ending balance of prepayment for intangible assets	1,432	2,320
Less: Opening balance of prepayment for intangible assets	(2,320)	-
Ending balance of payable for intangible assets	(5,002)	-
Cash paid during the year	<u>\$ 12,576</u>	<u>\$ 5,927</u>

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

	Year ended December 31, 2020
Cash returned	<u>\$ 14,327</u>
Carrying amounts of the assets and liabilities of Edge International Company limited	
Cash	<u>\$ 14,327</u>
Total net assets	<u>\$ 14,327</u>

(28) Changes in liabilities from financing activities

	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>

	2020			
	Short-term borrowings	Lease liabilities (Note)		Liabilities from financing activities-gross
At January 1, 2020	\$ 59,960	\$ 931		\$ 60,891
Changes in cash flow from financing activities	789,109	(180)		788,929
Changes in other non-cash items	-	302		302
At December 31, 2020	<u>\$ 849,069</u>	<u>\$ 1,053</u>		<u>\$ 850,122</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
Edge International Company limited (Edge)	Subsidiary (Note)
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

Note: On May 12, 2020, Edge International Company Limited was dissolved under the resolution of the Board of Directors, and the liquidation was completed in October 2020.

(3) Significant related party transactions

A. Operating revenue and other income

	Years ended December 31,	
	2021	2020
Sales of goods:		
Subsidiaries		
- CMI	\$ 3,793,048	\$ 2,422,582
- Other subsidiaries	313,685	257,427
Other income - management revenue:		
Subsidiaries	2,832	7,322
	<u>\$ 4,109,565</u>	<u>\$ 2,687,331</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,	
	2021	2020
Purchases:		
Subsidiaries		
- CSH	\$ 3,458,311	\$ 2,442,576
- PROCASE	-	47
- Other subsidiaries	588,065	461,535
Other related parties	7,347	3,814
Other expenses:		
Subsidiaries		
- CSH-FENG	5,458	-
Other related parties (management service expense)	5,846	4,416
	<u>\$ 4,065,027</u>	<u>\$ 2,912,388</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, 2021</u>	<u>December 31, 2020</u>
Accounts receivable:		
Subsidiaries		
- CMI	\$ 991,689	\$ 909,218
- Other subsidiaries	83,305	55,555
	<u>1,074,994</u>	<u>964,773</u>
Other receivables		
Subsidiaries		
- CSH	42,636	7,608
- DGP	51,764	50,950
- Other subsidiaries	9,443	438
Other related parties	5	23
	<u>103,848</u>	<u>59,019</u>
	<u>\$ 1,178,842</u>	<u>\$ 1,023,792</u>

- (a) The receivables from related parties are unsecured in nature and bear no interest.
- (b) Other receivables are payments on behalf of subsidiaries and other related parties amounts paid for purchase of materials on behalf of subsidiaries and other related parties.

D. Payables to related parties

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Accounts payable:		
Subsidiaries		
- CSH	\$ 953,643	\$ 607,515
- DGP	116,703	92,895
- Other subsidiaries	16,620	4,166
Other related parties	1,210	822
	<u>1,088,176</u>	<u>705,398</u>
Other payables:		
Subsidiaries	1,009	1,947
Other related parties	1,759	876
	<u>2,768</u>	<u>2,823</u>
	<u>\$ 1,090,944</u>	<u>\$ 708,221</u>

- (a) Accounts payable bear no interest.
- (b) Other payables: The payables are service expenses paid by subsidiaries and mold fee.

E. Property transactions:

(a) Acquisition of financial assets:

There was no acquisition of financial assets for the year ended December 31, 2021.

	Accounts	No. of shares(shares in thousands)	Objects	Year ended December 31, 2020	
				Consideration	
Subsidiaries					
-Edge(Note)	Investment accounted for using equity method	500	stocks	\$	14,963
-Chen-Feng	Investment accounted for using equity method	5,600	stocks		56,000
				\$	70,963

Note: Edge had been liquidated completely in October 2020. As of December 31, 2020, the balance of Edge Were \$0.

(b) 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	\$ -

	Accounts	No. of shares(shares in thousands)	Objects	Year ended December 31, 2020	
				Proceeds	Loss
Subsidiaries					
-MICOM	Investment accounted for using equity method	(Note)	(Note)	\$ 464,724	\$ -
-Edge	Investment accounted for using equity method	500	stocks	14,327	437
				\$ 479,051	\$ 437

Note: As resolved by the Board of Directors on March 23, 2021 and March 17, 2020, MICOM distributed cash dividends amounting to \$82,306 and \$464,724 which was remitted to the parent company in May 2021 and May 2020 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, 2021	December 31, 2020
Subsidiaries (Note)		
- CLOUDWELL	\$ 5,600	\$ 5,600

Note: unit in thousands of USD.

(4) Key management compensation

	Years ended December 31,	
	2021	2020
Short-term employee benefits	\$ 43,092	\$ 57,561
Post-employment benefits	244	278
Share-based payments	10,245	6,390
	<u>\$ 53,581</u>	<u>\$ 64,229</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value		Purpose
	December 31, 2021	December 31, 2020	
Time deposits (shown as 'current financial assets at amortised cost and other current assets')	<u>\$ 10,000</u>	<u>\$ 3,000</u>	Customs duty guarantee
Land (shown as 'property, plant and equipment')	<u>\$ 1,021,244</u>	<u>\$ 558,358</u>	Collateral for bank 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, the Company signed a supplemental contract amounting to \$81,800 (including tax), and the total contract amount after adjustments was \$371,300. As of December 31, 2021, the Company had made a payment amounting to \$248,970.

B. On February 2, 2021, the Company entered into a contract for plant construction on its own land in Chiayi County Machohou Industry Park with SAN MIN CONSTRUCTION DEVELOPMENT CO., LTD. for the total price of \$1,208,529 (tax included). As of March 15, 2022, the Company signed a supplemental contract amounting to \$63,420 (including tax), and the total contract amount after

adjustments was \$1,271,949. As of December 31, 2021, the Company had made a payment amounting to \$978,908.

- C. Except for the abovementioned new plant-related project, the contracted but not yet incurred capital expenditure amounted to \$113,596.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 15, 2022, 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, 2021.
- B. Please refer to Note 6(17) E(b) for the appropriation of 2021 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, 2021</u>	<u>December 31, 2020</u>
<u>Financial assets</u>		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	\$ 47,803	\$ 28,196
Financial assets at amortised cost		
Cash and cash equivalents	398,623	233,640
Financial assets at amortised cost	10,000	3,000
Notes receivable	24,048	-
Accounts receivable (including related parties)	1,643,438	1,312,711
Other receivables (including related parties)	119,115	84,326
Guarantee deposits paid	3,970	1,144
	<u>\$ 2,246,997</u>	<u>\$ 1,663,017</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 799,768	\$ 849,069
Accounts payable (including related parties)	1,471,657	871,203
Other accounts payable (including related parties)	382,061	584,410
Long-term borrowings	1,866,400	-
	<u>\$ 4,519,886</u>	<u>\$ 2,304,682</u>
Lease liability (shown as other current liabilities and other non-current liabilities)	<u>\$ 3,723</u>	<u>\$ 1,053</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, 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
December 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 51,655	28.48	\$ 1,471,134
<u>Non-monetary items</u>			
USD:NTD	10,968	28.48	312,363
EUR:NTD	300	35.02	10,505
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 29,827	28.48	\$ 849,473

- 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, 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
	Year ended December 31, 2020			
	Exchange gain (loss)			
	Foreign currency amount (in thousands)	Exchange rate	Book value	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ -	28.48	(\$	19,760)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$ -	28.48	\$	7,050

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

	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	-

Year ended December 31, 2020			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 14,711	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	8,495	-

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, 2021 and 2020 would have increased/decreased by \$478 and \$282, 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, 2021, the Company's borrowing at variable rates were mainly denominated in New Taiwan dollars. For the year ended December 31, 2020, the Company did not have the borrowings with floating interest rates.
- 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, 2021 would have increased/decreased by \$141. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the 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 2021 and 2020, the loss allowance is as follows:

	Not past due	1 to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2021</u>				
Expected loss rate	0.03%	0.20%	2.80%	11.51%
Total book value	\$ 466,610	\$ 101,369	\$ 1,564	\$ 56
Loss allowance	\$ -	\$ 992	\$ 157	\$ 6
	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2021</u>				
Expected loss rate	0.00%	100.00%		
Total book value	\$ -	\$ -	\$ 569,599	
Loss allowance	\$ -	\$ -	\$ 1,155	
	Not past due	1 to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2020</u>				
Expected loss rate	0.03%	0.14%	1.14%	5.09%
Total book value	\$ 284,044	\$ 56,905	\$ 8,170	\$ -
Loss allowance	\$ -	\$ 352	\$ 829	\$ -

	271 to 360 days past due	Over 360 days past due	Total
<u>December 31, 2020</u>			
Expected loss rate	37.25%	100%	
Total book value	\$ -	\$ -	\$ 349,119
Loss allowance	\$ -	\$ -	\$ 1,181

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,	
	2021	2020
	Accounts receivable	Accounts receivable
At January 1	\$ 1,181	\$ 326
(Reversal of) impairment loss	(26)	855
At December 31	\$ 1,155	\$ 1,181

For the years ended December 31, 2021 and 2020, impairment (gain) loss of accounts receivable that arise from customer contracts is (\$26) and \$855, respectively.

(c) Liquidity risk

- 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.
- 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, 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	-	-

<u>December 31, 2020</u>	<u>Less than 1 year</u>	<u>Between 1 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
Short-term borrowings	\$ 849,344	\$ -	\$ -	\$ -
Accounts payable	165,805	-	-	-
Accounts payable - related party	705,398	-	-	-
Other payables	581,587	-	-	-
Other payables - related party	2,823	-	-	-
Other current liabilities	662	-	-	-
Other non-current liabilities	-	414	-	-

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, 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	\$ <u>-</u>	\$ <u>-</u>	\$ <u>47,803</u>	\$ <u>47,803</u>
December 31, 2020	<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	\$ <u>-</u>	\$ <u>-</u>	\$ <u>28,196</u>	\$ <u>28,196</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. The fair value of the Company's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date.
- ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. The following chart is the movement of Level 3 for the years ended December 31, 2021 and 2020:

	2021	2020
	Equity securities	Equity securities
January 1	\$ 28,196	\$ 28,458
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	19,607	(262)
At December 31	<u>\$ 47,803</u>	<u>\$ 28,196</u>

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

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

	Fair value at December 31, 2021	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 47,803	Market comparable companies	Price to book ratio multiple	1.45-6.61 (1.80)	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

	Fair value at December 31, 2020	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 28,196	Market comparable companies	Price to book ratio multiple	1.15-7.84 (1.33)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	25% (25%)	The higher the discount for lack of marketability, the lower the fair value

H. The 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, 2021			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 478	(\$ 478)
	Discount for lack of marketability	±1%	-	-	159	(159)
			December 31, 2020			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 282	(\$ 282)
	Discount for lack of marketability	±1%	-	-	94	(94)

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

Due to the slowdown of the COVID-19 pandemic in the US and China and the impact of global economic recovery, the Company's consolidated operating revenue for the year ended December 31, 2021 increased by \$1,674,146 year over year, representing a growth rate of 37.3%. Based on the Company's assessment, there was no significant impact on the Company's financial and other risks due to the pandemic.

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: Please refer to table 3.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

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 2021	Percentage representing the account of the company (%)	Note
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Sales	\$ 108,352	2	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	3,458,311	71	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	953,643	61	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Purchases	533,967	11	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Accounts payable	116,703	8	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Other receivables	42,636	2	Note
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Other receivables	51,764	3	Note

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

(4) Major shareholders information

Major shareholders information: Please refer to table 9.

14. OPERATING SEGMENT INFORMATION

Pursuant to the Regulations Governing the Preparation of Financial Reports by Securities Issuers Article 22, a company is not required to present operating segment information within the scope of IFRS 8, in the parent company only financial statements.

CHENBRO MICOM CO., LTD.

Provision of endorsements and guarantees to others

Year ended December 31, 2021

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

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed Company name	Relationship with the endorser/ guarantor	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2021 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2021 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary (Note 6)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 6)	Provision of endorsements/ guarantees to the party in Mainland China (Note 6)	Footnote
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	2	\$ 831,364	\$ 159,824	\$ 155,008	\$ 103,375	\$ -	3.73	\$ 2,494,093	Y	N	N	Note 3

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

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

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is as follows:

- (1) A company with which the Company does business
- (2) A company in which the Company directly and indirectly holds more than 50 percent of the voting shares
- (3) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company
- (4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares
- (5) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project
- (6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages
- (7) Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

Note 3: In accordance with the Company's "Procedures for Provision of Endorsements and Guarantees", ceiling on accumulated endorsements/guarantees to others and limit on endorsements/guarantees to a single party was 60% and 20% of the Company's net assets, respectively.

Note 4: The maximum endorsement/guarantee provided by Chenbro Micom Co., Ltd. to CLOUDWELL HOLDINGS, LLC. \$5,600 thousand for the year ended December 31, 2021.

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

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

CHENBRO MICOM CO., LTD.

Holding of marketable securities at the end of the period

December 31, 2021

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

Table 2

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

CHENBRO MICOM CO., LTD.

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

Year ended December 31, 2021

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

Table 3

If the counterparty is a related party, information as to the last transaction of the real estate is disclosed below:													
Real estate acquired by	Real estate acquired	Date of the event	Transaction amount (Note 1)	Status of payment	Counterparty	Relationship with the counterparty	Original owner who sold the real estate to the counterparty	Relationship between the original owner and the acquirer	Date of the original transaction	Amount	Basis or reference used in setting the price	Reason for acquisition of real estate and status of the real estate	Other commitments
CHENBRO MICOM CO., LTD.	Machouhou Industry Park's productive plant	February 2, 2021	\$ 1,271,949	Based on the contract schedule (Note 2)	San Min Construction Development Co., Ltd.	None	Not applicable	Not applicable	Not applicable	Not applicable	Price comparison and price negotiation	Expansion of production capacity	None

Note 1: The Company entered into the contract on February 2, 2021 with a total price of \$1,208,529 (tax included) and entered into another contract for an additional construction payment of \$63,420 (tax included) on March 15, 2022.

After the adjustment, the total price of the contract was \$1,271,949 (tax included).

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

CHENBRO MICOM CO., LTD.

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

Year ended December 31, 2021

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

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		Footnote
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsiary company	Sales	\$ 3, 793, 048	62	OA 120 days	Note 1	Note 1	\$ 991,689	59	
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Parent-subsiary company	Sales	199, 735	3	90 days after monthly billing	Note 1	Note 1	83,305	5	
CHENBRO MICOM CO., LTD.	Dongguan Procace Electronuc Co., Ltd.	Parent-subsiary company	Sales	108, 352	2	60 days after monthly billing	Note 1	Note 1	-	-	
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiary company	Sales	3, 458, 311	81	60 days after monthly billing	Note 1	Note 1	953,643	72	
Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiary company	Sales	533, 967	20	60 days after monthly billing	Note 1	Note 1	116,703	15	
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	2, 101, 649	79	90 days after monthly billing	Note 1	Note 1	670,699	84	

Note 1: Terms and prices for the abovementioned transactions are the same with third parties.

CHENBRO MICOM CO., LTD.

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

December 31, 2021

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

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2021	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 \$ 991,689	3.99	\$ 758	Subsequent collection	\$ 443,346	\$ -
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 953,643	4.43	-		396,731	-
Dongguan Procace Electronic Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 116,703	5.10	-		116,703	-
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable \$ 670,699	3.13	-		365,042	-

Note 1: Subsequent collections as of March 15, 2022.

Note 2: As the related parties have excellent credit condition, no allowance for doubtful accounts was recognised.

CHENBRO MICOM CO., LTD.
Significant inter-company transactions during the reporting period
Year ended December 31, 2021
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 6

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

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

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

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

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

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

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

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

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

CHENBRO MICOM CO., LTD.

Information on investees (not including investees in Mainland China)

Year ended December 31, 2021

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

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2021			Net profit (loss) of the investee for the year ended December 31, 2021 (Note 4)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Notes 4 and 5)	Footnote
				Balance as at December 31, 2021 (Note 4)	Balance as at December 31, 2020 (Note 4)	Number of shares	Ownership (%)	Book value (Note 4)			
CHENBRO MICOM CO., LTD.	Micom Source Holding Company	Cayman Islands	Holding company	\$ 720,264	\$ 720,264	22,323,002	100	\$ 2,376,428	\$ 179,858	\$ 166,968	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	295,159	132,119	129,094	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	111,334	2,017	2,017	Note 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	11,193 (	1,297) (	1,479)	Notes 1 and 4
CHENBRO MICOM CO., LTD.	Chen-Feng Precession Co., Ltd.	Taiwan	Manufacturing of NCT	56,000	56,000	5,600,000	70	46,235 (	2,915) (	2,041)	
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	178,619	178,619	6,452,738	100	79,872	4,980	-	Notes 3 and 4
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	228,083	228,083	8,239,890	100	1,733,607	141,302	-	Notes 3 and 4
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	437,344	437,344	35,346	100	609,667	33,589	-	Notes 3, 4 and 6
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Trading/ order taking company	235,280	235,280	35,502	100	584,904	36,329	-	Notes 2 and 5

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

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

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

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

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

Note 6: ADEPT International Company was dissolved under the resolution of the Board of Directors on May 12, 2020 and is still in the process of liquidation.

CHENBRO MICOM CO., LTD.

Information on investments in Mainland China

Year ended December 31, 2021

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

Table 8

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2021	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2021		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2021	Net income of investee for the year ended December 31, 2021	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2021 (Note 1)	Book value of investments in Mainland China as of December 31, 2021	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2021	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	\$ 276,800	\$ 2	\$ 276,800	\$ -	\$ -	\$ 276,800	\$ 104,607	\$ 100	\$ 104,607	\$ 1,512,817	\$ 767,130	Notes 2, 4, 5 and 7
Dongguan Procase Electronic Co., Ltd.	Manufacturing and processing of computer cases	347,163	2	82,929	-	-	82,929	41,528	100	41,528	664,705	-	Notes 3 and 7
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	58,128	2	-	-	-	-	39,437	100	39,437	225,396		Notes 2, 6 and 7

Investment method:

- 1.Directly invest in a company in Mainland China.
- 2.Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- 3.Others.

Note 1: The investment income / loss of current period were audited by independent accounts of the Company.

Note 2: The Company reinvested through Amber International Company.

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

Note 4: The investee 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 investee 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 investee incorporated on October 8, 2016 and was reinvested by Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company at amount of USD\$ 2.1 million as capital of the Company on December 23, 2016.

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

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

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

CHENBRO MICOM CO., LTD.

Major shareholders information

December 31, 2021

Table 9

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

