

Chenbro Micom Co., Ltd.

Meeting Minutes for 2024 Annual General Meeting

Disclaimer : For the convenience of readers, the procedure, agendas, attachments, resolutions, meeting minutes and appendixes of Chenbro Annual Shareholders' General Meeting have been translated into English from original Traditional Chinese version circulated in Taiwan, the Republic of China. If there is any conflict between English version and Traditional Chinese version or any differences within the interpretation, the Traditional Chinese version shall prevail.

Time and Date: 9:00 a.m., Monday, May 27, 2024

Venue : RF, No. 558, Zhongyuan Rd., Xinzhuang Dist., New Taipei City

Form of the Meeting : Physical Shareholders' Meetings

Attending Directors : Mei-chi Chen, Chairperson, Tsun-yen Lee, Director, Wei-shun Cheng, Independent Director (Convener of the Audit Committee), Chung-hsing Huang, Independent Director, Wen-cheng Liu, Independent Director, Pei-fang Tsai, Independent Director.

(Total Six Directors were present at the annual shareholders' general meeting, exceeding the half of the total Board Members, 9.)

Attendees : Ya-nan Chen, CEO, Hui-ling Pan, CPA, PwC Taiwan, Yu-hsueh Wu, Lawyer, JIN-YI LAW FIRM, Shu-chen Yu, Accounting Supervisor.

Chairperson : Mei-chi Chen, Chairperson

Recorder : Shu-chen Yu

Total outstanding Chenbro shares (excluding shares with no voting right as provided by Article 179 of the Company Law) : 120,586,950 shares

Total shares represented by shareholders present in person or by proxy : 79,745,273 shares

Percentage of shares held by shareholders present in person or by proxy : 66.13%

Call the meeting to order :

The Chairperson called the meeting to order, since the aggregate shareholding of the shareholders present in person or by proxy constituted a quorum.

Chairperson remarks: (omitted)

1 [Reports]

Report 1

Subject: 2023 Business Reports. (Acknowledged)

Description: 2023 Business Report (Please refer to [Attachment 1]).

Report 2

Subject: Audit Committee's review report of 2023 financial statements. (Acknowledged)

Description: Audit Committee's review report (Please refer to [Attachment 2]).

Report 3

Subject: Distribution of employee compensation and remuneration to directors for 2023. (Acknowledged)

Description: 1. The employee compensation and the remuneration to directors of the Company for 2023 were approved by the board of directors on March 12, 2024 to allocate 6.8% for employee compensation and 2% for the remuneration to directors, both of which will be distributed in cash.
2. The total amount of the Company's employee compensation for 2023 is NT\$105,157,621.
3. The total amount of the Company's remuneration to directors for 2023 is NT \$30,928,712.

Report 4

Subject: Report on the Company's investment in mainland China. (Acknowledged)

Description: As of December 31, 2023, the Company's investment in mainland China is as follows:

Unit: NT\$ thousand

Name of investee	Main business	Paid-in capital
Chenbro Technology (Kunshan) Co., Ltd.	Computer case manufacturing and processing	\$ 307,100
Dongguan Procuse Electronic Co., Ltd.	Computer case manufacturing and processing	\$ 385,165
ChenPower Information Technology (Shang Hai) Co., Ltd.	Trade and purchase order accepting	\$ 64,491

Report 5

Subject: Report on the status of endorsements/guarantees and funds loaned

	to others. (Acknowledged)
Description:	<ol style="list-style-type: none"> 1. The Company relieved its endorsement/guarantee responsibility towards CloudWell Holdings, LLC after repaying the loan due on November 30, 2023. The Company's endorsement/guarantee to external parties as of December 31, 2023: None. 2. The Company's loaning of funds to external parties as of December 31, 2023: None.

Report 6

Subject:	Report on the execution status of the Company's first domestic unsecured convertible corporate bonds. (Acknowledged)
Description:	<ol style="list-style-type: none"> 1. In order to repay bank borrowings, the Company issued its first domestic unsecured convertible corporate bonds in 2023, raising a total of NT\$1,096,915,590. The issuance was approved by the Financial Supervisory Commission under letter no. 1120363980 dated December 15, 2023, and was issued on January 19, 2024, with a conversion price of NT\$271. 2. The Company's utilization of funds from the bonds as of March 31, 2024, is as follows:

Unit: NT\$ thousand

Project Item	Execution Status		Accumulated as of March 31, 2024	Reasons for Progress Ahead or Behind and Improvement Plan
Repayment of Bank Borrowings	Amount Utilized	Planned	1,020,000	None
		Actual	1,020,000	
	Execution Progress	Planned	100.00%	
		Actual	100.00%	
To increase working capital (Excess funds beyond the original planned amount)	Amount Utilized	Planned	76,916	None
		Actual	76,916	
	Execution Progress	Planned	100.00%	
		Actual	100.00%	
Total	Amount Utilized	Planned	1,096,916	None
		Actual	1,096,916	
	Execution Progress	Planned	100.00%	
		Actual	100.00%	

Shareholder Questions: (Account No.: 48205)

Question 1: Will the general server chassis market grow or remain flat this year?

Question 2: What is the outlook for AI server chassis this year?

Question 3: The gross margin has been around 24% for the past four quarters. Is there a chance for it to increase in the future?

Question 4: The operating expense ratio has been decreasing continuously. Will there be any issue with long-term competitiveness due to cost savings?

Response by CEO as designated by the Chairman:

Thank you for your questions. From an operational perspective, general servers have become increasingly prevalent for cloud use since the onset of the pandemic. Moreover, the AI server business has been performing exceptionally well from last year to the present. Historically, our gross margin has averaged around 25-28%, but due to the pandemic, raw material costs have risen, leading to a decline in gross margin. We are continuously working on improvements, focusing on enhancing operational efficiency and carefully selecting our customers. The company exercises strict control, but it will definitely not affect employee resources and benefits.

Shareholder Speech: (Account Nos.: 17635, 53568, and 59017 representatives)

Last year, the company's EPS was about 9 TWD, a record high. In the first quarter of this year, EPS was 3 TWD. The AI revenue share reached 30% last year. With the current AI industry trend, it seems the company's revenue will continue to increase. We want to express our encouragement and gratitude to the company's management team for their efforts.

Response by the Chairman:

Thank you.

Shareholder Questions: (Account No.: 64772)

Question 1: Regarding the future business environment, how does the company perceive and plan its risk management?

Question 2: Why are peers not allowed to attend the shareholders' meeting, and could the company be more lenient?

Response by CEO as designated by the Chairman:

Thank you for your questions. In our management, the company not only monitors external economic trends but also conducts thorough industry analysis. We understand the situation from our suppliers and clients and integrate this with our internal business, R&D, and risk management. Over the past decade, despite various challenges, our

company has continued to grow, demonstrating our robust planning, management, and risk control, which we will keep enhancing in the future.

Response by Lawyer:

To protect shareholders' rights, the company adheres to the procedures for shareholders' meetings as stipulated in Article 177 of the Company Act.

Shareholder Questions: (Account No.: 48205)

Question 1: Regarding operating costs, if the company's control measures have not affected employee rights, what has been the employee turnover rate approximately in the past?

Question 2: What are the key materials the company uses, and how does the company manage these materials to maintain a stable gross margin? What should be noted for future control?

Question 3: Why is the gross margin of our competitors higher than ours? Please explain the reasons for the differences.

Response by CEO as designated by the Chairman:

Thank you for your continued questions. Concerning turnover, it has indeed been higher over the past 3 to 5 years, which is a common industry phenomenon and unrelated to operating costs. We have multiple competitors, with some having higher and some lower gross margins than ours. Our gross margin is mainly adjusted in relation to revenue, which has been consistently growing. Our inventory management for materials is very effective.

Shareholder Questions: (Account No.: 18447)

Question 1: Is there any recent collaboration between the company and NVIDIA on new GB chassis?

Question 2: Are there any significant breakthroughs in AI server cooling?

Response by CEO as designated by the Chairman:

Thank you for your questions. The company is indeed working on this. As for AI server cooling, the company collaborates with clients to achieve this.

2 [Ratifications]

Report 1 (proposed by the board of directors)

Subject:	Ratification of 2023 Business Report and Financial Statements.													
Description:	<ol style="list-style-type: none">1. The 2023 Financial Statements have been audited by certified public accountants (CPAs) Hui-Ling Pan and Pei-Chuan Huang from PricewaterhouseCoopers Taiwan and reviewed by the Audit Committee.2. Please refer to [Attachment 1] and [Attachment 3] for the 2023 Business Report and Financial Statements and CPAs' audit report.3. The proposal is hereby submitted to the shareholders' meeting for ratification.													
Resolution:	(No shareholder questions, the results of the vote in this case are as follows)													
<table border="1"><thead><tr><th>Voting Results (including votes casted electronically)</th><th>% of the total represented share present</th></tr></thead><tbody><tr><td>Shares represented at the time of voting : 79,745,273</td><td></td></tr><tr><td>Approval votes : 76,740,871votes</td><td>96.23%</td></tr><tr><td>Disapproval votes : 15,339 votes</td><td>0.01%</td></tr><tr><td>Invalid votes : none</td><td>0.00%</td></tr><tr><td>Abstention votes : 2,989,063votes</td><td>3.74%</td></tr></tbody></table>			Voting Results (including votes casted electronically)	% of the total represented share present	Shares represented at the time of voting : 79,745,273		Approval votes : 76,740,871votes	96.23%	Disapproval votes : 15,339 votes	0.01%	Invalid votes : none	0.00%	Abstention votes : 2,989,063votes	3.74%
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Abstention votes : 2,989,063votes	3.74%													
According to the voting results: this case was passed as proposed by the board of directors.														

Report 2 (proposed by the board of directors)

Subject:	Ratification of Distribution of Earnings for 2023.
Description:	<ol style="list-style-type: none">1. The board of directors has prepared an earnings distribution table for 2023 in accordance with the Company Act and the Company's Articles of incorporation for the proposal for the distribution of earnings for 2023.2. Please refer to [Attachment 4] for the distribution of earnings.3. The total cash dividend distribution for this time amounts to NT\$602,934,750. Calculated based on the shareholders' register as of the ex-dividend date, cash dividends of NT\$5 per share are distributed for each share held by shareholders. Calculated to the nearest dollar, any fractions of less than one dollar are disregarded, and the total amount of fractional dividends less than one dollar is included in the company's other income.4. The earnings distribution proposal is based on the number of outstanding shares on the date of the resolution of the board of directors of the Company. If any share is converted into

	ordinary shares, cash capital increase, redemption of the Company's shares, transfer or cancellation of treasury shares, or other reasons due to the execution of the employee stock warrants thereafter, affecting the number of outstanding shares and leading to a change in the percentage for shareholders' dividend, the Chairperson is authorized to adjust the amount of the cash dividend per share based on the amount of cash dividends resolved in this earnings distribution proposal and the actual number of outstanding shares on the record date of dividend distribution.
5.	The base date of distributing the cash dividend and relevant matters concerning the cash dividend are proposed to be determined and handled by the Chairperson after this proposal is resolved by the shareholders' meeting.
6.	The proposal is hereby submitted to the shareholders' meeting for ratification.

Resolution: (No shareholder questions, the results of the vote in this case are as follows)

Voting Results (including votes casted electronically)	% of the total represented share present
Shares represented at the time of voting : 79,745,273	
Approval votes : 76,771,708votes	96.27%
Disapproval votes : 14,502 votes	0.01%
Invalid votes : none	0.00%
Abstention votes : 2,959,063votes	3.71%

According to the voting results: this case was passed as proposed by the board of directors.

3 [Discussions]

Report 1 (proposed by the board of directors)

Subject:	The proposed amendment to the "Rules of Procedure for Shareholders' Meetings" of the Company is hereby open for discussion.
Description:	<ol style="list-style-type: none"> In accordance with the letter dated March 17, 2023 from the Taiwan Stock Exchange under Governance Letter No. 11200041671, certain articles of the "Rules of Procedure for Shareholders' Meetings" of the Company have been revised. The table of "Rules of Procedure for Shareholders' Meetings" before and after the amendment, please refer to [Attachment 5].
Resolution:	(No shareholder questions, the results of the vote in this case are as follows)

Voting Results (including votes casted electronically)		% of the total represented share present
Shares represented at the time of voting : 79,745,273		
Approval votes : 76,570,363 votes		96.01%
Disapproval votes : 28,213 votes		0.03%
Invalid votes : none		0.00%
Abstention votes : 3,146,697 votes		3.94%

According to the voting results: this case was passed as proposed by the board of directors.

Report 2 (proposed by the board of directors)

Subject:	The Company's proposed issuance of Restricted Stock Awards (RSA) is open for discussion.
Description:	<p>1. In order to attract and retain the professional talents required by the Company, and to motivate employees to create profits, thereby jointly creating benefits for the Company and its shareholders, it is proposed to approve the issuance of RSA. The issuance shall be carried out once or in installments within one year from the date of effectiveness notice sent by the competent authority following the resolution of the shareholders' meeting.</p> <p>2. Qualifications for employees to receive allocations and the number of shares they may receive: The qualification to receive allocations of RSA is limited to full-time employees within the Company's formal establishment. The actual allocation of RSA and the quantity of shares allocated will be determined by the Board of Directors based on factors such as seniority, job level, job performance, overall contribution, or special achievements. The limitation on the number of shares that may be subscribed or allocated by a single subscriber shall be handled in accordance with the provisions of Article 69 of the "Regulations Governing the Offering and Issuance of Securities by Issuers."</p> <p>3. Possible amount of expenses, dilution of earnings per share, and other matters affecting shareholders' equity:</p> <p>a. Possible amount of expenses:</p> <p>The Company shall measure the fair value of the stock on the grant date and recognize related expenses over the vesting period. Based on the closing price of the Company's common stock at NT\$256 on March 11, 2024, the total amount of possible expenses under full achievement of vesting conditions is estimated to be NT\$102,400,000. Estimated expenses for 2024 to 2027 are NT\$24,889,000, NT\$46,933,000, NT\$22,613,000, and NT\$7,964,000,</p>

	<p>respectively.</p> <p>b. Dilution of earnings per share:</p> <p>Calculated based on the Company's outstanding common shares of 120,586,950 as of March 12, 2024, the estimated reduction in earnings per share for 2024 to 2027 is NT\$0.21, NT\$0.39, NT\$0.19, and NT\$0.07, respectively.</p> <p>c. Other matters affecting shareholders' equity:</p> <p>No significant impact.</p>
	<p>4. In accordance with Article 267, paragraph 8 of the Company Act and relevant regulations such as the "Regulations Governing the Offering and Issuance of Securities by Issuers" issued by the Financial Supervisory Commission of the Executive Yuan, the Company has formulated the issuance method for this RSA. Please refer to [Attachment 6].</p> <p>5. In the event of changes in laws or regulations or changes required by the competent authority, the Chairman is authorized to handle them with full authority.</p>

Resolution: (No shareholder questions, the results of the vote in this case are as follows)

Voting Results (including votes casted electronically)	% of the total represented share present
Shares represented at the time of voting : 79,745,273	
Approval votes : 76,435,519 votes	95.84%
Disapproval votes : 85,228 votes	0.10%
Invalid votes : none	0.00%
Abstention votes : 3,224,526 votes	4.04%

According to the voting results: this case was passed as proposed by the board of directors.

4 [Extempore Motion]

Shareholder Questions: (Account No.: 64772)

Question: On page 112 of the annual report, R&D expenses account for 2% of revenue, which seems relatively low. Should there be significant investment in R&D?

Response by CEO as designated by the Chairman:

The company has been very focused on this issue in recent years. This year, substantial emphasis has been placed on R&D. Two years ago, we established the Advanced Research and Development Center Department and have collaborated successfully with the National University of Kaohsiung on mold research. In addition to AI research

and development, our manufacturing technology is equally important.

Shareholder Questions: (Account No.: 48205)

Question 1: In case of issues like leakage in server water cooling systems, who is responsible, the company or the customer?

Question 2: Does the company use sea freight or air freight for transportation?

Question 3: What are the main materials used by the company?

Response by CEO as designated by the Chairman:

Our company is not a system integrator; some of these questions are outside the scope of our chassis industry. For any subsequent quality issues, it is generally the customer's responsibility to handle them; we do not cover such extensive areas. The company uses both air freight and sea freight, with a focus on sea freight. The main materials used by the company are confidential and will not be disclosed.

Shareholder Questions: (Account No.: 18447)

Question: Regarding the conceptual products from last year's Taipei International Computer Show, are they still being developed?

Response by CEO as designated by the Chairman:

For this question, we will have the relevant departments review and discuss it after the meeting.

5 [Adjournment]

Meeting was adjourned at 10:08AM on the same day.

(The minutes of the shareholders' meeting only contain the important content of the shareholders' questions and the company's replies. The meeting's content, procedures, and shareholders' speeches may be found in the audio and video record of the meeting.)

Business Report

Dear Shareholders,

Continuing from the turbulence of 2022, 2023 remained affected by the inflation crisis brought about by loose monetary policies during the epidemic. Additionally, factors such as changes in US-China relations, slowdowns in economic recovery in various regions, geopolitical turmoil, and adjustments in end-customer capital expenditures compounded the external environment, becoming crucial considerations for global corporate operations. Throughout the year, our operations felt like a roller coaster ride, full of challenges. Continuously enhancing our adaptability and sustainable operational capabilities has become Chenbro's top priority.

Looking back at Chenbro's position in the cloud industry, demand for general-purpose servers remained weak due to sluggish economic recovery in various regions, resulting in overall weak demand and a year-long period of inventory adjustment. Additionally, benefits from the new CPU platform were deferred due to adjustments in end-customer capital expenditures. However, 2023 could be described as the first year of global high-end AI, with a surge in demand for high-end servers and ongoing development of related applications such as AI, HPC, and storage projects. This drove growth momentum throughout the year. Coupled with rapid adjustments in our business strategy, collaboration with industry partners, and the efforts of all our colleagues, Chenbro ultimately delivered outstanding results in the turbulent environment, with annual revenue reaching 11.25 billion and EPS reaching 9.03, setting a new revenue and profit peak in the past 40 years!

Looking ahead to 2024, the uncertainty of the external operating environment continues to increase, with geopolitical changes such as nearly 40% of the global population entering election years, further adding to the uncertainty in global trade and supply chains. However, the overall growth prospects of the cloud industry remain promising. Chenbro will continue to optimize our competitiveness, actively understand market trends and customer needs, deepen our global customer and market layout, satisfy different applications through high compatibility and high customization system integration capabilities and standard products, and prosper together with the upstream and downstream supply chains by implementing flexible layouts and lean pulling for production scheduling. We hope to create our core values and sustainable growth through a strategy of internal and external balance. The following is a summary of Chenbro's operational performance in 2023 and future prospects:

I. Operational Results in 2023

(I) Financial results

1. Results of the business plan

Unit: NT\$ thousand

Item	2023	2022	Amount of increase (decrease)	Increase (decrease)%
Operating revenue	11,247,258	10,557,701	689,557	6.53
Gross income from operations	2,573,827	2,130,549	443,278	20.81
Operating income	1,461,716	1,141,601	320,115	28.04
Net income before tax	1,429,636	1,342,715	86,921	6.47
Net income	1,107,040	1,008,463	98,577	9.77
Net income attributable to owners of the parent company	1,085,456	998,685	86,771	8.69

2. Budget execution

According to the current laws and regulations, the Company did not prepare public financial estimates for 2023.

3. Financial income and expenditure and profitability analysis

	Item	2023	2022
Capital structure (%)	Debt ratio	60.12	59.95
	Long-term funds to real estate, plants and equipment ratio	169.30	149.60
Liquidity (%)	Current ratio	151.12	147.92
	Quick ratio	117.03	92.91
	Interest guarantee (times)	1894.74	2900.88
Return on investment (%)	Return on assets (ROA) (%)	8.73	8.80
	Return on equity (ROE) (%)	20.81	22.04
	Operating income to paid-in capital (%)	121.17	94.51
	Pre-tax income to paid-in capital (%)	118.55	111.31
	Net Profit Margin (%)	9.65	9.46
	Earnings per share (NTD)	9.03	8.32

(II) R&D

With a commitment to continuous innovation, Chenbro leverages two major platforms, namely the Research and Development Center and the Technical Forum, to continuously improve R&D technology and develop new products. Strengthening the protection of intellectual property rights, as of 2023, Chenbro has obtained a total of 484 patents in Taiwan, the United States, and mainland China.

In 2023, Chenbro also focused on the development and application for new patents for various products, adding a total of 47 new patents globally. These cover a wide range of areas, including server immersion cooling efficient heat dissipation design, high-density storage structures, rack-mounted chassis structures, flexible hard disk installation structures, high-performance computing applications, as well as tool-free, load-bearing resistance technology, and system modularization applications. Breakthroughs have been achieved in various functional technologies such as product new material processes, modular system planning, structural support strength, system energy-saving technology, system heat dissipation technology, and assembly simplification.

Continuously expanding its presence in fields such as 5G, AI, AIoT, Cloud, and the cloud industry, Chenbro continues to invest in research resources. Through extensive exchanges and collaborations across industries and academia, Chenbro further enhances its product modular system integration and verification capabilities. By pursuing modular design to maximize the sharing of various components, Chenbro significantly shortens product development and verification cycles, reduces customer tooling costs, meets the market trend of small-batch diversification, enhances Chenbro's product added value to maintain market competitiveness, and realizes Chenbro's new generation product sustainable development strategy and plan. Chenbro aims to achieve product development planning through sustainable development strategies such as Simplify (Reduce), Universal Expansion (Reuse), and Efficiency Environmental Protection (Recycle).

II. Overview of 2024 Business Plan

(I) Management Principles

Looking ahead, Chenbro will continue to expand its applications in AI, HPC, and other fields, develop solutions compatible with emerging technologies such as cooling, and initiate layouts in emerging market business opportunities. It will actively deepen its global market presence and manage its entire product range. Through lean management, Chenbro will enhance operational efficiency while aligning with global green trends and ensuring sustainable development, striving to create sustainable competitive advantage in the transition to net zero.

1. In response to the demands of cloud data centers and artificial intelligence, Chenbro will diversify its production lines and offer differentiated services to grasp cutting-edge technologies and solidify its market position.

2. To adapt to the constantly changing market demands, Chenbro will enhance operational efficiency through lean management and inventory management. This will increase flexibility and strengthen competitiveness amid intense competition.
3. Chenbro will strengthen its core values and expand customer cooperation depth and breadth through diverse business models, creating a unique market position.
4. In line with the trend of sustainable development, Chenbro will plan and implement relevant sustainable development projects to achieve the company's sustainable growth and social responsibility.

(II) Sales volume forecast and basis

The company is experiencing balanced development in various fields. With the expectation of continued growth in the global server industry, the shipment volume and revenue of the company's server chassis and other products are also expected to grow accordingly.

(III) Key production and sales policy

1. Sales strategy

In response to the diverse and rapidly changing demands of the server industry, Chenbro provides highly customized structural integration solutions tailored to customer needs. Leveraging its core strengths in research and development design capabilities and flexible manufacturing capabilities, Chenbro expands the depth and breadth of customer cooperation through three major business models: ODM/JDM (Original Design Manufacturing/Joint Design Manufacturing), OBM (Original Brand Manufacturing), and OEM Plus (Original Equipment Manufacturing Plus). Chenbro also collaborates with external strategic partners to create a unique market position, successfully serving customers of all sizes worldwide, and becoming a leading provider in the white-label structural solutions market. This aligns with Chenbro's goal of achieving sharing, altruism, and mutual success.

2. Production strategy

The company integrates manufacturing capabilities across all production bases, focusing on customer needs to provide more flexible delivery services. Continuously integrating engineering teams, the company collaborates with customers on product development and validation requirements, ensuring high quality and rapid response to meet customer demands. Increasing investment in key process automation facilities further enhances factory manufacturing capabilities to meet the growing customer demands.

The factory continues to implement lean management, promotes Low Cost Intelligence Manufacturing (LCIM), continuously optimizes operational processes and rational working methods, adjusts factory production layouts, increases investment in automated processes, overcomes the hidden dangers of rising labor costs, and achieves optimal quality and cost. From various aspects such as quality, safety, efficiency, and cost, deep improvements and optimizations are made, and intelligent manufacturing is developed to

transform into an information-based and automated factory. Lean management seeks minimum costs and comprehensively promotes LCIM to maximize profits, aiming to achieve a win-win situation with customers.

3. R&D strategy

Considering technological advancements leading industry market changes, in addition to establishing a presence in existing markets and developing related products, Chenbro has set up a forward-looking research and development center and regularly hosts technical forums. These initiatives actively engage in cutting-edge technology market research, cultivate R&D talents, and continuously break through in innovative patent technologies for new product development. This includes, but is not limited to, researching energy-saving and carbon reduction, high-strength, lightweight materials, and efficient cooling solutions. Furthermore, in response to the trend of sustainable development, Chenbro has established environmentally friendly product design guidelines, proactively implementing hazardous substance management, adopting environmentally friendly materials, and expanding product portfolios through matrix module augmentation. The design principles emphasize lightweight, high compatibility, tool-free, and easy disassembly, aiming to provide customers with non-toxic, low-pollution, recyclable, and energy-efficient products throughout the product life cycle, thereby achieving the strategy and plan for sustainable development of next-generation products.

III. Future development strategy

Looking ahead to 2024, as a leading provider of global cloud industry electromechanical integration solutions, Chenbro will continue to uphold the business philosophy of "diligence, service, and integrity." Supported by the four core values of "integrity, innovation, inclusiveness, and altruism," Chenbro is committed to developing in four main areas: "deepening global markets and application fields," "improving end-to-end operational efficiency," "strengthening sustainable competitiveness," and "cultivating comprehensive talent capabilities."

With the flourishing development of the cloud industry, Chenbro focuses on four major application areas: Edge, AI, Cloud/Enterprise, and Storage, utilizing three innovative business models and competitive products. In addition to deepening its presence in the Chinese and American markets, Chenbro is actively expanding globally to enhance its global market share and service quality.

In response to the continuously changing external environment, the group internally integrates "lean management" methodologies into its entire operational process and nurtures market talents to continuously optimize operational efficiency and enhance internal and external adaptability. Furthermore, in line with global sustainable development trends, the company has established a sustainable development committee and working group, overseen by the board of directors, to maximize the interests of stakeholders and create sustainable corporate competitiveness.

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

Since its establishment in 1983, Chenbro has continuously enhanced its management capabilities and competitiveness, actively responding to the rapid changes in the internal and external competitive business environment and dynamic adjustments in regulations. This includes but is not limited to fluctuations in international raw materials, changes in labor costs, supply chain of components, and the establishment of environmental regulations.

In response to external competition and the overall business environment, Chenbro not only proactively understands customer needs but also strives to control cost impact factors. This includes adjusting production and sales structures, planning raw material procurement, implementing lean production, etc., to enhance product and service competitiveness while maintaining flexibility to respond effectively. Regarding regulatory environments, Chenbro complies with various regulations issued or amended by regulatory authorities, including compiling reports, adhering to environmental regulations related to suppliers and products, etc., to fulfill corporate responsibilities.

In summary, we hereby present a report to all shareholders on the operating performance in 2023 and the outlook for the company's operations in 2024. We sincerely thank all shareholders for their support and patronage. Chenbro's entire team will continue to strive for excellence in creating the best corporate value.

With respectful wishes for prosperity and success

Chairperson:

Mei-chi Chen

Managers:

Ya-nan Chen , Chien-Nan Hsu

Accounting Supervisor:

Shu-Chen Yu

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 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.

Yours sincerely,
The Company 2024 Annual General Meeting

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

March 12, 2024

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

(24) PWCR 23004166

To the Board of Directors and Stockholders 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, 2023 and 2022, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Group's 2023 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 2023 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(5) for description of allowance for inventory valuation losses. As of December 31, 2023, the Group's carrying amount of inventories was NT\$1,842,956 thousand.

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 exceeding a certain period and individually identified as obsolete, its net realisable value is calculated based on the historical information of individual inventory clearance which was periodically reviewed by management. As the value of inventory is significant, the inventory items are numerous, and the accounting estimates are subject to management's judgement, we considered the valuation of inventories a key audit matter.

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

- A. Obtaining the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses

are consistent for all periods. Assessing the estimation determined by the management and relevant accounting estimates of allowance for inventory loss.

- B. Obtaining an understanding of judgement logic of parameters in the inventory cost and net realisable value calculation report and verifying the logical calculation accuracy of the report.
- C. Matching information obtained in physical count of disposed and obsolete inventory against the list prepared by management and interviewing management and employees to examine the obsolete, slow-moving or damaged inventories that were included in the list.
- D. Assessing the reasonableness of obsolete loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.
- E. Obtaining details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.

Existence of sales revenue

Description

Refer to Note 4(26) for the accounting policies on revenue recognition and Note 6(19) 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. As the sales of the Company's top 10 trading counterparties accounted for over 80%, the newly top 10 and significant changes in revenue of top 10 trading counterparties are significant to the consolidated financial statements, we consider the existence of sales revenue from the newly top 10 and significant changes in revenue of top 10 trading counterparties a key audit matter.

How our audit addressed the matter

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

- A. Assessing the revenue cycle and performing tests to determine whether the Group's revenue process is conducted in accordance with the internal control procedures.
- B. Checking the related industry background in respect of the newly top 10 trading counterparties.
- C. Obtaining and selecting samples to verify related vouchers of the sales revenue from the newly top 10 and significant changes in revenue of top 10 trading counterparties and confirming whether the sales revenue transactions of these trading counterparties actually occurred.
- D. Examining details of sales returns and discounts from the newly top 10 and significant changes in revenue of top 10 trading counterparties that occurred after the balance sheet date and confirming whether there were any significant sales returns and discounts that occurred.

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, 2023 and 2022.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless

management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Hui-Lin, Pan

Pei-Chuan, Huang

For and on behalf of PricewaterhouseCoopers, Taiwan

March 12, 2024

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 2,947,153	21	\$ 1,852,718	15
1136	Current financial assets at amortised cost	6(3) and 8	31,924	-	15,019	-
1150	Notes receivable, net	6(4) and 7	11,839	-	18,864	-
1170	Accounts receivable, net	6(4) and 7	3,598,978	26	2,347,742	19
1200	Other receivables	7	56,234	-	51,152	-
1220	Current income tax assets	6(25)	4,306	-	83,052	1
130X	Inventories	6(5)	1,842,956	13	2,399,929	19
1410	Prepayments		90,262	1	183,202	2
1470	Other current assets		4,459	-	3,689	-
11XX	Total current assets		<u>8,588,111</u>	<u>61</u>	<u>6,955,367</u>	<u>56</u>
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	91,547	1	54,050	-
1535	Non-current financial assets at amortised cost	6(3) and 8	1,000	-	17,666	-
1600	Property, plant and equipment	6(6) and 8	4,874,679	35	5,076,048	41
1755	Right-of-use assets	6(7)	58,933	-	67,933	1
1780	Intangible assets	6(8)	70,675	1	21,029	-
1840	Deferred income tax assets	6(25)	248,973	2	80,230	1
1900	Other non-current assets	6(6)(9)	53,166	-	71,033	1
15XX	Total non-current assets		<u>5,398,973</u>	<u>39</u>	<u>5,387,989</u>	<u>44</u>
1XXX	Total assets		<u>\$ 13,987,084</u>	<u>100</u>	<u>\$ 12,343,356</u>	<u>100</u>

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 375,751	3	\$ 1,545,078	12
2130	Current contract liabilities	6(19)	54,423	1	8,278	-
2170	Accounts payable	7	3,037,503	22	1,978,598	16
2200	Other payables	6(11) and 7	1,453,424	10	973,041	8
2230	Current income tax liabilities		303,782	2	189,957	2
2280	Current lease liabilities		8,990	-	9,718	-
2320	Long-term liabilities, current portion	6(12)	444,153	3	8,116	-
2399	Other current liabilities		4,811	-	7,217	-
21XX	Total current liabilities		<u>5,682,837</u>	<u>41</u>	<u>4,720,003</u>	<u>38</u>
Non-current liabilities						
2540	Long-term borrowings	6(12)	2,700,625	19	2,652,266	22
2570	Deferred income tax liabilities	6(25)	1,743	-	2,677	-
2580	Non-current lease liabilities		3,578	-	9,754	-
2600	Other non-current liabilities	6(13)	20,466	-	21,921	-
25XX	Total non-current liabilities		<u>2,726,412</u>	<u>19</u>	<u>2,686,618</u>	<u>22</u>
2XXX	Total liabilities		<u>8,409,249</u>	<u>60</u>	<u>7,406,621</u>	<u>60</u>
Equity attributable to owners of parent						
Equity						
	Share capital	6(15)				
3110	Common stock		1,205,945	9	1,206,320	10
	Capital surplus	6(16)				
3200	Capital surplus		149,084	1	148,709	2
	Retained earnings	6(17)				
3310	Legal reserve		985,172	7	885,097	7
3320	Special reserve		181,405	1	270,716	2
3350	Unappropriated retained earnings		3,192,304	23	2,599,492	21
	Other equity interest	6(18)				
3400	Other equity interest		(187,252)	(1)	(203,192)	(2)
31XX	Equity attributable to owners of the parent		<u>5,526,658</u>	<u>40</u>	<u>4,907,142</u>	<u>40</u>
36XX	Non-controlling interests		<u>51,177</u>	<u>-</u>	<u>29,593</u>	<u>-</u>
3XXX	Total equity		<u>5,577,835</u>	<u>40</u>	<u>4,936,735</u>	<u>40</u>
	Significant contingent liabilities and unrecorded contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 13,987,084</u>	<u>100</u>	<u>\$ 12,343,356</u>	<u>100</u>

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share data)

	Items	Notes	Year ended December 31				
			2023	2022	AMOUNT	%	
4000	Operating revenue	6(19) and 7	\$ 11,247,258	100	\$ 10,557,701	100	
5000	Operating costs	6(5)(24) and 7	(8,673,431)	(77)	(8,427,152)	(80)	
5950	Net operating margin		2,573,827	23	2,130,549	20	
	Operating expenses	6(24) and 7					
6100	Selling expenses		(362,045)	(3)	(307,749)	(3)	
6200	General and administrative expenses		(574,519)	(5)	(483,782)	(5)	
6300	Research and development expenses		(201,979)	(2)	(187,085)	(2)	
6450	Expected credit impairment gain (loss)	12(2)	11,250	-	(10,332)	-	
6000	Total operating expenses		(1,127,293)	(10)	(988,948)	(10)	
6500	Net other income (expenses)		15,182	-	-	-	
6900	Operating profit		1,461,716	13	1,141,601	10	
	Non-operating income and expenses						
7100	Interest income	6(3)(20)	33,196	-	19,655	-	
7010	Other income	6(21)	45,936	1	31,566	-	
7020	Other gains and losses	6(22)	(31,555)	-	197,832	2	
7050	Finance costs	6(23)	(79,657)	(1)	(47,939)	-	
7000	Total non-operating income and expenses		(32,080)	-	201,114	2	
7900	Profit before income tax		1,429,636	13	1,342,715	12	
7950	Income tax expense	6(25)	(322,596)	(3)	(334,252)	(3)	
8200	Profit for the year		\$ 1,107,040	10	\$ 1,008,463	9	

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

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

Items	Notes	Year ended December 31				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311		Gain on remeasurement of defined benefit plan	\$ 809	\$ 2,585	-	
8316	6(2)(18)	Unrealised gains from investments in equity instruments measured at fair value through other comprehensive income	37,497	6,247	-	
8349		Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(161)	(516)	-	
8310		Other comprehensive income that will not be reclassified to profit or loss	38,145	8,316	-	
Components of other comprehensive income that will be reclassified to profit or loss						
8361	6(18)	Financial statements translation differences of foreign operations	(32,888)	84,290	1	
8399	6(18)(25)	Income tax relating to the components of other comprehensive income	-	(1,226)	-	
8360		Other comprehensive (loss) income that will be reclassified to profit or loss	(32,888)	83,064	1	
8300		Total other comprehensive income for the year	\$ 5,257	\$ 91,380	1	
8500		Total comprehensive income for the year	\$ 1,112,297	\$ 1,099,843	10	
Profit attributable to:						
8610		Owners of the parent	\$ 1,085,456	\$ 998,685	9	
8620		Non-controlling interest	21,584	9,778	-	
			\$ 1,107,040	\$ 1,008,463	9	
Comprehensive income attributable to:						
8710		Owners of the parent	\$ 1,090,713	\$ 1,090,065	10	
8720		Non-controlling interest	21,584	9,778	-	
			\$ 1,112,297	\$ 1,099,843	10	
Earnings per share (in dollars)						
9750	6(26)	Basic earnings per share	\$ 9.03	\$ 8.32		
9850		Diluted earnings per share	\$ 8.95	\$ 8.19		

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent												Non-controlling interests	Total equity		
	Capital Reserves				Retained Earnings				Other Equity Interest							
	Share capital - common stock	Capital surplus, additional paid-in capital	Treasury stock transactions	Capital Surplus, restricted stock	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains from financial assets measured at fair value through other comprehensive income	Other equity, others	Total					
2022																
Balance at January 1, 2022	\$ 1,207,885	\$ 64,649	\$ 6,222	\$ 76,273	\$ 817,355	\$ 260,504	\$ 2,039,001	(\$ 283,825)	\$ 13,109	(\$ 44,351)	\$ 4,156,822	\$ 19,815	\$ 4,176,637			
Profit for the year	-	-	-	-	-	-	998,685	-	-	-	998,685	9,778	1,008,463			
Other comprehensive income for the year	6(2)(18)	-	-	-	-	-	2,069	83,064	6,247	-	91,380	-	91,380			
Total comprehensive income	-	-	-	-	-	-	1,000,754	83,064	6,247	-	1,090,065	9,778	1,099,843			
Distribution of 2021 earnings	6(17)	-	-	-	-	-	-	-	-	-	-	-	-			
Legal reserve	-	-	-	-	-	67,742	-	(67,742)	-	-	-	-	-			
Special reserve	-	-	-	-	-	-	10,212	(10,212)	-	-	-	-	-			
Cash dividends	-	-	-	-	-	-	-	(362,309)	-	-	(362,309)	-	(362,309)			
Share-based payment	6(14)	(1,565)	11,769	-	(10,204)	-	-	-	-	22,564	22,564	-	22,564			
Balance at December 31, 2022	\$ 1,206,320	\$ 76,418	\$ 6,222	\$ 66,069	\$ 885,097	\$ 270,716	\$ 2,599,492	(\$ 200,761)	\$ 19,356	(\$ 21,787)	\$ 4,907,142	\$ 29,593	\$ 4,936,735			
2023																
Balance at January 1, 2023	\$ 1,206,320	\$ 76,418	\$ 6,222	\$ 66,069	\$ 885,097	\$ 270,716	\$ 2,599,492	(\$ 200,761)	\$ 19,356	(\$ 21,787)	\$ 4,907,142	\$ 29,593	\$ 4,936,735			
Profit for the year	-	-	-	-	-	-	1,085,456	-	-	-	1,085,456	21,584	1,107,040			
Other comprehensive income (loss) for the year 6(2)(18)	-	-	-	-	-	-	648	(32,888)	37,497	-	5,257	-	5,257			
Total comprehensive income (loss)	-	-	-	-	-	-	1,086,104	(32,888)	37,497	-	1,090,713	21,584	1,112,297			
Distribution of 2022 earnings	6(17)	-	-	-	-	-	100,075	-	(100,075)	-	-	-	-			
Legal reserve	-	-	-	-	-	-	-	(89,311)	89,311	-	-	-	-			
Reversal of special reserve	-	-	-	-	-	-	-	(482,528)	-	-	(482,528)	-	(482,528)			
Cash dividends	-	-	-	-	-	-	-	-	-	-	(482,528)	-	(482,528)			
Share-based payment	6(14)	(375)	18,597	-	(18,222)	-	-	-	-	11,331	11,331	-	11,331			
Balance at December 31, 2023	\$ 1,205,945	\$ 95,015	\$ 6,222	\$ 47,847	\$ 985,172	\$ 181,405	\$ 3,192,304	(\$ 233,649)	\$ 56,853	(\$ 10,456)	\$ 5,526,658	\$ 51,177	\$ 5,577,835			

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,429,636	\$ 1,342,715
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment (gain) loss	12(2)	(11,250)	10,332
Depreciation	6(6)(7)(24)	289,704	363,209
Amortization	6(8)(24)	8,487	13,675
Interest expense	6(23)	79,657	47,939
Interest income	6(20)	(33,196)	(19,655)
Loss on disposal of property, plant and equipment	6(22)	198	1,225
Gains arising from lease modifications	6(7)(23)	- (11)	(11)
Share-based payments	6(14)	11,331	22,564
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		7,025	6,944
Accounts receivable		(1,239,982)	(11,552)
Other receivables		(4,930)	43,533
Inventories		543,312	(5,413)
Prepayments		93,156	(30,853)
Other current assets		(770)	434
Changes in operating liabilities			
Current contract liabilities		46,145	(4,723)
Notes payable		- (80,527)	(80,527)
Accounts payable		1,058,905	(1,015,689)
Other payables		596,339	182,448
Other current liabilities		(2,406)	2,143
Other non-current liabilities		(636)	(964)
Cash inflow generated from operations		2,870,725	867,774
Interest received		33,044	20,099
Interest paid		(79,986)	(46,340)
Income tax paid		(299,863)	(346,394)
Net cash flows from operating activities		<u>2,523,920</u>	<u>495,139</u>

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of financial assets at amortised cost		(\$ 4,474)	(\$ 240,479)
Proceeds from disposal of financial assets at amortised cost		4,283	221,000
Acquisition of property, plant and equipment	6(27)	(215,401)	(847,816)
Proceeds from disposal of property, plant and equipment		1,512	6,723
Acquisition of intangible assets	6(8)(27)	(29,709)	(50,456)
Decrease (increase) in other non-current assets		10,050	(615)
Net cash flows used in investing activities		(233,739)	(911,643)

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in short-term borrowings	6(28)	2,818,130	6,099,561
Repayment of short-term borrowings	6(28)	(3,983,968)	(5,667,696)
Increase in long-term borrowings (including current portion)	6(28)	910,856	686,470
Repayment of long-term borrowings (including current portion)	6(28)	(426,800)	(6,060)
Payment of the principal of lease liabilities	6(7)(28)	(10,341)	(10,383)
Payment of cash dividends	6(17)	(482,528)	(362,309)
Net cash flows (used in) from financing activities		(1,174,651)	739,583
Effect on foreign exchange difference		(21,095)	92,454
Net increase in cash and cash equivalents		1,094,435	415,533
Cash and cash equivalents at beginning of year	6(1)	1,852,718	1,437,185
Cash and cash equivalents at end of year	6(1)	\$ 2,947,153	\$ 1,852,718

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

INDEPENDENT AUDITORS' REPORT

(24) PWCR 23003584

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, 2023 and 2022, 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 material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's 2023 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 2023 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, 2023, the Company's cost of inventory amounted to NT\$486,180 thousand.

The Company is engaged in manufacturing and sales of computer peripheral equipment. As technology changes rapidly and the life cycle of electronic products is short, inventories may become obsolete within a short period. The Company measures inventories at the lower of cost and net realisable value, and assesses whether the value of inventories has declined. For inventories that are over a certain age and individually identified obsolete or slow-moving inventories, the net realisable values are determined by management based on historical data of inventory consumption. As the value of inventory is significant, the inventory items are numerous, and the accounting estimates are subject to management's judgement, we consider valuation of inventories a key audit matter.

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

- A. Obtaining the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses are consistent for all periods. Assessing the accounting estimates used by the management for providing of allowance for inventory loss.
- B. Obtaining an understanding of the logic for determining parameters used for the calculation of inventory cost and net realisable value in the inventory report and verifying the accuracy of calculation logic in the report.
- C. Matching information obtained in physical count of disposed and obsolete inventory against the list prepared by management and interviewing management and employees to examine the obsolete, slow-moving or damaged inventories that were included in the list.
- D. Assessing the reasonableness of obsolescence loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.
- E. Obtaining details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.

Existence of revenue

Description

Refer to Note 4(26) for accounting policy on revenue recognition and Note 6(19) for description of revenue. The Company is primarily engaged in manufacturing and sales of computer peripheral equipment. The Company's trading counterparties are mostly world-renowned companies with which the Company has long-term business partnership. As the sales of the Company's top 10 trading counterparties accounted for over 90%, the newly top 10 and significant changes in revenue of top 10 trading counterparties are significant to the financial statements, we consider the existence of sales revenue from the newly top

10 and significant changes in revenue of top 10 trading counterparties a key audit matter.

How our audit addressed the matter

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

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

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

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

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

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

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

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgement and professional skepticism throughout the audit. We also:

- A. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- B. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- D. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- E. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the constituent entities and events within related transactions achieves fair presentation.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

reasonably be expected to outweigh the public interest benefits of such communication.

Pan, Hui-Lin

Huang, Pei-Chuan

For and on Behalf of PricewaterhouseCoopers, Taiwan

March 12, 2024

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2023		December 31, 2022	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 1,114,075	10	\$ 473,607	5
1136	Current financial assets at amortised cost	6(3) and 8	31,924	-	15,019	-
1150	Notes receivable, net	6(4)	10,355	-	17,940	-
1170	Accounts receivable, net	6(4)	501,853	4	816,165	8
1180	Accounts receivable - related parties	7	2,283,306	20	1,404,226	13
1200	Other receivables		53,356	1	20,100	-
1210	Other receivables - related parties	7	68,691	1	143,922	1
1220	Current income tax assets	6(25)	4,009	-	4,009	-
130X	Inventories	6(5)	486,180	4	261,154	3
1410	Prepayments		25,933	-	124,936	1
1470	Other current assets		2,707	-	1,552	-
11XX	Total current assets		4,582,389	40	3,282,630	31
Non-current assets						
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	91,547	1	54,050	1
1535	Non-current financial assets at amortised cost	6(3) and 8	1,000	-	14,460	-
1550	Investments accounted for using equity method	6(6)(18)	2,866,097	25	3,071,658	29
1600	Property, plant and equipment	6(7) and 8	3,860,693	33	3,954,326	38
1780	Intangible assets	6(8)	64,787	-	13,580	-
1840	Deferred income tax assets	6(25)	74,482	1	39,354	-
1900	Other non-current assets	6(9)	51,256	-	47,473	1
15XX	Total non-current assets		7,009,862	60	7,194,901	69
1XXX	Total assets		\$ 11,592,251	100	\$ 10,477,531	100

(Continued)

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2023		December 31, 2022	
		AMOUNT	%	AMOUNT	%
Current liabilities					
2100	Short-term borrowings	6(10)	\$ 305,808	2 \$ 942,687	9
2130	Current contract liabilities	6(19)	12,975	- 1,808	-
2170	Accounts payable		1,171,558	10 376,766	4
2180	Accounts payable - related parties	7	660,870	6 992,413	9
2200	Other payables	6(11)	550,374	5 510,391	5
2220	Other payables - related parties	7	904	- 661	-
2230	Current income tax liabilities		279,639	2 163,108	1
2320	Long-term liabilities, current portion	6(12)	444,153	4 -	-
2399	Other current liabilities, others		1,879	- 1,682	-
21XX	Total current liabilities		<u>3,428,160</u>	<u>29</u> <u>2,989,516</u>	<u>28</u>
Non-current liabilities					
2540	Long-term borrowings	6(12)	2,615,354	23 2,552,870	25
2570	Deferred income tax liabilities	6(25)	975	- 1,942	-
2600	Other non-current liabilities	6(13)	21,104	- 26,061	-
25XX	Total non-current liabilities		<u>2,637,433</u>	<u>23</u> <u>2,580,873</u>	<u>25</u>
2XXX	Total liabilities		<u>6,065,593</u>	<u>52</u> <u>5,570,389</u>	<u>53</u>
Equity					
	Share capital	6(14)(15)			
3110	Share capital - common stock		1,205,945	10 1,206,320	11
	Capital surplus	6(16)			
3200	Capital surplus		149,084	1 148,709	2
	Retained earnings	6(17)			
3310	Legal reserve		985,172	9 885,097	8
3320	Special reserve		181,405	2 270,716	3
3350	Unappropriated retained earnings		3,192,304	28 2,599,492	25
	Other equity interest	6(18)			
3400	Other equity interest		(187,252)	(2) (203,192)	(2)
3XXX	Total equity		<u>5,526,658</u>	<u>48</u> <u>4,907,142</u>	<u>47</u>
	Significant contingent liabilities and unrecorded contract commitments	9			
	Significant events after the balance sheet date	6(17) and 11			
3X2X	Total liabilities and equity		<u>\$ 11,592,251</u>	<u>100</u> <u>\$ 10,477,531</u>	<u>100</u>

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share data)

	Items	Notes	Year ended December 31			
			2023	%	2022	%
4000	Operating revenue	6(19) and 7	\$ 7,428,009	100	\$ 7,395,041	100
5000	Operating costs	6(5)(24) and 7	(5,236,667)	(71)	(5,885,771)	(80)
5900	Net operating margin		2,191,342	29	1,509,270	20
5910	Unrealised profit from sales		(118,342)	(2)	(107,334)	(1)
5920	Realised profit from sales		107,334	2	69,559	1
	Net realised profit from sales	6(6)	(11,008)	-	(37,775)	-
5950	Net operating margin		2,180,334	29	1,471,495	20
	Operating expenses	6(24) and 7				
6100	Selling expenses		(93,215)	(1)	(86,962)	(1)
6200	General and administrative expenses		(389,846)	(5)	(295,954)	(4)
6300	Research and development expenses		(149,822)	(2)	(134,044)	(2)
6450	Expected credit impairment gain (loss)	12(2)	10,408	-	(10,842)	-
6000	Total operating expenses		(622,475)	(8)	(527,802)	(7)
6500	Net other income (expenses)		79,592	1	-	-
6900	Operating profit		1,637,451	22	943,693	13
	Non-operating income and expenses					
7100	Interest income	6(20)	4,556	-	1,013	-
7010	Other income	6(21) and 7	12,475	-	13,540	-
7020	Other gains and losses	6(22)	(19,843)	-	80,426	1
7050	Finance costs	6(23)	(62,899)	(1)	(27,899)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	6(6)	(161,665)	(2)	184,794	2
7000	Total non-operating revenue and expenses		(227,376)	(3)	251,874	3
7900	Profit before income tax		1,410,075	19	1,195,567	16
7950	Income tax expense	6(25)	(324,619)	(4)	(196,882)	(2)
8200	Profit for the year		\$ 1,085,456	15	\$ 998,685	14

(Continued)

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars, except earnings per share data)

Items	Notes	Year ended December 31				
		2023		2022		
		AMOUNT	%	AMOUNT	%	
Other comprehensive income						
Components of other comprehensive income that will not be reclassified to profit or loss						
8311	Gain on remeasurement of defined benefit plan	6(13)		\$ 809	-	
8316	Unrealised gain from investments in equity instruments measured at fair value through other comprehensive income	6(2)(18)		\$ 2,585	-	
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)		37,497	6,247	
8310	Other comprehensive income that will not be reclassified to profit or loss			(161)	(516)	
8361	Financial statements translation differences of foreign operations	6(18)		38,145	8,316	
8399	Income tax relating to the components of other comprehensive income	6(18)(25)				
8360	Other comprehensive (loss) income that will be reclassified to profit or loss			(32,888)	(1,226)	
8300	Other comprehensive income for the year			(32,888)	83,064	
8500	Total comprehensive income for the year			\$ 5,257	\$ 91,380	
	Earnings per share (in dollars)	6(26)				
9750	Basic earnings per share			\$ 9.03	\$ 8.32	
9850	Diluted earnings per share			\$ 8.95	\$ 8.19	

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

Notes	Capital Reserves				Retained Earnings			Other Equity Interest				
	Share capital - common stock	Capital surplus, additional paid-in capital	Treasury stock transactions	Capital Surplus, restricted stock	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficit)	Financial statements translation differences of foreign operations	Financial assets measured at fair value through other comprehensive income	Other equity - others	Total equity	
2022												
Balance at January 1, 2022	\$ 1,207,885	\$ 64,649	\$ 6,222	\$ 76,273	\$ 817,355	\$ 260,504	\$ 2,039,001	(\$ 283,825)	\$ 13,109	(\$ 44,351)	\$ 4,156,822	
Profit for the year	-	-	-	-	-	-	998,685	-	-	-	998,685	
Other comprehensive income for the year	-	-	-	-	-	-	2,069	83,064	6,247	-	91,380	
Total comprehensive income	6(2)(18)	-	-	-	-	-	1,000,754	83,064	6,247	-	1,090,065	
Distribution of 2021 earnings	6(17)	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	67,742	-	(67,742)	-	-	-	-	
Special reserve	-	-	-	-	-	10,212	(10,212)	-	-	-	-	
Cash dividends	-	-	-	-	-	-	(362,309)	-	-	-	(362,309)	
Share-based payments	6(14)(18)	(1,565)	11,769	-	(10,204)	-	-	-	-	22,564	22,564	
Balance at December 31, 2022		\$ 1,206,320	\$ 76,418	\$ 6,222	\$ 66,069	\$ 885,097	\$ 270,716	\$ 2,599,492	(\$ 200,761)	\$ 19,356	(\$ 21,787)	\$ 4,907,142
2023												
Balance at January 1, 2023	\$ 1,206,320	\$ 76,418	\$ 6,222	\$ 66,069	\$ 885,097	\$ 270,716	\$ 2,599,492	(\$ 200,761)	\$ 19,356	(\$ 21,787)	\$ 4,907,142	
Profit for the year	-	-	-	-	-	-	1,085,456	-	-	-	1,085,456	
Other comprehensive income (loss) for the year	6(2)(18)	-	-	-	-	-	648	(32,888)	37,497	-	5,257	
Total comprehensive income	-	-	-	-	-	-	1,086,104	(32,888)	37,497	-	1,090,713	
Distribution of 2022 earnings	6(17)	-	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	100,075	-	(100,075)	-	-	-	-	
Reversal of special reserve	-	-	-	-	-	(89,311)	89,311	-	-	-	-	
Cash dividends	-	-	-	-	-	-	(482,528)	-	-	-	(482,528)	
Share-based payments	6(14)(18)	(375)	18,597	-	(18,222)	-	-	-	-	11,331	11,331	
Balance at December 31, 2023		\$ 1,205,945	\$ 95,015	\$ 6,222	\$ 47,847	\$ 985,172	\$ 181,405	\$ 3,192,304	(\$ 233,649)	\$ 56,853	(\$ 10,456)	\$ 5,526,658

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, 2023 AND 2022
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31	
		2023	2022
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 1,410,075	\$ 1,195,567
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment (gain) loss	12(2)	(10,408)	10,842
Depreciation	6(24)	136,124	64,994
Amortisation	6(8)(24)	6,497	11,533
Interest expense	6(23)	62,899	27,899
Interest income	6(20)	(4,556)	(1,013)
Loss on disposal of property, plant and equipment	6(22)	187	1,221
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	6(6)	161,665	(184,794)
Net realised loss from sales	6(6)	11,008	37,775
Share-based payments	6(14)	11,331	22,564
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		7,585	6,108
Accounts receivable		324,720	(258,563)
Accounts receivable - related parties		(879,080)	(329,232)
Other receivables		(33,226)	4,833
Other receivables - related parties		75,231	(40,074)
Inventories		(225,026)	94,676
Prepayments		99,219	(36,218)
Other current assets		(1,155)	1,930
Changes in operating liabilities			
Notes payable		- (80,527)	
Current contract liabilities		11,167	(4,611)
Accounts payable		794,792	(6,715)
Accounts payable - related parties		(331,543)	(95,763)
Other payables (including related parties)		155,619	109,132
Other current liabilities		328	173
Other non-current liabilities		(4,171)	(3,061)
Cash inflow generated from operations		1,779,282	539,010
Interest received		4,526	1,013
Interest paid		(63,172)	(26,280)
Income tax paid		(244,344)	(87,102)
Net cash flows from operating activities		<u>1,476,292</u>	<u>426,641</u>

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Acquisition of financial assets at amortised cost		(\$ 3,445)	(\$ 19,479)
Acquisition of property, plant and equipment	6(27)	(188,626)	(751,490)
Proceeds from disposal of property, plant and equipment		477	2,869
Acquisition of intangible assets	6(27)	(29,182)	(47,223)
Increase in other non-current assets		(286)	(1,668)
Net cash flows used in investing activities		(221,062)	(816,991)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from short-term borrowings	6(28)	2,483,065	4,674,033
Repayment of short-term borrowings	6(28)	(3,119,944)	(4,531,114)
Proceeds from long-term borrowings	6(28)	910,856	686,470
Repayment of long-term borrowings(including current portion)	6(28)	(404,219)	-
Payment of the principal of lease liabilities	6(9)(28)	(1,992)	(1,746)
Payment of cash dividends	6(17)	(482,528)	(362,309)
Net cash flows (used in) from financing activities		(614,762)	465,334
Net increase in cash and cash equivalents		640,468	74,984
Cash and cash equivalents at beginning of year	6(1)	473,607	398,623
Cash and cash equivalents at end of year	6(1)	\$ 1,114,075	\$ 473,607

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

Chenbro Micom Co., Ltd.
Distribution of Earnings
2023

Unit: NTD

Item	Amount	
	Subtotal	Total
Undistributed earnings, at the beginning of year		2,106,199,194
Add (Less): Other comprehensive income (Note 2)		647,556
Add: Net income after tax for 2023 (EPS\$9.03)		1,085,456,295
Distributable earnings for the year		3,192,303,045
Less:		
Legal reserve	(108,610,385)	
Special reserve	4,609,350	
Distribution items		
Shareholders' dividend—cash (120,586,950 shares outstanding); NT\$5 allocated to each share	(602,934,750)	(706,935,785)
Undistributed earnings, at the end of year		2,485,367,260

Notes:

- [Note 1] Priority will be given to the distribution of net income for 2023.
- [Note 2] Item with retained earnings adjusted due to accounting treatments: Actuarial gains and losses on the defined benefit plan.
- [Note 3] The cash dividend distributed this time will be calculated according to the distribution ratio and rounded off to the nearest NT Dollar. The total rounded off amounts are accounted for in other income.

Chairperson:

Mei-chi Chen

Managers:

Ya-nan Chen, Chien-Nan Hsu

Accounting Supervisor:

Shu-Chen Yu

Chenbro Micom Co., Ltd.

Table of "The Rules of Procedure for Shareholders' Meetings" Before and After Amendment

Amended Provision	Current Provision	Reason for amendment
<p>Article 3 (Convening and Notice of Shareholders' Meeting)</p> <p>Unless otherwise provided by laws and regulations, the shareholders' meeting of the Company shall be convened by the Board of Directors.</p> <p>In convening a video conference of shareholders' meeting, unless otherwise provided by the <u>Guidelines for Handling Securities Affairs of Public Issuers, it shall be stipulated in the Articles of Incorporation, and shall be resolved by the Board of Directors. A video shareholders' meeting shall be conducted only upon the resolution of the Board of Directors with the consent of two-thirds or more of the attending directors and the majority of the attending directors.</u></p> <p>(The rest omitted)</p>	<p>Article 3 (Convening and Notice of Shareholders' Meeting)</p> <p>Unless otherwise provided by laws and regulations, the shareholders' meeting of the Company shall be convened by the Board of Directors.</p> <p>In convening a video conference of shareholders' meeting, unless otherwise provided by the (The rest omitted)</p>	<p>In compliance with the letter No. 11200041671 issued by the Taiwan Stock Exchange on March 17, 2023.</p>
<p>Article 6-1 (Notice of Convening Shareholders' Meeting via Video Conference)</p> <p>(The above omitted)</p> <p>3. When convening a video shareholders' meeting, it shall specify appropriate alternative measures for shareholders who have difficulty participating in the shareholders' meeting via video. <u>Except for the circumstances specified in Article 44-9, Paragraph 6 of the Guidelines for Handling Securities Affairs of Public Issuers, at least shareholder connection equipment and necessary assistance shall be provided, and the period during which shareholders may apply to the company and other relevant matters to be noted shall be specified.</u></p>	<p>Article 6-1 (Notice of Convening Shareholders' Meeting via Video Conference)</p> <p>(The above omitted)</p> <p>3. When convening a video shareholders' meeting, it shall specify appropriate alternative measures for shareholders who have difficulty participating in the shareholders' meeting via video.</p>	<p>In compliance with the letter No. 11200041671 issued by the Taiwan Stock Exchange on March 17, 2023.</p>
Article 22 (Handling of Digital	Article 22 (Handling of Digital	In compliance

<p>Discrepancy)</p> <p>When the company convenes a video shareholders' meeting, appropriate alternative measures shall be provided for shareholders who have difficulty attending the shareholders' meeting via video. <u>Except for the circumstances specified in Article 44-9, Paragraph 6 of the Guidelines for Handling Securities Affairs of Public Issuers, the company shall provide at least shareholder connection equipment and necessary assistance, and shall specify the period during which shareholders may apply to the company and other relevant matters to be noted.</u></p>	<p>Discrepancy)</p> <p>When the company convenes a video shareholders' meeting, appropriate alternative measures shall be provided for shareholders who have difficulty attending the shareholders' meeting via video.</p>	<p>with the letter No. 11200041671 issued by the Taiwan Stock Exchange on March 17, 2023.</p>
<p>Article 24 (The above omitted) The seventh revision was made on May 31,2022 <u>The eighth revision was made on May 27, 2024.</u></p>	<p>Article 24 (The above omitted) The seventh revision was made on May 31,2022</p>	<p>Addition of the amendment date and modification of the article numbers</p>

CHENBRO MICOM CO., LTD.

Restricted Stock Awards (RSA) Issuance Regulations for 2024

1. Purpose of Issuance

To retain the necessary professional talent within the company and to enhance employees' morale and sense of belonging, in order to collectively create benefits for the company and its shareholders, this issuance of Restricted Stock Awards (RSA) is established in accordance with Article 267 of the Company Act and relevant regulations issued by the Financial Supervisory Commission of the Executive Yuan, including the "Guidelines for Issuers on the Offering and Issuance of Securities."

2. Issuance Period

Within one year from the date when the effective notification of declaration is received by the competent authority, the issuance may be conducted either in one installment or in multiple installments as deemed necessary. The actual issuance date and related operational matters shall be determined by the Chairman of the Board authorized by the Board of Directors.

3. Eligibility Criteria and Allocation of Shares to Employees

- 3.1 This provision applies to full-time regular employees within the organization of the Company and its subsidiaries (as determined pursuant to Article 369-2, Paragraph 1 of the Company Act). The actual allocation of Restricted Stock Awards (RSA) to eligible employees and the quantity thereof shall take into account factors such as years of service, job level, job performance, overall contribution, special achievements, or other management considerations. After verification by the Chairman, it shall be submitted to the Board of Directors for approval. However, those holding managerial positions shall obtain prior approval from the Compensation Committee, while those without managerial positions shall obtain prior approval from the Audit Committee
- 3.2 Pursuant to Article 56-1, Paragraph 1 of the Regulations Governing the Offering and Issuance of Securities by Issuers, the cumulative number of shares that may be subscribed by a single employee, taking into account both the cumulative Restricted Stock Awards (RSA) granted to the employee and the total number of shares issued, shall not exceed three per thousand of the total issued shares. Additionally, the cumulative number of shares that may be subscribed by the employee, considering both the cumulative Employee Stock Option Certificates (ESOCs) granted to the employee and the total number of shares issued, shall not exceed one-hundredth of the total issued shares, as stipulated in Article 56, Paragraph 1 of the Regulations Governing the Offering and Issuance of Securities by Issuers.

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4. Total Number of Shares to be Issued

The maximum total amount of Restricted Stock Awards (RSA) to be issued in this offering is NT\$4,000,000 (New Taiwan Dollars Four Million). Each share has a par value of NT\$10 (New Taiwan Dollars Ten), with a total issuance of 400,000 ordinary shares.

5. Issuance Conditions

5.1 Issue Price: Each share is issued at a price of NT\$0, i.e., granted to employees free of charge.

5.2 Eligibility Requirements:

5.2.1 Employees who remain employed upon the expiration of the following period from the date of receipt of the restricted stock awards (i.e., the reference date for the increase in restricted stock awards), and who meet the performance conditions required by the Company (both company performance and individual performance conditions must be met), shall have the following share ratios:

Target Audience	Company Performance	Individual Performance	Duration/Ratio	Note
Middle to senior-level executives and key talents	<ol style="list-style-type: none">1. If the company's EPS in the previous fiscal year is equal to or exceeds 10 yuan, the overall weight is 100%.2. If the company's EPS in the previous fiscal year ranges from 6 to 9.9 yuan, the overall weight is 50%.3. If the company's EPS in the previous fiscal year is below 6 yuan, the overall weight is 0%.	The individual's performance appraisal in the most recent year preceding the expiration of the vested period is rated at or above "ST".	1 year completion: 30% 2 years completion: 30% 3 years completion: 40%	

5.2.2 If an employee who has been granted restricted stock awards by the Company violates this regulation, trust agreements, labor contracts, work rules, contracts between the employee and the Company (related contract agreements authorized by the Board of Directors and signed by the Chairman representing the Company), or other Company regulations, the Company reserves the right to retrieve the shares allocated to the employee but not yet subject to vested conditions, without charge, and proceed with their cancellation. In case the specified period ends on a holiday, the action will be advanced to the preceding business day.

5.3 Type of Shares Issued: Ordinary Shares of the Company.

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5.4 If an employee fails to meet the vested conditions or in the event of inheritance, the following procedures shall apply:

5.4.1 **Voluntary Resignation/Retirement/Dismissal/Termination:**
For the portion of restricted stock awards (RSA) granted but not vested, the Company shall reclaim the shares at no cost in accordance with the law and proceed with their cancellation.

5.4.2 **Leave of Absence without Pay:**
For employees who have not met the vested conditions for restricted stock awards (RSA), upon return to work, their rights shall be reinstated. However, the conditions for vesting shall be deferred based on the duration of the leave without pay.

5.4.3 **General Death:**
For the portion of restricted stock awards (RSA) granted but not vested, the Company shall reclaim the shares at no cost in accordance with the law and proceed with their cancellation.

5.4.4 **Occupational Accident:**

5.4.4.1 **Disability Due to Occupational Accident:** For employees disabled due to occupational accidents and unable to continue employment, the portion of restricted stock awards (RSA) not yet vested may be vested upon resignation. However, regarding the vested shares for the confirmed operational and personal performance achievement goals, the actual shares vested for each relevant year must be calculated according to the conditions set forth in this regulation. For the years in which operational and personal performance goals cannot be confirmed, all unvested restricted stock awards (RSA) may be vested.

5.4.4.2 **Death Due to Occupational Accident:** In the event of an employee's death due to an occupational accident, the portion of restricted stock awards (RSA) not yet vested may be inherited by the successors upon completion of the necessary legal procedures and submission of relevant documents. However, regarding the vested shares for the confirmed operational and personal performance achievement goals, the actual shares vested for each relevant year must be calculated according to the conditions set forth in this regulation. For the years in which operational and personal performance goals cannot be confirmed, all unvested restricted stock awards (RSA) may be vested.

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5.5 Transfer:

When an employee is transferred to a related enterprise or another company (excluding subsidiaries), their restricted stock awards (RSA) shall be handled in the same manner as "Voluntary Resignation" specified in the first paragraph of this section. However, if an employee is reassigned to a related enterprise or another company at the Company's discretion, their granted restricted stock awards (RSA) shall not be affected by the transfer.

5.6 Employees or their successors shall receive the transferred shares upon meeting the vested conditions as per the trust agreement.

5.7 Other: In the event of significant misconduct such as violation of the Company's labor contracts or work rules, and deemed severe by the Company, for the portion of restricted stock awards (RSA) not yet vested, the Company reserves the right to reclaim the shares at no cost and proceed with their cancellation.

6. Restricted Rights before Meeting Vesting Conditions

6.1 The restricted stock awards (RSA) issued under these regulations shall be delivered to the employees in trust and registered in the name of the employee in the shareholder register. Until the vesting conditions are met, the following restrictions apply:

6.1.1 Employees who have been granted restricted stock awards (RSA) may not sell, pledge, transfer, gift, mortgage, or otherwise dispose of the shares until they meet the vesting conditions, except in the case of inheritance.

6.1.2 Attendance, proposal submission, speech, and voting rights at shareholder meetings shall be executed by the trustee institution according to the trust agreement.

6.2 Apart from the restrictions imposed by the trust agreement, employees who have been granted restricted stock awards (RSA) under these regulations shall have rights, including but not limited to dividend entitlement, voting rights, and rights to capital reserve distribution, similar to those of the Company's issued ordinary shares until the vesting conditions are met.

7. Procedure for Receiving Granted Shares

7.1 Upon granting of restricted stock awards (RSA) to employees, the Company shall allocate the shares in the shareholder register and deliver the new shares or stock right certificates to the employees through book-entry transfer. The shares shall be held in trust within the specified vesting period according to the trust agreement.

7.2 The Company shall process the necessary registration changes in accordance with these regulations for the restricted stock awards (RSA) issued under these regulations.

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Restricted Stock Awards (RSA) Issuance Regulations for 2024

8. Signing and Confidentiality

- 8.1 Employees who receive restricted stock awards (RSA) must complete the signing of the "Restricted Stock Award Acceptance Agreement" and related trust custody procedures as notified by the Company's responsible unit before they are considered to have acquired the restricted stock awards. Failure to sign the relevant documents as required shall be deemed as waiving the restricted stock awards.
- 8.2 Employees and any other recipients of the restricted stock awards (RSA) and derivative benefits acquired under these regulations must comply with the provisions of these regulations and the "Restricted Stock Award Acceptance Agreement." Violations shall be considered as not meeting the vesting conditions. They shall also adhere to the Company's salary confidentiality regulations, refrain from inquiring or disclosing to others the content, quantity, or related personal benefits of the granted restricted stock awards (RSA), or disclosing the relevant details of the case to others. In case of violation, the Company reserves the right to reclaim the unvested restricted stock awards (RSA) at no cost and proceed with their cancellation.

9. Taxation

The relevant taxes for the restricted stock awards (RSA) granted under these regulations shall be handled in accordance with legal regulations.

10. Other Important Matters

- 10.1 In the future, if there are any revisions or adjustments to the matters related to the issuance of restricted stock awards (RSA) by the competent authority, it is proposed that the Board of Directors be fully authorized by the shareholders' meeting to handle them. If revisions are required during the submission and review process due to the requests of the competent authority, the Chairman is authorized to amend these regulations, subject to subsequent confirmation by the Board of Directors before issuance.
- 10.2 For matters not covered in these regulations, except where otherwise provided by law, the Board of Directors or its authorized representatives shall have full authority to amend or implement them in accordance with relevant laws and regulations.