Chenbro Micom Co. Ltd 2018 Annual Report

TWSE:8210

Leading Brand in Enclosure Solution

CHENBRO

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Seven. Review and Analysis of Financial Ftatus, Financial Performance and Risk Issues

Eight. Special Recorded Items

Chenbro receives the 2018 Corporate Citizen Award from CommonWealth Magazine, the German Red Dot Design Award, SGS ISO 9001 Award as a Model in Performance Management Quality, and the Sports Corporation Certification Award from Global Views Monthly

2018 was a year where Chenbro received wide recognition as the company moves along the voyage of sustainable operation. As a corporate citizen, Chenbro not only seeks to enhance product quality and sales development, but also actively takes part in public welfare activities, is concerned with environmental issues and continues to focus on education in remote areas, as well as promotes culture and art.

Our product RM237 Series received great praise from the judges at the Red Dot Award. The product was honored by taking the Red Dot Winner prize for product design, with this category being the most important global award for product design. Among submissions from 59 countries, a panel of 39 international design experts and 6,300 entries, RM237 Series received the highest of appraisals in the different criteria: innovation, functionality, ergonomics and environmental performance. It is without a doubt this is a testament for the hard work and effort of our design team and every staff.

The ISO 9001 Plus Award focuses on the quality of sustainable management. It advocates that corporations should observe market trends and appropriately evaluate external risk, while also strictly carrying out internal risk analysis. Thereby achieving the best optimized risk control, innovating good products and responding to ever-changing market demands. The award-winning corporations were chosen from 5000 ISO certified suppliers with an award rate of only 2 in a thousand, showing the devotion and effort put into quality control by our group.

2018 was our gym year. By increasing funds of softball, badminton, cycling, golf and yoga clubs, an energy and mood was established within our group. The effort that enhances competition with other corporations increased work efficiency. We expect through regular exercise, our colleagues will be able to obtain both physical and spiritual health, be successful in every role they play in their daily life, and gain a perfect balance between work and life. These accumulated efforts have also helped us receive the Sports Certification from the Sports Administration of the Ministry of Education in Taiwan. In the future, we will continue to promote physical education in efforts to protect our staff well-being, and establish an exercise atmosphere within our group, which make us a role model for a prefect workplace.

The Corporate Citizen Award given by CommonWealth Magazine is an indicator of corporate governance, corporate commitment, involvement in community and environmental sustainability, and corporate culture. It incorporates the results of our long-term partnerships including domestic and overseas. Such an achievement does not happen by chance. Being honored with this award on our 35th anniversary is significant boost in morale that supports us while continuing our journey of sustainable evolution.

Although our corporate has faced multiple challenges to arrive at where we are today, we will continue to push for change and not set profit as our only objective. To become an accountable corporate citizen, it is necessary to shift from a role of passive responsibility towards active responsibility and understand our core mission representing to create value for our customers, shareholders, and staff, and ultimately make society a better habitat and life all the best.

1

Letter to Shareholders

1. 2018 Business Highlights
2. 2019 Business Plan Summary
3. Future Strategy

4.The Impacts of External Competitive, Regulatory and Overall Business Environments

1. Letter to Shareholders

Dear Shareholders,

Uncertainty in the development of the technology manufacturing industry has grown daily as a result of global economic turmoil, international trade barriers, tense regional relations, pressure on costs caused by continual raw material price increases and rapid changes in the cloud production industry relative to the Internet. Facing many kinds of challenges in such environment in 2018, our group, with the effort of the entire workforce, still maintained steady growth. Annual revenue reached NT$6.5 billion, an increase in growth of more than 18 percent over NT$5.5 billion in 2017, which was another step forward in our group's innovation.

Looking ahead to 2019, handling the collective risks of rising interest rates, the US-China trade war, the cooling of economic growth, the slowing of business surplus growth, a peak in the shrinking of the American Federal Reserve (Fed) balance sheet, it is as if we are treading on a layer of thin ice. As we are within the VUCA era (Volatility, Uncertainty, Complexity, Ambiguity), we must move cautiously and maintain close observation and understanding of the increasingly severe external environment. Meanwhile, we keep a positive, forward-looking attitude, actively focusing on the performance of our own business operations and taking full advantage of the potential in any uncertain situations to make this year full of opportunities.

We expect to be a world hegemon in cloud mechatronics integration solutions by the four core values of 'sincerity, innovation, consensus and altruism.' With these as our foundation, we are dedicated to the development of'promoting innovative products, technologies and services', 'enhancing production efficiency', 'the expansion into emerging markets or applied fields' and 'vocational cultivation for all-age talents' etc.

Aside from deepening our roots in Mainland China and the United States, the two largest markets in the world, we will also dedicate ourselves to develop in the European, Indian, Australian and ASEAN markets for establishing the first-tier customer base. As well as we will continue to enhance our system integration business and the market share of all our standard product across all sales channels. In addition, deepen customer management and market deployment. For our internal management, we will gradually implement lean management, prioritize product assembly, strengthen production efficiency, lower stock and continue innovation in design and production technology. We will seek speed and flexibility in our service quality, increasing the associated value of our group in the supply chain, laying out the trend for future growth as the we move toward executing sustainability. The following summary is the business achievement and strategy for the future development of our group in 2018:

1. 2018 Business Highlights

Financial performance

a. Results of business plan implementation

Unit: NTD thousand

Item	2018	2017	Increase (decrease) amount	Increase (decrease) amount %
Operating revenue	6,520,514	5,513,754	1,006,760	18.26
Gross profit from operations	1,714,748	1,469,319	245,429	16.70
Operating profit	831,399	683,190	148,209	21.69
Profit from operations before tax	870,732	615,237	255,495	41.53
Net profit	642,350	455,442	186,908	41.04

b. Status of budget implementation

In accordance with current laws and regulations, our group has not compiled public financial forecasts in 2018.

c. Financial analysis

Item		2018	2017
Financial structure (%)	Debt to total assets ratio	45.67	45.70
	Long-term capital to property, plant & equipment ratio	195.62	187.29
Solvency (%)	Current ratio	151.19	156.61
	Quick ratio	126.90	125.25
	Interest coverage multiples (times)	9340.50	7739.85
Profitability (%)	Return on assets (%)	11.60	8.92
	Return on equity of shareholders (%)	21.11	15.77
	Operating profit to pay-in-capital (%)	69.44	57.06
	PBT to pay-in-capital (%)	72.73	51.39
	Net margin (%)	9.85	8.26
	EPS (NT$)	5.37	3.80

Research and technological development

In 2018, we spent a total of NT$201,732,000 on R&D, an increase of 13.2 percent over 2017. Upholding the spirit of innovation, our group continuously refines R&D capabilities, develops new products, while placing importance on the protection of intellectual property rights. 329 patents have been successfully filed from the 410 patents applied for in Taiwan, America and China, up to the year of 2018.

2018 was also aimed at the development and application of patents for many kinds of products. Globally, a total of 33 inventions, design and utility model patents were applied. These included PC chassis, system module applications, and component fixing structures etc. Breakthroughs were made in many fields of function including product precision, heat dissipation capabilities, support strength and stable energy saving. Empirical layout was deployed in smart manufacturing and the cloud industry. Our group continues to invest resources and implement cross-industry links through its project experiences, refining the electrical and mechanical integration of products, and through module design, expand flexibility in design manufacturing. Seeking to maximize compatibility in the use of every part, reducing the process time in development and certification of products, lowering the costs of developing molds for customers, satisfying varied market trends and increasing products associated value to maintain market competitiveness.

2. 2019 Business Plan Summary

Operating strategy

1. Looking ahead, our group will continue the optimization all our products and with core technologies as foundation and develop new products to meet market demands. The introduction of ‘lean management’ over the last two years has demonstrated a massive improvement in increasing production capacity and lowering stock. In the future, active value management (AVM) will also be incorporated into the work of complete assessment of costs and it establishes resource inventory capability. To create a positive working environment, internalization of the concept of accountability will continue. Under the weight of our group governance and in shaping corporate culture, operation efficiency will be increased, so as to maximize the profits of our group.

2. Cultivating competency in talent of all ages promotes the quality of human resources. Promote the corporate mission, vision and core values through lean management. Strengthen corporate substance, financial management, and stable operation practically in Taiwan and set our targets on the global market.

3. Continue the simplification and electronification of processes in corporate work in order to increase internal and external feedback, quicken response speed and efficiency, and strengthen corporate substance.

4. Enhance our group corporate governance, positive auditing, control and management of Board of Directors, seek optimal benefit for shareholders, practice community responsibility and continue toward sustainable operation.

5. Expansion in emerging markets and applied fields, improve deployment in the depth and broadness of production lines, flexibility and differentiation in production is the technological trend of the future, grasp advantageous technology, establish market position.

Expected sales quantities

Main product	2019 sales (1000 units)
Personal computer chassis	275
Server chassis	1,900
Parts and others	19,000

Important production and marketing policy

a. Sales strategy

Our group will continue to develop turnkey solutions in alliance with our strategic partners helping customers rapidly time to market, use existing resources to seize server market share and respond to market trends such as the IoT, artificial intelligence (AI), 5G business transfer, edge computing and development of our group's own standard products for emerging industries. Through different sales channels, we become a leader in the white brand market and expand mutual development and original design manufacturing business. Provide a leading customization solution mechanism and take advantage of rapid, high-mix low-volume production manufacturing superiority, deepen mutually advantageous partnerships with customers.

b. Production strategy

Continuous integration of the industrial technology team, we provide flexible and responsive service complying with high quality production processes. Shorten the processing of new products to mass production and quickly satisfy customers requirements. Set up a mold manufacturing center. Establish and increase the manufacturing capability of steel molds and lay out the foundations of manufacturing ability. Continue to promote CPS lean management. From customer needs to products sales, optimize processing and operating modes, for example, automation of key stations and processes to achieve quality, stock, deadline and cost optimization. Develop intelligent manufacturing, transform into informatized and automized factories, simplify of logistics and intelligence sharing, lower labor costs, overcome the trend of rising manpower costs and raise profit capabilities.

c. R&D strategy

Looking to the future of R&D strategy, our group will combine R&D strength and advanced manufacturing capabilities. Furthermore, we will make use of artificial intelligence, 5G application and the developing tide of edge computing, to implement new product development and innovative patent technology research. Regarding the strategic alliance of corporate business partners, we will promote the support of new generation server architecture system, provide casing solutions, and continue with modularization, flexibility and the move towards green efficiency, barebone server solutions. With partners in the same industry, we move together toward diversity with different application scenarios, including small and medium sized companies, large corporations, data centers, and research institutes. Use flexible production in providing service to smaller to medium sized customers in their vertical application requirement needs, in benefitting our group's expansion of customers and industry for broader and deeper development.

3. Future Strategy

Looking ahead to 2019, we will continue our business operations with the concepts 'diligence and sincerity', in the vision of becoming a 'manufacturing leader in global cloud technology industry integration'. With the four core values of 'sincerity, innovation, consensus and altruism' as our foundation, we are dedicated to 'promoting innovative products, technologies and services', 'enhancing production efficiency', 'the expansion into emerging markets or applied fields' and 'vocational cultivation for all-age talents '.

As development in AI, IoT and the cloud server industry matures, we will use innovative commercial models and competitive products to focus on data centers, industrial computing, AI, IoT, 5G application and more. Meanwhile, we will actively deepen development of emerging markets, and expand market share in the server, storage server, industrial computer and personal computer chassis markets. In addition to deepening our roots in the two big regional markets of Mainland China and the United States, we will also deploy our business in European, Indian, Australian and ASEAN markets with the hopes that our both domestic and overseas staff will make maximum effort to achieve our operating goals.

4. The Impacts of External Competitive, Regulatory and Overall Business Environments

Since establishment, our group has faced intense and changing external competition. To uphold the concept of raising the competitive level of R&D in order to reduce the influence of external competition, we have gone through ceaseless self-improvement. Regarding the influence of regulations and the amendment of governmental laws, we have implemented measures appropriate to the locality, completely amending design specification and responses to related laws. About the overall business environment, international raw materials, increasing Mainland China labor costs and the rising price of resources influenced the cost structure, it is only by establishing a worthy reputation and strictly controlling costs to achieve reasonable pricing of products and gain the greatest competitive advantage. Flexible adjustment of production, strict cost control, and receipt of accounts, therefore, are important issues.

The pressure of external market prices, securities institutions issuing new regulations, overseas environmental regulations, the global lowering of interest rates and the multitude of changes in the operating environment have all influences on our revenue performance. In order to respond to these changes, we have not only respected the issuance of new regulations by securities institutions with compiling statements and demanding that suppliers' products meet overseas environmental regulations, but also improve the production process, expand mass production capacity so as to lower manufacturing costs, and immediately respond to customers' order requirements through proper planning of raw materials purchasing in order to raise overall competitiveness.

Hereby we report to all shareholders about our 2018 business overview and 2019 outlook, and sincerely thanks to your support. All colleagues will continue to strive for progress and be dedicated to sharing the rewards of our innovation with you.

Respectfully, to your health and happiness

Chairman: Chen Meichi   President: Chen Yanan   Accounting Supervisor: Chih Chialin

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Company Profile

1. Date of Incorporation
2. Milestones

2 Company Profile

The establishment of Chenbro Micom Co. Ltd., (hereafter known as 'the Company') was approved by the Ministry of Economic Affairs in December 1983. The main business items of this company and its subsidiaries (hereafter known as 'the Group') are computer application software design engineering, the import and export trade of computer products and peripheral accessories, the R&D, manufacturing, processing and sale & purchase service for computer accessories and the main part systems of other consumable materials.

1. Date of Incorporation: December 5, 1983

2. Milestones

1983	The Company is established in Taipei with capital of NT$500,000
1984	Capital increased by NT$1,500,000 cash, capital reaches NT$2,000,000 Commenced sales of Disk Puncher (the Company's first product) Completion of XT computer chassis research & development, advertised in export magazine (the first computer chassis manufacturer to place advertisements)
1985	Official launch of the Full AT chassis (world's first Tower computer chassis)
1986	Capital increased by NT$5,000,000 cash, capital reaches NT$7,000,000 NT$16,000,000 purchase of Hangzhou North Rd. office
1987	Completed Middle Tower & Slim All-in-One computer chassis R&D and sales
1989	Capital increased by NT$18,000,000 cash, capital reaches NT$25,000,000 NT$20,000,000 purchase of Zhonghe office
1990	Capital increased by NT$50,000,000 cash, capital reaches NT$75,000,000 NT$40,000,000 purchases of Zhonghe factory, completion of computer chassis production assembly line design Launched first phase of Server and Lan Station casing
1994	NT$60,000,000 purchases Taoyuan plastic injection factory, production of plastic panels and peripheral computer equipment Launched AT chassis with Slide In-Out Mechanism
1996	Taoyuan factory gained ISO 9002 International Quality Certification Launched ATX series and Server chassis
1997	Launched Net PC and NLX chassis sales
1998	Established European subsidiary as European sales center Capital increased by surplus transfer of NT$30,000,000, cash increased to NT$30,000,000, capital reaches NT$135,000,000
1999	Capital increased by NT$25,000,000 cash and surplus transfer of NT$142,300,000 in supplemental public issuance, capital reaches NT$302,300,000 NT160,000,000 purchases of new office in Zhonghe Awarded with CommonWealth Magazine 1998 best operating efficiency ranking of 38th place
2000	Capital increased by NT$161,000,000 surplus transfer, capital reaches NT$463,300,000 Established Cayman Chenbro Overseas Holding Co. Ltd., and Mainland China Sole Proprietorship becomes corporate manufacturing center Established US subsidiary as American sales center
2001	Capital increased by NT$37,060,000 capital surpluses, capital reaches NT$500,370,000 Taoyuan factory becomes uneconomical, stops production, and rents out unused plants
2002	Capital increased by NT$40,030,000 surplus transfer, capital reaches NT$540,400,000
2003	Transferred investment from overseas holding company into Chenbro Technology (Kunshan) Co. Ltd., to become Mainland China eastern region manufacturing center Application for shares to be traded over the counter/listed company at over-the-counter market
2004	Capital increased by surplus transfer and additional-paid-in-capital of NT$63,190,000, capital reaches NT$603,590,000
2005	Shares are listed for OTC buying and selling on the Taipei Exchange Capital increased by surplus transfer and employee dividend of NT$100,660,000, capital reaches NT$704,250,000
2006	Capital increased by surplus transfer and employee dividend of NT$115,460,000, capital reaches NT$819,710,000
2007	Capital increased by surplus transfer and employee dividend of NT$135,660,000, capital reaches NT$955,370,000 Transferred investment from overseas holding company into Chenbro Dongguan Branch, which becomes

	southern region manufacturing center
2008	Capital increased by surplus transfer and employee dividend of NT$159,740,000, capital reaches NT$1,115,110,000
2011	Capital increased by surplus transfer of NT$39,950,000, capital reached NT$1,155,060,000 Company's shares are going public/are listed at stock exchange market from OTC on December 1
2012	Capital increased by surplus transfer of NT$46,200,000, capital reaches NT$1,201,260,000 Transferred investment from overseas holding company into setting up Shenzhen (China) subsidiary, responsible for marketing in China region
2013	NT82,090,000 purchases of new office in Zhonghe American subsidiary invests US$7,940,000 in purchasing new factory and office to benefit overseas business expansion RMB$18,730,000 purchases of Beijing Office
2014	Chenbro Technology (Kunshan) Co. Ltd. reinvests to set up Chenbro Micom (Beijing) Co., Ltd. to become the R&D center
2015	Invested in German subsidiary Chenbro GmbH; receives 24th National Award of Outstanding SMEs
2016	Transferred investment from overseas holding company into setting up Shanghai subsidiary, responsible for marketing in the China region
2017	ChenPower Information Technology (Shanghai) Co., Ltd. Grand Opening; Chenbro Technology (Kunshan) Co. Ltd. Phase III in Operation officially
2018	Receives the German Red Dot Winner Award, the SGS ISO 9001 Plus Award for effective management, the Corporate Sports Certification from the Sports Administration of the Ministry of Education and CSR Standard Enterprise 2018 Mittelstand Award from CommonWealth Magazine

3 Corporate Governance

1.Organization

2.Board Members

3.Renumeration Paid to Board Members in the Current Year

4.Status of Corporate Governance

5.Information Regarding CPA Professional Fees

6.Information Regarding Replacement of CPA

7.The Management Level in Charge of Finance or Accounting, Held A Position at the Accounting Firms or Related Enterprise As A Certified Public Accountant within One Year

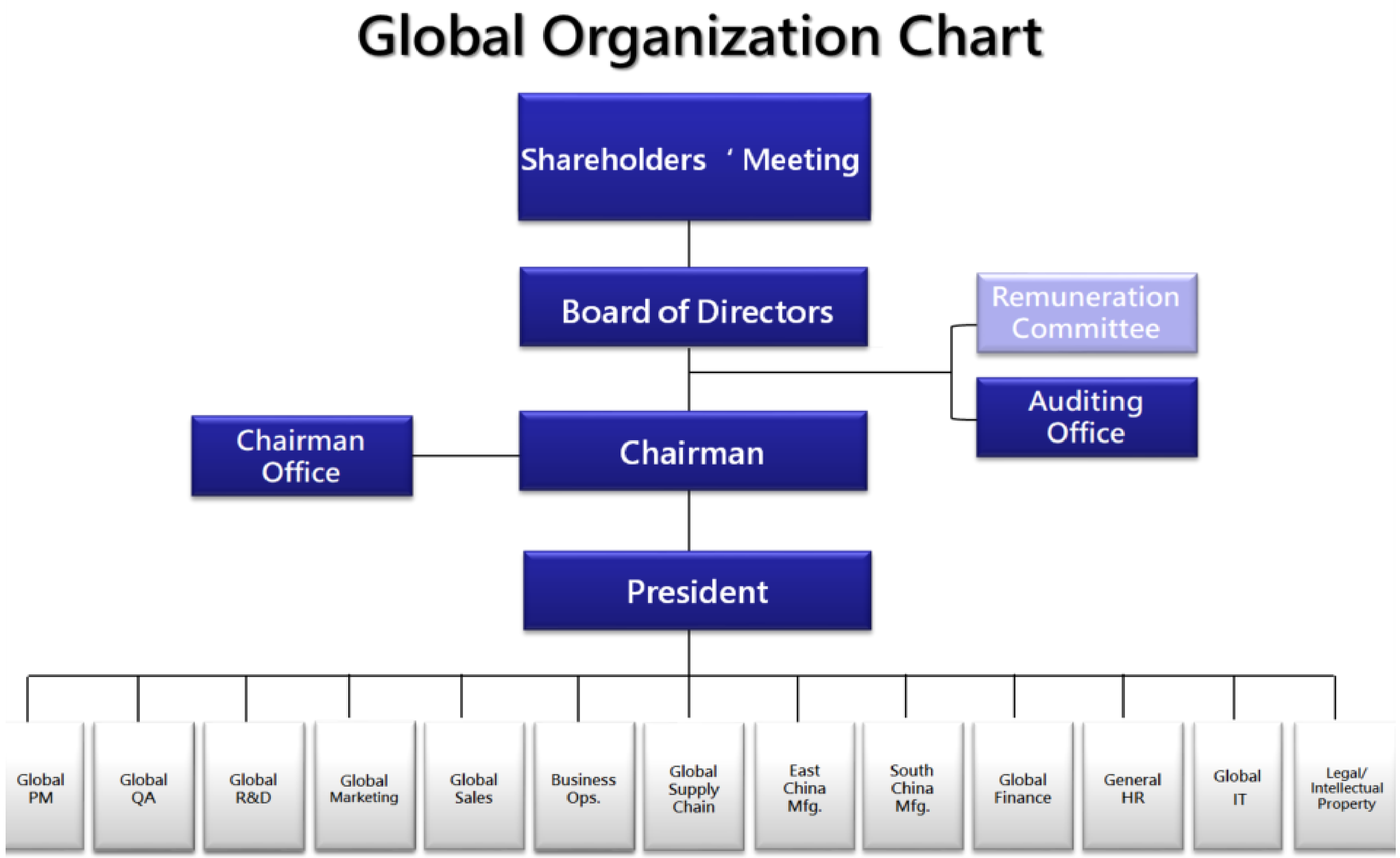
8.The Status of Transfer of Shareholder’s Equity and Change of Equity Pledge for Main Board Members and Shareholders with Shareholding Ratio of More Than 10% in Current Year

9.Relationship Information, If among the Company's 10 Largest Shareholders Any One Is A Related Party or A Relative within the Second Degree of Kinship of Another

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

3. Corporate Governance

1. Organization
   (1) Organizational chart



(2) Operating functions of each major department

Department	Major Responsibilities
Chairman's Office	Outline the development, vision and blueprint of the company. Shape company culture. Encourage innovation among employees. Promote ESG corporate commitment.
Global Business Division	Control and implement the Company's global business plan. Ensure that the profit making of the Company is realized and can continue to see growth. Provide leading customer service around the world and maintain strategic business partnerships. Develop new markets and new customers, continue the development of the Company year by year.
Global R&D	Responsible for the development of new products and the improvement of production technology, strengthen concepts guiding clients as well as module design ability. Research for the enhancement of innovative technology.
Global Marketing Division	Collection and analysis of industrial developments, research on emerging markets and potential customers, plan the Company's product roadmap. Define products' value, ensure product profitability and assist in establishing production and sales strategy. Coordinate and communicate on products' marketing activities, focus on the implementation direction of relevant units. Manage the Company's official website, operation of social media, global exhibition planning and management and path activity management. Strategic partnerships and public relations management. Trends in product appearance, consumer experience and research in material use, product image and visual communication, design marketing and auxiliary products.
Southern Region Manufacturing Center	Major operation of server and computer chassis manufacturing. Factory operations efficiency analysis and supervision. Diversified (custom) product production and service provision. Implement lean production and production automation, provide fast and precise delivery period supplier capability.
Eastern Region Manufacturing Center	Computer chassis and server manufacturing, development and efficiency in sales & manufacturing technology. Responsible for new models, mass production model quality and quality system operation. Human resources and organizational development, staff training and cultivation of talent. Mainland China customer services. Storage environment, industrial safety, occupational health and risk management, complying with necessary regulations. Energy saving and cost reduction, social care, support of the underprivileged, resource cycling and renewable use.
Global Quality Control	Establish and manage a globally operating quality system. Implement quality assessment for products currently in development and manage quality of existing products. Global customer quality management. Supplier management. Resolve related issues and provide customers with FAE/RMA support.
Standard Products Development Projects Division	Development planning and implementation of standard products and derived models with punctual releases to the market. Budget and cost planning and control of new product development projects. Implement inter-department communication and coordination for new product development. New product demand specifications, evaluate costing and assist in providing quotations.
Global Supply Chain Management Division	Implement combined management of suppliers, manufacturers, and subsidiaries to the end customer in order to satisfy customer needs. To achieve the aim of lowest costs, for major items, including raw materials purchasing, use materials management, planned production, logistics and warehouse management.

Department	Major Responsibilities
Business Operations	Assist in establishing an inter-department operating mode, linking sales and operations in order to meet the Company’s monthly sales targets,
Global Information Division	Planning of the entire corporation’s business information development aims and strategic implementation; assist in the computerization and proceduralization of the corporation’s business development, protect the Company’s information safety and provide immediate big data to benefit operational management analysis.
Global Finance Division	Create a highly efficient and high-quality financial platform providing transparent and reliable financial information and an operational analysis and improvement program. Achieve outstanding corporate governance through rigorous control and auditing Provide long-term investment information and related financial decision evaluations, and law and tax planning. Credit risk control and financial crisis prediction models in order to lower corporate risk. Be responsible for holding Board and Shareholders’ meetings. Stock service management and handling of ex-rights.
Global Human Resources Division	Comply with the Company’s strategic development needs, and planning and implementation of organized manpower needs so that cultivation of the Company’s human resources continues to strengthen. Maintain the Company’s sustainable operation. Define effective management training development strategy and regulations in order to promote organizational effectiveness and core capabilities. Formulate labor safety and complete health policies and provide employees with related services. Create a favorable labor environment.
Legal Affairs/ Intellectual Property Rights	Review contracts and provide legal consultation, manage patents, copyrights and other intellectual property rights, manage legal litigation, dispute chassis and other related legal analysis.
Auditing Office	Stipulate annual audit plan, carry out routine audit operation, and submit checking manuscript and audit report. Assist to guide, supervise and audit the implementation and tracking of internal control affairs of each subsidiary of the group, and issue audit report. It conducts individually and objectively for rationality, validity and implementation of internal control system evaluation, according to the operational and management demands of the Board and the senior management. Meanwhile, it is responsible for the implementation of regular and occasional audits, project verification and improvement tracking of the company and its subsidiaries.

2. Board Members

(1) Information on the Chairman, Directors and Supervisors

a. Name, Gender, Nationality or Place of registration, Main working (education) experience, Concurrent positions in the Company and other companies, Election (inauguration) date, Term, First elected date and person, Spouse & minor children for shareholding, Shares held in the name of others, Professional knowledge and independence status information:

Date：04/29/2019

Title	Nationality or place of registration	Name	Gender	Election (inauguration) date	Term	First Elected Date	Shareholding when elected		Current shareholding		Spouse & minor children shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Chairman, Supervisor or Managers who are spouses or within second-degree relative of consanguinity to each other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Republic of China	Chen Meichi	Female	June 20, 2017	3 years	July 6, 2009	9,656,009	8.07	9,656,009	8.07	1,914,577	1.60	12,127,000	10.13	National Chengchi University Department of Money and Banking EMBA Business Administration National Taiwan University	Chairman of the Company, Director of Peng Wei Investment and Development Co., Ltd, Chairman of Lian-Mei Investment Ltd., Director of Chen-Source Inc.	Chairman's Office Assistant Manager	Lee Tsunyen	Aunt
Director	Republic of China	Wu Chungpao	Male	June 20, 2017	3 years	June 6, 2009	0	0	0	0	0	0	0	0	National Taiwan University International Business MBA Chairman of Protech Information Co., Ltd	Chairman of Protech Information Co., Ltd Independent Director of Marketech International Corp Independent Director of Trade-Van Information Co Independent Director EVA Air Corporation Director CPC Corporation Taiwan	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Election (inauguration) date	Term	First Elected Date	Shareholding when elected		Current shareholding		Spouse & minor children shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Chairman, Supervisor or Managers who are spouses or within second-degree relative of consanguinity to each other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Director	Republic of China	Lee Tsunyen	Female	June 20, 2017	3 years	June 26, 2009	5,296,029	4.42	5,296,029	4.42	13,614,433	11.37	0	0	Taipei Municipal Shilin High School of Commerce Chairman of Ming-Kwong Investment Co., Ltd.	Chairman's Office Assistant Manager of the Company Chairman of Ming-Kwong Investment Co., Ltd. Chairman of Chung-chiao Asset Management Co. Ltd Director of Chen-source Inc. Chairman of Chin-yueh Technology Co. Ltd. Independent Director for HIM International Music Inc. Chairman of CPDC	Chairman	Chen Meichi	Aunt
Director	Republic of China	Hsu Shenkuo (Note1)	Male	June 20, 2017	3 years	June 20, 2014	525,112	0.44	61,112	0.05	0	0	0	0	Harvard Kennedy School MPA/ID George Washington University LLM University of San Francisco Law PhD National Taiwan University Law Department	Assistant Professor Peking University Law School Teacher National Taiwan University Center for General Education	N/A	N/A	N/A
Independent Director	Republic of China	Tsao Anpang	Male	June 20, 2017	3 years	June 20, 2014	0	0	0	0	0	0	0	0	Illinois Institute of Technology MBA CEO and Gen1eral Manager D-Link	Chairman Global Channel Resources Inc.	N/A	N/A	N/A

<table>
<tr><th rowspan="2">Title</th><th rowspan="2">Nationality or place of registration</th><th rowspan="2">Name</th><th rowspan="2">Gender</th><th rowspan="2">Election (inauguration) date</th><th rowspan="2">Term</th><th rowspan="2">First Elected Date</th><th colspan="2">Shareholding when elected</th><th colspan="2">Current shareholding</th><th colspan="2">Spouse & minor children shareholding</th><th colspan="2">Shares held in the name of others</th><th rowspan="2">Main working (education) experience</th><th rowspan="2">Concurrent positions in the Company and other companies</th><th colspan="3">Chairman, Supervisor or Managers who are spouses or within second-degree relative of consanguinity to each other</th></tr>
<tr><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Shares</th><th>%</th><th>Title</th><th>Name</th><th>Relationship</th></tr>
<tr><td>Independent Director</td><td>Republic of China</td><td>Hsu Kueiying</td><td>Female</td><td>June 20, 2017</td><td>3 years</td><td>June 29, 2004</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>Soochow University Department of Accounting
Head of Financial Division Lite-On Semiconductor Corp. (resigned June 17, 2000)</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Independent Director</td><td>Republic of China</td><td>Huang Wencheng</td><td>Male</td><td>June 20, 2017</td><td>3 years</td><td>May 27, 2011</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td><td>Master degree in Business Administration National Chengchi University
National Cheng Kung University Department of Mechanical Engineering
Gen1eral Manager China Motor
Chairman ARTC
Deputy Chief Executive Yulon Group</td><td>Chairman of Hung-ching International Investment Co. Ltd.
Chairman of Kuo-fu Management Consultant Co. Ltd.
Independent Director YFY Inc.
Director Tung-thih Electronic Co., Ltd
Legal representative Director of ACES Electronics Co., Ltd.
Chairman of Hua-chun Venture Capital Co. Ltd.
Independent Director of E-CMOS</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Supervisor</td><td>Republic of China</td><td>Huang Lilong</td><td>Female</td><td>June 20, 2017</td><td>3 years</td><td>June 27, 2002</td><td>826,946</td><td>0.69</td><td>826,946</td><td>0.69</td><td>0</td><td>0</td><td>0</td><td>0</td><td>Soochow University
Division Chief Schering-Plough Corp.</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
</table>

Title	Nationality or place of registration	Name	Gender	Election (inauguration) date	Term	First Elected Date	Shareholding when elected		Current shareholding		Spouse & minor children shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Chairman, Supervisor or Managers who are spouses or within second-degree relative of consanguinity to each other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Supervisor	Republic of China	Lee Yami	Female	June 20, 2017	3 years	October 20, 1999	181,334	0.15	181,334	0.15	0	0	0	0	Graduated from Christ's College Taipei Rutgers University undergraduate Gen1eral Manager ACRON INTERATIONAL LTD.	Director of Ancore Technology Corporation	N/A	N/A	N/A
Supervisor	Republic of China	Chen Jenshyang	Male	June 20, 2017	3 years	June 27, 2002	126,224	0.11	126,224	0.11	0	0	0	0	Ph.D. National Taiwan University Assistant Professor Ming Chuan University	N/A	N/A	N/A	N/A

Notes:

1. The Director Hsu Shenkuo ended his tenure naturally on March 5, 2019.

(2) Chairman, Supervisor are representatives of corporate shareholders: N/A
(3) Is a legal majority shareholder in item 2: N/A
(4) Professional knowledge and independence check of Chairman and Supervisor

Date：April 22, 2019

Requirement / Name	Has over five-year work experience and the following professional qualifications			Status on Compliance of Independence (Note 2)										Number of concurrent Independent Directors in other publicly traded companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification and technicians relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Chen Meichi			✓							✓		✓	✓	N/A
Lee Tsunyen			✓							✓		✓	✓	1
Wu Chungpao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Hsu Shenkuo (Note 1)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Huang Wencheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Tsao Anpang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Hsu Kueiying			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Huang Lilong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Lee Yami			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	N/A
Chen Jenshyang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A

Notes:

1: The Director Hsu Shenkuo ended his tenure naturally on March 5, 2019.

2: For the Directors and Supervisors that fulfill the following the following conditions two years before being elected and appointed their tenure in office, please put a tick "✓" in each of the boxes representing a requirement.

（1）Not an employee of this Company or its affiliates.

（2）Not a Director or Supervisor of the Company's its affiliates. (However, this does not apply, in chassis where the person is an Independent Director of the company, its parent company, or any subsidiary in which the company directly or indirectly holds more than 50% of the voting shares.)

（3）Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.

（4）Not a spouse, second-degree relative or third-degree relative of those listed in the above three items.

（5）Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.

(6) Not a director, supervisor, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial relationship with the Company.

(7) Not a professional individual who provides services or consultation in business, legal, finance, or accounting to the Company or its any related companies, nor an owner, partner, director, supervisor, officer or spouse of a sole proprietorship, partnership, company, or institution. However, this does not apply to the members of the Compensation Committee who perform their duties based on article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

(8) Not a spouse or a second-degree relative of any other Director of the Company.

(9) No violations of Article 30 of the Company Act.

(10) Not a governmental, judicial person or its representative as defined by Article 27 of the Company Act.

(5) Information on the President, Vice Presidents, Assistant Vice Presidents, all Department and Branch Supervisors

Date：April 29, 2019

Title	Nationality or place of registration	Name	Gender	Election (inauguration) date	Shareholding		Spouse and minor shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Managers who are spouses or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chairman	Republic of China	Chen Meichi	Female	October 31, 2013	9,656,009	8.07	1,914,577	1.60	12,127,000	10.13	EMBA Business Administration National Taiwan University National Chengchi University Banking Department	Chairman of the Company Chairman of the Company, Director of Peng Wei Investment and Development Co., Ltd, Chairman of Lian-Mei Investment Ltd., Director of Chen-Source Inc.	Chairman's Office Assistant Manager	LEE TSUNYEN	Chairman's Office Assistant Manager
President (Notes 1)	Republic of China	Chen Yanan	Female	July 2, 2018	214	0.00	0	0.00	0	0.00	National Taiwan University Dept. of Foreign Languages Intel Corporation LSI Corporation NetApp Inc.	N/A	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Election (inauguration) date	Shareholding		Spouse and minor shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Managers who are spouses or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chief Financial Officer Global Finance	Republic of China	Tsou Keti	Male	October 12, 2016	0	0.00	0	0.00	0	0.00	Peking University Guanghua School of Management EMBA China Region CFO Liteon Technology Corp. CFO of UM EverRich Energy Inc.	N/A	N/A	N/A	N/A
Vice President of Global Business Division (Notes 2)	Hong Kong	Hui Kinnam	Male	July 2, 2018	0	0.00	0	0.00	0	0.00	The Hong Kong Polytechnic University Depart. Of Mechanical Engineering Intel Asia-Pacific Research & Development Ltd, Shanghai, China Astec Customer Power (HK) Ltd., Hong Kong, China Tectrol Inc., Toronto, Canada Astec Customer Power (HK) Ltd., Hong Kong, China	N/A	N/A	N/A	N/A

Title	Nationality or place of registration	Name	Gender	Election (inauguration) date	Shareholding		Spouse and minor shareholding		Shares held in the name of others		Main working (education) experience	Concurrent positions in the Company and other companies	Managers who are spouses or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Assistant Vice President of Finance Taipei (Notes 3)	Republic of China	Chih Chialin	Female	September 30, 2008	51,999	0.04	0	0.00	0	0.00	EMBA Business Administration National Taiwan University/Depart. Of Accounting Soochow University Motorola Taiwan	N/A	N/A	N/A	N/A
Assistant Vice President of Global Product Marketing Division	Republic of China	Huang Yutzu	Male	January 1, 2015	64,833	0.05	52	0.00	0	0.00	Lunghua University of Science and Technology Dept. of Foreign Languages National Kaohsiung University of Science and Technology Department of Mechanical Engineering Tranbon Electronic Industrial Co. Ltd.	N/A	N/A	N/A	N/A
Assistant Vice President of Global Product Marketing	Republic of China	Lin Tsungmin	Male	January 1, 2015	314,266	0.26	0	0.00	0	0.00	National Taiwan University of Science and Technology Dept. of Mechanical Engineering Chenbro USA Chenbro Europe Advantech	N/A	N/A	N/A	N/A

Note 1 : Chen Yanan was newly appointed as President instead of Vice President of Business Division for headquarters on July 2, 2018.
Note 2 : Hui Kinnam was newly appointed as Vice President of Global Business Division for headquarters instead of Sales President of Chenbro Micom (USA) Inc. on July 2, 2018.
Note 3 : Assistant Vice President CHIH CHIA LIN ended tenure as Vice President of Finance on July 2, 2018.

3. Remuneration Paid to Board Members in the Current Year

(1) to Directors (including Independent Directors)

December 31, 2018 Unit: NT$ thousand

Title	Name	Compensation of Directors								Proportion of total amount of A, B, C & D to net profit after tax (Note 10)		Related remuneration received of part-time employee								Proportion of total amount of A,, B, C, D, E, F & G to net profit after tax (Note 10)		Remuneration from other invested businesses apart from subsidiaries (Note11)
		Remunerations (A) (Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note3)		Business execution expenses (D) (Note 4)				Salary, award and special expenses etc. (E) (Note 5)		Severance Pay and Pensions (F)		Employee compensation (G) (Note 6)						
		The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company	All companies listed in the financial report (Note7)	The Company		All companies listed in the financial report (Notes7)		The Company	All companies listed in the financial report (Note7)	
																Cash amount	Shares amount	Cash amount	Shares amount			
Director	Chen Meichi	0	0	0	0	11,586	11,586	96	96	1.8	1.8	2,773	2,773	12	12	3,911	0	3,911	0	2.86	2.86	0
Director	Wu Chungpao																					
Director	Lee Tsunyen																					
Director	Hsu Shenkuo (Notes 12)																					
Independent Director	Huang Uangwen																					
Independent Director	Tsao Anpang																					
Independent	Hsu Kueiying																					

*Remuneration paid to Directors of the Company for providing all company services (e.g. serving as a non-employee consultants) within the financial report in the recent year, other than disclosed in the statement above: N/A

Range of Remunerations

Range of remunerations paid to directors of the Company	Name of Directors			
	Total amount of first 4 items of remuneration (A+B+C+D)		Total amount of first 7 items of remuneration (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies listed in the financial report (Note 9) H	The Company (Notes 8)	All companies listed in the financial report (Note 9) I
Under NT$2,000,000	Hsu Kueiying/Chen Meichi/Wu Chungpao/ Lee Tsunyen/Huang Wencheng/Hsu Shenkuo (Note 12)/Tsao Anpang	Hsu Kueiying/Chen Meichi/Wu Chungpao/ Lee Tsunyen/Huang Wencheng/Hsu Shenkuo (Note 12)/Tsao Anpang	Hsu Kueiying/Wu Chungpao/Huang Wencheng/Hsu Shenkuo (Note 12)/Tsao Anpang	Hsu Kueiying/Wu Chungpao/Huang Wencheng/Hsu Shenkuo (Note 12)/Tsao Anpang
NT$2,000,000 (included) ~ NT$5,000,000 (excluded)			Chen Meichi / Lee Tsunyen	Chen Meichi / Lee Tsunyen
NT$5,000,000 (included) ~NT$10,000,000(excluded)				
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)				
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)				
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)				
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)				
Over NT$100,000,000				
Total number	7	7	7	7

Note 1：Names of Directors should be listed separately (shareholders should separately list shareholder name and representative) and an aggregate method used to disclose the payment amount of every item, Directors also holding the post of President or Vice President should fill in this table and (3) the Range of Remunerations table for Presidents and Vice Presidents.

Note 2：2018 remuneration for Directors (including Director's salary, allowance, severance pay, every kind of bonus and award).

Note 3：2018 remuneration distribution, allocation of the amount of Director's remuneration is passed by the 2019 Board of Directors.

Note 4：2018 Director's related business execution expenses (travel expenses, special expenses, various allowances, accommodation, vehicle allocation etc., provision of physical objects). If expenses are provided for housing, car or other transportation, or personal expenses, all provided assets, materials and costs should be disclosed, the actual or according to fair market price to calculate the rent, fuel expenses and other expenditure, not including the calculation of remuneration payment related to drivers of NT$943,000.

Note 5：2018 Directors and concurrent employees (including concurrent President, Vice President, other managers and employees) all received salary, bonus, severance pay, allowance, severance pay, every kind of bonus, award, travel expenses, special expenses, various allowances, accommodation, vehicle allocation etc., provision of physical objects. If expenses are provided for housing, car or other transportation, or personal expenditures, all provided assets, materials and costs should be disclosed, the actual or according to fair market price to calculate the rent, fuel expenses and other expenditure, not including the calculation of remuneration payment related to drivers of NT$943,000. Also, according to the recognized salary fees of IFRS 2, including obtaining employee stock option certificates, employee restricted stock and taking part in capital increased subscription of shares, should all be calculated in remuneration.

Note 6：The Directors of 2019 passed the total amount of the 2018 distribution of employees' remuneration of NT$56,274,000 through the Board of Directors, which will be filed in the 2019 shareholders' meeting report. Therefore, the Directors listed as concurrent employees above (including concurrent President, Vice President, other managers and employees) and the amount of employee remuneration received (including shares and cash remuneration) that was issued, is according to the proportion of the actual distribution amount in the previous year, to calculate the distribution amount in this year.

Note 7：The total remuneration for each of the items paid to the Company's Directors by all companies (including the Company), should be disclosed within the consolidated statement.

Note 8：The total remuneration for each of the items paid to each Director by the Company, is attributed in the range with the Director's name disclosed.

Note 9：The total remuneration for each of the items paid to each of the Company's Directors by all companies (including the Company) in the consolidated statement, is attributed in the range with the Director's name disclosed.

Note 10：Net profit after tax indicates the Company already uses International Financial Reporting Standards, net profit after tax in the 2018 individual financial reports is NT$642,350,000.

Note 11：

a. In this column the amount of related remuneration obtained by Directors from reinvestment other than from the subsidiaries should be clearly listed.

b. If the Company's Directors received related remuneration from reinvestment other than from in subsidiaries, the Director and the amount received from the reinvestment other than from in subsidiaries should be entered into column I of the remuneration range table, and the name of the column changed to 'all reinvestments'.

c. Remuneration indicates the remuneration of the Director of this Company received from reinvestment of Directors, Supervisors, Managers or others (including remuneration of employees, Directors and Supervisors) other than in a subsidiary, and related remuneration for business execution expenses and other expenses.

Note12：The Director Hsu Shenkuo was dismissal on March 5, 2019.

* The content of remunerations disclosed in this statement and the concepts of the Income Tax Act are different, therefore the system of this statement is for disclosing information, not for taxation purposes.

(2) to Supervisors

December 31, 2018 Unit: NT$ thousand

Title	Name	Remuneration to Supervisors						Proportion of total amount of A, B & C to net profit after tax (Note 8)		Remuneration from other invested businesses apart from subsidiaries (Note 9)
		Remuneration(A) (Note2)		Compensation (B) (Note3)		Business execution expenses (C) (Note 4)				
		The Company	All companies listed in the financial report (Note 5)	The Company	All companies listed in the financial report (Note 5)	The Company	All companies listed in the financial report (Note 5)	The Company	All companies listed in the financial report (Note 5)	
Supervisor	Huang Lilong	0	0	4,965	4,965	54	54	0.78	0.78	0
Supervisor	Lee Yami									
Supervisor	Chen Jenshyang									

Range of Remunerations

Range of remunerations paid to Supervisors of the Company	Name of Supervisors	
	Total amount of first 3 items of remuneration (A+B+C)	
	The Company (Notes 6)	All companies listed in the financial report (Notes7) D
Under NT$2,000,000	HUANG, LI-LONG/ LEE YA-MI/CHEN JEN SHYANG	HUANG, LI-LONG/ LEE YA-MI/CHEN JEN SHYANG
NT$2,000,000 (included) ~ NT$5,000,000 (excluded)		
NT$5,000,000 (included) ~NT$10,000,000(excluded)		
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)		
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)		
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)		
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)		
Over NT$100,000,000		
Total number	3	3

Note 1：Names of Supervisors should be listed separately, and an aggregate method used to disclose the payment amount of every item.

Note 2：Indicates 2018 remuneration for Supervisors (including Supervisor’s salary, allowance, severance pay, every kind of bonus and award).

Note 3：Distribution of 2018 remuneration is passed by the 2019 Board of Directors issuing the amount of Supervisor’s remuneration.

Note 4：2018 Supervisor’s related business execution expenses (travel expenses, special expenses, various allowances, accommodation, vehicle allocation etc., provision of physical objects). If expenses are provided for housing, car or other transportation, or personal expenditures, all provided assets, materials and costs should be disclosed, the actual or according to fair market price to calculate the rent, fuel expenses and other expenditure. If a driver has been allocated, please note an explanation of the Company’s payment of related remuneration to the driver, but do not calculate into the remuneration.

Note 5：The total remuneration of each item paid to the Company’s Supervisors by all companies in the consolidated statement (including the Company) should be disclosed.

Note 6：The total remuneration of each item paid to each Supervisor by the Company, is attributed in the range with the Supervisor’s name disclosed.

Note 7：The total amount of each item of remuneration paid to each of the Company’s Supervisors by all companies (including the Company) in the consolidated statement, is attributed in the range with the Supervisor’s name disclosed.

Note 8：Net profit after tax indicates the Company already uses International Financial Reporting Standards, net profit after tax in the 2018 individual financial reports is NT$642,350,000.

Note 9：

a. In this column the amount of related remuneration obtained by Supervisors from reinvestment other than from in subsidiaries should be clearly listed.

b. If the Company’s Supervisors received related remuneration from reinvestment other than from in subsidiaries, the Supervisor and the amount received from the reinvestment business other than from in subsidiaries should be entered into column D of the remuneration range table, and the name of the column changed to ‘all reinvestments’.

c. Remuneration indicates the remuneration of the Supervisor of this Company received from reinvestment business of Supervisors, Managers or others (including remuneration of employees, Directors and Supervisors) other than in a subsidiary, and related remuneration for business execution expenses and other expenses.

* The content of remunerations disclosed in this statement and the concepts of the Income Tax Act are different, therefore the system of this statement is for disclosing information, not for taxation purposes.

(3) Remuneration to President and Vice Presidents

December 31, 2018 Unit: NT$ thousand

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)
(Note 2)</th><th colspan="2">Severance Pay and Pensions
(B)</th><th colspan="2">Awards and special expenses (C)
(Note 3)</th><th colspan="4">Employee compensation amount (D)
(Note 4)</th><th colspan="2">Proportion of total amount of A, B, C & D to net profit after tax
(%) (Note 8)</th><th rowspan="3">Remuneration from other invested businesses apart from subsidiaries (Note 9)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies listed in the financial report
(Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies listed in the financial report
(Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies listed in the financial report
(Note 5)</th><th colspan="2">The Company</th><th colspan="2">All companies listed in the financial report (Note 5)</th><th rowspan="2">The Company</th><th rowspan="2">All companies listed in the financial report
(Note 5)</th></tr>
<tr><th>Cash amount</th><th>Shares amount</th><th>Cash amount</th><th>Shares amount</th></tr>
<tr><td>Chairman</td><td>Chen Meichi
(Note 1)</td><td rowspan="5">10,183</td><td rowspan="5">11,880</td><td rowspan="5">334</td><td rowspan="5">334</td><td rowspan="5">2,605</td><td rowspan="5">2,605</td><td rowspan="5">15,714</td><td rowspan="5">0</td><td rowspan="5">15,714</td><td rowspan="5">0</td><td rowspan="5">4.49</td><td rowspan="5">4.75</td><td rowspan="5">0</td></tr>
<tr><td>President</td><td>Chen Yanan
(Note 2)</td></tr>
<tr><td>Vice President</td><td>Hui Kinnam
(Note 3)</td></tr>
<tr><td>Global Finance Chief</td><td>Tsou Keti</td></tr>
<tr><td>Assistant Vice President</td><td>Chih Chialin
(Note4)</td></tr>
</table>

* Regardless of job titles, any position that is equivalent to President (short as GM) or Deputy President (short as DGM) such as President, CEO, Director etc. should be revealed.

Note1. Chairman Chen Meichi was with duality of GM, which ended the tenure of GM on July 2, 2018.

Note2. Chen Yanan was newly appointed as President on July 2, 2018 instead of DGM of Business Division.

Note3. Hui Kinnam was newly appointed as Global Business Division DGM instead of Sales GM of Chenbro Micom (USA) Inc. on July 2, 2018.

Note4. Assistant Vice President Chih Chialin ended the tenure as Vice President of Finance on July 2, 2018

Range of Remunerations

Range of remunerations paid to President and Vice President of the Company	Name of President and Vice President	
	The Company (Notes 6)	All companies listed in the financial report
Under NT$2,000,000		
NT$2,000,000 (included) ~ NT$5,000,000 (excluded)	Chen Meichi, Chih Chialin	Chen Meichi, Chih Chialin, Hui Kinnam
NT$5,000,000 (included) ~NT$10,000,000(excluded)	Tsou Keti, Chen Yanan	Tsou Keti, Chen Yanan
NT$10,000,000 (included) ~ NT$15,000,000 (excluded)		
NT$15,000,000 (included) ~ NT$30,000,000 (excluded)		
NT$30,000,000 (included) ~ NT$50,000,000 (excluded)		
NT$50,000,000 (included) ~ NT$100,000,000 (excluded)		
Over NT$100,000,000		
Total number	4	5

Note 1：Names of Presidents and Vice Presidents should be listed separately and an aggregate method used to disclose the payment amount of every item, if Directors also concurrently hold the post of President or Vice President this table and (1) range of remunerations table for Directors (including Independent Directors) should be filled in.

Note 2：Fill in 2018 President and Vice President salary, allowances, severance pay.

Note 3：Fill in 2018 President and Vice President's related business execution expenses (travel expenses, special expenses, various allowances, accommodation, vehicle allocation etc., provision of physical objects). If expenses are provided for housing, car or other transportation, or personal expenditures, all provided assets, materials and costs should be disclosed, the actual or according to fair market price to calculate the rent, fuel expenses and other expenditure. If a driver has been allocated, please note an explanation of the Company's payment of related remuneration to the driver, but do not calculate into the remuneration. Also, according to the recognized salary fees of IFRS 2, including obtaining employee stock option certificates, employee restricted stock and taking part in capital increased subscription of shares, should all be calculated in remuneration.

Note 4：The Directors of 2019 passed the total amount of the 2018 distribution of employees' remuneration of NT$56,274,000 through the Board of Directors, which will be reported in the 2019 Shareholders' Meeting report, therefore, the remuneration amount of Presidents and Vice Presidents (including cash and shares), is according to the proportion of the actual distribution amount in the previous year, to calculate the distribution amount in this year, net profit after tax indicates the Company already uses International Financial Reporting Standards, net profit after tax in the 2018 individual financial reports is NT$642,350,000.

Note5：The total amount of each item of remuneration paid to each of the Company's Presidents and Vice Presidents by all companies (including the Company) in the consolidated statement should be disclosed.

Note 6：The total amount of each item of remuneration paid to each President and Vice President by the Company, is attributed in the range with the President and Vice President's name disclosed.

Note 7：The total amount of each item of remuneration paid to each of the Company's President and Vice Presidents by all companies (including the Company) in the consolidated statement, is attributed in the range with the President and Vice President's name disclosed.

Note 8：Net profit after tax indicates net profit after tax in the most recent; already using International Financial Reporting Standards, net profit after tax indicates net profit after tax in the individual financial reports and consolidated financial reports of the most recent year.

Note 9：

a. In this column the amount of related remuneration obtained by Presidents and Vice Presidents from reinvestment other than from in subsidiaries should be clearly listed.

b. If the Company's Presidents and Vice Presidents received related remuneration from reinvestment other than from in subsidiaries, the President and Vice President and the amount received from the reinvestment other than from in subsidiaries should be entered into column E of the remuneration range table, and the name of the column changed to 'all reinvestments'.

c. Remuneration indicates the remuneration of the President or Vice General of the Company received from reinvestment of Directors, Supervisors, Managers or others (including remuneration of employees, Directors and Supervisors) other than from in a subsidiary, and related remuneration for business execution expenses and other expenses.

* The content of remunerations disclosed in this statement and the concepts of the Income Tax Act are different, therefore the system of this statement is for disclosing information, not for taxation purposes.

(4) Names of managers allocating employee compensation and their distribution

December 31, 2018 Unit: NT$ thousand

<table>
<tr><th></th><th>Title（Note 1）</th><th>Name（Note1）</th><th>Shares amount</th><th>Cash amount</th><th>Total</th><th>Proportion of total amount to net profit after tax (%)</th></tr>
<tr><td rowspan="7">Managers</td><td>Chairman (July 2, 2018, ended tenure as President)</td><td>Chen Meichi</td><td rowspan="7">0</td><td rowspan="7">12,838</td><td rowspan="7">12,838</td><td rowspan="7">2.00</td></tr>
<tr><td>President (July 2, 2018 newly appointed as President, ends tenure as Vice President Business Division)</td><td>Chen Yanan</td></tr>
<tr><td>Vice President Global Business Division (newly appointed July 2, 2018)</td><td>Hui Kinnam</td></tr>
<tr><td>Global Finance Chief</td><td>Tsou Keti</td></tr>
<tr><td>Assistant Vice President Global R&D Division</td><td>Huang Yutzu</td></tr>
<tr><td>Assistant Vice President Global Marketing Division</td><td>Lin Tsungmin</td></tr>
<tr><td>Assistant Vice President Finance Division Taipei (July 2, 2018, ends tenure as Vice President)</td><td>Chih Chialin</td></tr>
</table>

Note1：The Company discloses individual names and titles but must use an aggregate method to disclose surplus distribution.

Note2：The scope of managers, is according to the rules of the commission contained in Taiwan-Finance-Securities III 0920001301 of March 27, 2003, the scope of managers is as follows:

(1) President and equivalent level

(2) Vice President and equivalent level

(3) Assistant vice president and equivalent level

(4) Finance department supervisor

(5) Accounting department supervisor

(6) Other people with management and signature rights of the Company

Note3：If Directors, Presidents and Vice Presidents receive dividends (including share dividends or cash dividends), other than filling in the attached statement, this statement should also be filled in.

Note4：Amount of 2017 employee remuneration distribution actually allocated in 2018.

(5) A comparative description with analysis on the ratio taken by the gross total of remuneration paid by this company and all firms disclosed in the consolidated financial statements to the directors, Presidents and vice Presidents of this company to the net profit after tax over the past two years, including

a description of the policies, criteria and composition of remuneration; the procedures to determine remuneration, their interrelationship with business performance and future risks.

a. Proportion of total amount of remuneration to net profit after tax:

Title	Proportion of total amount of remuneration to net profit after tax			
	2017		2018	
	The Company	Consolidated Statement	The Company	Consolidated Statement
Director	2.41	2.41	2.86	2.86
Supervisors	0.77	0.77	0.78	0.78
President and Vice President	4.70	5.12	4.49	4.75

Note1 : 2018 manager's employee dividend amount and Director and Supervisor remuneration is according to the proportion of the actual amount allocated in the previous year to calculate the proposed amount allocated in this year.

Note2 : The Company's net profit after tax stated in individual financial statements according to International Financial Reporting Standard for 2017 was NT$455,442,000 and the Company's net profit after tax stated in individual financial statements according to International Financial Reporting Standard for 2017 was NT$

b. Payment of remuneration policy, standards and formation, setting of remuneration procedure and associated operational performance and future risk:

(1) Directors, Supervisors

A. Travel expenses：

Refer to industry standards, payment according to attendance of Directors and Supervisors at Board of Directors' meetings, payment of NT$3000 for each attendance.

B. Director, Supervisor remuneration：

According to the rules of Article 24 of the Company's Charter, no more than 3 percent of annual profit of the Company can be allocated as the Director or Supervisor's remuneration, the proposal for distribution of Director and Supervisor's remuneration should be put forward in the Shareholders' Meeting report. However, if the Company accumulates loss, the amount of loss should be reserved, then according to the proportion of the previous item, allocate the remuneration of Directors and Supervisors. Through the formulation of the Director and Supervisor remuneration distribution proposal, put forward the remuneration of Directors and Supervisors after the Shareholders' Meeting Report, then according to the number of tenures and annual monthly average of Directors and Supervisors distribute payment. Final decision on remuneration is when the Company has surplus, through the amount allocated, thereby not creating risk for the future operation of the Company.

(2) Presidents and Vice Presidents

The Company's policy on payment of remuneration, is set by the remuneration committee according to the average salary level of the related position within the industry, the range of responsibilities of the related position within the Company and the contribution to the Company's operation in payment of remuneration. Setting of the remuneration process, other than considering the overall operation performance of the company, achievement in personal aims and be referred to in the level of contribution to the Company's operation performance in giving reasonable remuneration. Combine that periods operating performance through the allocation of remuneration combine, thereby not creating risk for the future operation of the Company.

4. Status of Corporate Governance

(1) Information on status of operation of Board of Directors' meetings

2018 Board of Directors' meeting held__6__times (A), attendance of Directors and Supervisors as below:

Title	Name	Number attended in person (B)	Number attended by proxy	Number obligated to attend	Attendance rate in person (%) (B/A) (Note1)	Remarks
Chairman	Chen Meichi	6	0	6	100	Re-elected June 20, 2017
Director	Lee Tsunyen	5	1	6	83.33	Re-elected June 20, 2017
Director	Wu Chungpao	6	0	6	100	Re-elected June 20, 2017
Director	Hsu Shenkuo	6	0	6	100	Re-elected June 20, 2017
Independent Director	Hsu KueiYing	6	0	6	100	Re-elected June 20, 2017
Independent Director	Tsao Anpang	3	3	6	50	Re-elected June 20, 2017
Independent Director	Huang Wencheng	6	0	6	100	Re-elected June 20, 2017

Title	Gender	Number attended in person (B)	Number attended by proxy	Number obligated to attend	Attendance rate in person (%) (B/A) (Note1)	Remarks
Supervisor	Chen Jenshyang	6	0	6	100	Re-elected June 20, 2017
Supervisor	Huang Lilong	6	0	6	100	Re-elected June 20, 2017
Supervisor	Lee Yami	6	0	6	100	Re-elected June 20, 2017

Other items for record:

1. All matters specified under Article 14-3 of the Securities and Exchange Act which Independent Directors opposed or held reserved opinions on recorded or in written statement in the decisions of the Board of Directors' meeting: N/A, please refer to pages 34~37.
2. Implementation of prevention of interested motions: N/A
3. Assessment of the aims and implementation of the strengthening of the function of the Board of Directors' meeting in the most recent year:

(1): Strengthen function of Board of Directors' meeting

(a)The Company believes building a complete governance system and an effective control function of the Board of Directors is the foundation of the Company's corporate governance, based on this principal the Company established a remuneration committee and estimates that after the changes of Directors and Supervisors in the 2020 election, an audit committee will be set up and Supervisors abolished to assist the Board of Directors in its responsibility of strengthening management function.

(b) Formation of the Board of Directors and duties, please see p38-40.

(2) Status of implementation assessment: The Company advocates a consistent attitude to information transparency, in 2018 holding 6 Board of Directors' meetings, with an actual attendance rate of above 83%, furthermore inviting an accounting team to attend, listen and provide opinions, also holding at least 2 investor conferences a year to enhance recognition between investors and the Company.

4. Formation of Supervisors and responsibilities

(1) Communication between Supervisors, employees and shareholders: when Supervisors deem it necessary, they must directly contact, and hold talks with employees or shareholders.

(2) Communication between Supervisors, internal auditing supervisors and accountants (e.g. communication items, method and results of the Company's finance, business situation)

(a) Auditing supervisor completes a monthly auditing report of auditing items for the Supervisor, Supervisors will not hold an opposing opinion.

(b) Auditing supervisor attends the Company's regular Board of Directors' meetings, and compiles an auditing task reports, Supervisors will not hold an opposing opinion.

(c) Supervisors irregularly carry out communication on finance situations with accountants through face to face meetings or written methods.

5. If Supervisors stated an opinion when attending the Board of Directors' meeting, the meeting date, period, content of the motion, result of the decision of the Board of Directors and the Company's response to the stated opinion of the Supervisor: N/A, please see pages 34~37.

Note1：

* Directors and Supervisors resigning before the end of the year, should note the date of resignation, actual attendance rate in the remarks column. Using the number of Board of Directors' meetings, they attended during the term of employment to calculate the actual attendance rate.

* If Directors and Supervisors are appointed in elections before the end of the year, the new and old Directors and Supervisors should be entered into the remark's column noting the old term, new term or re-elected term and the date of election changes. Using the number of Board of Directors' meetings, they attended during the term of employment to calculate the actual attendance rate.

Independent Director's opinions on significant motions or resolution results

Meeting of the Board of Directors	Content of proposal and following measures	Matters specified under Article 14-3 of the Securities and Exchange Act	Disapproval or Reserved opinion of Independent Directors	Disapproval or Reserved opinion of Supervisors
4th meeting on the 13th term, February 2, 2018	1. The Company held a meeting of the Remuneration Committee on February 2, 2018, regarding the resolution on the issuance of managers' salary and annual bonus.	V	N/A	N/A
	2.Proposal on the Company's amendment the rules of procedure of the meeting of the Board of Directors.	V	N/A	N/A
	3. Proposal on the Company's amendment to the duties and responsibilities of Independent Directors.	V	N/A	N/A
	4. In order to more flexible use of funds, the Company proposes an extension to the Procase & Morex Corp. endorsement guarantee of US$3,500,000.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			
5th meeting on the 13th term, March 20, 2018	1. Proposal on the Company's 2017 'Statement on Internal Control System'.	V	N/A	N/A
	2. Proposal on the amendment of part of the articles in the Company's 'Internal Control System' and 'Internal Auditing Implementation Regulations'.	V	N/A	N/A
	3. The Company held a meeting of the Remuneration Committee on March 20, 2018, meeting resolution 2017 distribution of employee compensation and Director and Supervisor remuneration.	V	N/A	N/A
	4. Proposal on the Company's 2017 annual Financial Statements, and 2017 Business Report compiled by the Company.	V	N/A	N/A
	5. Proposal on the Company's 2017 surplus distribution.	V	N/A	N/A
	6. Chenbro Micom (USA) INC. proposes an extension to Citibank credit of US$2,000,000, and through parent company provide an endorsement guarantee.	V	N/A	N/A
	7. Subsidiary company Chenbro Technology (Kunshan) Co. Ltd. agrees with Dawning Information Industry Co., Ltd. to establish a storage server company, both parties sign a memorandum without legal effect, negotiating in good faith on assessment of the possibility of establishing a joint venture company.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			

Meeting of the Board of Directors	Content of proposal and following measures	Matters specified under Article 14-3 of the Securities and Exchange Act	Disapproval or Reserved opinion of Independent Directors	Disapproval or Reserved opinion of Supervisors
6th meeting on the 13th term, May 8, 2018	1. Proposal on the Company's 2018 first quarter financial statement.	V	N/A	N/A
	2. Proposal on 2018 regular shareholder meeting 'Operation of Shareholders' Proposals' explanation of reasons why shareholders' proposals haven't been listed in the regular shareholder meeting.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			
7th meeting on the 13th term, June 20, 2018	1. Proposal on 2017 cash dividend interest base date	V	N/A	N/A
	2. The Company held a meeting of the Remuneration Committee on June 20, 2018, regarding the managers' salary and resolution on issuance of dividends.	V	N/A	N/A
	3. Due to personal reasons prior Auditing Manager Su Huirong, resigned on April 11, 2018, Lin Xiuling was newly appointed to take the vacancy of Auditing Manager, effective from June 1, 2018, proposal for request for ratification.	V	N/A	N/A
	a. Proposal for new appointment of the Company's President.	V	N/A	N/A
	5. For buying and selling in foreign currency hedging demand, the Company proposes an extension to CTBC Bank foreign exchange financial derivatives operation of US$500,000.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			
8th meeting on the 13th term, August 7, 2018	1. Closing of subsidiary CHENBRO UK Limited, due to integration of the Company's investment structure.	V	N/A	N/A
	2. The Company proposes capital increased by cash to subsidiary Micom Source Holding Company of US$2,000,000, then transfer investment to subsidiary ADEPT International Company.	V	N/A	N/A
	3. For buying and selling in foreign currency hedging demand, the Company proposes an extension to Taipei Fubon Bank foreign exchange financial derivatives operation of US$500,000	V	N/A	N/A
	4. In order to more flexible use of funds, Procase & Morex Corp. propose an extension to credit of US$3,000,000 and provide an endorsement through the parent company.	V	N/A	N/A
	5. In order to make more versatile use of funds, Chenbro Micom (USA) INC propose an extension to credit of US$2,000,000 and provide an endorsement through the parent company.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			

Meeting of the Board of Directors	Content of proposal and following measures	Matters specified under Article 14-3 of the Securities and Exchange Act	Disapproval or Reserved opinion of Independent Directors	Disapproval or Reserved opinion of Supervisors
9th meeting on the 13th term, November 6, 2018	1. Draft of the Company's 2019 auditing plan.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			
10th meeting on the 13th term, January 25, 2019	1. The Company held a meeting of the Remuneration Committee on January 25, 2019, regarding the resolution on the issuance of managers' salary and annual bonus.	V	N/A	N/A
	2. Proposal on the Company's 2019 operation plan and budget.	V	N/A	N/A
	3. In order for flexible use of funds, the Company proposes an extension to Procase & Morex Corp. endorsement guarantee of US$3,500,000.	V	N/A	N/A
	4. For buying and selling in foreign currency hedging demand, the Company proposes an extension to Taiwan Bank, Zhonghe Branch, foreign exchange financial derivatives operation of US$500,000	V	N/A	N/A
	5. For buying and selling in foreign currency hedging demand, PROCASE & MOREX proposes an extension to Taiwan Bank, Zhonghe Branch, foreign exchange financial derivatives operation of US$500,000	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			
11th meeting on the 13th term, March 19, 2019	1. The Company's 2018 'Statement on Internal Control System'.	V	N/A	N/A
	2. Proposal on the Company's 2018 annual Financial Statements, and 2018 Business Report compiled by the Company.	V	N/A	N/A
	3.Proposal on the Company's 2018 surplus distribution.	V	N/A	N/A
	4. The Company held a meeting of the Remuneration Committee on March 19, 2019, resolution 2018 distribution of employee compensation and Director and Supervisor remuneration.	V	N/A	N/A
	5. Proposal on changes in the Company's accountants due to operation pf PWC's internal rotation.	V	N/A	N/A
	6.Proposal on CPA independence.	V	N/A	N/A
	7. Proposal for items for discussion at convening of the Company's 2019 Regular shareholders' meeting	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			

Meeting of the Board of Directors	Content of proposal and following measures	Matters specified under Article 14-3 of the Securities and Exchange Act	Disapproval or Reserved opinion of Independent Directors	Disapproval or Reserved opinion of Supervisors
12th meeting on the 13th term, May 14, 2019	1.Proposal for the Company amends the "Articles of Incorporation."	V	N/A	N/A
	2.Proposal for the Company amends the "Acquisition or Disposition of Asset Disposal Guidelines."	V	N/A	N/A
	3.Proposal for the Company revised the "Loans to Others Operation Process."	V	N/A	N/A
	4.Proposal for the Company amends the "Endorsement & Guarantee Operating Procedures."	V	N/A	N/A
	5.Proposal for the Company revised the "Practical Codes of Incorporation Governance."	V	N/A	N/A
	6.Proposal for the Company established "Standard Operating Procedures for Handling Directors Requirements."	V	N/A	N/A
	7.Proposal of the Company 2019 General Meeting of Shareholders convenes discussion items.	V	N/A	N/A
	8.In order to buy and sell foreign exchange and hedging demands, the company intends to extend the proposal for foreign exchange financial derivatives operation quota USD 500,000 of CTBC Bank.	V	N/A	N/A
	9.The Company intends to withdraw the proposal for endorsement and guarantee of Chenbro Micom (USA) Inc. and Procase & Morex Corp. with total USD 5,000,000.	V	N/A	N/A
	Opinions of Independent Directors: N/A			
	The Company's response to opinions of Independent Directors: N/A			
	Resolution result: Unanimously passed by all Directors in attendance			

(2) Status of audit committee operation or on operation of Supervisors attending Board of Directors' meeting

- **a.** **Status of audit committee operation: The Company has not set up an audit committee, therefore it is not applicable**
- **b.** **Status on operation of Supervisors attending Board of Directors' meeting: refer to page 33.**

(3) The state of the company's implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies, and the reason for any such departure:

Assessment item	Implementation Status			Departure of such implementation from the Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies, and the reason for any such departure
	Yes	No	Summary	
1. Does the Company set and disclose corporate governance code of practice according to 'Corporate Governance Best-Practice Principles for TSEC/TPEx Listed Companies'?	V		The "Corporate Governance Best-Practice Principles" set by the Company, serves to protect the shareholders' rights, to strengthen the functions of the Board of Directors, respect the rights and interests of stakeholders, enhance the transparency of information and relevant rules; The Company's Corporate Governance Best-Practice Principles can be found on the Company's website, web address: www.chenbro.com , and is disclosed on market observatory post system website, web address: https://sii.twse.com.tw/	No difference
2. Equity structure and shareholder rights (1) Has the Company set internal operating procedures to deal with shareholder proposals, doubts, disputes and litigation matters, and does it implement these in accordance with its procedures? (2) Does the Company have a list of those who ultimately control the major shareholders of the Company? (3) How does the Company establish its risk management mechanism and firewalls involving related enterprises? (4) Has the Company set internal standards to prohibit the use of undisclosed insider information to trade securities on the market?	V V V V		(1) The Company authorizes professional shareholder services agents to handle service for shares and appoints a spokesperson to properly handle shareholders' suggestions or disputes. In addition, a shareholders' section is established on the Company website, which provides suggestions or answers. (2) Through a professional shareholder services agent, the Company fully grasps and understands major shareholder structure, and regularly reports changes in Director, Supervisor and Manager shareholdings. (3) The finance, business and management responsibilities between all affiliates are independent of each other, affiliates interact under the principles of fairness and rationality. (4) The Company set up the significant internal information handling procedure on December 29, 2009 and carried out the first amendment to guidelines banning internal	No difference

			staff of the Company from using publicly undisclosed market information in the buying and selling of securities on November 10, 2014.	
3. Organization and responsibilities of the Board of Directors (1) Does the Board of Directors set and implement a diversification policy?	V		(1) 1. The third chapter in the Company's Corporate Governance Best-Practice Principles is "Strengthen the functions of the Board of Directors", which sets out the policy for diversity. The nomination and selection system for members of the Company's Board of Directors is according to the rules of the Company's regulations, which adopts a candidate system. Other than assessment of candidates' academic and work experience, it considers the opinions of interested parties, complying with 'Director and Supervisor election method' and 'Company Corporate Governance Best-Practice Principles', to maintain the diversity and independence of Directors. 2. Members of the Company's Board of Directors, according to the Company's operational, business model and development demands adopt diversity, there are 3 female members, the ratio of male to female Directors is 3:3, with regard to professional background those possessing good leadership, decision-making, operating judgement, operational management, and crisis management skills, also industry knowledge and global view are Directors Chen Meichi, Wu Chungpao, Huang Wencheng, Tsao Anpang; Directors Lee Tsunyen and Hsu Kueiying are experienced in executive management financial affairs, for further details of members specialized fields of members of the Board of Directors, please	No difference No difference No difference

			refer to the explanation on p.45-46. 3. The proportion of Directors who are employees of the Company is 33%, The proportion of Independent Directors is 50%, the proportion of female directors is 50%, the tenure of 2 Independent Directors is between 5-8 years, the tenure of 1 Independent Director is 11 years, 5 Directors are aged 60-69, 1 Director is under the age of 60. The Company places importance on the diversity of the gender equality of the members of the Board of Directors, with the aim of achieving a ratio of female directors of over 50%. 4. The Board of Directors discloses policy on formation of members on the Company website and on the market observatory post system.	
(2) Has the Company established other functional committees besides the Remuneration Committee and Audit Committee?		V	(2) The Directors and Supervisors of the Company have still not completed their tenures, it is planned when the tenures have been completed (in 2020) after election changes in Directors, the Board will set up an audit committee, in the future will set up committees with every kind of function according to actual operating demands.	
(3) Has the Company set performance assessment rules and methods for the Board of Directors and does it perform this evaluation every year?		V	(3) 1. The Company has not set up a Board of Directors performance assessment method.	
(4) Does regularly evaluate the independency of the CPA?	V		(4) 1. According to the rules of Article 29 of the Company's 'Corporate Governance Best-Practice Principles', the independence of appointed	

			accountants should be assessed at least once annually. 2. On November 10, 2014, the Company set out ‘CPA Selection Review Method’. 3. PwC reported the Statement of CPA Independence at the Board of Directors’ meeting on March 19, 2019, please refer to the description on p.46 4. The Accounting Division of the Company carry out an annual self-assessment on the independence of CPAs, the results reported were passed after the review of the Board of Directors on May 19, 2019. Assessments carried out in the most recent year meet the independence standards of the Company, and are qualified to act as CPAs of the Company. For details on the accountant independence assessment questionnaire, please refer to the explanation on p.46-49.	

4. Does the TWSE/TPEx listed company have a dedicated unit/staff member in charge of the Company' corporate governance affairs (including but not limited to providing information required for director/supervisor's operations, convening board/shareholder meetings in compliance with the law, apply for/change company registry, and producing meeting minutes of board/shareholder meetings)?	V		Members of the Company's Accounting Unit are concurrently responsible for the related matters of corporate governance, the Accounting Supervisor is responsible for supervision, main responsibilities are as below: 1. Before the meeting of the Board of the Directors consult the opinion of each Director in order to plan and set out the meeting process, at least 7 days before the meeting notify all Directors attending and provide adequate information on the meeting, in order to benefit Directors' understanding content of the relevant issues; if the content of issues is related to interested persons and involves an unavoidable situation, give the relevant person a reminder; and after the Board of Directors' meeting produce a record of events at the meeting, within the legal period send the record of events to each Director and Supervisor. 2. According to rules of regulations register the date of the Shareholders' meeting each year, produce a meeting notification, event manual, meeting record and annual report and within the period make a public declaration. 3. Amendment of Shareholder meeting articles, process changes in registration items after Director and Supervisor elections. 4. Provide Directors with all the necessary information for execution of duties, and the latest regulation developments related to the operation of the Company, in order to assist the Directors in compliance with the regulations.	No difference

5.Does the Company establish communication channels and dedicate section for stakeholder on its website to respond to important issues of corporate social responsibility concerns?	V		The Company appoints a spokesperson, an acting spokesperson and a member of staff for investor relations, responsible for carrying out communication with investors through every channel (including telephone, email, Company website etc.). The Company's website (www.chenbro.com) complies with the amendments to stock exchange information declaration methods, clearly within the website setting up an 'Stakeholders' section, to enable stakeholders to quickly understand the communication channel of each related issue, receiving a beneficial response, for its content please refer to p.73-74 of this annual report.	No difference
6. Has the company appointed a professional shareholder services agent for shareholder affairs?	V		The Company's professional shareholder services agent is Fubon Financial Holdings Service Center, website: http://www.fubon.com	No difference
7. Disclosure of information (1) Does the Company set up website to disclose information on financial operations and corporate governance? (2) Has the Company adopted other measures (such as English website, a designated person responsible for the collection and disclosure of information, implementation of the spokesman system, the legal entities announcements uploaded to website, etc.) to disclose information?	V V		(1) The Company has put information relating to each year's financial matters and corporate governance on the Company website and regularly update information, website: www.chenbro.com (2) The Company has established a Chinese-English website, setting up a service page for investors, and appointed contacts responsible for collection and maintenance of the Company's information, in addition to implementing a spokesperson system on the Company website, to disclose the procedure of the Company's attendance for all investor conferences.	No difference

8. Does the Company have other important information for better understanding the Company's corporate governance system (including but not limited to interests and rights of employees, care for employees, relation with investors, relation with suppliers, relation with interested parties, continuing education of directors and supervisors, execution of risk management policies and risk measuring standards, execution of customer policies, liability insurance for the Company's directors and supervisors)?	V		refer to p.71-84.	No difference
9. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved. The Company's performance in the 5th (2018) 'Corporate Governance Evaluation' lay between 6%-20% of the companies, explanation on status of improvement for those areas not receiving scores is as shown below: (1)The Remuneration Committee of the company has convened over 2 times in 2019, furthermore all 3 members were in attendance. (2)Company will focus on items not receiving a score, continue to evaluate consideration of a possible improvement proposal.				

Note 1：Disclosure of diversity policy implementation of Board of Directors' members

Article 20 of the Corporate Governance Best-Practice Principles as defined by the Company:

The Board of Directors should guide Company policy, control management structure, be responsible toward the Company and shareholders, the working and arrangement of each item of the Company's corporate governance system, ensure the Board of Directors operates according to the rules of laws, the Company's regulations or resolutions or authority exercised by the Shareholders' Meeting.

The structure of the Company's Board of Directors should, toward to the Company's operational development and status of its major shareholders, balance practical operating requirements, and decide the appropriate appointment of over 5 board members.

Consideration should be given to diversity in assembling members of the Board of Directors, the Board of Directors should not be comprised of more than one third of Directors concurrently holding the position of the Company's manager, and plan suitable policy toward its operation, operating status and development demands, also including, but not restricted by, standards in two major aspects as follows:

1. Basic requirements and values: gender, ages, nationality and culture etc.
2. Professional knowledge and skills: professional background (For example law, accounting, industry, finance, marketing or technology)

Members of the Board of Directors should widely hold the necessary implementation knowledge of executive duties, skills and literacy.

To achieve the ideal goals of the Company's corporate governance, the Board of Directors overall should contain the following abilities:

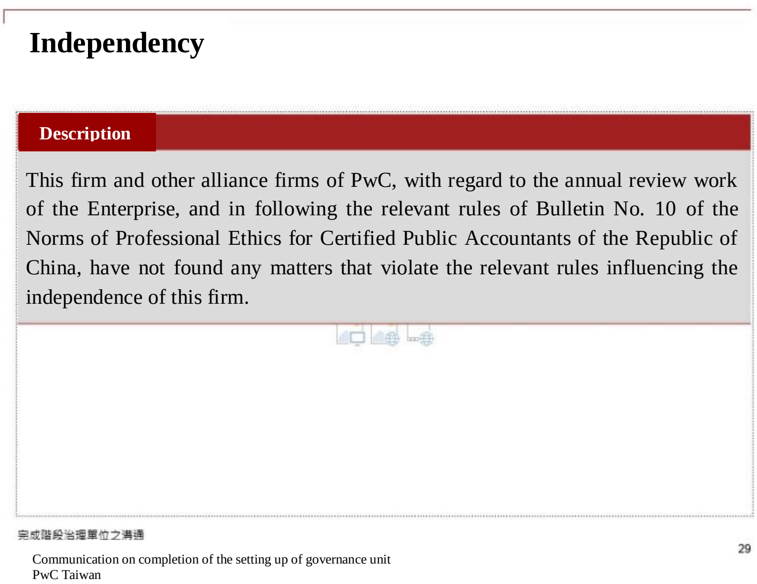
a. Operational judgement ability.
b. Accountant and financial analysis ability.
c. Operational management ability
d. Crisis management ability
e. Industry knowledge
f. Global market view
g. Leadership ability
h. Decision-making ability

Core Diversity item / Director's name	Gender	Operating judgement	Financial accounting analysis	Manage ment	Crisis management	Industry knowledge	Global market view	Leader ship	Decision-making	Legal
Chen Meichi	Female	V		V	V	V	V	V	V	
Lee Tsunyeng	Female		V	V			V	V	V	
Wu Chungpao	Male	V		V	V	V	V	V	V	V
Hsu Shenkuo (Note 1)	Male	V		V	V		V	V	V	V
Huang Wencheng	Male	V	V	V	V	V	V	V	V	V
Tsao Anpang	Male	V		V	V	V	V	V	V	
Hsu Kueiying	Female		V	V			V		V	

Note 1: The Director Hsu Shenkuo ended his tenure naturally on March 5, 2019.

Note2：Statement of accounting independence

Review of accounting independence



Independency

Description

This firm and other alliance firms of PwC, with regard to the annual review work of the Enterprise, and in following the relevant rules of Bulletin No. 10 of the Norms of Professional Ethics for Certified Public Accountants of the Republic of China, have not found any matters that violate the relevant rules influencing the independence of this firm.

完成階段治理單位之溝通

Communication on completion of the setting up of governance unit

PwC Taiwan

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Note 3: Accountant independence assessment questionnaire

Chenbro Micom Co. Ltd.

CPA review assessment form

Review date: March 12, 2019

Review subject: ■current candidate □ CPA: PwC Taiwan accountants Pan Hui-ling Zeng Hui-ling

1. Independence items for review (Those ticking 'Yes' in any of the items below, should further understand specific facts)					
Item number	Content of review	Please tick			Remarks
		Yes	No	N/A	
01	The CPA, or spouse or minors of the CPA, do not have a relationship of investment or relationship of sharing in the financial benefits of the Company.	✓			
02	The CPA, or spouse or minors of the CPA, do not have any capital borrowing or lending with the Company. This restriction does not apply when the authorizer is a financial institution with a normal relationship.	✓			
03	The CPA firm has not issued what it has designed or facilitated in executing the financial information system's validation operation of a confirmation service report.	✓			
04	The CPA or audit service team member has not been appointed as the Company's director, manager or in a position of significant influence at present or within the most recent two years.	✓			
05	The non-audit service provided to the Company does not contain significant items that directly affect the audit chassis.	✓			
06	The CPA or audit service team member has not issued information on or brokered stocks or other securities the Company has issued.	✓			
07	Other than services licensed according to law, the CPA or audit service team member, has not represented the Company in a third party's legal chassis or defense of items in other disputes.	✓			
08	The CPA or audit service team member is not related to the Company's directors, mangers or personnel holding positions with significant influence to the audit chassis as a spouse, direct blood relative, or within second-degree relative of consanguinity to each other.	✓			
09	No joint CPA having left the position within one year has acted as the Company's director, manager, or in a position with significant influence toward the audit chassis.	✓			
10	The CPA or audit service team member has not accepted gift, gratuity or special favors with significant value from the company or its directors, managers or major	✓			

1. Independence items for review (Those ticking 'Yes' in any of the items below, should further understand specific facts)					
Item number	Content of review	Please tick			Remarks
		Yes	No	N/A	
	shareholders.				
11	The CPA has not accepted the authorizer or the reviewer's appointment in regular work, received payment of fixed salary or been appointed as a director or supervisor.	✓			
12	Public-listed, OTC-traded companies: The CPA has not provided audit service to the Company for seven consecutive years. Non-OTC traded companies: The CPA has not provided audit service to the Company for ten consecutive years.	✓			

2. Review of operational independence review (Those ticking 'Yes' in any of the items below, should further understand specific facts)					
Item number	Content of review	Please tick			Remarks
		Yes	No	N/A	
01	CPA has recused and foregone accepting an undertaking when the appointed undertaking bears a significant indirect conflict of interest to the CPA to hinder their fairness and independence.			✓	No incidence of content listed on the left, therefore not applicable.
02	The CPA, in providing financial statement audit, review, rechecking or project review and when producing an opinion letter, has maintained independence in effect, and also maintained independence in formality.	✓			
03	The audit service team member, other joint CPA or shareholders of the incorporated CPA firm, CPA firm, CPA firm affiliates and alliance firms have all maintained independence from the Company.	✓			
04	The CPA executes professional services with upright and rigorous attitude.	✓			
05	When executing professional services, the CPA maintains a just and objective viewpoint, avoiding bias views, disputes of interest or the influence of professional decision making due to relationships of interest.	✓			
06	The correct, just and objective viewpoint of the CPA has not been influenced by a lack or loss of independence.	✓			

3. Suitability Review (Those ticking 'Yes' in any of the items below, should further understand specific facts)					
Item number	Content of review	Please tick			Remarks
		Yes	No	N/A	
01	In the two most recent years the CPA has no disciplinary committee disciplinary record. In the two most recent years this accountancy has no litigation lawsuit chassis.	✓			

1. Independence items for review (Those ticking ‘Yes’ in any of the items below, should further understand specific facts)					
Item number	Content of review	Please tick			Remarks
		Yes	No	N/A	
02	In carrying out the accounting service of the Company the accountancy firm has adequate scale, resources and regional coverage.	✓			
03	The accountancy has clear quality control procedure, covering structure and key points, methods in handling audit problems and decision making, independent quality control inspection and risk management.	✓			
04	The accountancy has already timely notified the audit committee of the development of any significant problem in its risk management, corporate governance, financial accounting and related risk control.	✓			

(4) Remunerations Committee

1.Information on Remunerations Committee members

Identity (Note 1)	Requirement / Name	Has over five years work experience and the following professional qualifications			Status on Compliance of Independence (Note 2)								Number of other Public companies in which concurrently act as Remuneration Committee member	Remarks
		Commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification and technicians relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	Huang Wencheng			V	V	V	V	V	V	V	V	V	2	V
Independent Director	Hsu Kueiying			V	V	V	V	V	V	V	V	V	None	V
Independent Director	Tsao Anpang			V	V	V	V	V	V	V	V	V	None	V

Note 1: In identity list as Director, Independent Director or Other.

Note: 2 If each member is conforming to the following conditions two years before appointment and during the term of office, please tick "✓" in the blank below the code of each condition.

(1) Not the employee of the company or its affiliated enterprise.

(2) Not the director or supervisor of the company or its affiliated enterprise. Except for the independent director set by the company or its parent company or subsidiary pursuant to this Act or local laws and decrees.

(3) Natural person shareholder holding over one percent of the total issued shares of the company or being the top ten shareholders not in the name of himself/herself and his/her spouse, minor children or other persons.

(4) Not the spouse, relatives within second degree or direct lineal relatives within third degree of the personnel listed in preceding three paragraphs.

(5) Not the director, supervisor or employee of the juridical person shareholder directly holding over five percent of total issued shares of the company; nor the director, supervisor or employee of the top five shareholding juridical person shareholder.

(6) Not the director, supervisor, manager or shareholder holding over five percent of shares of the specific company or institution having financial or business transactions with the company.

(7) Not the professional providing commercial, legal, financial or accounting etc. service or consultancy to the company or its affiliated enterprise; nor the entrepreneur, partner, director, supervisor, manager and its

spouse of the sole proprietorship, partnership, company or institution.

(8) Not one of the circumstances as prescribed in Article 30 of Company Act.

2.Responsibilities of the Remuneration Committee

The purpose of the Remuneration Committee is to implement and assess the overall remuneration and benefit policy and remuneration of Directors and Managers. Up until April 30th, 2019, the Remuneration Committee was comprised of 3 Independent Directors.

3. Information on Remuneration Committee operation status

(1) In total 3 committee members in the Company's Remuneration Committee.

(2) Date of current tenure of committee members: June 20, 2017, to June 19, 2020, up until the printing date the Remuneration Committee has convened 6 times (A), attendance status of committee members is as follows:

Title	Name	Number attended in person (B)	Number attended by proxy	Attendance rate in person (%) (B/A) (Note)	Remarks
Convener	Hsu Kueiying	6	0	100%	N/A
Committee member	Huang Wencheng	6	0	100%	N/A
Committee member	Tsao Anpang	4	2	66.67%	N/A
Other items for record: 1. If Board of Directors refuses to adopt or revises the suggestion of Remuneration Committee, the date of board meeting, stage, proposal contents, result of board resolution and handling of Remuneration Committee's opinion (if the remuneration passed by Board of Directors is superior to the suggestion of Remuneration Committee, the difference therebetween and reason therefor shall be specified) shall be specified: NA. 2. For the resolution of Remuneration Committee, if a member opposes or has a qualified opinion and with record or written statement, the date of Remuneration Committee meeting, stage, proposal contents, and opinions of all members and handling of members' opinion shall be specified: NA., please refer to P51-53					

Note:

* Directors and Supervisors resigning before the end of the year, should note the date of resignation, actual attendance rate in the remarks column, using the number of Board of Directors' meetings they attended during the term of employment to calculate the actual attendance rate.

* If Directors and Supervisors are appointed in elections before the end of the year, the new and old Directors and Supervisors should be entered into the remark's column noting the old term, new term or re-elected term and the date of election changes. using the number of Board of Directors' meetings, they attended during the term of employment to calculate the actual attendance rate.

Remuneration committee members' opinions on significant motions or resolution results

Meeting of the Board of Directors	Content of proposal and following measures	Disapproval or Reserved opinion of Independent Directors
1st meeting on the 3rd term, June 20, 2017	Proposal on the Company's issuance of 2016 Directors and Supervisors' director and supervisor remuneration, and Managers' remuneration.	N/A
	Opinions of Independent Directors: N/A	
	The Company's response to opinions of Independent Directors: N/A	
	Resolution result: Unanimously passed by all Directors in attendance	
2nd meeting on the 3rd term, February 2, 2018	Proposal related to the Company's issuance of Managers' salary and annual bonus.	N/A
	Opinions of Independent Directors: N/A	
	The Company's response to opinions of Independent Directors: N/A	
	Resolution result: Unanimously passed by all Directors in attendance	
3rd meeting on the 3rd term, March 20, 2018	Proposal on the Company's 2017 distribution of employee compensation and Directors, Supervisors' remuneration, list calculation of employees' compensation of 6.8% NT$39,239,857 and Directors, Supervisors' remuneration calculation of 2% NT$11,541,134, both will be issued in cash.	N/A
	Opinions of Independent Directors: N/A	
	The Company's response to opinions of Independent Directors: N/A	
	Resolution result: Unanimously passed by all Directors in attendance	
4th meeting on the 3rd term, June 20, 2018	Proposal on the Company's issuance of 2017 Directors and Supervisors' director and supervisor remuneration, and Managers' remuneration.	N/A
	Opinions of Independent Directors: N/A	
	The Company's response to opinions of Independent Directors: N/A	
	Resolution result: Unanimously passed by all Directors in attendance	
5th meeting on the 3rd term, January 25, 2019	Proposal related to the Company's issuance of Managers' salary and annual bonus.	N/A
	Opinions of Independent Directors: N/A	
	The Company's response to opinions of Independent Directors: N/A	
	Resolution result: Unanimously passed by all Directors in attendance	

<table>
<tr><th>Meeting of the Board of Directors</th><th>Content of proposal and following measures</th><th>Disapproval or Reserved opinion of Independent Directors</th></tr>
<tr><td rowspan="4">6th meeting on the 3rd term, March 19, 2019</td><td>Proposal on the Company’s issuance of 2018 Directors and Supervisors’ director and supervisor remuneration, and Managers’ remuneration.</td><td>N/A</td></tr>
<tr><td colspan="2">Opinions of Independent Directors: N/A</td></tr>
<tr><td colspan="2">The Company’s response to opinions of Independent Directors: N/A</td></tr>
<tr><td colspan="2">Resolution result: Unanimously passed by all Directors in attendance</td></tr>
</table>

(5) Performance of Social Responsibilities

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes		Description	
1.Exercise and enhance corporate governance (1) Does the Company work out its corporate social responsibility policy and check the results of the implementation?	V		(5) On April 29, 2015, the Company set its 'Corporate Social Responsibility Code of Practice', the content including implement corporate governance, develop sustainable environment, protect social welfare, strengthen corporate social responsibility information disclosure etc., and follow human rights conventions, provide employees with a safe and healthy working environment, eliminate environmental waste from the manufacturing process, be dedicated to social welfare activities, benefit society through dedication to social responsibility.	No difference
(2) Does the Company conduct CSR education and training on a regular basis?	V		(6) 'Corporate social responsibility' is the leading principle in the sustainable development of the Company, the Company has set out its 'Code of Corporate Social Responsibility', 'Moral Behavior Guidelines', and 'Code of Integrity', and regularly holds training and guidance for new employees.	
(3) Does the Company set up exclusively (or concurrently) dedicated units to promote corporate social responsibility, and authorize high level managers to handle and report to the Board of Directors?	V		(7) Currently the Chairman's Office acts concurrently in the organizing and holding of social responsibility related activities and items.	
(4) Has the Company set up reasonable salary compensation	V			

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes		Description	
policies, combining employee performance evaluations with corporate social responsibility policy, and establishing a clear and effective system of reward and discipline?			(8) (1) The Company set up a Remuneration Committee, Independent Directors have been appointed as committee members, meeting at least twice every year to decide the remuneration of managers. The Company also takes part in global or consulting company salary reviews, under the principles of fairness and impartiality, approving remuneration standards according to employees work duties, regularly examining salary and work quality, professional abilities to approve suitable remuneration standards, regularly examines salary and benefits measures and market connectivity, and employs external human resource consultants to provide advice and solutions. (2) For fair and suitable review of employees work performance and to encourage potential, to benefit the effective operation of human resources the Company plans a performance check system to help with objective, fair assessment and feedback on employees professional performance and competency performance, this will assist in organizing employee’s growth and improvement. Related training and educational guidance conferences will be held regularly for employees.	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes		Description	
2.Environment for sustainable development (1) Does the Company endeavor to utilize all resources more efficiently and uses renewable materials which have a low impact on the environment?	V		(1) The Company carries out control of all raw materials suppliers and meets international regulations, international governmental regulations and customer demands. The Company's green product (GP) management system process, begins with control at the manufacturing end (R&D, purchasing, contracting, manufacturing, inspection and testing etc.) building a control system for harmful substances, to achieve the goal of 'products with no harmful substances. To be a global corporate citizen, the Company applies itself fully to social responsibility, focuses on international regulations. In completely meeting regulation demands, the Company has no record of violating environmental regulations up until today, furthermore, keeping the environmental impact of products within their lifetime to the lowest. The Company holds annual supplier conferences to give instructional training on GP, explain the Company's current control items and standards, in order to ensure that all suppliers are in line with international regulations.	No difference
	V			
(2) Does the Company establish proper environment management systems based on its industrial features?	V		(2) The ISO 14001 environment management system has been established to identify how the Company's work activities, products or services, that might lead to factors influencing the environment, and evaluate the possible significant impact of items to establish measurable goals, regularly review the continuity and relativity of goals and management projects.	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes		Description	
(3) Does the Company monitor the impact of climate change on its operations, and establish company strategies to save energy and reduce the emission of carbon and greenhouse gas?			(3) The Company has practiced 'Environmentally protection, energy -saving, love the earth' in the long-term, and pays attention to the influence of climate change on operational activities, which is listed as one of the important items of risk with regard to sustainable operation, implementation of Company's energy saving, carbon reduction and greenhouse gases reduction is as follows: 1. Headquarters is united in promoting energy-saving and carbon reduction activities (1) Under the principle of Implement maintaining adequate lighting in office areas during daytime reduce office lighting use and change all l lights to LED. (2) Promote environmental protection, turning off of lights, unplugging of appliances, air conditioning temperature not low, not necessary to use lights during lunchtime. (3) Use electronic application forms to reduce the amount of paper usages. 2. Set up photovoltaic panel power station systems on the roofs of factories The Eastern Region Manufacturing Center factory has a roof with a surface covering 16,000 square meters, a photovoltaic panel (solar panel) power generating station has been planned on 10,000 square meters of the roof to feed into the grid and the electricity generated will be used over electricity coming from the grid, when it is not sufficient the	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes		Description	
			grid can be used. According to the sunlight hours in Kunshan (NASA statistics) it is estimated that 10,000 square meters can be fitted 1MW scale photovoltaic power station, generating 100,000,000 volts of electricity annually, the total electricity use of Eastern Region Manufacturing Center is around 193,000,000 volts annually, all the electricity generated from the photovoltaic system can be provided for use by the Eastern Region Center. Effectiveness is as follows: 1. Carbon savings: 3585.8: tons/year 2. Reduction in carbon dioxide emissions: 7536.9 tons/year 3. Reduction in sulfur dioxide emissions: 26.1 tons/year 4. Reduction in NOX emissions: 1834 tons/year 5. Saving in energy costs RMB$180,000 per year. Eastern Region factory places importance on the influence of climate change on operating activities, continuing to implement reduction, recycling and following policy in production and living, also paying attention to environmental protection and energy reduction in the research and development of products. 3. Southern Region Manufacturing Center Carbon Reduction goals: According to ISO14064 system specifications, specifies a greenhouse gas emissions management method, continuing to implement improvements,	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes		Description	
			completely promoting the work of emission reductions, estimated to reduce carbon reduction as a total of factory revenue by 2% more in 2019 than the goal set as a basis in 2018. Electricity saving goal: estimated to reduce electricity use as part of the total factory revenue by 2% on the basis set in 2018 (in 2019 electricity use as a proportion of factory total revenue income was 12%)	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes		Description	
3.Protect social public interests (1) Does the Company establish proper management methods and procedures in accordance with the relevant regulations and the international conventions on human rights? (2) Has the Company set up an employee complaint mechanism and proceed with care? (3) Does the Company provide a safe and healthy working environment for its employees and organize training on safety and health on a regular basis?	V V V		(1) The Company conforms with relevant labor regulations and respects internationally recognized principles of basic labor rights, implementation is as below: 1.Set out 'Personnel Management Method', 'Employee Work Code'. 2.Provide employees with complete educational training planning, optimal bonus system, e.g. hold annual health checks, marriage subsidy, child subsidy etc. (2) Company's internal department supervisors, human resource division and audit unit can all act of appeals units, human resource division can act as investigation implementation unit. Generally speaking, human resource division still acts as the major employee appeal system, it will first carry out investigation into evidence, and convene an appeals meeting. (3) Meet safety inspections of each government unit, regularly hold related educational training 1.Regularly send general staff to attend health and safety training programs. 2.Hold annual fire safety inspections. 3.Hold biennial building public safety inspections. 4.Post professional cleaning staff in stations for work environment services. 5.Regularly hold employee health checks and advanced health checks for upper-level management. 6.Occupational health and safety policy: Committed the establishment of an occupational health and safety (OH&S) management system, ensure the health of employees, work in a	No difference

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes		Description	
(4) Does the Company establish regular communication mechanisms for employees, and inform employees of the operation changes that may have significant impact on employees in a reasonable way?	V		(4) The corporate culture of the Company emphasizes transparency and communication, with regard to labor relations and the related rules and measures are all implemented according to labor regulations, labor meetings are held regularly and also each month there's a monthly meeting of all staff, so important items of the Company can be made known, all internal departments of the Company regularly convene meetings with employees in two-way communications, regarding significant matters, they are announced simultaneously, allowing compatriots to clearly understand changes in the Company's operation.	No difference
(5) Has the Company established an effective competency development career training program for employees?	V		(5) The Company sees its employees as its most important asst, in practicing the commitment of the Company and its employees growing together, we have built a systematic learning development blueprint, provide the leadership team and all colleagues a complete learning environment, range of courses includes leadership management knowledge and skills, individual occupational skills development and numerous other kinds. Providing subsidies for external training etc., encouraging the growth of employees in following their dreams. Furthermore, to broaden the horizons of employees, the Company usually invites professionals from every field or famous people to share their	No difference

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes		Description	
			professional knowledge, work experience and life, culture and the arts etc., enabling every employee to absorb all kinds of innovative thinking and cultural experience.	
(6) Has the Company set up consumer protection policies and reporting procedures regarding R&D, procurement, production, operation and service processes?	V		(6) While the Company does not often directly meet end-user consumers, it still places on important of customers' responses and rights, toward products and service of the Company providing transparent and effective appeals procedure and channel, the Company has set up a dedicated customer services unit responsible for product service, to resolve customer problems, related product warranty and repair policy is based on public announcements of the official website of the Company.	
(7) Is the company in compliance with relevant laws and regulations as well as international standards when it comes to marketing and labeling of products and services?	V		(7) The Company follows international regulations and policy, announcing carrying out of related policy on the Company's official website, including quality, green issues, corporate social responsibility, occupational health and safety, environmental issues, conflict minerals policy, and has received professional certifications including: ISO 9001, ISO 14001, OHSAS 18001, with the transfer of OHSAS 18001 to ISO45001 estimated for completion in 2019. Products follow international environmental regulations of ROHS, REACH etc., and in relation to ISO11469 implement plastic product classification and labeling, to protect consumers in	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes		Description	
			prevention from the risk of unsafe products, the Company also carries out UL testing of products, to meet customer demands and international safety standards, carrying out the obligations and services of green environmental policy.	
(8) Does the Company assess the past records of supplier's in terms of its impact on the environment or society before the signing the contract?	V		(8) To ensure the manufacturing process of suppliers satisfies the standards of laws and the requirements of regulations, during the evaluation of suppliers the Company requires the provision from manufacturers of internationally recognized certifications (e.g. ISO9001,TSO16949...) and other necessary information from the Company's approval sheet such as drawings, environmental management material testing reports (RoHS, other regulatory demands etc.), MSDS, DATA SHEET, reliable verification, safety regulation verification etc., and also to provide that all raw materials meet green product requirements, in fulfilling corporate social responsibility.	
(9) Does the Company, in its contract with its major suppliers, include clauses such that the Company may terminate the contract any time when the supplier is found violate its social responsibilities, and when such violation has significant impact on the environment and society?	V		(9) In contracts with major suppliers, the Company demands compensation if manufacturers are suspected of or violate corporate social responsibility policy, or have a clear influence on the environment or society.	

Item	Operational status			Difference from the Corporate Social Responsibility Code of Practice for TWSE/GTSM-Listed Companies and reasons
	Yes		Description	
4. Strengthen information disclosure (1) Does the Company disclose relevant critical and reliable information on corporate social responsibilities on its website and MOPS?	V		(1) 1. On March 24, 2014, the Company set out its 'Moral Behavior Guidelines' and 'Code of Integrity'; and implements them in the spirit of fulfilling corporate social responsibility. 2. On April 29, 2015, the Company set out its 'Code of Corporate Social Responsibility'. 3. The Company discloses its codes of conduct on the Market Observation Post System, and on the official website (www.chenbro.com) disclose information related to corporate social responsibility.	No difference

5. If the Company has established its own corporate social responsibility guidelines according to the 'Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies', please explain any variations in operational differences and the codes sets out.

On March 24, 2014, the Company set out its 'Moral Behavior Guidelines' and 'Code of Integrity', on April 29, 2015, the Company set out its 'Code of Corporate Social Responsibility'; and implements them in the spirit of fulfilling corporate social responsibility, there are no variations in operational differences and the codes sets out.

6. Other important information helpful in understanding the operating status of corporate social responsibility:

(If the Company has adopted systems and measures toward environment, community attendance, community contribution, community service, community welfare, consumer rights, human rights, health and safety and any other social responsibility activities and the status of implementation.): please see p.80-84

7. It should be further specified, if the Company has passed the verification standards of related inspections in the CSR Report:

The Company has carried out factory inspection of UL testing to meet customer demands and international safety standards, and also passed ISO 9001, ISO 14001, OHSAS 18001, with the transfer of OHSAS 18001 to ISO45001 estimated for completion in 2019, but has not passed the inspection of the third-party institution of the CSR Report.

(6) Operational integrity status and measures adopted

<table>
<tr><th rowspan="2">Item</th><th colspan="3">Operational status</th><th rowspan="2">Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Description</th></tr>
<tr><td>1. Adopt integrity operation policy and scheme

(1) Does the Company clarify the integrity operation policy in its regulations and external documents and the commitment of board of directors and managers to active implementation?</td><td>

V</td><td></td><td>

(1) 1.For sound development of the Company with integrity as its basis, merging an honest, transparent and responsible operating principle, on March 24, 2014, the Company set out the ‘Moral Behavior Guidelines’ and ‘Code of Integrity’, and established optimal corporate governance, risk control system and completed internal control in the prevention of untrustworthy behavior happening, in order to create an environment of sustainable operation for the company, fully implement the Company’s rules, code of practice on moral behavior, these codes can be found in the corporate governance area of the Company website.
2. Announce related regulations systems that should be followed, behavioral standards for compatriots to be aware of, regularly hold educational training and release of educational guidance materials, in 2018 a total of almost 1557 hours of educational training courses were held, with an average of 8.3 hours per person. Sincere behavior was also listed as part of the performance review evaluation, please refer to p.71-74 for more details.
3.In the employee’s work rules and moral behavior code the Company clearly states that employees mustn’t obtain illegal benefits or accept invitations, gifts, receive rebates, violate public funds, mustn’t take part in business speculation, conceal or obtain</td><td>No difference

No difference</td></tr>
</table>

Item	Operational status			Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
			or ? take advantage of their position for their own convenience, accept receive outside gifts or refunds, or other illegal benefits etc. acts of behavior, in order to put an end to insincere behavior. 4. The Company has clearly stated that employees must not use their own name or the name of others to take part in any loans, significant asset trades, provision of guarantees or other trading relationship behavior etc., in the implementation of duties, must not for personal, for the Company or a third-party, demand contracts, payments or receive any formal gifts, invitations, rebates, bribes, or other inappropriate behavior for benefit.	
(2) Does the Company clarify the integrity operation policy in its regulations and external documents and the commitment of board of directors and managers to active implementation?	V		(2) 1.The Company has set out Moral Behavior Guidelines and Code of Integrity, in the operation of their regulation procedure, behavior guide, violation of discipline and appeals system. Announces related regulations systems that should be followed, behavioral standards for compatriots to be aware of regularly hold educational training and release of educational guidance materials and listed sincere behavior as part of the performance review evaluation.	
(3) Does the Company adopt preventive measures to bad faith companies with higher risks of its business activities described in article 7 item 2 of the 'Code of Integrity' for TWSE/GTSM-Listed Companies"?	V		(3) 1.Each donation or subsidy item is required to be approved by the authorized rank, in order to comply with internal procedures 2.Irregularly release internal employee educational materials and education on relevant standards of regulations.	

Item	Operational status			Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
2. Implementation of integrity management (1) Does the Company assess the integrity record of its business partners and set faithful conduct policies in the terms and conditions of its contracts?	V		(1) 1.When the Company carries out purchasing, it processed according to 'purchasing order, purchasing, verification sheet guidelines. 2.The Company states in contracts that the relevant manufacturer should comply with the relevant content of its integrity provisions.	No difference
(2) Has the Company set up exclusively (or concurrently) dedicated units to be in charge of corporate integrity operation which report to and are supervised by the Board of Directors?	V		(2) The audit department, legal affairs department, human resource department, accounting department, and Chairman's Office of the Company are responsible for promotion, and operation of the Company's operating integrity and all related operations, the Chairman's Office is responsible for consolidation of implementation.	
(3) Does the Company work out policies to prevent conflicts of interest and provide proper statement channels?	V		(3) 1.The Company has set out the 'Employees Behavior Guidelines', 'Board of Directors Rules of Procedure', and 'Corporate Governance Code of Practice', and the rules established within them are to stop disputes over benefit. 2. When hiring new employees, the Company requests the employee to sign a 'New employee service commitment statement'. Including following work moral norms, integrity clauses, prevention of conflict of interests' clauses, all compatriots must actively report incidents of conflict of interests. 3. Employees of the Company can follow supervisors of their own unit, audit supervisor, human resources supervisor, legal affairs supervisor	

Item	Operational status			Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
(4) Has the Company established an effective accounting system, internal control system and audit by internal auditors or CPAs to put integrity operation into practice? (5) Does the Company organize internal or external trainings in the integrity of business management regularly?	V V		(4) The Company ensures the accuracy and integrity of financial reports processing and related control, authorizing accountants to carry out review. Regarding the design of internal control system for the operating goals and risk management procedure of the Company, internal audit, every item of audit is carried out according to the annual audit plan, and report the Board of Directors' meeting and management level audit results and follow-u of improvement results, in order to implement operational integrity and follow regulations. (5) Training for new employees of the Company includes educational training on employee behavior guidelines, cultivating the concept and spirit of operating integrity; the half-yearly performance assessment, also includes integrity of employees as one of its test items, before the performance assessment a seminar is held, to strengthen the concept of operating integrity among employees. The Company's employee behavior guidelines include the spirit of the code operating integrity, and these guidelines are placed in the Company's internal website for employees to read at any time.	
3. Report System operating status (1) Has the company set specific report and reward system to facilitate the report cannel and assign appropriate specialist accepting to spot the reported object?	V		(1) The employee work guidelines of the Company clarify that any item of violation should be viewed through its seriousness in the carrying out of punishment or dismissal, also setting out a 'whistleblowers channel and protection system	No difference

Item	Operational status			Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
			procedure’. The supervisors of the Company’s departments, human resources division and audit unit can all act as appeals units, the human resources division acts as the implementation unit. Human resources division set up a channel to report complaints, for employees to report all incidences of violation of behavior. After investigation of the reporter and the incidents, if it meets the criteria for an employee work guidelines award, it will be put forward for award.	
(2) Has the company set the standard operating procedures and related nondisclosure mechanisms to investigate reported matters?	V		(2) 1.If the Company’s internal department supervisors, human resources division and audit unit receive an item of report from employees, the human resources division will carry out investigation on the item. 2. The Company set out the ‘whistleblowers channel and protection system procedure’, when the human resources division carries out an investigation, it will comply with the confidentiality principles of the investigation, interview all relevant personnel, strive to collect all factual evidence, in ensuring the principles of fairness, impartiality and confidentiality.	
(3) Has the Company set measures to protect whistleblowers do not suffer for which he or she reported?	V		(3) The Company maintains secrecy of the reporter and the reported item, and during the investigation does make it public. When the item is investigated, the reporter will be protected, and no unfavorable measure will be put place as a result of item reported by the reporter, the Company sets out the ‘whistleblowers channel and protection system procedure’ to protect the reporter in not receiving	

Item	Operational status			Difference from the Code of Integrity for TWSE/GTSM-Listed Companies and reasons
	Yes	No	Description	
			unfavorable treatment, to ensure the safety of life and property, work rights and economic rights.	
4. Strengthen information disclosure (1) Does the Company on its website and on the market observation post system disclose all of the content set out in its code of operational integrity and effectiveness of promotion?	V		Already on the market observation post system and Company website discloses all of the content set out in the code of operational integrity, and can also search for information related to the annual report.	No difference
5. If the company develops its own integrity operation rules according to the Integrity Operation Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: On March 24, 2014, the Company set out Moral Behavior Guidelines and Code of Integrity, there are no variations in operational differences and the codes sets out.				
6. Other important information for better understanding of the integrity operation (such as review and revision of the regulations on integrity operation) On March 24, 2014, the Company set out Moral Behavior Guidelines and Code of Integrity and amended the 'Code of Integrity' on April 29, 2015.				

(7) Other Company-established corporate governance rules and regulations

Important regulation	Method of disclosure for inquiries
Code of Corporate Social Responsibility Shareholder Meeting Rules Board of Directors Rules of Procedure Company Directors and Supervisors Election Procedure Independent Directors Independent Directors Rules of Responsibility Moral Behavior Guidelines Code of Integrity' Remuneration Committee Organizational Procedure The Corporate Governance Best-Practice Principles Company Regulations Significant Internal Information Handling Procedure	Market observation post system： http://mops.twse.com.tw 'Corporate Governance' area for inquiries The Company's website: http://www.chenbro.com

(8) Important information on other promotion of corporate governance by the Company and understanding

1.Employee welfare and employment concern

The company sees it employees as its most important resource, with challenging and developmental work content, a safe working environment and quality salary and benefits. The Company encourages its employees to exercise outside of work and develop varied interests to maintain a healthy spirit and mind with regard to family life, attending public welfare activities, and giving back to the community. The Company upholds the concept of humanized management and the sharing of capital with the labor force. It implements incentives in its human resource management system with awards to honor distinguished employees for growth through training with resources and opportunities, and achievement through providing room for the development of professional occupational skills development and proper career planning.

- Free from discrimination

(1) No hiring of temporary workers: Provide a stable working environment, enabling employees' working capabilities to develop in the long term without worry, apart from interns and part-time students in summer and winter vacations, put into effect formal employment arrangements for all employees, with no use of temporary workers.

(2) Employ disabled staff: Provide work opportunities free from any restrictions or obstacles for those with disabilities, giving professional responsibilities in areas most suited to their talents. Employ 2 new disabled members of staff each month.

(3) Equality Management System: Use the same management system for all employees, regardless of gender, race, age, nationality or religion. For example: equal salary standard for men and women. Encourage varied learning growth in employees, provide equality in opportunities for development, with proper planning of occupational skills continue the training and promotion system, also cultivate management and occupational skills, and provide the next step in challenging work responsibilities.

(4) Employment of graduates: The Company provides new graduates with employment opportunities, and has set up a complete training plan, including professional training, factory placements training, and soft power training.

- Human Resource Development

(1) Planning for Successors: Training for successors in the Company's senior management includes the four components of management ability, professional abilities, individual development programs (IDP) and work rotation. In 2016, collaborating with the 3 main modules of NTU's EMBA program, allowing the further study of senior managers in leadership ability/strategy planning ability/new employment development; sending senior management to NTU to learn in the Global Executive Program so as to align with international industry trends. The wide view and time efficiency of these senior management development classes led our global executives to build a new concept of operating management and international management thinking. Planning for successors not only focuses on professional abilities, but also puts great emphasis on managers' core abilities, vision and strategy, planning and organization, and training and counselling. In 2018, external HR consultants were employed to carry out the strengthening of the successor program, and planning and implementation of classes cultivating talent.

(2) Talent Recruitment: An important key to corporate success and growth comes from the same group DNA among colleagues and compatriots and mutual effort in moving forwards. In order to strengthen operational sustainability, the Company proactively employs all levels of outstanding talent, with the

right placement according to the right talent, and uses a fair and open process in carrying out recruitment. Internally the Company set up the NCG Program to allow new employees have a platform for diverse learning opportunities. The program especially allocates internal counsellors to provide support, professional discussion, cultivation of professional skills, learning through factory placements and other planning, to enable new employees to quickly align with the work environment and rapidly lead their peers.

(3) Chenbro Academy: Employee development and company growth are closely linked. In order to proactively cultivate outstanding talent, the Company provides diverse internal learning programs, including preplacement training, professional abilities, core working abilities, management ability, producing a responsible education and training unit. It employs professional human resource consultants to create diverse programs for the Company, continues to raise investment in employees learning development, cultivating internal speakers, to pass on the Company's important knowledge and skills and shaping the development of a learning environment. 1n 2018, the amount of educational training programs reached 10,278 hours, on average the training per member of staff was equal to around 54 hours with a total cost of NT$4,380,000.

(4) Strengthen diverse talent: To strengthen diverse talent and encourage employee development through transfer and assignment, and accumulate professional experience, the Company will provide staff accommodation for employees on assignment in all territories and encourage families to travel together. The Company has set up various clubs with the support of an annual budget of NT$1,000,000 so employees and their families can cultivate diverse skills and raise health, which has led to recognition through the award of Sports Corporation from the government's Sports Administration.

(5) Remuneration: The Company is determined to recruit outstanding talent and remuneration policy will be highly competitive with every kind of bonus, including project bonuses, performance bonuses, competition bonuses, annual bonuses, employees' rewards (dividends), to enable employees to positively and actively develop their potential.

(6) Employee communication: Emphasizing education of talent and keeping talent. Through diverse communication channels with employees, including monthly mobilization meeting, lunches, salary meetings, and other regular meetings and satisfaction surveys, keep clear channels of communication with employees. If employees put forward application for resignation, the human resources division will hold a resignation interview with the employee, to fully understand the reasons and motivation for resignation, and resolve difficulty while showing concern.

(7) Corporate culture: To strengthen core value, set out clear core occupational skills, define and give guidelines on behavior, in order to ensure employees' work attitude and behavior can support long-term fulfillment of goals. The Company regular carries out cultural-shaping activities, through book clubs and holding consensus camps and the method of sharing, pass on corporate culture.

2. Investor Relations

The Company appoints a spokesperson and an acting spokesperson, to act as a channel for the Company to release opinions externally or to reply to investors' questions, if necessary, contact can be made via phone or email at any time. (phone: 02-82265500；Email：ir@chenbro.com)

The Company regularly discloses its important financial and operating information, every year holding at least 2 investor conferences, simultaneously releasing significant Chinese-English information and setting up a Chinese-English official website etc., to continue to enhance the Company's information transparency and in order to benefit investors in grasping the Company's operating status and development plans.

3. Supplier Relations

To establish an optimal communication channel and extend responsibility both upwards and downwards, the Company demands that the quality of goods supplied by suppliers meets green environmental regulations and internationally related rules. To establish a material tracking system, investigate whether suppliers can ensure the quality of products that should be in the tracking system, ensures warranty requirements in order to provide customers with a higher level of guarantee.

4. Stakeholders and Communication Channels

Stakeholder	Materiality Issues	Communication Channel
Shareholders	● Corporate governance ● Corporate image ● Operating sustainability ● Shareholder policy ● Environmental compliance ● Social compliance ● Product liability compliance ● Customer health and safety	● Setting up full-time staff for investor relations ● Contact：President's Office Mrs. He ir@chenbro.com ● Annual shareholders meeting ● Regularly hold at least 2 investor conferences a year, publish quarterly financial reports ● Notices and Operation News ● Immediately report important information, simultaneously make public all market observation of stock exchange ● Post System and Company website ● Set up email and telephone contacts on the Company's website, set up an efficient communication channel between investors and the Company ● Hold irregular face-to-face and telephone conference with domestic and foreign investment institutions
Employees	● Corporate governance ● Operating sustainability ● Labor relations ● Work environment ● No forced labor ● Personal safety protection measures ● Diversity and equality opportunities	● Contact：HR dept. Mrs. Zhang hrp@chenbro.com ● Define 'working rules', set out occupational disasters compensation and related insurance matters, put on the Company website to provide reference for employees ● Managers and colleagues hold irregular communication meetings ● Internal Enterprise digital reports, to assist with information flow ● Regular internal training and employee incentives to apply for external training, occupational training ● Provide free annual health checks and consultations

Stakeholder	Materiality Issues	Communication Channel
Customers	● Corporate governance ● Sustainable operation ● Customer privacy ● Corporate image ● Supplier environment assessment ● Product policy and guarantee ● Product Liability Compliance ● Social Compliance	● Contact：info@chenbro.com ● Company set up a special unit to serve different sales channels and customers in different regions ● Apart from Taipei headquarters, set up subsidiaries to provide local service in places including the USA, Europe, Shanghai and Beijing in China among ● QBR (Quarterly Business Review) ● Irregularly attend technology forums and international exhibitions ● Cooperation and checking of customer's product, environment and responsibility demands, cooperate on prevention and continuous improvement
Suppliers	● Corporate image ● Sustainable operation ● Company purchasing policy ● Product compliance ● Supplier labor assessment ● Supplier social impact assessment	● Contact：Global Supply Chain Management Division Mr. Chang ● email：scm@chenbro.com ● Supplier and contractor annual audit ● clarify Company policy including 'green policy', 'environmental policy', 'ELCC policy' to ensure raw materials meet international regulations, government directives, and customers'
Communities	● Corporate governance ● Corporate image ● Product manufacturing compliance ● Social and environmental compliance ● Personal labor safety and protection	● Set up full-time staff in charge of CSR issues. ● Contact：Chairman's office Mr. Lee csr@chenbro.com ● Regarding social matters and participation, please see page79-84 of the annual report and social responsibility area of the Company's website ● Set up a channel to report behavior breaking professional ethics, and establish whistleblower's protection system; independence of the receiving unit, provide increased chassis protection for whistleblowers, contact chenbrolegal@chenbro.com

5. Continuing Education of Directors and Supervisors

According to the 'Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies', Directors and Supervisors will continue to take part in continuing education, the situation of continuing education is as follows:

Continuing Education of Directors and Supervisors (2018)

Title	Name	Date of training	Organizer	Name of course	Training hours	Total annual training hours
Independent Director	Tsao Anpang	01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	3
		11/06/2018	Taiwan Institute of Directors	The China-US trade war: How enterprises model change in strengthening transnational management capability	3	6
		02/02/2018	Taiwan Institute of Directors	The impact of US tax reform on Taiwanese companies	3	
Independent Director	Hsu Kueiying	01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	3
		11/06/2018	Taiwan Institute of Directors	The China-US trade war: How enterprises model change in strengthening transnational management capability	3	6
		02/02/2018	Taiwan Institute of Directors	The impact of US tax reform on Taiwanese companies	3	
Independent Director	Huang Wencheng	01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	3
		11/06/2018	Taiwan Institute of Directors	The China-US trade war: How enterprises model change in strengthening transnational management capability	3	6
		02/02/2018	Taiwan Institute of Directors	The impact of US tax reform on Taiwanese companies	3	
Director	Lee Tsunyen	01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	3
		11/06/2018	Taiwan Institute of Directors	The China-US trade war: How enterprises model change in strengthening transnational management capability	3	6

Title	Name	Date of training	Organizer	Name of course	Training hours	Total annual training hours
		02/02/2018	Taiwan Institute of Directors	The impact of US tax reform on Taiwanese companies	3	
Chairman	Chen Meichi	01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	3
		11/06/2018	Taiwan Institute of Directors	The China-US trade war: How enterprises model change in strengthening transnational management capability	3	6
		02/02/2018	Taiwan Institute of Directors	The impact of US tax reform on Taiwanese companies	3	
Director	Wu Chungpao	01/25/2019	Taiwan Institute of Directors	Taiwan Corporate Governance Association	3	3
		11/01/2018	Taiwan Corporate Governance Association	Company Tax Management	3	15
		11/01/2018	Taiwan Corporate Governance Association	Facing the China-US Trade War, the path of response for Taiwanese Businesses	3	
		10/24/2018	Taiwan Institute of Directors	Global Rebalancing Crisis and Opportunity	3	
		02/07/2018	Taiwan Institute for Sustainable Energy	Enterprise Sustainability and Lasting Business	3	
		02/02/2018	Taiwan Institute of Directors	The impact of US tax reform on Taiwanese companies	3	
Director	Hsu Shenkuo	01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	3
		11/06/2018	Taiwan Institute of Directors	The China-US trade war: How enterprises model change in strengthening transnational management capability	3	6
		02/02/2018	Taiwan Institute of Directors	The impact of US tax reform on Taiwanese companies	3	
Supervisor	Lee Yami	01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	3

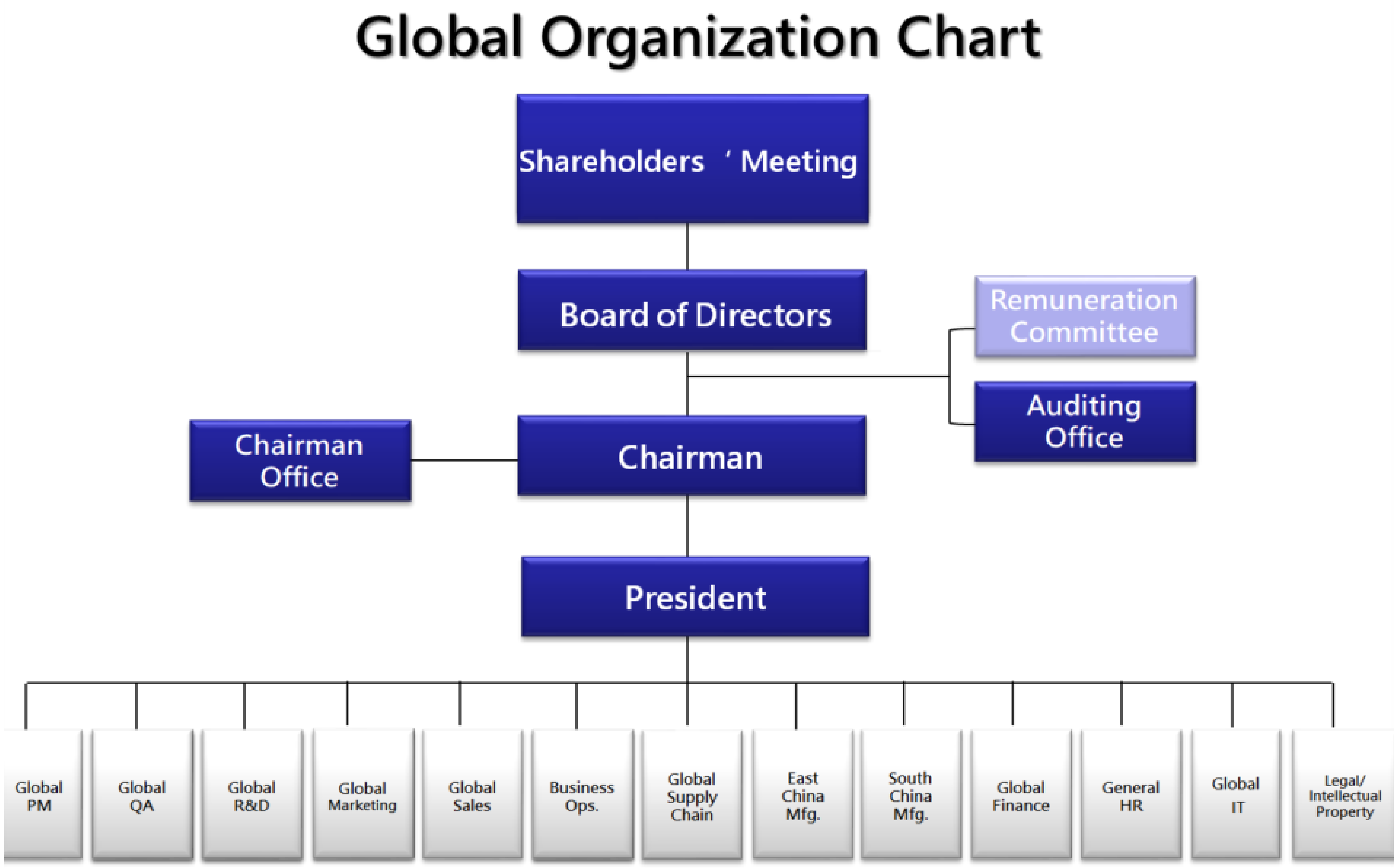
Title	Name	Date of training	Organizer	Name of course	Training hours	Total annual training hours
		11/06/2018	Taiwan Institute of Directors	The China-US trade war: How enterprises model change in strengthening transnational management capability	3	6
		02/02/2018	Taiwan Institute of Directors	The impact of US tax reform on Taiwanese companies	3	
Supervisor	Huang Lilong	01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	3
		11/06/2018	Taiwan Institute of Directors	The China-US trade war: How enterprises model change in strengthening transnational management capability	3	6
		02/02/2018	Taiwan Institute of Directors	The impact of US tax reform on Taiwanese companies	3	
Supervisor	Chen Jenshyang	01/25/2019	Taiwan Corporate Governance Association	Towards Sustainable Corporate Development and Governance	3	3
		11/06/2018	Taiwan Institute of Directors	The China-US trade war: How enterprises model change in strengthening transnational management capability	3	6
		02/02/2018	Taiwan Institute of Directors	The impact of US tax reform on Taiwanese companies	3	

6. Implementation of Risk management policy and risk measures

(1) Risk management policy

Through the professional skills and concepts of both domestic and overseas risk evaluation, active implementation of risk prevention and loss control, effective risk management system and attendance of the whole workforce in educational training, to continue improvement to achieve the ultimate goal of zero risk.

(2) Risk management organization chart



Risk Management Organization Chart

Item of major risk assessment	Direct risk control unit Business organization unit	Risk review and control	Board of directors and audit office
	(1st mechanism)	(2nd mechanism)	(3rd mechanism)
1. Interest rate, exchange rates and financial risk 2. High-risk high leverage investments, derived commodity trading, financial management investment 3. Investment, transfer investment and M&A	Finance Department	Financial Investment Review Unit (members：Global Finance Department, President, Chairman's Office)	Chairman and Supervisors' meeting： Risk assessment control - decision and final control
4. R&D planning	Cooling/Structural R&D Department, Hardware R&D Department, Software R&D Department, Mechanism Design, Mechanism Structure Department	R&D Review Unit (members：Global R&D Division, President, Chairman's Office)	Auditing Office: (Risk checks, assessment, supervision, improvement, tracking, reporting)
5. Policy and law change 6. Litigation and non-litigation matters 7. Contract formulation and review 8. Patents, trademarks, other intellectual property rights review	Intellectual Property Legal Affairs	Legal Affairs Review Unit (members：General Administrative Division, President, Chairman's Office)	
9. Technology and industry change analysis 10. Product ad corporate image change	Product Marketing Department	Marketing Review Unit (members: Global Product Marketing Division: President, Chairman)	
11. Production and marketing coordination 12. Factory or production expansion 13. Concentrated procurement or sales	Dongguan factory, Kunming factory, mold outsourcing, production management class, purchasing class, storage and transport class, business department, American subsidiary, European subsidiary, Greater China, Chenbro Technology (Kunshan) Business	Production and Marketing Review Unit (members: Global Supply Chain Management Division, Southern Region/Eastern Region Manufacturing Centers, Global Business Division, President, Chairman)	
14. Change of equity of directors, supervisors and major shareholders 15. Change in management rights	Accountancy Department, Board meetings	Operational Review Unit (members: Global Finance Division, Chairman, Board of Directors)	
16. Information security risk	MIS Division	Information Security Review Unit (members: MIS Division, President)	

7. Implementation of customer policy

Focus on service for customers, maintaining favorable and stable relationships, regularly attend quarterly business reviews (QBR), in this way understand difficult areas for customers. Put forward solutions according to their demands, then adjust the Company's work standards, and actively comply with customers auditing and improvements to ensure satisfaction of customer needs in order to create Company profit and achieve the goal of a win-win situation.

8. Liability insurance of Directors and Supervisors taken out by the Company

Insured interest	Insurance company	Insurance amount (NT$000)	Insurance period	Reporting date to Board
All directors and supervisors	Fubon Insurance Co., Ltd.	297,600,000	From: 9/7/2017 To: 9/7/2018	2017/08/10
All directors and supervisors	Fubon Insurance Co., Ltd.	307,200,000	From: 9/7/2018 To: 9/7/2019	2018/11/06

9. Managers attendance of corporate governance related continuing education and training (2018) :

<table>
<tr><th>Title</th><th>Name</th><th>Date of training</th><th>Organizer</th><th>Name of course</th><th>Training hours</th><th>Total annual training hours</th></tr>
<tr><td rowspan="3">Chairman</td><td rowspan="3">Chen Meichi</td><td>01/25/2019</td><td>Taiwan Corporate Governance Association</td><td>Towards Sustainable Corporate Development and Governance</td><td>3</td><td>3</td></tr>
<tr><td>11/06/2018</td><td>Taiwan Institute of Directors</td><td>The China-US trade war: How enterprises model change in strengthening transnational management capability</td><td>3</td><td rowspan="2">6</td></tr>
<tr><td>02/02/2018</td><td>Taiwan Institute of Directors</td><td>The impact of US tax reform on Taiwanese companies</td><td>3</td></tr>
<tr><td rowspan="4">Vice President: Finance</td><td rowspan="4">Chih Chialin</td><td>12/25/2018</td><td>Accounting Research and Development Foundation</td><td>Corporation securities fraud chassis and related legal responsibility analysis</td><td>3</td><td rowspan="4">12</td></tr>
<tr><td>11/27/2018</td><td>Accounting Research and Development Foundation</td><td>Latest amendments to the company law and corporate compliance practices</td><td>3</td></tr>
<tr><td>07/27/2018</td><td>Accounting Research and Development Foundation</td><td>Blockchain: Corporate application of developing trends</td><td>3</td></tr>
<tr><td>07/12/2018</td><td>Accounting Research and Development Foundation</td><td>Recent domestic tax law trends and tax e-business</td><td>3</td></tr>
</table>

10. Strengthen audit and self-inspection operation

The Company has set out a complete internal control system which is already in effective implementation, each unit thoroughly carrying out optimal management responsibilities, through internal control self-evaluation operation, each department and subsidiaries must carry out self-inspection of internal control systems, system-design and effective implementation. According to the Board of Directors' approval of the annual audit plan, audit personnel will carry out effective control. Management level and the Board of Directors all regularly review self-assessment results and audit reports. In order to achieve operational effectiveness, enhance corporate competitiveness, ensure the correctness of financial reports and follow relevant regulations.

11. Internal procedure on significant information

The Company set up the 'significant internal information handling procedure' on December 29, 2009, and carries out the following release of related materials:

(1) Provide a monthly 'significant internal information handling procedure' for Directors, Supervisors and Managers.

(2) Provide 'significant internal information handling procedure' for newly appointed managers.

(3) Regularly give guidance to managers on 'significant internal information handling procedure' and also release material onto the TWSE website about insider trading related information.

(4) Carry out educational guidance on 'significant internal information handling procedure' for employees.

12. The Company's performance of social responsibility

(1) Environmental sustainability

A. Environmental protection action

We actively respond to global environmental action and use core corporate professionalism in doing so. Our management department is responsible for the work of our energy saving policy planning, controlling and upgrading. Furthermore, we regularly advocate and communicate the proper concept for energy saving. In doing so, recycling bins are always placed in the workplace enabling staff to be active for recycling . The Zhonghe branch of the First Social Welfare Foundation and the Blue Environmental Technology Company will occasionally collect recycling for their own use. We promote complete energy saving advocacy, energy saving and carbon reduction management concepts, including strengthening the instruction of staff in this area to comply with the implementation of governmental environmental policies.

B. Love the earth, forming alliance to save 3000 bags of organic farming onions

When we received news of organic onion farmers in Pingtung, facing the problem of no refrigerators to be rented to store their harvest, numerous farmers rushed to collect the crop under the scorching heat in south Taiwan. They were worried that the crop would be spoiled in storage piled up in warehouses. Just as it seemed the farmers' efforts were in vain, we purchased 200 bags of onion with a total weight of almost 3 tons. Moreover, we formed several teams calling on local restaurants and friendly enterprises to buy the onions, successfully assisting the farmers to sell around 3000 bags of onions with a total weight of about 45 tons.

C. Chenbro plants trees to cherish this earth

With the climate change brought on by ecological crises and global warming, we deeply believes in cherishing our earth and that environmental protection cannot be hesitated. On 22 March, 2014, over 100 staff and their families begin trees planting campaign in order to protect water resources and maintain ecological environment. Near to the Liyu Lake reservoir in Miaoli with 1.99 hectare rainforest land, native Taiwan Xiaon Nan and Niuchang were planted instead of originally 18,000 Pinlang cut down. It is estimated the trees maturing within 50 to 10 years, which will complete the original intention of greening our land.

(2) Social participation

A. Educational innovation – '130 elementary schools; 302 volunteers; 2400 hours; NT$31,500,000 in subsidies; attendance of 300,000.' 'Use innovative thinking to light education in remote areas'

Beginning in 2013, we began sponsoring the 'Yunlin Arts Spot Plan'. Through the AEEON Foundation, we provided approximately NT$8,500,00 in funds and called upon staff and their families to attend activities as volunteers with over 300 taking parts. Thus, displaying the values of providing funding and support wherever it is possible. Since the first year support, we have already held 6,162 educational activities in over 95 elementary schools with a total attendance of over 300,000 teachers and students. Bringing art resources into every corner of remote areas with four major activities, 'World Picture Book & Illustrator Tour Exhibition', 'e-School Picture Book for Related Digital Textbook', 'Playful Art with Drama Tour', and 'Taipei Art Discovery Tour'.

These activities help children to be free of restrictions and through understanding artistic culture, they become full of innovation and imagination.

In order to continue the Yunlin Arts Spot Plan, we began an arts sponsorship plan in 2016. The implementation of the arts attraction plan provided more effective school selection, giving more art resources and through the Yihsiang Taiwan Plan, it was displayed the artistic works of Taiwan outstanding artists. 'Painting My Home' competition was also held to give children an opportunity to express their feelings toward their home and give a stage for their works displayed on and to describe in words their feelings, thus deepening local education.

We are concerned not only the lack of art resources but also the related issues of inequality of digitalization between urban areas and the countryside. Therefore, from 2018 onwards we participated in the beginning of the Yunlin Technology Theme Playground Plan, combining the cooperation of five large technology education foundations to provide related education in campuses. Through the concept of a playground, including exhibitions from the five foundations, various DIY classes and 3-day & 2-night technology adventure trips, giving children a broader view to explore life-technology and looking forward a better future.

'Character determines destiny, attitude determines aspirations'

At the beginning of 2018, Shen Shinling, a well-known advocate of social welfare in Taiwan and former student from the same school as our chairman, Chen Meichi, proactively contacted us about her welfare concerns. Although living standards for low-income families are gradually improving, the ideas and thinking about this issue remains weak, without action and urgently requiring proper foundation and enlightenment. It was expected that in promoting the 'Maggi Love 100 Yunlin Campus Quality Development Plan,' Shen Shinling could share her life story and experiences with students through speeches at 100 campuses, allowing one sentence or idea to become an important turning point for the students' lives.

Shen Shinling shared her own experiences with these children, by changing the thought of 'impossible' to 'I'm possible.' The key isn't the difficulty to do matters, but the attitude of children, 'A difficult thing, when done for a long time, will become a simple thing. A simple thing, when done for a long time, will become a difficult thing.' The hope of encouraging children in remote areas to bravely strive for their dreams, they realize their limitless possibilities, through spreading a single sentence or concept, to bring about a force for change.

'Spread a seed, and let hope take root; build a platform, let dreams fly'

To give young aboriginals in eastern Taiwan sustainable operating ability and assist elite aboriginals to return and develop their communities, we began sponsoring a public welfare platform foundation with annual funding of NT$2,000,000 in response to the beginning of an equality in education program begun by Stanley Yen. The main emphasis for work was on 'talented members of remote communities returning home to work and innovate.' With four actions of 'promotion for tourism', 'industry counseling', 'cultivation of art & culture' and an 'educational rooted program' as the main directions, which are expected to provide these students in Hualien and Taitung a beneficial learning environment.

B. Art and literature heritage

'Sponsor Contemporary Legend Theater's establishment of the "Taiwan Traditional Theater Center" enabling the continuation of Beijing Opera'

In 2016, chairman Chen Meichi and Contemporary Legend Theater teacher Wu Xingguo and his wife, Teacher Lin Xiuwei came to a consensus by their experiences for the next step in traditional Beijing Opera. While also more deeply understanding the risks facing the preservation of Beijing Opera as a result of generational differences. Therefore, our chairman Chen Meichi became a major sponsor of the Contemporary Legend Theater's youth group, supported the founding of the Taiwan Traditional Theater Center and demonstrated the effort to preserve art and culture and cultivate talent.

'Successful cultivation of new generation, "Joy Town" crossing borders'

After the passing down of knowledge through 7 years of cultivation, in the spring of 2018 Teacher Wu Xingguo led a group of young Taiwan Traditional Theater Center actors with the average age of 22, on a tour performing "Water Margin 108II - Joy Town." The performance was led personally by Teacher Wu Xingguo. Famous writer Zhang Dachun wrote the script, and famous singer Zhou Huajian composed the music, combining rock and traditional Beijing Opera which delivered a new shock to the traditional opera audience and also attracted a large amount of the young generation to enjoy. By calling on compatriots to support ticket sales and assisting in publicizing the event, through the Internet and Love Maggi blog platform reports, and giving recommendations to many foundations, "Water Margin 108II - Joy Town" finally achieved great tickets sales in Taipei and Taichung.

'Young heroes make their mark in Edinburgh Festival'

Sponsoring 'Contemporary Legend Theater' in going to the Edinburgh Festival to perform "The Wanderer Priest" 8 times, which received high appraise from the media in Edinburgh. It was also the first self-produced script since the inception of the Contemporary Legend Theater. For the young performers, it was an extremely important cultivating experience. Performing at the Edinburgh Festival provided them with long lasting knowledge and an opportunity to train their bravery. The performance of "The Wanderer Priest" attracted the appreciation of an audience of 500, their parade performance also made thousands of members of the western audience stop and watch, successfully promoting the traditions and art of Beijing Opera, also allowing the young performers to have the opportunity to stand on an international stage to broaden their horizons and enhance their abilities.

'Promote Beijing Opera exchanges, sponsor Wu Xingguo's Nanjing performance'

In November 2018, Teacher Wu Xingguo was invited to participate in the Nanjing Jingkun Arts Festival, performing "King Lear." This was a reunion performance of the contemporary theater, adapting Shakespeare's "King Lear." In the performance, Wu Xingguo played 10 various roles. This performance was previously performed in many countries abroad, with the singing style of traditional Beijing Opera to perform western classics in a creative representation, winning high praise from the media. Sponsorship from us helped the expansion of the performing group to promote cross-strait Beijing Opera culture exchange. We also provided an extra NT$1,000,000 in funding for the groups travel expenses, allowing them to focus on preparing everything related to the performance in Nanjing.

C. Community welfare – '119 volunteers'. 950 hours. NTD$1,600,000,000. 2875 households

'Power of love' New Taipei city, Yunlin County underprivileged family visits

We give a regular annual donation to New Taipei City and Yunlin County Social Affairs Bureaus, and also arranges 4-day trips for underprivileged families in New Taipei City and Yunlin County every 4 months, as well as providing staff volunteer holidays. Through the giving groceries those families, employees can accompany them to understand there are many people who need help in our society, learning to respect and to give, and also allowing the families to be able to feel supportive.

'Bathing is not a luxury, donation of shower facilities to Taiwan Motor Neuron Disease Association'

When our chairman participated in the fellowship of female managers, because of a speech by the Motor Neuron Disease Association, she learned about motor neuron disease, understanding that the loss of ability makes these patients unable to shower. In many care institutions, there is usually showering on bed. In a good care institution, it is only possible to shower quickly every 2 or 3 days. We ordered a shower facility, with the hope of being able to let the motor neuron patients enjoy more their life, to receive more respectful care and to increase their comfort and life quality.

'Let love light up your journey ahead- subscription to The Notes of Dreams picture book'

When a bright soul is imprisoned in a frozen body, what we take for granted is a hope for those with motor neuron disease that is hard to achieve. Upon learning that the Motor Neuron Disease Association wanted to publish a book, we decided to take the initiative and subscribed to buy 1000 books as a donation for those patients, also hoping through this to make more people understand, care about motor neuron disease patients and together do something meaningful.

'Sharing the Maggi Love Blog'

In December 2013, we founded the 'Maggi Love Share' public welfare website www.maggiloveshare.com, which collected and shared information all of our public welfare activities and volunteer experiences. Through photographs, videos, articles, and the limitless power of the Internet, the information was shared within good friends and colleagues, letting more people know how to take part in these activities. Regardless of donating money or being a volunteer, we expect that sharing positive energy through this website will lead to more achievements. Maggi Love Share has been established for 6 years. Every month it publishes 3 electronic articles with over 170,00 visitors browsing the site and continuously receives responses shared by a broad range of readers, clearly demonstrating the effectiveness of the website as a positive public platform. In the future, we will be pleased to see the broadcasting of positive knowledge continued multiplying in volume, and hope that sincere sharing will resonate with everyone who contributes to society with his/her own strength.

(9) Status of Implementation of the Internal Control System

1. Statement on Internal Control: refer to p.148~149 (supplementary material 1)
2. Review of internal control system by authorized accountant, should disclose the accountant's review report: none

(10) Punishment of the Company and its internal employees by law, punishment of the Company and its internal employees violating rules of the internal control system, major incidents of defects and improvements in the latest year and up to the printing of this report: None.

(11) Important resolutions of Shareholders' Meeting and Board of Directors in the most recent year and up to the printing date of the annual report

1. Implementation of important resolutions from 2018 Shareholder's Meeting

The 2018 annual Shareholders' Meeting was held by the Company on June 20, 2018, in Zhonghe, New Taipei City, resolutions approved by shareholders attending the meeting and implementation status are as below:

Date of meeting	2018 General Shareholders' Meeting
2018.06.20	1.Approved 2017 Operating Report and Financial Report (including individual and consolidated financial reports) Implementation status: The relevant list has been submitted to the competent authority for inspection and announcement in accordance with the relevant laws and regulations.
	2.Approved proposal for 2017 surplus distribution Implementation status: 2017 surplus distribution, shareholder dividends based on the number of shares outstanding 119,725,950 shares, NT$3 issued for each share, total amount cash dividend issued NT$359,177,850, calculate separately cash remuneration od Directors, Supervisors NT$11,541,134; employee remuneration issued NT$39,239,857; June 20, 2018, Board of Directors' Meeting resolution passed July 14, 2018, as cash dividend interest base date, and on July 27, 2018, issued cash dividends.

2. Important resolutions of Board of Directors' meeting

(1) Independent Directors' attendance of Board of Directors' meeting

2018 up until the printing of the annual report attendance of Independent Directors at each Board of Directors' meeting ◎：attend in person；★：attended by proxy；※：did not attend

2018/2019	2018 1st meeting	2018 2nd meeting	2018 3rd meeting	2018 4th meeting	2018 5th meeting	2018 6th meeting	2019 1st meeting	2019 2nd meeting
Huang Wencheng	◎	◎	◎	◎	◎	◎	◎	◎
Tsao Anpang	◎	★	◎	★	★	◎	◎	◎
Hsu Kueiying	◎	◎	◎	◎	◎	◎	◎	◎

(2) Important resolutions of Board of Directors' meeting

Date of important resolution	Content of important resolution
4th meeting on the 13th term, February 2, 2018	1. Resolution approved the Company held a meeting of the Remuneration Committee on February 2, 2018, regarding the resolution on the issuance of managers' salary and annual bonus. 2. Resolution approved the Company's 2018 operation plan and budget. 3. Resolution approved the Company's amendment to the Rules of Procedure of the meeting of the Board of Directors. 4. Resolution passed the Company's amendment to Independent Directors Rules of Responsibility. 5.Resolution passed the Company's proposal to extend credit of Taiwan Bank Yonghe Branch by NT$240,000,000. 6.Resolution passed the Company proposes an extension to Procase & Morex Corp. endorsement guarantee of US$3,500,000.
5th meeting on the 13th term, March 20, 2018	1. Resolution passed the Company's 2017 'Statement on Internal Control System'. 2. Resolution passed Proposal on the amendment of part of the articles in the Company's 'Internal Control System' and 'Internal Auditing Implementation Regulations'. 3. Resolution passed the Company held a meeting of the Remuneration Committee on March 20, 2018, resolution 2017 distribution of employee compensation and Director and Supervisor remuneration. 4. Resolution passed on the Company's 2017 annual Financial Statements, and 2017 Business Report compiled by the Company. 5. Resolution passed the Company's 2017 surplus distribution. 6. Resolution passed 2018 general shareholders' meeting 'Operation of Shareholders' Proposals'. 7. Resolution passed 2018 the Company 2018 General Shareholders' meeting discussion of matters. 8. Resolution passed the Company's proposal to extend credit of Citibank by US$6,000,000. 9. Resolution passed Chenbro Micom (USA) INC to extend credit of Citibank by US$2,000,000, through parent company provide an endorsement guarantee. 10. Resolution passed subsidiary company Chenbro Technology (Kunshan) Co. Ltd. agrees with Dawning Information Industry Co., Ltd. to establish a storage server company, both parties sign a memorandum without legal effect, negotiating in good faith on assessment of the possibility of establishing a joint venture company.
6th meeting on the 13th term, May 8, 2018	1. Resolution passed the Company's 2018 first quarter financial statement. 2.Resolution passed Proposal on 2018 General Shareholder's meeting 'Operation of Shareholders' Proposals' explanation of reasons why shareholders' proposals haven't been listed in the regular shareholder meeting. 3. Resolution passed the Company's new plan to extend credit from Cathay United Bank by NT$200,000,000

Date of important resolution	Content of important resolution
7th meeting on the 13th term, June 20, 2018	1. Resolution passed 2017 cash dividend interest base date. 2.Resolution passed on June 20, 2018, the Company convenes new Remuneration Committee and its resolutions. 3.Resolution passed due to personal reasons prior Auditing Manager Su Hui-Rong, resigned on April 11, 2018, Lin Xiu-ling was newly appointed to take the vacancy of Auditing Manager, effective from June 1, 2018, proposal for request for ratification. 4.Resolution passed the Company's proposal for new appointment of the Company's President. 5. Resolution passed the Company's proposal for extension of Bank SinoPac by NT$200,000,000. 6.Resolution passed the Company proposes an extension to CTBC Bank credit by NT$ 100,000,000. 7.Resolution passed the Company proposes an extension to CTBC Bank foreign exchange financial derivatives operation of US$500,000.
8th meeting on the 13th term, August 7, 2018	1.Resolution passed the Company's proposal closing of subsidiary CHENBRO UK Limited, due to integration of the Company's investment structure. 2. Resolution passed the Company proposes capital increased by cash to subsidiary Micom Source Holding Company of US$2,000,000, then transfer investment to subsidiary ADEPT International Company. 3. Resolution passed the Company proposes an extension to the Shanghai Commercial Bank credit by US$3,000,000. 4.Resolution passed the Company proposes an extension to Taipei Fubon Bank credit of US$3,000,000. 5.Resolution passed the Company proposes an extension to Taipei Fubon Bank foreign exchange financial derivatives operation of US$500,000. 6.Resolution passed Procase & Morex Corp. propose an extension to credit of US$3,000,000, and provide an endorsement through the parent company. 7.Resolution passed Chenbro Micom (USA) INC propose an extension to credit of US$2,000,000, and provide an endorsement through the parent company.
9th meeting on the 13th term, November 6, 2018	1. Resolution passed planning of the Company's 2019 audit proposal.
10th meeting on the 13th term, January 25, 2019	1. Resolution passed the Company held a meeting of the Remuneration Committee on January 25, 2019, regarding the resolution on the issuance of managers' salary and annual bonus. 2. Resolution passed proposal on the Company's 2019 operation plan and budget. 3. Resolution passed the Company proposes an extension to credit of Taiwan Bank, Zhonghe Branch, by NT$240,000,000. 4.Resolution passed the Company proposes an extension to credit of E.Sun Bank, by NT$100,000,000. 5.Resolution passed the Company proposes an extension to Procase & Morex Corp. endorsement guarantee of US$3,500,000. 6.Resolution passed the Company proposes an extension to Taiwan Bank, Zhonghe Branch, foreign exchange financial derivatives operation of US$500,000. 7.Resolution passed Procase & Morex Corp. proposes an extension to Taiwan Bank, Zhonghe Branch, foreign exchange financial derivatives operation of US$500,000.
11th meeting on the 13th term, March 19, 2019	1.Resolution passed the Company's 2018 'Statement on Internal Control System'. 2.Resolution passed proposal on the Company's 2018 annual Financial Statements, and 2018 Business Report compiled by the Company. 3.Resolution passed proposal on the Company's 2018 surplus distribution. 4.Resolution passed the Company held a meeting of meeting resolutions of the Remuneration

Date of important resolution	Content of important resolution
	Committee on March 19, 2019, 5.Resolution passed 2018 general shareholders' meeting 'Operation of Shareholders' Proposals'. 6.Resolution passed proposal on changes in the Company's accountants due to operation pf PWC's internal rotation. 7.Resolution passed Proposal on CPA independence. 8.Resolution passed proposal for items for discussion at convening of the Company's 2019 Regular shareholders' meeting
12th meeting on the 13th term, May 14, 2019	1.The "Shareholder proposal assignment" of 2019 General Meeting explains the reasons about the Shareholder proposals were not included in the General Meeting. 2.Proposal for the Company amends the "Articles of Incorporation." 3.Proposal for the Company amends the "Acquisition or Disposition of Asset Disposal Guidelines." 4.Proposal for the Company revised the "Loans to Others Operation Process." 5.Proposal for the Company amends the "Endorsement & Guarantee Operating Procedures." 6.Proposal for the Company revised the "Practical Codes of Incorporation Governance." 7.Proposal for the Company established "Standard Operating Procedures for Handling Directors Requirements." 8.Proposal for the Company convened the discussion items of 2019 General Meeting of Shareholders. 9.In order to operate flexibly the fund, the Company intends to extend the proposal of credit line to Citibank USD 6,000,000. 10.In order to operate flexibly the fund, the Company intends to extend the proposal of credit line to Cathay United Bank TWD200,000,000. 11. In order to operate flexibly the fund, the Company intends to extend the proposal of credit line to CTBC Bank TWD100,000,000. 12. In order to buy and sell foreign exchange and hedging demands, the company intends to extend the proposal for foreign exchange financial derivatives operation quota USD 500,000 of CTBC Bank. 13.The Company intends to withdraw the proposal for endorsement and guarantee of Chenbro Micom (USA) Inc. and Procase & Morex Corp. with total USD 5,000,000.

Related information please go to 'Market Observation Post System' http://mops.twse.com.tw for inquiries

(12) Directors or supervisors have expressed opposition or qualified opinions that have been noted in the record or declared in writing in connection with the important resolutions passed by the Board of Directors in the latest year and up to the printing date of this Annual Report: None.

(13) During the latest year and up to the printing date this Annual Report, the Company's chairman, President, accounting director, financial director, internal auditors, and R&D supervisor had resigned or been dismissed:

Summary of the resignation of the President of the Company May 14, 2019

Title	Name	Date Assumed	Date Dismissed	Reason for Dismissal
President	Chen Meichi	10/31/2013	07/02/2018	Chairman is no longer as the deputy of President

5. Information Regarding CPA Professional Fees

Amount unit: NTD thousand

CPA Firm	Name of accountant	Audit fee	Non-audit fee					Inspection period	Remarks
			System design	Commercial registration	Human resources	Other (Note2)	Subtotal		
PwC Taiwan	Zeng Huizhen, Zhi Bingzhen	4,404	0	0	0	5,599	5,599	2018/01/01~ 2018/12/31	1.The transfer price report and risk assessment related services NT$4,159 2.Assisting in the closing Holland subsidiary related service NT$1,440
BDO Taiwan	Zhang Shucheng	0	0	0	0	45	45	2018/01/01~ 2018/12/31	2018 Business tax audit certification for dual-status business entities applying by the direct deduction method

Note 1：In the event that the Company replaced the Certified Public Accountants or Certified Public Accountant Office in the year, the period covered in audit should be respectively indicated, with remarks of the causes leading to replacement.

Note 2：For non-audit public funds please list separately according to each service item, if non-audit public funds in 'others' reaches non-audit total amount of 25%, the content of the service should be listed in the remarks column.

Range of CPA professional fees

Amount unit: NTD thousand

Amount range \ Fee item		Audit fee	Non-audit fee	Total
1	Under 2 million	0	0	0
2	2 million(included) ~ 4 million	0	0	0
3	4 million(included) ~ 6 million	4,404	5,644	10,048
4	6 million(included) ~8 million	0	0	0
5	8 million(included) ~ 10 million	0	0	0
6	Over 10 million (included)	0	0	0

Information related to the accountant's public fees:

(1) In the event that the aggregate total non-audit fees paid to the certifying Certified Public Accountants, Certified Public Accountant Office or an affiliated enterprise thereof account for over one quarter, please disclose the contents of the amounts and non-audit services: In the Company, the non-audit fees are not up to one quarter of the fees.

1. PwC Taiwan audit public fee is for finance and tax certified cost use. Content of non-audit fees and was transferred to valuation report and risk assessment related services, to assist in the related services of closing the Holland subsidiary.

2. BDO Taiwan non-audit fee business tax audit certification for dual-status business entities applying by the direct deduction method.

(1) When the audit fee is lesser than that of the previous years after changing a CPA firm, disclose the amount after a CPA firm change and the reasons of such change: N/A

(2) When the audit fee is lesser than that of the previous year by over 15%, disclose the amount and proportion less and the reasons of such change: None.

6. Information Regarding Replacement of CPA

1. About the Former CPA

<table>
<tr><td>Date of change</td><td colspan="4">March 19, 2019, passed by Board of Directors</td></tr>
<tr><td>Reasons and explanation for change</td><td colspan="4">According to Statements of Auditing Standards No. 46 ‘Quality Control for Firms’ rules of Article 68 rules and PwC internal organization adjustment, from 2019 onwards CPAs Zeng Huizhen, Zhi Bingzhen will replace Pan Huiling, Zeng Huizhen.</td></tr>
<tr><td rowspan="3">Explanation for termination or refusal of appointment from the Company or the accountant</td><td colspan="2">party
Condition</td><td>CPA</td><td>Appointed person</td></tr>
<tr><td colspan="2">Active termination of contract</td><td>N/A</td><td>N/A</td></tr>
<tr><td colspan="2">No longer Accepting (continuing) commission</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Audit opinion and reasons for opinions other than issuance of unqualified-standard wording in the most recent two years:</td><td colspan="4">None</td></tr>
<tr><td rowspan="6">Differences of opinion with

financial statement issuer</td><td rowspan="4">Yes</td><td></td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statement</td></tr>
<tr><td></td><td colspan="2">Scope of verification or procedures</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td>No</td><td colspan="3">V</td></tr>
<tr><td colspan="4">Comment</td></tr>
<tr><td>Other matters of disclosure (Article 10, paragraph 6 of the Guidelines, Articles I4 to VII should be disclosed)</td><td colspan="4">N/A</td></tr>
</table>

2. About successor CPA

Name of the Accounting Firm	PwC Taiwan
Name of CPA	Zeng Huizhen, Zhi Bing-hen
Date appointed	March 19, 2019, passed by Board of Directors’
Consultation for the accounting methods or accounting principles and likely opinions that may be issued for the financial statements and results for specific transactions before appointment	None
Written opinion from successor CPA for expressing different opinions from the previous CPA	None

3. Former CPA’s reply to items 1 and item 2-3, paragraph 6, Article 10 of the “Regulations Governing Information to be Published in Annual Reports of Public Companies”: It is the internal rotation of the accounting firm, so it is not applicable.

7.The Management Level in Charge of Finance or Accounting, Held A Position at the Accounting Firms or Related Enterprise as A Certified Public Accountant within One Year:

None.

8.The Status of Transfer of Shareholder's Equity and Change of Equity Pledge for Main Board Members and Shareholders with Shareholding Ratio More Than 10% in Current Year:

(1) Changes in shareholdings of directors, supervisors, managers, and major shareholders

unit: shares

Title	Name	2018		2019 until April 29	
		Increase (decrease) in shareholdings	Increase (decrease) in pledged share	Increase (decrease) in shareholdings	Increase (decrease) in pledged shares
Chairman	Chen Meichi (Note 1)	0	0	0	0
Director	Lee Tsunyen	0	0	0	0
Director	Wu Chungpao	0	0	0	0
Director	Hsu Shenkuo (Note 2)	(135,000)	0	Note2(269,000)	0
Independent Director	Hsu Kueiying	0	0	0	0
Independent Director	Huang Wencheng	0	0	0	0
Independent Director	Tsao Anpang	0	0	0	0
Supervisor	Huang, Lilong	0	0	0	0
Supervisor	Lee Yami	0	0	0	0
Supervisor	Chen Jenshyang	0	0	0	0
President	Chen Yanan (Note 3)	0	0	0	0
Global Business Division Vice President	Hui Kinnam (Note 4)	0	0	0	0
CFO	Tsou Keti	0	0	0	0
Global Product Marketing Vice President	Lin Tsungmin	0	0	0	0
Global R&D Vice President	Huang yutzu	9,000	0	0	0
Finance and Accounting Division Vice President	Chih Chialin (Note 5)	0	0	0	0
Shareholder with a stake of more than 10 percent	Chen Feng-ming (Note 6)	0	(3,422,000)	0	0
	Pengwei Investment Holding (Note 6/Note 7)	9,521		78,567	1,250,000

Note 1：Chairman Chen Meichi was as the deputy of President, and ended the deputy on July 2, 2018.

Note 2：The Director Hsu Shenkuo was dismissal naturally on March 5, 2019, and already transferred his shareholding on March 31, 2019.

Note 3：Chen Yanan was newly appointed as President with ending tenure as Vice President of Business Division on July 2, 2018.

Note 4：Hui Kinnan was newly appointed as Vice President in Global Business Division instead of Chenbro Micom (USA) Inc.on July 2, 2018.

Note 5：Vice President Chih Chialin ended tenure as Vice President of Finance on July 2, 2018.

Note 6：Major shareholder with a stake of more than 10 percent.

Note 7：Chairman Chen Meichi's shareholding held in another name.

(2) Changes in pledge of stock rights: None.

(3) Opposite party of interested party in transfer of pledge of stock rights: None.
(4) Opposite party of interested party in pledge of stock rights: None.

9. Relationship Information, If among the Company's 10 Largest Shareholders Any One Is A Related Party or A Relative within the Second Degree of Kinship of Another

April 22 2018 unit: shares

Name(Note 1)	Personal Shareholdings		Shareholdings of spouse/minor children		Shareholdings in the name of a third party		omutual relationships of top ten shareholders or their spouse, or within second-degree relative of consanguinity to each othr, their titles or names and relationship (Note 3)		Remarks
	Share	%	Shares	%	Share	%	Tile (Name)	Relationship	
Chen Feng-ming	13,614,433	11.37	5,296,029	4.42	0	0	Lee Tsungyen Chen Meichi Chen Lianchun	Spouse Sister Brother-in-law	N/A
Pengwei Investment Holdings Representative：Chen Lianchwen	12.127,000	10.13	0	0	0	0	Chen Meichi Chen Fengming Lee Tsunyen	Spouse Relation by Marriage Relation by Marriage	N/A
Lienmei Investment Representative：Chen Meichi	11,830,000	9.88	0	0	0	0	Chen Lianchun Chen Fengming Lee Tsunyen	Spouse Younger Brother Sister-in-law	N/A
Chen Meichi	9,656,009	8.07	1,914,577	1.60	12.127,000	10.13	Chen Lianchun Chen Fengming Lee Tsunyen	Spouse Younger Brother Sister-in-law	N/A
Minguang Investment Holdings Representative：Lee Tsunyen	9,239,967	7.72	0	0	0	0	Chen Fengming Chen Meichi Chen Lianchun	Spouse Relation by Marriage Relation by Marriage	N/A
Lee Tsunyen	5,296,029	4.42	13,614,433	11.37	0	0	Chen Fengming Chen Meichi Chen Lianchun	Spouse Relation by Marriage Relation by Marriage	N/A

Name(Note 1)	Personal Shareholdings		Shareholdings of spouse/minor children		Shareholdings in the name of a third party		omutual relationships of top ten shareholders or their spouse, or within second-degree relative of consanguinity to each othr, their titles or names and relationship (Note 3)		Remarks
	Share	%	Shares	%	Share	%	Tile (Name)	Relationship	
HSBC trustees the specific account of Morgan Stanley & Co. International Plc.	2,932,000	2.45	0	0	0	0	N/A	N/A	N/A
Standard Chartered trustees Credit Suisse – Renaissance long term sales	2,563,000	2.14	0	0	0	0	N/A	N/A	N/A
Chou Sujung	2,000,000	1.67	0	0	0	0	N/A	N/A	N/A
Chen Lianchun	1,914,577	1.60	0	0	0	0	Chen Meichi	Spouse	N/A

Note 1: All top ten shareholders should be listed. Names of institutional shareholders and their representatives should be listed individually.

Note 2: Ratio means the total number of shares held by the person, spouse and underage children, and in the name of a third party.

Note 3: The relationship between shareholders listed above, including institutional and individual shareholders, should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

December 31, 2018 unit: 1,000 shares

Investee (Note1)	Investment by the Company		Investment by directors, supervisors, managers, direct or indirect control groups		Combined investment	
	Shares (1,000 shares)	%	Shares (1,000 shares)	%	Shares (1,000 shares)	%
CHENBRO EUROPE B.V. (Note 2)	20	100%	0	0	20	100%
Micom- Source Holding Co.	20,450	100%	0	0	20,450	100%
CHENBRO MICOM (USA) INC.	10,000	100%	0	0	10,000	100%
CLOUDWELL HOLDINGS, LLC.	3,600	100%	0	0	3,600	100%
CHENBRO GmbH	250	100%	0	0	250	100%
CHENBRO UK Limited (Note 3)	0	100%	0	0	0	100%

Note 1：Investments Accounted for Using Equity Method

Note 2：Chenbro Europe B.V was disbanded after resolution was approved by the Board of Directors on May 9, 2017, completion of liquidation was done by March 2019.

Note 3：Chenbro UK Limited was transferred to the direct shareholding of the Company after resolution was approved by the Board of Directors on May 9, 2017 and change and registration of equity transfer was completed by August 2017. The Board of Directors approved resolution to reduce GBP capital by GPB 19,999, after completion then will carry out closer, by October 2018 had already finished processing capital reduction.

4

Capital and Shares

1. Capital and Shares
2. Issuance of Corporate Bonds
3. Preferred Shares
4. Overseas Depositary Receipts
5. Employee Stock Option Certificates
6. New Restricted Employee Shares
7. New Share Issuance in Connection with Mergers or Acquisitions of Other Companies.
8. Financing Plans and Implementation

4. Capital and Shares

1. Capital and Shares

(1) Capital source

Year	Issued Price (TWD)	Approved Capital		Paid-in Capital		Notes		
		No. Shares (1,000 shares)	Amount (1,000 TWD)	Shares (1,000 shares)	Amount (1,000 TWD)	Capital source (1,000 TWD)	Capital stock coming other sources rather than cash	Others
1983/12	0	0	500	0	500	Capital 500	N/A	72.12.05 Jian-1-tzi-di 106007
1984/05	0	0	2,000	0	2,000	Capital increased by cash 1,500	N/A	73.5.28 Jian-1-tzi-di 144359
1986/11	0	0	7,000	0	7,000	Capital increased by cash 5,000	N/A	75.11.12 Jian-1-tzi-di 169350
1989/12	0	0	25,000	0	25,000	Capital increased by cash 18,000	N/A	79.01.05 Jian-1-tzi-di 110347
1990/10	10	7,500	75,000	7,500	75,000	Capital increased by cash 50,000	N/A	80.1.7 Jing(80)-shang-tzi 00117
1998/09	10	13,500	135,000	13,500	135,000	Earnings to capital 30,000 Capital increased by cash 30,000	N/A	87.10.06 Jing(8)-shang-tzi 131175
1999/08	10	80,000	800,000	30,230	302,300	Capital increased by cash 25,000 Earnings to capital 142,300	N/A	Cheng-chi-Hwei 88.7.19 (88)Tai-chai-cheng(1)-63566
2000/08	10	80,000	800,000	46,331	463,308	Earnings to capital 161,008	N/A	Cheng-chi-Hwei 89.8.24 (89)Tai-chai-cheng(1)-70667
2001/09	10	80,000	800,000	50,037	500,373	Surplus to capital 37,065	N/A	Cheng-chi-Hwei 90.8.23 (90)Tai-chai-cheng(1)-153655
2002/09	10	80,000	800,000	54,040	540,402	Earnings to capital 40,030	N/A	Cheng-chi-Hwei 91.8.16 (91)Tai-chai-cheng 0910145672
2004/11	10	80,000	800,000	60,358	603,587	Earnings to capital 52,377 Surplus to capital 10,808	N/A	FSC 93.9.30 Jin-guan-cheng-yi-tzi 0930144328
2005/08	10	80,000	800,000	70,425	704,252	Earnings to	N/A	FSC 94.7.19

Year	Issued Price (TWD)	Approved Capital		Paid-in Capital		Notes		
		No. Shares (1,000 shares)	Amount (1,000 TWD)	Shares (1,000 shares)	Amount (1,000 TWD)	Capital source (1,000 TWD)	Capital stock coming other sources rather than cash	Others
						capital 100,665		Jin-guan-cheng-yi-tzi 0940129149
2006/08	10	90,000	900,000	81,971	819,712	Earnings to capital 115,460	N/A	FSC 95.7.19 Jin-guan-cheng-yi-tzi 0950131442
2007/07	10	120,000	1,200,000	95,537	955,369	Earnings to capital 135,657	N/A	FSC 96.7.17 Jin-guan-cheng-yi-tzi 0960037071
2008/07	10	120,000	1,200,000	111,511	1,115,109	Earnings to capital 159,740	N/A	FSC 97.7.25 Jin-guan-cheng-yi-tzi 0970037754
2011/06	10	120,000	1,200,000	115,506	1,155,057	Earnings to capital 39,948	N/A	FSC 100.6.21 Jin-guan-cheng-yi-tzi 1000028489
2012/06	10	150,000	1,500,000	120,126	1,201,260	Earnings to capital 46,202	N/A	FSC 101.6.19 Jin-guan-cheng-yi-tzi 1010027336
2016/10	10	(400)	(4,000)	119,726	1,197,260	Write-off Inventory (4,000)	N/A	FSC 105.10 Jing-sho-shang-tzi-105 01246700

Share Type	Approved capital			Notes
	Shares in circulation	Unissued shares	Total	
Common stock	119,725,950	30,274,050	150,000,000	

(2) Shareholder structure

4/29/2019 Unit: share

Shareholder / Amount	Government Agency	Financial Institutions	Others	Individual	Foreign institutions and individuals	Total
No. of people	0	0	46	5,834	83	5,963
Shares held	0	0	38,665,463	62,747,795	18,312,692	119,725,950
Held ratio	0	0	32.3	52.4	15.3	100.00

(3) Distribution of holdings
Common stock

4/29/2019 Unit: share

Tiers for No. of shares held	No. of shareholders	No. of shares held	Held ratio (%)
1 To 999	1,205	251,570	0.21
1,000 To 5,000	3,766	7,220,189	6.03
5,001 To 10,000	463	3,618,682	3.02
10,001 To 15,000	130	1,641,082	1.37
15,001 To 20,000	100	1,839,542	1.54
20,001 To 30,000	74	1,862,961	1.56
30,001 To 50,000	76	2,932,572	2.45
50,001 To 100,000	64	4,577,050	3.82
100,001 To 200,000	37	4,840,264	4.04
200,001 To 400,000	22	6,604,190	5.52
400,001 To 600,000	4	1,958,000	1.64
600,001 To 800,000	5	3,714,218	3.10
800,001 To 1,000,000	3	2,736,988	2.29
Over 1,000,001	14	75,928,642	63.41

Tiers for No. of shares held	No. of shareholders	No. of shares held	Held ratio (%)
Total	5,963	119,725,950	100.00

Notes: Each share is valued at 10TWD

2. Preferred stock: Not applicable.

(4) List of main shareholders

4/ 29/2019 Unit: share

Shareholder \ Shares	No. of shares held	Holding ratio (%)
Chen Fengming	13,614,433	11.37
Pengwei Investment Holdings	12,127,000	10.13
Lianmei Investment	11,830,000	9.88
Chen Meichi	9,656,009	8.07
Minguang Investment Holding	9,239,967	7.72
Lee Tsunyen	5,296,029	4.42
HSBC trustees the specific account of Morgan Stanley & Co. International Plc.	2,932,000	2.45
Standard Chartered trustees Credit Suisse – Renaissance long term sales	2,563,000	2.14
Chou Sujung	2,000,000	1.67
Chen Lianchwen	1,914,577	1.60

(5) Share market price, net value, earnings, dividend and relevant data

Unit: TWD/share

Item \ Year		2017	2018	2019 as of 31st March (Note 8)
Share market price (Note 1)	Highest	58.6	51.8	78.4
	Lowest	40.8	31.1	41.85
	Average	51.50	42.17	63.13
Net value per share	Before distribution	24.38	26.44	28.44
	After distribution	-	-	-
EPS	weighted-average shares	119,725,950	119,725,950	119,725,950
	Base share earnings (Note 3)	3.80	5.37	1.56
Dividend per share	Cash Dividend	3.0	Note 2	-
	Surplus dividend	0	0	-
	Capital surplus dividend	0	0	-
	Undistributed dividend (Note 4)	0	0	-
Investment Return Analysis	Price earnings ratio (Note 5)	13.55	7.85	-
	Price-Earnings Ratio (Note6)	17.17	Note 9	Note 9
	Cash dividend yield % (Note7)	5.83	Note 9	Note 9

If earnings or capital surplus is used to distribute dividend, information on adjusted market price and cash dividend should be disclosed.

Note1: The highest and lowest market price for common stock is listed and the average market price for each year is calculated based on the value of successful transfers and the number of shares transferred.

Note2: Resolution was made on the shareholder meeting that the cash dividend for 2018 is 4.00TWD

Note3: For trace adjustments for situations where no bonus shares are distributed, the earnings per share before and after adjustment is to be disclosed.

Note4: If there are set regulations in which undistributed equity security dividends are to be distributed when there is annual surplus, it should be disclosed in the accumulated undistributed dividend as of the year.

Note5: Price-Earnings Ratio = Average market closing price/earnings per share

Note6: price to dividend ratio = Average market closing price/dividend per share

Note7: Cash dividend yield = Dividend per share/Average market closing price of the year

Note8: Net value, earnings per share should be noted as of the publication date of the annual report and according to the quarter data audited (reviewed) by an accountant. All remaining fields are to be filled in with data as of the publication date of the year's annual report.

Note9: The earnings distribution of 2018 has yet to be approved by the shareholder's meeting.

(6) Company's dividend policy and implementation

1. Dividend policies

If earnings exist after the final account of the year, the earnings are to be distributed according to the priority below:
(1)Payment of taxes.
(2)Covering of losses.
(3)First set aside ten percent of such profits as a legal reserve. However, when the legal reserve amounts to the authorized capital, this shall not apply.
(4)Set aside sum as special reserve or disclosed according to the law or the regulations of security competent authority.
(5)If earnings still exit, it should be integrated into accumulated undistributed earnings. The board of directors is to decide whether it should be retailed or distributed as dividend based on the financial situation and economic development of the given year. It is then passed on for approval at the shareholders' meeting. The Company's dividend policy is to take into account the Company's profitability, future growth, capital budget planning, monetary needs and other factors in fulfilling shareholder interests and the Company's long-term plans. Shareholder interest can be distributed through cash dividend or share dividend, but cash dividend cannot be lower than 10 percent of the total dividend sum. If cash dividend is lower than 0.2TWD, dividend is not distributed through cash but rather share dividend.

2. Implementation Status: Distribution according to the shareholders' meeting

The Company has decided to allocate $478,903,800 TWD as shareholder cash dividend from 2018 earnings. Each share is to distribute 4TWD in dividend. After being passed by the shareholders' meeting, the board of directors meeting is authorized to set the base distribution date.

3. Expected major changes to dividend policies: The Company does not expect to make major changes to its dividend policies. A minimum of 60% of the earnings can be distributed as shareholder dividend.

(7) The impact of the shareholder's meeting decision on issuance of bonus shares regarding the Company's operating performance and EPS

The Company did not issue dividend this year. This does not apply.

(8) Compensation of employees, directors, and supervisors:

1. According to the Articles of Incorporation, if the Company makes profit, a minimum of 6% is to be used as employee compensation while a maximum of 3% is to be used as compensation for directors and supervisors.

The board of directors decides whether to distribute by share or cash, and the employees' compensation shall include employees of the subordinate company that meet certain conditions. The certain conditions are to be determined by the board of directors. The compensation for employees and the distribution of compensation for directors and supervisors shall be reported at the shareholders' meeting. However, if the company accumulates losses, it should retain the amount of losses in advance, and then reimburse directors and supervisors and employee compensation according to the proportion of the preceding paragraph.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period.

Employee compensation and compensation of directors are recognized as expenses and liabilities when they are legally or deductive and be reasonably estimated. If there is a discrepancy between the actual distributed amount and the estimated amount, the change will be handled according to accounting estimates. In addition, the Chenbro group calculates the number of shares of the stock dividends based on the fair value per share of the previous day prior to the day in which the resolution was made on the annual shareholders' meeting, which follows the year of the financial reporting, while taking into account the amount after dividend when calculating the number of dividend shares.

3.Employee compensation approved by the board of directors meeting:

●Distribution of the compensation amount and share dividend for employees and directors & supervisors: Resolution was made on March 19 2019 at the board of directors meeting, that the Company's employee compensation for 2018 would be $56,273,950TWD; director & supervisor compensation would be $16,551,162TWD, with the basis for estimation being the annual profit as of the year.

●Proposed distribution of employee share compensation and the proportion of total net profit after tax and individual employee's remuneration for individual or individual financial statements of the current period: This is not applicable to employee shares, so it is not applicable.

●After taking into consideration the compensation distribution for employees, directors and supervisors, the earnings per share is set a 5.37 TWD.

4. Distribution of employee and director & supervisor compensation for the past year.

The Company's 2017 actual distribution of compensation is as follows:

Unit: TWD;1,000 TWD:1,000 shares

	Distribution approved by the board of directors meeting
1. Distribution:	
1.Employee cash compensation	39,240
2.Employee share compensation	0
(1) Shares	0
(2) Amount	0
(3) Percentage ration compared to the number of shares in circulation	0
3. Director & supervisor compensation	11,541

(9) Company repurchases its shares

N/A

2. Corporation Bonds

N/A

3. Preferred Shares

N/A

4. Overseas Depositary Receipts

N/A

5. Employee Stock Option Certificates

N/A

6. New Restricted Employee Shares

N/A

7. New Share Issuance in Connection with Mergers or Acquisitions of Other Companies

N/A

8. Financing Plans and Implementation

As of the quarter before the publication date of the annual report, the distributions prior or incomplete private offering or if completed within the past three years but has yet to take effect:

The Company has no plans to issue or conduct privately offered securities in the recent years, and thus is not applicable.

5

Operational Highlights

1. Business Activities
2. Market and Sales Status
3. Employee Analysis
4. Environmental Protection Information
5. Labor Relations
6. Major Agreements

5. Operational Highlights

1. Business Activities

(1) Business scope

(1) Main content of current business：

Computer application software engineering
Import/export of computer parts and peripherals
Computer peripherals and their parts, materials, hardware system development, production, processing, and sales.

(2) Sales ratio of main products (2018)

Unit: Thousand TWD

Main product	Revenue	Sales ratio (%)
Server chassis	4,038,899	62%
Peripherals and components	2,235,376	34%
PC computer chassis	246,239	4%
Total	6,520,514	100%

(3) Current products of the company

■ PC computer chassis and components

■ Industrial computer chassis and components

■ Server chassis

■ Computer peripherals

(4) Planned development of new products

Chenbro's product positioning will be based on the needs of end-users. It adopts three-dimensional concepts which are used to define the system, which in turn defines computer chassis and the development strategies of new products. Chenbro customizes PC cabinet and chassis for customers requiring high-specification system solutions as well as major and minor data center customers. With parts bank as foundation, Chenbro cooperates with the supply chain partners to jointly develop system-level solutions, deepen direct cooperation with customers, covering multiple fields. Applications, including 1U to 4U storage, cloud, artificial intelligence, etc., provide modular and flexible multi-chassis solutions. For the global network and system integration clients, Chenbro has introduced the following products.

a. Storage：

■ Cold SATA storage server based on single channel platform such as ARM, Intel Mellow, AMD EPYC, 2U 24x3.5" disk, 4U 40x3.5: disk and other products.

■ Warm SAS/SATA storage server based on Intel Cascade lake dual platform, 2U 24x3.5 disk, 4U 40x3.5" disk, 4U 100x3.5" disk and other products.

■ SAS/SATA JBOD, 4U 48x3.5" disk, 4U 96x3.5" disk and other products for storage array expansion.

■ Solid state storage (SATA/NVMe SSD) server, 1U 10x2.5" disk, 2U 24x2.5" disk and other products.

■ Hybrid storage (SAS/SATA/NVMe Tri-mode) server, 1U 2.5" SSD and 3.5" disc hybrid.

b. Edge Computing：

■1U single channel, 3x3.5" disk / 3x2.5" disk, front and rear I/O free switching;

■U single/dual channel, 6/8x2.5" disk, front and rear I/O free switching;

■3U single/dual, 8x2.5"/3.5" disk, free switching between front and rear I/O

c. Artificial intelligence：

■ 4U 4x GPGPU, 8x GPGPU;

d. Cloud computing：

■1U/2U, Intel Cascade Lake, AMD Rome platform products.

(2) Industry outlook

(1) The current status and developments of the industry.

■ Personal computer

According to the statistics from the Institute for Information Industry, the global desktop shipments in 2018 are estimated at 96,941,000 units; showing a decrease of 1.1% from 2017. Looking back at the 2018 global desktop computer market trend, there was growth in the first half of 2018, whether in the world or in the North America region, the biggest driving force is commercial computers. IDC also pointed out that due to the decline in video card prices, the number of PCs used in games surged drastically.

In the second half of the year, various PC brands launched new models to compete in the market, including commercial PCs and mini PCs. E-sports HP Omen, Dell Alienware, Lenovo Legion series all have new desktop products, but IDC preliminary results in the fourth quarter of 2018 show that the shipments of traditional PCs (desktops, laptops and workstations) were only about 68.1 million units, down 3.7% from the fourth quarter of 2017. The main factors were the shortage of processors in the whole industry. The excessive supply in the third quarter caused sales to be worse than expected. In addition, concerns exist regarding the escalation of economic tensions between China and the United States.

■ Server

According to Trend Force statistics, global servers shipped in 2018 totaled 12.42 million units, a 5% increase from 2017. Among which, Dell EMC, HPE (including H3C) and Inspur accounted for 16.7%, 15.1%, and 7.8% of the market respectively, making them the world's top three brand servers. Dell EMC continued to demonstrate the advantages in software and hardware, and uses Software Definition Service (SaaS), Basic Definition Service (IAAS) and actively deploying edge computing to improve the construction and integration of public and private clouds and continues to maintain a lead in the market. HPE has adjusted its orientation to niche products in its product structure, steadily growing enterprise application integration and hyper-converged architectures and gradually reducing the entry-level server product structure. In the past year, Inspur server shipments totaled nearly one million units, of which nearly 30% will be shipped to the China market, reflecting the continued demand of local cloud service providers.

In the chassis of continued expansion of the four major data center companies in the United States, the number of global server shipments accounted for 24.3%, 26.8%, and 29.6% of the global server shipments from 2017 to 2019. The shipments are estimated to expected to continue to increase. The annual growth rate is also better than the brand server, which is expected to become a key area of the server industry in the future.

(2) Relevance of the industry upper, middle, lower stream.

Upper stream	Middle stream	Down stream
Steel industry	PC computer chassis	PC computer
Copper foil industry		
Chemistry	Motherboard	Industrial PC
IC industry		
Circuit printing industry	Power supply	Server computer
Mold industry		
Computer software industry	Other computer parts	Systematic assembly

(3) Product development trends and competition

■ Personal computer

Looking forward to the global desktop market in 2019, the Type-C Gen2 interface is not only widely used in game consoles, but also adopted in commercial and workstation applications. New related application requirements such as high-speed data transmission, high-power charging and even display equipment are also addressed. Motherboard manufacturers also introduced models with embedded Type-C ports in the first quarter of 2018 to support this trend. The Windows 10 update process will also end in 2019, so there will be some replacement needs on the market, especially in Japan and the South Pacific region.

■ Server

At present, the server application market is still dominated by enterprise users, accounting for about 60% of the market, while the data center large-scale server group accounts for roughly 31%. In the future, with the popularity of cloud services, the data center server will grow to 35% of the market and the 5G pre-commercial business after 2020, the micro server application for edge computing (Micro Server) will show significant growth in the next 3-5 years.
With the development trend of the cloud, more and more vendors have joined the edge computing market, including large suppliers that originally only provided cloud computing services. In 2018, China's large data center service providers, telecom supply plants and Intel jointly developed a standard specification for operating networks of OTII (Open Telcom IT Infrastructure) servers. At the same time, Intel has also defined the Next Generation Central Office (NGCO) based on the x86 architecture. After the standard architecture and specifications are defined, the edge computing will gradually land in 2019.
In addition, under the trend of the Internet of Things (IoT), there will be a large amount of data computing requirements in the future, which cannot be completely processed by cloud computing. Therefore, relying on edge computing, the data generated by the terminal can be responded to and analyzed more quickly, which will enable the centralized large-scale server leads to the small-end server on the Edge side, which is widely distributed in the vicinity of the data generation end. In addition, the 5G business market is gradually becoming clearer, and the telecom communication factories are actively expanding their original fiber-optic bandwidth infrastructure. The relevant deployment specifications of the mobile communication system (5G) standard have become the goal of the world's major telecom system vendors. With the increase in the number of connected devices, the deployment of edge computing will be the most urgent implementation before the official transfer of 5G technology.

In regard to storage, with the popularity of the Internet of Things (IoT), digital information has undergone explosive growth while large data centers have transferred from the previous Scale-Up architecture to the Scale-Out architecture; the software definition service is a management prerequisite in Scale-Out. As the number of management nodes (Nodes) increases, the latency of data transfer also rises rapidly, and the NVMe storage interface will become more and more important. In addition, being able to properly preserve Cold Data in a state of further low energy consumption is also the focus of the large data center in the future.

In terms of storage, following the availability of Internet of Things (IoT) and the explosion of growth in digital data, large data centers have moved from scale-up to scale-out architecture, with software-defined service being the prerequisite of scale-out management. As the number of nodes increases, the delay in data transfer also rapidly rises, which is why NVMe storage interfaces have become increasingly important. Furthermore, how to properly store cold data under low-energy consumption conditions, will be the focus of large data centers in the future.

The development of Artificial Intelligence (AI) will also continue to push demand for growth in the server industry. Currently, the gradual shift of AI technology from “Core” to “Ends” application has accelerated its development and promotion. Low-energy consumption Field Programmable Gate Arrays (FPGA) are another key unit set to become worthy of attention. Regarding CPU platforms, despite 2018 originally being thought of as the pivotal year in the crossover from old to new platforms, server customers’ acceptance rate of Purley is still low and the significant shift in platform use will probably take place in 2019. Intel’s next generation platforms have confirmed to roll out in 2020 due to a delay in new processing technology.

Based on the above, the company has been deeply immersed in the white-label server market for a long time. It can provide customized, small and diverse products, and develop edge computing servers together with key customers. It is expected to propose solutions in the first half of 2019 and actively cooperate with Intel. In the next 1-2 years, the company will continue to innovate in design and manufacturing technology, provide the best customized institutional solutions, and take advantage of the rapid and small number of manufacturing advantages. The company's added value in the supply chain, master the product layout of the new market, provide customers with more complete and flexible services, and deepen the partnership with customers.

(3) Technology and development summary

(1) Total development costs in the recent year up to the date of report publishing

Unit：Thousand TWD, %

Annual / Items	2018(Note 1)	2019 Ends March 31 (Note 1 and 2)
Development cost	201,732	49,659
Revenue	6,520,514	1,560,448
Ratio of development cost against revenue (%)	3%	3%

Note 1: The information is a consolidated income statement in accordance with IFRS.
Note 2: Reviewed by an accountant in the first quarter of 2019.

(2) Successfully developed technologies or products

Under the framework of the Athena project, the company's R&D strategy for four-in-one product development, has continuously improved research and development capabilities and developed new products. By adopting modular design as the main direction and expanding the scale of parts banks to continue the versatility and standardization of products; thereby achieving scale advantages and effectively manage costs. Chenbro will also conduct in-depth exploration of new materials, new manufacture, new technologies and other fields. The focus of new materials will be on high strength while being lightweight, green for the environment, high damping in terms of noise reduction and rapid prototyping steel materials to increase product density as well as reduce the load of large data centers. Manufacture will focus on the introduction of new processes such as cross-border integrated manufacturing and CNC manufacturing to achieve lean management. New technologies will focus on changes in server systems and mainframes brought by storage, 5G, artificial intelligence and edge computing, with technological innovation used to maintain an industry leading competitive advantage. Chenbro also attaches great importance to the protection of intellectual property rights and continues to invest resources. Up to 2018, 410 patent applications have been filed in Taiwan, the United States and mainland China, with 329 patents have been obtained. In 2018, new patents have been launched for various products. The development and application of patents has added 33 new inventions, designs and new patents worldwide.

New products in 2018 are listed below：

New product model number	New product description
RM23808/12/24	2U rack-mount modular storage server chassis
RM24512/24	2U rack-mounted short chassis modular storage server chassis
RM23928 (K888G4)	2U rack-mount customized modular storage server chassis
RM23933 (P47)	2U rack-mount customized modular high-speed computing storage server chassis
RM23934 (K405)	2U rack-mount customized modular storage server chassis AMD Solution
RM23708	2U rack-mount custom modular storage server chassis (Grantley)
EASILY RAIL	1U/2U simple rail
RM23712	2U Rack mount Modular Storage Server chassis (Purley)
RM21933	2U rack-mount high-density high-performance modular high-end dual-server chassis
RM41926	4U rack-mount high-density high-performance modular high-end multi-server server chassis
RM41924	4U blade high-density high-performance tool-free modular computing and storage integrated air-cooled server chassis
RM41929	4U blade high-density high-performance tool-free modular computing and storage integrated air-cooled server chassis
RM13304/10	1U rack-mount modular storage server chassis
RM43596	4U rack-mount ultra-high-density modular Job chassis
RM43599	4U rack-mount ultra-high-density modular server chassis
RM19101	1U rack-mount customized storage server chassis
RM19105	1U rack-mount customized storage server chassis
RM19808	1U rack-mounted whole cabinet power supply customized storage server chassis
RM19A03	1U rack-mount customized high-density storage server chassis
RM11925	1U rack-mount custom-made solid-state hard disk high-capacity server chassis
RM11945	1U rack-mounted long chassis modular storage server chassis
RM21945	2U rack-mounted long chassis modular storage 4-node server chassis
RM21941	2U rack-mounted long chassis modular AI server chassis
RM41916	4U rack-mount modular storage server chassis
RM11944	1U storage node server blade chassis
RM21953	2U rack-mount modular storage server chassis

The new patent applications in 2018 are listed below：

Application date	Country	Type	Patent name	Product category
2018/1/17	China	Invention	Server chassis and component supports	Rackmount
2018/3/26	Taiwan	Design	Computer front panel	Rackmount
2018/3/26	Taiwan	Design	Computer front panel	Rackmount
2018/4/3	Taiwan	New model	Server device	Rackmount
2018/4/10	Taiwan	Design	Main panel	Rackmount
2018/4/10	Taiwan	Design	Main panel	Rackmount
2018/4/10	Taiwan	Design	Hard disk extraction box panel	Rackmount
2018/4/10	Taiwan	Design	Hard disk extraction box panel	Rackmount
2018/4/12	China	New model	Chassis structure	Rackmount
2018/4/18	Taiwan	New model	Containment structure and mounts	HDD Module
2018/4/20	China	Design	Computer front panel	Rackmount
2018/4/20	China	Design	Computer front panel	Rackmount
2018/5/9	China	Design	Main panel	Rackmount
2018/5/9	China	Design	Main panel	Rackmount
2018/5/9	China	Design	Hard disk extraction box panel	Rackmount

2018/5/9	China	Design	Hard disk extraction box panel	Rackmount
2018/7/11	China	New model	Connection between the electronic panel and chassis	Toolless
2018/7/11	China	New model	Cable management component and its cable management unit	Toolless
2018/7/20	Taiwan	New model	Panel installation components and its accessories	Toolless
2018/7/20	Taiwan	New model	Cable management component and its cable management unit	Toolless
2018/8/13	China	New model	Service apparatus	Rackmount
2018/8/17	United States	Invention	Fixture	HDD module
2018/8/22	United States	Invention	Open screw less access device positioning module	HDD module
2018/9/3	China	New model	Containment structure and mounts	HDD Module
2018/9/20	United States	Invention	Spring fixed structure of storage device tray	HDD module
2018/10/4	United States	Invention	Hardware support	HDD module
2018/11/21	Taiwan	New model	Door plate rotation limiting structure	Rackmount
2018/12/7	China	New model	Server chassis	Rackmount
2018/12/11	China	New model	Separator, hardware fixture, and servicer	HDD module
2018/12/13	China	New model	Door plate rotation limiting structure	Rackmount
2018/12/17	Taiwan	New model	Separator, hardware fixture, and servicer	HDD module
2018/12/28	Taiwan	New model	Servicer chassis and simulated chassis	Rackmount
2018/12/28	China	New model	Servicer chassis and simulated chassis	Rackmount

(4) Short- and long-term business development plan

In terms of short-term plans, in addition to focusing on the industry, Chenbro continues to develop customer bases and system integration plants for related applications, expand market share, and use existing market niche to develop products that support GPGPU and NVMe in response to new market trends such as AI and 5G. Rich variety of products will be used to provide customers with more flexible and diversified institutional solutions. We will continue to deepen our cooperation with domestic and international system integration manufacturers and end customers, and form strategic alliances with motherboard and key component suppliers, and strive to jointly develop more disciplined products in the field to provide better products and after-sales services, so as to meet the needs of customers and enhance the one-stop service capabilities of the company's products. In addition to technological breakthroughs in research and development, the company has continued to invest resources in participating in exhibitions in Taiwan, China, the United States and Europe, expanding its sales team to position itself for local marketing outlets, enhancing product visibility and building a diligent brand image, thereby increasing customer base and increasing product added value to achieve the company's operational goals.

In terms of long-term plans, in addition to strengthening existing products and market share with advanced R&D and manufacturing capabilities, we will continue to develop new markets and promote our business to countries such as India, Australia, ASEAN and Israel, and deploy international business teams to serve more clients. We will gradually build a comprehensive global production and sales network through comprehensive investment in R&D, production, marketing and finance. In terms of technological innovations, we continue to invest in research and development resources, maintain market leading position in material breakthrough and manufacturing technology, master market opportunities in the future data center, Internet of Things, edge computing, artificial intelligence, etc., and develop modular standard products to save customer investment costs and speed up the development of customer products, and continue to improve product quality and strengthen cost control, shorten orders to delivery cycle, in order to achieve the spirit of concise management. In the future, the company will continue to adhere to the business philosophy of “diligence and sincerity” and promote the core values that are approved by customers. In order to become the “leader of the global cloud industry electromechanical integration solution”, the four core values are “integrity, innovation and consensus”. Based on altruism, we are committed to "developing new products, new technologies or services", "improving productivity", "expanding of emerging markets or applications", and "cultivating the functions of old and young talents" to foster corporate competitiveness. Based on the global market, we will achieve sustainable business.

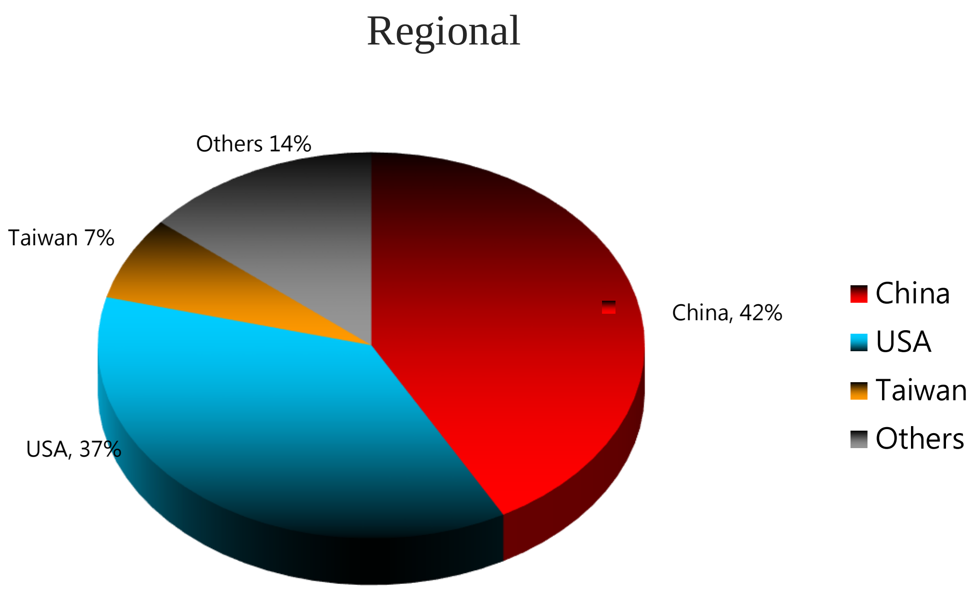
2. Market and Sales Status

(1) Market analysis

(1) Sales region of main products (services)

Unit：Thousand TWD

Region	Sales income	Percentage
China	2,740,916	42%
United States	2,443,186	37%
Taiwan	461,779	7%
Other revenue	874,633	14%
Total	6,520,514	100%



(2) Market share

According to the statistics of the Institute for Information Industry, the global desktop shipments of 2018 are estimated at 96,941,000 units. Chenbro's desktop computer chassis currently owns 0.35% of the market based on amount shipped. In terms of server casings, the shipment of 2018 global servers was 11,814,000 units, and the market share of Chenbro was estimated to be 12.7%.

(3) Future market supply and demands and growth

The International Monetary Fund's (IMF) expects the global economic growth rate to be 3.5% in 2019, mainly because of the US-China trade war, the weak economic growth in Europe, and the impact of Brexit. The growth rates of major economies are estimated to be 2.5% for the US, 6.2% for the China, 1.6% for the Eurozone, and 1.1% in Japan.

According to Gartner's forecast of global IT hardware and software spending in 2019, the annual expenditure will reach 3.76 trillion US dollars, an increase of 3.2% over 2018. Despite the economic doubts, the US-China trade war and Brexit, the market is full of uncertainty, and overall IT spending is likely to grow in 2019. Among them, the growth has been gradually saturated with projects such as cloud services and Internet of Things (IOT) devices, such as mobile phones, personal computers (PCs), and on-premise data center infrastructures. As the focus of IT deployment continues to shift towards the cloud, enterprise software spending will continue to grow strongly. Gartner estimates that global software spending will grow by 8.5% this year and grow 8.2% in 2020, reaching $466 billion. It will increase spending on enterprise application software, with more budget invested in software-as-a-service (SaaS). In addition, Gartner estimates that IoT device spending will grow by 1.6% this year. With the popularity of IoT devices, 5G and edge computing Applications will gradually become clearer.

① Looking forward to the development trend of the global desktop market in 2019

According to the statistics of the Institute for Information Industry, the global desktop shipments in 2018 are estimated at 96,941,000 units; showing a decrease of 1.1% from 2017. Most of the decline in PC shipments in 2018 was due to weak performance in the consumer PC sector. Consumer PC shipments accounted for approximately 40% of total PC shipments in 2018, compared to 49% in 2017. The stability of the market in 2018 is due to Windows 10 upgrades, which continues to drive the growth of commercial PC shipments. On the supply side, when the PC market demand gradually increased, the shortage of Intel central processing unit (CPU) caused problems for the supply chain. After the continuous growth of PC shipments in the second and third quarters of 2018, growth decreased in the fourth quarter. The CPU shortage directly affects the ability of vendors to meet the needs of the commercial PC upgrade market, but if the CPU supply situation improves, it is expected that such demand will be deferred until 2019. In addition, thanks to the shortage of competitors, AMD's new generation of Ryzen CPU will continue to drive the market share of desktop computers.

On the demand side, looking forward to the global desktop computer market in 2019, it is expected that the demand for commercial switchover will be more promising. An example would be the demand for desktop and ultramobile of SMEs in Western Europe. Windows 10 continues to drive the wave of change in government departments. Demand from Russia and the Czech Republic and Hungary in Eastern Europe continues to recover, but these demands are still insufficient to offset the gap caused by the decline in consumer shipments. In the gaming market, high-end gaming desktops are also expected to be growth drivers for new applications such as AR and VR. In regards of AIO, due to the shortage of CPU supply, the impact of the China-US trade war in the first half of the year led to a sluggish economy. In 2018, global AIO PC shipments did not grow as expected, but it showed a slight decline. Looking forward to 2019, the trade war is still filled with various uncertainties, making most brands conservative in shipping expectations. It is expected that the overall AIO PC shipments will be comparable to 2018.

② Looking forward to the development trend of the global desktop market in 2019

According to Gartner's estimates, global server shipments will reach 16,596 in 2019, showing an annual growth of 7.0%. Artificial intelligence, big data, Internet of Things, edge computing, hybrid cloud and 5G networks are all factors driving the growth of servers and storage devices. However, the expansion of large-scale data centers around the world is slowing down. In addition to the continuous expansion of data centers, cloud computing services will gradually land on edge computing to achieve low-latency, timely computing to respond to diverse and complex real-time scenarios; moving towards compact and intelligent designs.

(4) Competitive niche

① Complete product line

Chenbro’s products include desktop PC chassis, industrial computer chassiss, server chassiss, storage server bare system, storage capacity expansion kit (Storage Expansion Kit) and as well as customized services to that provide customers with complete solutions. Because of the long-term cumulative modular design and complete product line planning, Chenbro is capable of providing different solutions for branded and off brand servers. Using Chenbro’s design or partial module to achieve rapid, helps with market expansion and expansion and revenue growth.

② Continuous investment in development

Chenbro has a complete server electronics and institutional R&D team, equipment and experience to quickly respond to market demands, especially in the areas of artificial intelligence, edge computing, high-density storage servers and other product-related technologies. Over the years, we have accumulated a number of product design patents to acquire a competitive niche, and continue to invest in research and development resources, focusing on high-order server materials such as weight reduction, heat dissipation, structural strength and shockproof, and strengthen product competitiveness.

③ Improve manufacturing and decision making

In addition to the Taipei head office, Chenbro currently has overseas operations in North America, Europe and China, and is responsible for local customer services, and collects market demand information, providing reference for product development, manufacturing, logistics management and other decisions. Together with the introduction of CPS (Chenbro Production System), an information system that provides synchronization and design and global synchronization, allowing us to respond to market information, customer needs, product information and production schedules, and provide precision-fit products and services.

(5) Advantages, Disadvantages and Countermeasures of Developing Prospects

① Favorable factors in developing a vision

Driven by the two trends of cloud computing and Internet of Things, various applications continue to evolve and drive server demand growth. In addition to the continuous adoption of server specifications by the cloud network service industry, edge computing is not neglected by terminal requirements. We have been deeply involved in the server field for many years, coupled with the experience of the branded server chassis, and the experience of customized services accumulated in recent years, making the company continue to maintain its competitiveness in the face of the ever-changing server industry design and manufacturing needs.

Driven by the continuous and steady development of market demand and the continuous improvement of the technologies of the overall industrial development environment, and further strategic layout of cross-industry alliances and cross-border integration of resource capacity structure, it will be beneficial to subsequent operational growth.

② Favorable factors in developing a vision

A. Intense competition in the product market

Because some low-end technology manufacturers adopt a price competition strategy that imitates improved products, the damage to the overall market order is very large, which directly affects the degree of competition in the overall market. However, such phenomena has gradually slowed down as material and labor costs increase, in addition to the increased requirements for product functionality and gradual improvement of technology. In addition, Chenbro will continue to invest in server materials, smart manufacturing and product technology thresholds, avoid cost competition with cost-effective products, and gradually plan the functions of overseas shipping centers to provide fast and convenient logistics operations.

B. Full manufacturing service challenges

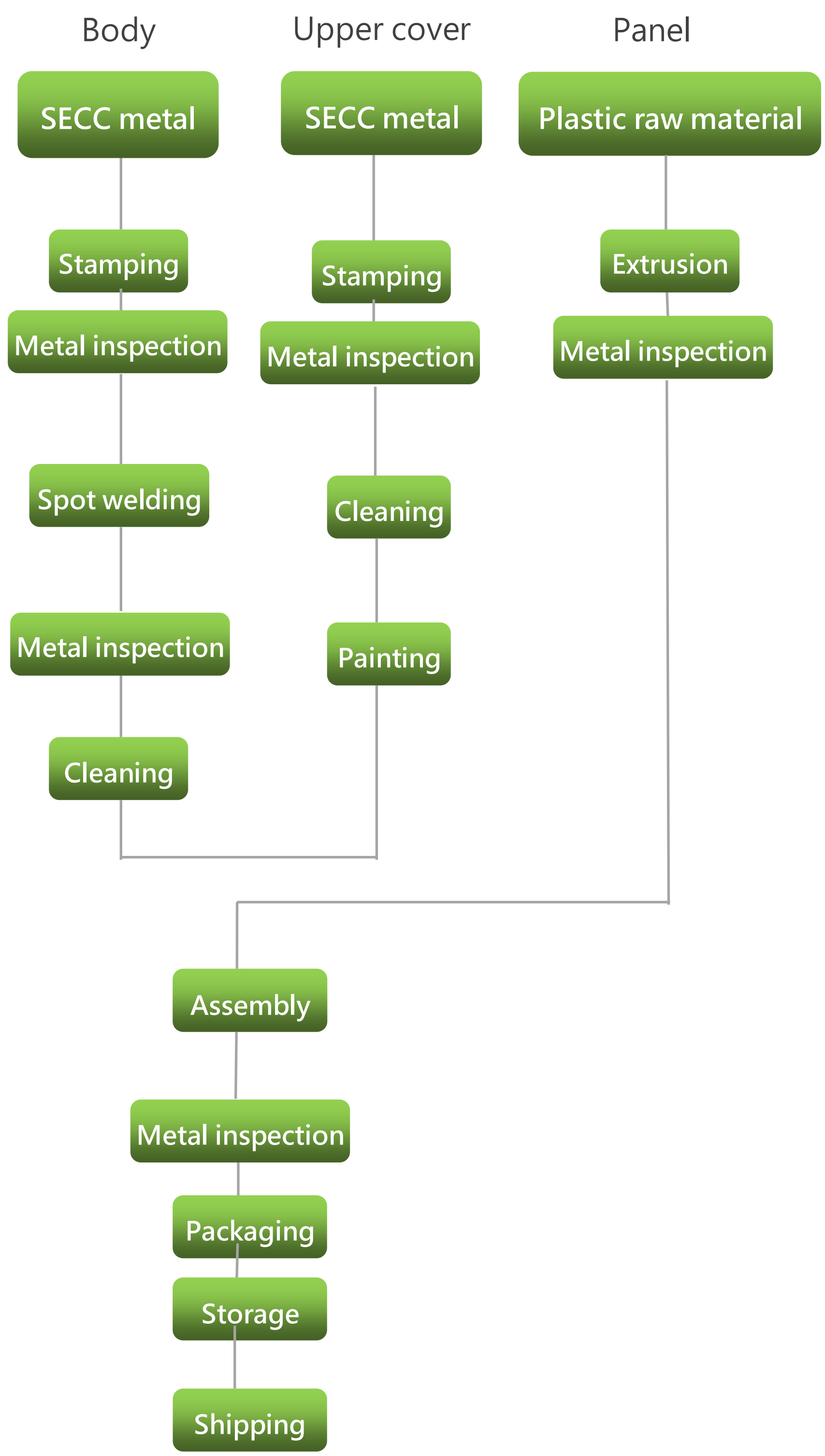
Because the scale and level of customers served by Chenbro are constantly improving, uncertain order demands, and faster and more flexible delivery services are required, will pose operational challenges. In response to this trend, Chenbro has built an integrated information system, towards lean manufacturing, continuously improving various logistics operations, supply chain management, customer service management and other systems, strengthening the flexibility and flexibility of corporate operations, and improving the Customer manufacturing service quality.

(2) The important uses and manufacturing process of main products

(1) Important purposes of main products

The chassis of the computer is a main component necessary for all kinds of computers (personal computers, workstations, servers, etc.).

(2) The manufacturing process of main products



(3) Supply status of main materials

Main product	Name of main material	Suppliers
Computer Chassis	Stamping products	Hong Chang Industrial Co., Ltd.
		Hsiung Ye Industrial Co., Ltd.
		Mass Easy Co., Ltd.
		Sentelic Corporation
		Guang Yuan Industrial Co., Ltd.
	Power supply	AcBel Polytech Inc.
		FSP Group
		Delta Electronics
		Zippy Technology Corp.
	Heat fan	Sanyo Denki
		Nidec Corporation
		Delta Electronics
		Sunonwealth Electric Machine Industry
		NMB
	Rail	Sentelic Corporation
		Repon International Co., Ltd.
	PCBA	Tailyn Co., Ltd.
		OSE (Suzhou) Co., Ltd.
		Diamond NPI
		Jin Mao Electronic Co., Ltd.
		Innoflux Co., Ltd
	CABLE	Luxshare Co., Ltd.
		Amphenol Assemble Technology
		JPC Co., Ltd.
		Ming De Co., Ltd.
		Jian Hong Co., Ltd.
		Excelsior Group

(4) The name, the amount and the proportion of the goods to be sold of the customer who has accounted for more than 10% of the total amount of goods (sales) in any of the previous two years.

1. The name, the amount and the proportion of the goods to be sold of the customer who has accounted for more than 10% of the total amount of goods (sales) in any of the previous two years.

Major sales customer information in the last two years

Unit：Thousands TWD

Items	2017				2018				2019 to the previous season			
	Client name	Amount	Net annual sales ratio 〔%〕	Relationship with distributor	Client name	Amount	Net annual sales ratio 〔%〕	Relationship with distributor	Client name	Amount	Net annual sales up to the previous quarter〔%〕	Relationship with distributor
1	Client A	1,475,380	27%	5	Client A	1,428,979	22%	5	Client A	317,676	20%	5
2	Client B	1,007,998	18%	5	Client B	1,337,581	21%	5	Client C	174,868	11%	5
3	Client C	862,772	16%	5	Client C	701,425	11%	5	Client B	123,173	8%	5
4	Client D	54,640	1%	5	Client D	579,800	9%	5	Client D	273,511	18%	5
	Other	2,112,964	38%		Other	2,472,729	37%		Other	671,220	43%	
	Net sales	5,513,754	100%		Net sales	6,520,514	100%		Net sales	1,560,448	100%	

Note 1: The name of the customer and the sales amount and proportion of the sales volume of more than 10% of the total sales in the last two years are listed. However, the contract name may not disclose the customer name or the transaction object is personal and non-relevant, and can be coded.

Note 2: 1. Subsidiary 2. Other invested companies evaluated by equity method 3. Other real related parties 4. Shareholders who own more than 10% of shares 5. None

2.Names of manufacturers and purchases and proportions of goods that accounted for more than 10% of the total purchases in any of the past two years: there were no more than 10% of the total purchases in the last two years.

(5) Manufacturing quantity for the last 2 years

Unit: Amount: Thousand TWD; Amount：Units

Annual / Manufacturing quantity / Main product	2018			2017		
	Production capability	Production amount	Production value	Production capability	Production amount	Production value
PC computer chassis	360,000	170,673	111,269	300,000	195,249	123,562
Server computer chassis	2,400,000	1,495,884	2,893,573	2,100,000	1,278,418	2,713,500
Peripherals and components	–	30,378,000	1,608,017	–	25,416,582	1,004,622
Total	2,760,000	32,044,557	4,612,859	2,400,000	26,890,249	3,851,684

(6) Sales quantity for the last 2 years

Unit: Amount: Thousand TWD; Amount: Units

Annual / Sales quantity / Main product	2018				2017			
	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Amount	Value	Amount	Value	Amount	Value	Amount	Value
PC computer chassis	–	–	338,701	246,239	–	–	319,509	243,390
Server computer chassis	1,682	14,160	1,503,974	4,103,328	2,260	14,295	1,290,621	3,761,926
Peripherals and components	164,931	10,826	31,811,911	2,145,961	98,112	10,813	26,656,185	1,483,330
Total	166,613	24,986	33,654,586	6,495,528	100,372	25,108	28,266,315	5,488,646

3. Employee Analysis

March 31, 2019

Annual		2017	2018	Annual March 31, 2019
Number of employees	Direct staff	1,114	1,030	987
	Indirect staff	971	999	1,008
	Total	2,085	2,029	1,995
Average number of years		38.07	39.02	38.57
Average service years		3.48	3.51	3.62
Academic record distribution	PHD	1	0	0
	Masters	68	70	69
	Bachelor	198	199	197
	College	211	237	253
	High School	286	392	398
	Below high school	1,321	1,131	1,078

4. Environmental Protection Information

(1) The total amount of losses (including compensation) and disciplinary damages caused by environmental pollution in the most recent year and up to the printing date of this annual report: None.

(2) In response to the Restriction of Hazardous Substances Directive (RoHS) management measures, including the establishment of a dedicated plan to respond to and implement personnel, provide relevant education and training and obtain relevant supporting documents, assist suppliers in establishing a green supply chain and conduct regular audits, and have successively passed customers' qualified certification. In the future, we will continue to invest in manpower and take countermeasures against it so as not to cause losses.

Walton Advanced Engineering strives to reduce the negative impact of the environment through new technologies and innovation capabilities. Some of the implemented projects are as follows:

(1) In response to China's environmental protection policy adjustments, RMB 330,000 was invested to update the exhaust filtration system of the paint shop, and the quality of the exhaust gas was better than the national standard.

(2) In 2018, 1.88 million RMB was invested for factory environmental rectification and greenery purposes. 815 trees were newly planted and the newly added green area measures 16,800 square meters.

(3) In the future, countermeasures (including improvement measures) and possible expenses (including the estimated amount of losses, damages, and compensations that may be incurred without responding to the measures, if they cannot be reasonably estimated, should explain the facts that cannot be reasonably estimated：

The company's main business is the design, manufacture and sale of computer casings. In the production process, it promotes environmental protection, safety and sanitation, and continuously improves environmental problems and safety hazards arising from the process; for all possible emergencies and disasters To develop an overall contingency plan and a sound management system for loss prevention, emergency response, crisis management and post-disaster recovery. It is expected that there will be no possibility of operating other polluting businesses in the next three years.

5. Labor Relations

(1) The company's various employee welfare measures, training, training, retirement system and its implementation, as well as the agreement between labor and management and the maintenance measures of various employee rights.

(1) Employee work hours and vacation system

- In accordance with the labor-related laws and regulations, eight hours of daily work, two days of weekly work, and flexible working hours, employees can arrange working hours according to individual needs within the normative principles.

- In compliance with the Labor Standards Law and the Gender Work Equality Law, the provisions provide for special leave such as marriage leave, maternity leave, paternity leave, funeral leave, physical leave, and family care leave, in addition to special leave and sick leave.
- Respect for employees' right to vacation, the minimum unit for leave is 30 minutes, so that employees can flexibly use all kinds of leave.
- Both male and female employees can apply for parental leave and leave without pay according to the Gender Equality Law.

(2) Employee activities

The Staff Welfare Committee, which is focused on employee well-being, carefully planned various activities and welfare facilities to create a lively working atmosphere and boost employee morale. In 2018, it was certified by the Sports Department Sports Enterprise. In 2018, the company raised a total of TWD4.23 million to the Staff Welfare Committee for employee welfare related activities.

(3) Diverse benefits

In addition to three yearly bonuses, birthday and wedding gifts, end of year bonus, free annual employee trips and introductory assistance, and bereavement leaves, other benefits are as follows：

- The diverse welfare and activities program includes more intimate and diverse services, allowing employees to work and live happily：
  a. Holiday celebrations: birthday party, holiday party (e.g. Christmas, Spring break, Mother's Day, etc.)
  b. Culture and travel: Art performances, movie festivals, family days, employee travels, visits, etc.
  c. Charity events：Visit impoverished areas, Yunlin Art Light Point Dream Project, Historic Site Restoration, Green Farmer Support, Tree Planting, etc.
  d. Sports and health: Health talks, celebrity lectures, sports events, club activities, and the establishment of badminton clubs, yoga clubs, baseball clubs, bicycle clubs, golf clubs and other sports clubs, photography clubs, painting clubs, etc. We have bought employee blood pressure machines and play light music every day at 11am and 3pm to remind staff about activities.
  e. Book Garden：The company library cooperates with the AAEON Foundation to change the book cart every month to provide more study resources and knowledge for employees.
- Health checkups and comprehensive employee insurance to help employees and their families work without worry and take of their family’s health:
  a. Group insurance: Life insurance, accident insurance, hospital insurance, medical insurance, cancer insurance, workplace hazard insurance, increasing employee guarantees.
  b. Family insurance: Employees can pay for group insurance for families to increase security.
  c. Health checks: Provide multiple health check-up packages every year, professional doctors' health checkups, and family members can also get checked at their own expense.
- Employee Stock Ownership Trust System: An employee stock ownership trust plan allows employees to participate in the company's growth and embrace profitability and optimize benefits.

(4) Work environment, employee safety and protection measures

The "Working Provisions" set by Chenbro include insurance compensation and related insurance components, which are placed on the company's internal website for employees' reference.

- **Employee office work safety and protection measures**

The company has strict access control and security, employees need to use the identification card to identify and enter the office to protect employees' office security. The company's office environment has a 24-hour monitoring system, emergency call buttons, and signing a contract with the security company to maintain office security. In order to maintain employee safety and health and promote safety and health business, the company has a number of labor safety and health business executives and a number of first-aid personnel.

According to the company's labor safety and health work rules, water machines are maintained every 3 months.

- **Indoor air quality and ventilation equipment**

Planning for an appropriate workspace reduces the crowding in the environment.

Smoke-free office policy.

The photocopier and fax machine are placed in separate locations.

The ventilation system is checked and cleaned regularly every year, including the shafts and filter nets.

Set the appropriate room temperature and increase the frequency of air circulation.

Ventilation equipment in the workplace are subject to regular inspection and maintenance every year.

- **Lighting**

Replace the LED lighting and add a filter to reduce eye discomfort.

Non-reflective material for the wall, floor, and furniture.

Lighting equipment in the workplace with regular inspection and maintenance every year.

- **Reduce the factors that cause physical discomfort from using a computer**

Ergonomic chairs are used to adjust the most comfortable working position for the individual.

Set daily stretching time, reducing the body's discomfort due to prolonged sitting.

The company provides large computer screens and screen supports for colleagues who use computers for a long time, so that colleagues can have a comfortable office environment.

Hire a professional qualified electrician try and calculate enough power sockets to avoid fire caused by excessive power load.

Inspect electrical equipment from time to time to ensure safe use of electrical appliances.

If there are any faults in the electrical equipment, they should be reported immediately.

- **Fire alarm safety**

According to the regulations for building public safety inspection reviews and reporting methods, external professional companies are entrusted to conduct public safety inspections every two years.

According to the provisions of the Fire Protection Law, fire inspections are carried out by outside parties every year.

Fire equipment placement and escape route maps are provided in the office area, and clear signs along the road indicate the route to leave the building.

Inspected fire extinguishers shall be placed in the office area; maintenance and inspection of fire extinguishers shall be carried out from time to time to ensure their effectiveness, and fire declarations shall be made in accordance with the regulations. New employees shall be trained as newcomers and attend fire drills to understand the fire protection equipment and related information about escape routes.
Fire suppression systems are provided to ensure fire safety in the workplace.

■ **Tripping, slipping, and falling**

Make sure the workplace and the passage are adequately illuminated to avoid collisions or overcrowding. In addition, good workplace organization helps keep the working environment tidy to avoid tripping and falling accidents.

(5) Retirement plan and implementation

Retirement plan	Old System	New System
Applicable laws	Labor Standards Laws	Labor Pension Act
Fund allocation method	According to the employee's monthly salary of 2%, it is deposited in the name of the company into the special account of the Bank of Taiwan (formerly the Central Trust).	According to the employee's insurance level, 6% will be paid to the Labor Insurance Bureau's individual account.
Allocated amount	The cumulative amount for employee retirement reserve is TWD16,092,000 (Note).	TWD8.68 million was allocated in 2018.

Note：The provision for pensions has been deducted from the actual amount of employee pensions paid.

A Confirmed benefit plans

1、The Company has a retirement scheme for determining benefits in accordance with the provisions of the Labor Standards Act. It applies to the service years of all regular employees before the implementation of the Labor Pensions Act on July 1, 2005, and employees who still seek to adopt Labor Standards Law after the implementation of Labor Pensions Act. If the employee meets the retirement conditions, the payment of the pension is calculated based on the service years and the average salary of the six months prior to retirement. The service years within 15 years (including) are given two bases per year. For services that are more than 15 years, a base is given each year, but the cumulative maximum is limited to 45 bases. The company allocates a pension fund of 2% of the total salary on a monthly basis and deposits it in the Bank of Taiwan in the name of the Labor Retirement Reserves Supervision Committee. In addition, the company estimates the balance of the former labor retirement reserve account before the end of each year. If the balance is insufficient to pay the amount of the pension calculated according to the above-mentioned retirement conditions in the next year, the company will be in the third year. The difference was raised before the end of the month.

2、The assets of the Company's defined welfare retirement plan fund are within the scope and amount of the projects entrusted by the Bank of China in accordance with the annual investment and use plan of the fund, and the provisions of Article 6 of the Retirement Fund's Income and Expenses The project (ie, depositing financial institutions at home and abroad, investing in domestic and foreign listings, equity securities on the counter or private placement, and securitizing of domestic and foreign real estate, etc.) shall be entrusted to operate, and the relevant use chassis shall be supervised by the Supervision Committee of the Labor Retirement Fund. The use of the fund and the minimum income of its annual final settlement shall not be lower than the income calculated according to the local bank's two-year time deposit rate. If there is any deficiency, it shall be replenished by the state treasury upon approval by the relevant authority. As the Company has no right to participate in the operation and management of the fund, it is not possible to disclose the classification of the fair value of the planned assets in accordance with paragraph 142 of IAS. The fair value of the total assets of the fund plan was formulated on December 31, 2017 and 2018. Please refer to the report on the employment of the labor pension fund for each year announced by the government.

B Confirmed allocation plan

1、Starting from July 1, 2005, the Company has established a retirement scheme based on the Labor Pension Act, which applies to employees of Taiwanese nationality. The Company selects the part of the labor pension system stipulated in the "Labor Pensions Act" for employees. The monthly pension is paid to the employee's personal account at not less than 6% of the salary. The employee's pension is paid according to the individual employee. The amount of the pension account and the accumulated income is collected by monthly pension or one pension.

2、Other overseas companies are required to provide pension insurance or retirement benefits in accordance with the local government's salary regulations. These companies have no further obligations other than timely allocation.

3、In 2018 and 2017, for CYNBRO MICOM (USA) INCORPORATION, CHENBRO EUROPE BV, Chenbro GmbH, Chenbro UK Limited, Qinkun Technology (Kunshan) Co., Ltd., Yiyi Information Technology (Shanghai) Co., Ltd., Dongguan Qiansheng Electronics Co., Ltd., the total net pension costs recognized by the company and Qincheng Star Technology (Shenzhen) Co., Ltd. according to the local government's pension system are $40,168 and $32,899 respectively.

■ Agreements between labor and management

a. Labor-management meetings are held regularly to coordinate labor-management relations and promote labor-management cooperation.

b. A suggestion box is set up to strengthen the employee complaints channels.

c. Based on the Labor Standards Law, humanized management is adopted in business management.

(2) The losses suffered by the company due to labor disputes in the most recent year and up to the date of publication of the annual report, and the estimated amount and corresponding measures that may occur currently and in the future.

The company has a good labor-management relationship. In the recent year, there have been no labor disputes or losses due to labor disputes, and there are no factors in the labor disputes in the current situation. Therefore, it is expected that the possibility of labor disputes in the future is minimal.

6. Major Agreements

Contract name	Contract party A	Contract party B	Information	Start time
Chenbro Micom AVM project contract	Chenbro Micom Co., Ltd.	Association of Taiwan Strategic Cost Management Association	Implementation of the "Building Value Management (AVM) Import and Management Module Establishment" project	2018/9/17~ 2019/9/16
AVM technology transfer license contract	Chenbro Micom Co., Ltd.	National Chengchi University	AVM technical knowledge is introduced in response to AVM project import.	2018/9/17~ 2019/9/16
Computex Taipei 2019 contract	Chenbro Micom Co., Ltd.	Taipei Computer Association	Apply for Computex 2019 booth	2018/10/11~ 2019/6/2
Agentflow 3.x Enterprise Edition Purchase Contract	Chenbro Micom Co., Ltd.	Sentelic Corporation	Additional purchase of Agentflow 3.X Enterprise Edition	2019/4/03~ 2020/4/02
2018 annual group insurance / travel insurance renewal	Chenbro Micom Co., Ltd.	Leed Insurance Brokers Co., Ltd.	Annual renewal of group / travel insurance	2018/6/1~ 2019/5/31

6

Financial Status

1. Concise Financial Information for the Past 5 Years
2. Financial Analysis of the Past 5 Years
3. Supervisor Review Report
4. Accountant Audit Report
5. Current Annual Individual Financial Statement Reviewed by the Accountant
6. Impact of the Company and Associated Enterprises with Financial Turnaround Difficulties on the Financial Situation of the Company in the Most Current Fiscal Year

6. Financial Status

1. Concise Financial Information for the Past Five Years

(1) Summarized Balance Sheet - International Financial Reporting Standards (Consolidated Financial Report)

Unit: Thousand TWD

Items \ Year		Financial information of the last 5 years (note 1)					Financial information (Note 3) As of March 31, 2019
		2014	2015	2016	2017	2018	
Liquid assets		1,458,290	1,202,374	1,344,330	1,053,782	1,500,604	—
Real estate, factories, and equipment.		269,341	273,907	263,378	245,684	234,576	—
Intangible assets		10,767	9,706	7,562	5,079	3,199	—
Other assets		2,026,077	2,238,211	2,434,364	2,627,573	2,824,111	—
Total assets		3,764,475	3,724,198	4,049,634	3,932,118	4,562,490	—
Current liabilities	Before distribution	1,065,482	921,356	1,126,315	950,069	1,352,619	—
	After distribution	1,424,660	1,232,643	1,485,493	1,309,247	Not distributed	—
Non-liquid liabilities		100,041	94,827	66,525	62,696	44,891	—
Total liabilities	Before distribution	1,165,523	1,016,183	1,192,840	1,012,765	1,397,510	—
	After distribution	1,524,701	1,327,470	1,552,018	1,371,943	Not distributed	—
Interests belonging to the parent company		2,598,952	2,708,015	2,856,794	2,919,353	3,164,980	—
Shares		1,201,260	1,201,260	1,197,260	1,197,260	1,197,260	—
Capital reserve		56,749	56,749	48,209	48,209	48,209	—
Reserve Earnings per share	Before distribution	1,264,701	1,407,689	1,688,376	1,783,465	2,067,094	—
	After distribution	905,523	1,096,402	1,329,198	1,424,287	Not distributed	—
Other interests		88,782	54,857	(77,051)	(109,581)	(147,583)	—
Treasury stock		(12,540)	(12,540)	0	0	0	—
Non controlled Interests		0	0	0	0	0	—

<table>
<tr><th colspan="2">Year
Items</th><th colspan="5">Financial information of the last 5 years (note 1)</th><th>Financial information (Note 3) As of March 31, 2019</th></tr>
<tr><th colspan="2"></th><th>2014</th><th>2015</th><th>2016</th><th>2017</th><th>2018</th><th></th></tr>
<tr><td rowspan="2">Interests Total value</td><td>Before distribution</td><td>2,598,952</td><td>2,708,015</td><td>2,856,794</td><td>2,919,353</td><td>3,164,980</td><td>—</td></tr>
<tr><td>After distribution</td><td>2,239,774</td><td>2,396,728</td><td>2,497,616</td><td>2,560,175</td><td>Not distributed</td><td>—</td></tr>
</table>

Note 1: The financial information of the last five years has been verified by an accountant (using IFRS).

Note 2: No revaluation of assets has been processed in the last five years.

Note 3: The company did not prepare an individual financial report on March 31, 2019. The figures in this table do not apply.

Note 4: The above figures are referred to as the number after distribution, please fill in the situation according to the resolution of the shareholders meeting of the next year.

Note 5: If the financial information is corrected or re-edited by the relevant authority, it shall be listed in the corrected or re-edited number and the circumstances and reasons should be noted.

Summarized Balance Sheet - International Financial Reporting Standards

(Consolidated Financial Report)

Unit: Thousand TWD

Items \ Year		Financial information of the last 5 years (note 1) 2014	2015	2016	2017	2018	Financial Information (Note 3) As of March 31, 2019
Liquid assets		3,126,564	3,086,512	3,221,308	3,504,349	3,717,311	3,774,899
Real estate, factories, and equipment.		1,243,760	1,209,024	1,569,099	1,675,691	1,721,274	1,709,029
Intangible assets		12,719	10,662	10,002	7,732	11,700	10,614
Other assets		194,266	320,390	187,737	188,221	375,634	390,125
Total assets		4,577,309	4,626,588	4,988,146	5,375,993	5,825,919	5,884,667
Current liabilities	Before distribution	1,715,556	1,650,124	1,892,895	2,237,570	2,458,722	2,263,880
	After distribution	2,074,734	1,961,411	2,252,073	2,596,748	Not distributed	Not distributed
Non-liquid liabilities		262,801	268,449	238,457	219,070	202,217	216,176
Total liabilities	Before distribution	1,978,357	1,918,573	2,131,352	2,456,640	2,660,939	2,480,056
	After distribution	2,337,535	2,229,860	2,490,530	2,815,818	Not distributed	Not distributed
Interests belonging to the parent company		2,598,952	2,708,015	2,856,794	2,919,353	3,164,980	3,404,611
Shares		1,201,260	1,201,260	1,197,260	1,197,260	1,197,260	1,197,260
Capital reserve		56,749	56,749	48,209	48,209	48,209	48,209
Retained earnings	Before distribution	1,264,701	1,407,689	1,688,376	1,783,465	2,067,094	2,253,368
	After distribution	905,523	1,096,402	1,329,198	1,424,287	Not distributed	Not distributed
Other interests		88,782	54,857	(77,051)	(109,581)	(147,583)	(94,226)
Treasury stock		(12,540)	(12,540)	0	0	0	0
Non controlled Interests		0	0	0	0	0	0
Total Interests	Before distribution	2,598,952	2,708,015	2,856,794	2,919,353	3,164,980	3,404,611
	After distribution	2,239,774	2,396,728	2,497,616	2,560,175	Not distributed	Not distributed

Note 1: The financial information of the last five years has been verified by an accountant (using IFRS).
Note 2: No revaluation of assets has been processed in the last five years.

Note 3: The financial information of the most recent quarter has been reviewed by accountants and the financial information of the IFRS has been adopted.

Note 4: The above figures are referred to as the number after distribution, please fill in the situation according to the resolution of the shareholders meeting of the next year.

Note 5: If the financial information is corrected or re-edited by the relevant authority, it shall be listed in the corrected or re-edited number and the circumstances and reasons should be noted.

(2) Individual summarized Consolidated Income Statement - International Financial Reporting Standards

Unit: Thousand TWD

Year / Items	Financial information of the last 5 years (note 1)					Financial Information (note 2) As of March 31, 2019
	2014	2015	2016	2017	2018	
Revenue	3,641,492	3,038,008	3,250,976	2,888,796	3,581,542	—
Operating profit	799,057	668,238	749,940	692,930	867,987	—
Operating loss	440,551	318,006	373,210	339,415	483,426	—
Non-operating revenue and spending	221,565	273,273	323,520	185,264	269,575	—
Net profit before tax	662,116	591,279	696,730	524,679	753,001	—
Continuing business unit Net profit this period	541,272	504,834	600,188	455,442	642,350	—
Ceased business unit losses	0	0	0	0	0	—
Net profit (loss) this period	541,272	504,834	600,188	455,442	642,350	—
Other comprehensive income (Earnings after tax)	49,621	(36,593)	(140,122)	(33,705)	(37,545)	—
Comprehensive income this period	590,893	468,241	460,066	421,737	604,805	—
Net profit attributable to the parent company	541,272	504,834	600,188	455,442	642,350	—
Net profit attributable to non-controlling interests	0	0	0	0	0	—
Comprehensive income attributable to the parent company	590,893	468,241	460,066	421,737	604,805	—
Comprehensive income attributable to non-controlling Interests	0	0	0	0	0	—
Earnings per share (TWD)	4.52	4.22	5.01	3.80	5.37	—

Note 1: The financial information of the last five years has been verified by an accountant (using IFRS).

Note 2: The company did not compile an individual financial statement on March 31, 2019, hence the figures in this table do not apply.

Note 3: The profit or loss of the ceased business department is stated at the net amount after the income tax has been deducted.

Note 4: If the financial information is amended or re-edited by the relevant authority, it shall be listed in the corrected or re-edited number, with the circumstances and reasons should be noted.

Consolidated combined income statement - International Financial Reporting Standards

Unit: Thousand TWD

Items \ Year	Financial information of the last 5 years (note 1)					Financial information (Note 2) As of March 31, 2019
	2014	2015	2016	2017	2018	
Revenue	4,472,988	4,439,229	5,209,967	5,513,754	6,520,514	1,560,448
Operating profit	1,363,180	1,290,795	1,550,182	1,469,319	1,714,748	475,537
Operating loss	652,376	593,209	778,456	683,190	831,399	260,311
Non-operating revenue and spending	57,518	71,698	37,819	(67,953)	39,333	(13,375)
Profit before tax	709,894	664,907	816,275	615,237	870,732	246,936
Continuing business unit Profit this period	541,272	504,834	600,188	455,442	642,350	186,274
Ceased business unit losses	0	0	0	0	0	0
Profit (loss) this period	541,272	504,834	600,188	455,442	642,350	186,274
Comprehensive income this period	49,621	(36,593)	(140,122)	(33,705)	(37,545)	53,357
Comprehensive income this period	590,893	468,241	460,066	421,737	604,805	239,631
Net Profit attributable to Parent company	541,272	504,834	600,188	455,442	642,350	186,274
Net profit attributable to non-controlling interests	0	0	0	0	0	0
Comprehensive income attributable to the parent company	590,893	468,241	460,066	421,737	604,805	239,631
Comprehensive income attributable to non-controlling interests	0	0	0	0	0	0
Earnings per share (TWD)	4.52	4.22	5.01	3.80	5.37	1.56

Note 1: The financial information of the last five years has been verified by an accountant (using IFRS).

Note 2: The financial information of the most recent quarter has been reviewed by accountants and the financial information of the International Financial Reporting Standard has been adopted.

Note 3: The profit or loss of the ceased business department is stated at the net amount after the income tax has been deducted.

Note 4: If the financial information is amended or re-edited by the relevant authority, it shall be listed in the corrected or re-edited number, with the circumstances and reasons should be noted.

(3) Name of the certified public accountants who duly audited the financial statement and their review comments in the past five years

Annual	Accountant name	Accounting firm name	Audit opinions
2014	Pan Huilin, Zhi Bingzhen	PwC Taiwan	Revised unreserved opinion
2015	Pan Huilin, Zhi Bingzhen	PwC Taiwan	Revised unreserved opinion
2016	Pan Huilin, Zhi Bingzhen	PwC Taiwan	Unreserved opinion
2017	Pan Huilin, Zhi Bingzhen	PwC Taiwan	Unreserved opinion (Emphasized matters or other matters)
2018	Pan Huilin, Zhi Bingzhen	PwC Taiwan	Unreserved opinion (Emphasized matters or other matters)

2. Financial Analysis of the Past Five Years

Financial Analysis - International Financial Reporting Standards

(Individual Financial Reporting)

Analyzed items (note 3)	Year	Financial analysis of the last 5 years (note 1) 2014	2015	2016	2017	2018	As of March 31, 2019 (Note 2)
Financial structure (%)	Ratio of debt versus assets	30.96	27.29	29.46	25.76	30.63	—
	Long-term funds as a percentage of real estate, plant and equipment	1002.07	1023.28	1109.93	1213.77	1368.37	—
Solvency (%)	Flow ratio	136.87	130.50	119.36	110.92	110.94	—
	Quick ratio	114.94	114.16	104.14	96.21	102.88	—
	Interest coverage folds	251.60	447.59	763.29	273.28	207.25	—
Management capabilities	Receivables turnover rate (times)	6.43	4.66	4.35	4.20	4.42	—
	Average cash receiving days	56.80	78.25	83.88	86.93	82.58	—
	Stock turnover (times)	15.81	11.81	16.14	15.20	22.95	—
	Receivables turnover rate (times)	4.58	3.54	3.51	3.57	4.34	—
	Average sales days	23.09	30.92	22.61	24.01	15.90	—
	Real estate, factories, and equipment. Turnover rate (times)	13.43	11.18	12.10	11.35	14.92	—
	Total asset turnover rate (times)	1.05	0.81	0.84	0.72	0.84	—
Profitability	Asset returns (%)	15.60	13.51	15.46	11.45	15.19	—
	Returns on equity (%)	22.06	19.03	21.57	15.77	21.11	—
	Profit before tax as a percentage of paid-in capital Ratio (%) (note 7)	53.72	49.22	58.19	43.82	62.89	—
	Pure profit (%)	14.86	16.62	18.46	15.77	17.94	—
	Earnings per share (TWD)	4.52	4.22	5.01	3.80	5.37	—
Cash flow	Cash flow ratio (%)	70.96	14.46	27.69	25.90	32.00	—
	Cash flow rate (%)	310.75	321.34	294.01	333.28	675.91	—
	Cash re-investment rate (%)	26.13	4.30	9.71	7.50	12.26	—
leverage	Business leverage	1.64	1.71	1.75	1.59	1.56	—
	Financial leverage	1.01	1.01	1.00	1.01	1.01	—

Please indicate the reasons for the changes in the financial ratios in the last two years. (If the increase or decrease is less than 20%, it can be exempted from the analysis.)

1. The interest coverage folds decreased: the main reason was an increase in borrowing, resulting in an increase in interest expenses.
2. The increase in inventory turnover rate and the decrease in the average number of days of sale: the main sales situation was good, resulting in a good inventory de-stocking situation.
3. Increase in payables turnover rate: The main increase in purchases during the period, and delays in payment in the chassis of holidays, resulting in an increase in accounts payable at the end of the period.
4. Real estate, plant and equipment turnover, return on assets, return on equity, income before tax as a percentage of paid-up capital, and increase in earnings per share: Mainly due to the increase in sales and profit in the current period.
5. Increase in cash flow ratio, cash flow ratio, and cash reinvestment ratio: Mainly the increased profit in the current period which results in increased net cash inflow from operating activities.

Note 1: The financial information of the last five years has been verified by an accountant (using IFRS).

Note 2: The company did not prepare an individual financial state on March 31, 2019, hence the figures in this table do not apply.

Note 3: For related calculations, please see the chart below.

Financial Analysis - International Financial Reporting Standards

(Consolidated Financial Report)

Analyzed items (Note 3)	Year	Financial analysis of the last 5 years (note 1)					As of March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Financial structure (%)	Ratio of debt versus assets	43.22	41.47	42.73	45.70	45.67	42.14
	Percentage of long-term funds in real estate, factories, and equipment.	230.09	246.19	197.26	187.29	195.62	211.86
Solvency (%)	Flow ratio	182.25	187.05	170.18	156.61	151.19	166.74
	Quick ratio	144.21	151.37	132.12	125.25	126.90	132.01
	Interest coverage folds	71.08	74.07	104.81	7,739.85	9,340.50	10,162.59
Management capabilities	Receivables turnover rate (times)	6.77	4.99	4.80	4.19	4.16	4.37
	Average cash receiving days	53.94	73.14	76.01	87.11	87.74	83.52
	Stock turnover (times)	5.14	5.63	6.27	6.40	8.51	6.88
	Receivables turnover rate (times)	3.98	3.38	3.49	3.40	3.60	3.07
	Average sales days	71.07	64.83	58.21	57.03	42.89	53.05
	Real estate, factories, and equipment. Turnover rate (times)	3.81	3.62	3.75	3.40	3.84	3.64
	Total asset turnover rate (times)	1.06	0.96	1.08	1.06	1.16	1.07
Profitability	Asset returns (%)	13.03	11.00	12.62	8.92	11.60	12.86
	Returns on equity (%)	22.06	19.00	21.57	15.77	21.11	22.68
	Profit before tax as a percentage of paid-in capital Ratio (%) (Note 7)	59.10	55.35	68.18	51.39	72.73	82.50
	Pure profit (%)	12.10	11.37	11.52	8.26	9.85	11.94
	Earnings per share (TWD)	4.52	4.22	5.01	3.80	5.37	1.56
Cash flow	Cash flow ratio (%)	37.80	28.68	38.31	20.45	42.09	23.97
	Cash flow rate (%)	200.97	199.88	167.78	132.61	187.70	218.07
	Cash re-investment rate (%)	17.81	11.64	17.28	10.59	23.07	11.35
leverage	Business leverage	1.67	1.77	1.59	1.72	1.64	1.53
	Financial leverage	1.02	1.02	1.01	1.01	1.01	1.01

Please indicate the reasons for the changes in financial ratios for the last two years. (If the increase or decrease is less than 20%, it can be exempted from analysis.)

1. The interest coverage folds decreased: Mainly attributed to increased borrowing, resulting in an increase in interest expenses.
2. The increase in inventory turnover rate and the decrease in the average number of days of sale: Mainly attributed to good sales, resulting in a good inventory de-stocking situation.
3. Real estate, plant and equipment turnover, return on assets, return on equity, pre-tax net profit as a percentage of paid-up capital, and increase in earnings per share: Mainly attributed to increase in profit this period.
4. Increase in cash flow ratio, cash flow ratio, and cash reinvestment ratio: Mainly attributed to increased profit in the current period which results in increased net cash inflow from operations.

Note 1: The financial information of the last five years has been verified by an accountant (using IFRS).

Note 2: Reviewed by an accountant in the first season of 2019.

Note 3: The formulas are below:

1. Financial structure (%)
   (1) Ratio of debt versus assets = total liability/total assets
   (2) Percentage of long-term funds in real estate, factories, and equipment = (Total equity + non-current liabilities) / real estate, factories, and equipment earnings
2. Solvency (%)
   (1) Flow rate = Current assets / current liabilities.
   (2) Flow rate = (current assets - inventory - prepaid) / current liabilities.
   (3) Interest coverage folds = net profit before income tax and interest expense / interest expense for the period.
3. Management capabilities
   (1) Receivables (including accounts receivable and notes receivable due to business) Turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business) balance.
   (2) Average collection days = 365 / receivables turnover rate.
   (3) Inventory turnover rate = cost of goods sold / average inventory amount.
   (4) Receivables (including accounts receivable and notes receivable due to business) Turnover rate = net sales / average receivables for each period (including accounts receivable and notes receivable due to business) balance.
   (5) Average collection days = 365 / receivables turnover rate.
   (6) Percentage of long-term funds in real estate, factories, and equipment = (Total equity + non-current liabilities) / real estate, factories, and equipment earnings
   (7) Total asset turnover = net sales / average total assets.
4. Profitability
   (1) Return on assets = [after-tax profit and loss + interest expense × (1 - tax rate)] / average total assets.
   (2) Return on assets = [after-tax profit and loss + interest expense × (1 - tax rate)] / average total assets.
   (3) Net profit ratio = post-tax profit and loss / net sales.
   (4) Earnings per share = (profits and losses attributable to owners of the parent company - special dividends) / weighted average number of issued shares. (Note 4)
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Net cash flow allowable ratio = net cash flow from operating activities for the last five years / the most recent five years (capital expenditure + inventory increase + cash dividend).
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (real estate, plant and equipment gross + long-term investment + other non-current assets + working capital). (Note 5)
6. Leverage：
   (1) Operating leverage = (net operating income - changing operating costs and expenses) / operating profit. (Note 6)
   (2) Financial leverage = operating profit / (business profit - interest expense).

Note 4: The formula for calculating the earnings per share should be paid attention to the following:

1. The weighted average number of common shares is based on the number of shares outstanding at the end of the year.
2. For those who have cash replenishment or treasury shares, they should consider the circulation period and calculate the weighted average number of shares.

3. Anyone who has transfer surplus or capital increase will be retrospectively adjusted according to the proportion of capital increase when calculating the earnings per share for the previous year or six months, and there is no need to consider the issue period of the capital increase.
4. If the special stock is a non-convertible accumulative special stock, its annual dividend (whether or not it is paid) shall be net of the net profit after tax, or increase the net loss after tax. If the special stock is non-cumulative, in the chassis of net profit after tax, the special stock dividend shall be deducted from the net profit after tax; if it is a loss, it shall not be adjusted.

Note 5: The formula for calculating the earnings per share should be paid attention to the following:

1. Cash flow ratio = net cash flow from operating activities / current liabilities.
2. Capital expenditure refers to the number of cash outflows per annual capital investments.
3. The increase in inventory is only included when the ending balance is greater than the opening balance. If the inventory is reduced at the end of the year, it is calculated as zero.
4. Cash dividends include cash dividends for ordinary shares and special shares.
5. Gross value of property, plant and equipment refers to the total amount of real estate, plant and equipment before deducting accumulated depreciation.

Note 6: The issuer shall classify various operating costs and operating expenses into fixed and variable terms according to their nature. If there is any estimation or subjective judgment, they should pay attention to their rationality and maintain consistency.

Note 7: If the company's stock is not denominated or the denomination is not TWD10, the calculation of the proportion of the paid-up capital in the former opening is calculated based on the equity ratio of the balance sheet attributable to the owner of the parent company.

3. Supervisor Review Report

See 【Appendix 2】 page 150

4. Accountant Audit Report

See 【Appendix 3】 page 151

5. Current Annual Individual Financial Statement Reviewed by the Accountant

See 【Appendix 4】 page 221

6. Impact of the Company and Associated Enterprises with Financial Turnaround Difficulties on the Financial Situation of the Company in the Most Current Fiscal Year

None

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Financial Highlights and Analysis

1. Financial Position.
2. Financial Performance
3. Analysis on Cash Flow
4. Impact of Recent Major Capital Expenditures on Financial Operations
5. Recent Annual Transfer Investment Policy, Main Reasons for Profit and Loss, Improvement Plans and Future Investment Plans
6. Risk Analysis and Evaluation
7. Other Necessary Supplements

7. Financial Highlights and Analysis

1. Financial Position

Consolidated Financial Statement

Unit: Thousand TWD

Year / Items	December 31 2018	December 31 2017	Difference		Note
			Amount	%	
Liquid assets	3,717,311	3,504,349	212,962	6.08	1
Real estate, factories, and equipment	1,721,274	1,675,691	45,583	2.72	1
Other assets	387,334	195,953	191,381	97.67	2
Total assets	5,825,919	5,375,993	449,926	8.37	1
Current liabilities	2,458,722	2,237,570	221,152	9.88	1
Long term liabilities	202,217	219,070	(16,853)	(7.69)	1
Total liabilities	2,660,939	2,456,640	204,299	8.32	1
Shares	1,197,260	1,197,260	0	0	1
Capital reserve	48,209	48,209	0	0	1
Retained earnings	2,067,094	1,783,465	283,629	15.90	1
Other interests	(147,583)	(109,581)	38,002	34.68	3
Total interests of shareholders	3,164,980	2,919,353	245,627	8.41	1

1. Information:
(1) If the increase or decrease of the change rate is less than 20% and the amount is less than TWD10 million, it will be exempted from analysis.
(2) Other assets increased by more than 20% due to the increase in principal-guaranteed wealth management products and long-term time deposits totaling $223,500.
(3) The main reason for the increase in interest is due to the exchange difference for conversion of financial statements of foreign operating institutions
2. Future response plans: None

2. Financial Performance

(1) Management results comparison

Consolidated financial report

Unit: Thousand TWD

Items	2018	2017	Increase (decrease) amount	Change ratio
Business profits	6,520,514	5,513,754	1,006,760	18.26
Operating costs	(4,805,766)	(4,044,435)	761,331	18.82
Operating gross profit	1,714,748	1,469,319	245,429	1.67
Operating costs	(883,349)	(786,129)	97,220	12.37
Operating interests	831,399	683,190	148,209	21.69
Operating revenue and spending	39,333	(67,953)	107,286	157.88
Profit before tax	870,732	615,237	255,495	41.53
Income tax fees	(228,382)	(159,795)	68,587	42.92
Net profit after tax	642,350	455,442	186,908	41.04
Other comprehensive income (net amount)	(37,545)	(33,705)	3,840	11.39

Comprehensive income this period	604,805	421,737	183,068	43.41

1. Analysis of the increase and decrease of the proportion of changes: (previous and late changes of more than 20% and the amount of change reached TWD 10 million)

1. Increase in operating profit: Mainly due to the increase in operating income during the period.

2. Non-operating income and expenses increased: Mainly due to the Taiwan dollar depreciating against the US dollar, resulting in a net exchange benefit of $16,822,000 in the current period.

3. Net profit before tax, income tax expense, net profit after tax, and total consolidated income for the period: Mainly due to the increase in profit in the current period.

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

3. Future counter plans: none

(2) Expected sales volume and its basis, possible impact on the company's future financial business and response plan

Main product	2019 sales (thousand units)
PC computer chassis	275
Server chassis	1,900
Components and others	19,000

The above-mentioned expected sales volume is based on the industrial environment and market supply and demand situation. The company's business personnel estimate the possible sales situation based on the actual performance with customers, and the business executives estimate the overall industry prosperity and regional differences.

3. Analysis on Cash Flow

(1) Analysis of recent annual cash flow changes (consolidated financial statements)

Unit: Thousand TWD

Cash and cash equivalents remainder at start of period	From business activities all year Net cash flow	Cash outflow amount of the year	Remaining cash (Insufficient) funds	Remedial measures for cash shortfalls	
				Investment plan	Fiscal plan
1,127,353	1,034,871	900,497	1,261,727	0	0

1. Analysis of current year's cash flow changes:

(1) Business activities: $1,034,871 is mainly due to revenue and profit.

(2) Investment activities: ($491,006) is mainly due to the acquisition of financial assets measured by amortized cost, purchase of molds and related equipment.

(3) Fund raising activities: ($392,317) is main due to the payment of cash dividends and repayment of borrowings.

(4) Other: ($17,174) mainly due to exchange rate impact.

2. Remedial measures and liquidity analysis for expected cash shortfalls: Not applicable.

(2) Cash liquidity analysis for the coming year (consolidated financial statements)

Unit: Thousand TWD

Cash and cash equivalents remainder at start of period	From business activities all year Net cash flow	Cash outflow amount of the year	Remaining cash (Insufficient) funds	Remedial measures for cash shortfalls	
				Investment plan	Fiscal plan
1,261,727	$1,020,000	960,000	1,321,727	0	0

1. Analysis of current year's cash flow changes:

(1) Business activities: $1,020,000 mainly due to the expected growth in operating income and cash inflows this year.

(2) Investment activities: $335,000 mainly due to expected net cash outflows of financial assets and purchase fixed assets as measured by amortization costs during the year.

(3) Fund raising activities: $625,000 mainly due to paying shareholders cash dividends and increased borrowings.

2. Remedial measures and liquidity analysis for expected cash shortfalls: Not applicable.

4. Impact of Recent Major Capital Expenditures on Financial Operations

(1) Use and source of funds of major capital expenses:

Unit: Thousand TWD

Project Items	Actual or expected sources of funds	Actual or expected completion date	Funds required Total amount	Actual or predicted capital use				
				2018	2019	2020	2021	2022
Chenbro expansion	Self funds and bank loans	Dec. 2018	350,000	21,335	0	0	0	0
Plant equipment	Self funds and bank loans	Dec. 2019	21,701	0	21,701	0	0	0
Machinery	Self funds and bank loans	Dec. 2019	72,830	0	72,830	0	0	0
Mold equipment	Self funds and bank loans	Dec. 2018	255,772	141,196	0	0	0	0
Production and Other equipment	Self funds and bank loans	Dec. 2019	33,407	22,337	33,407	0	0	0

(2) Predicting possible gains/losses:

Plant equipment: In response to stricter regulations on environmental protection, fire protection and industrial safety, the overall factory complies with the addition and improvement of the law, and the replacement and maintenance of the old due to the expiration of the service life.

Machinery, manufacturing and other equipment: equipment replacement, process improvement automation, optical inspection equipment, energy consumption and efficiency and productivity through the introduction of high-performance and automation equipment; and improve quality prevention capabilities. In order to meet the needs of the business and meet the needs of consumers, the company plans to increase the mold equipment related to new products, and through the replacement of the production line, the company can continue to develop new products, make the products more competitive, and thus increase market share.

5. Recent Annual Transfer Investment Policy, Main Reasons for Profit and Loss, Improvement Plans and Future Investment Plans

(1) Investment policy for the latest year

The company's investment policy is to expand the overseas market and deepen the major countries to increase the overseas revenue and market share in line with the company's operating scale.

(2) Reasons and improvement plan for Investment profits or losses

The investment income of the company's investment business in 2018 was TWD239,275,000, which was mainly due to the increase in demand in the European and American markets.

(3) Future investment plan for the coming year

The Company will carefully evaluate the investment plan in a long-term strategic perspective to continuously strengthen its global competitiveness in response to the demand for future market and capacity expansion.

6. Risk Analysis and Evaluation

(1) The impact of recent annual interest rates, exchange rate changes, and inflation on the company's profit and loss and future response measures

The list of 2018 interest and exchange income of the Company is as follows:

Consolidated financial report

Unit: Thousand TWD

Items \ Year	2018
Net exchange (loss)	16,822
Business profits	6,520,514
Profit before tax	870,732
Net exchange (loss) profit to net operating income ratio	0.26%
Monetary income percentage on net profit before tax	1.93%
Interest income	17,437
Ratio of interest income to business profits	0.27%
Ratio of interest income to profit before tax	2.00%
Interest fees	9,423
Ratio of interest income to business profits	0.14%
Ratio of interest cost to net profit before tax	1.08%

Source: Financial report reviewed by the accountant

1. The impact of interest rates on the company's profit/loss and future response measures:

The company's cash management policy is based on the principle of safe and sound operation. In addition to maintaining safe working capital, the spare funds are mainly deposited in bank time deposits. As of December 31st, 2018, the bank’s loans from the bank is approximately NT 413 million, accounting for 7.08% of the total assets of the Company. The Company has proposed to improve the financial structure, enrich the medium and long-term working capital and reduce the risk of interest rate changes, in addition to deducing an appropriate time to avoid risks by assessing the market capital status and bank interest rates, and carefully determining the financing method to obtain a more favorable interest rate. For this reason, it is expected that interest rate fluctuations will have little impact on the Company's operational risks.

2. The impact of exchange rate changes on the company's income and future response measures:

A. Exchange profit/loss source:

The major quotation currency of the company's revenue and accounts payable, which is generated by the company's revenue and invoicing, is US dollar. By offsetting foreign currency assets and liabilities, it will greatly reduce exchange rate risk and achieve natural hedging effect. Additionally, all of the derivative commodity transactions undertaken by the Company are for the purpose of hedging. The gains and losses arising from exchange rate changes are largely offset by the gains and losses of the hedged items. Therefore, the market exchange rate changes have little impact on the Company.

B. Measures in response to exchange rate fluctuations:

The company's assets and liabilities in foreign currency holdings will be hedged according to the exchange rate at the time, with current foreign exchange, forward foreign exchange, or derivative financial products adjusted in a timely manner in response to exchange rate fluctuations, inspection and prudent assessment, so as to avoid the risk of exchange rate fluctuations. Since the Company does not engage in foreign exchange operations that are not related to the industry or trade purpose foreign exchange operations, all actions are conducted based on hedging purposes. For this reason, exchange rate fluctuations have not had significant impact on the profit and loss of the company.

3. The impact of recent annual interest rates, exchange rate changes, and inflation on the company's profit and loss and future response measures:

The annual growth rate of Taiwan's CPI in 2018 was 1.49% (source: Accounting Office). With the inflation risk within acceptable limits; and based on the continuous concern and active management of inflation issues by central banks, effective control of future inflation pressure is expected, thereby not significantly affecting the profit and loss of the company.

(2) The main reasons for the policy, profit or loss of high risk, high leverage investment, capital loan and others, endorsement guarantee and derivative commodity transactions in the most recent year and future response measures:

1. The company is focused on the its industry of business. As of the publication date of the annual report, the company has not engaged in high-risk, high-leverage investment business in recent years.
2. The Company has established operating methods such as “Acquisition or Disposal of Assets Management Guidelines”, “Funding and Others' Operating Procedures” and “Endorsement Guaranteed Operating Procedures” as the basis for the Company's compliance with relevant activities. As of the date of publication of the annual report, it is based on the above-mentioned policies and corresponding measures.

(3) Future development plans and expected development costs in the most recent year:

Chenbro will continue to develop new products based on modular system architecture and further extend to 4U server and storage chassis products. The Chenbro Modular System Architecture is extremely flexible and can support a wide range of system configurations and customization needs. We will continue to work closely with mainstream motherboard partners and OEM/ODM customers including Intel, ASRock, Tyan, MSI, Gigabyte, etc. to develop products that are compatible with the latest generation of motherboards. At the same time, the Intel System Test Verification Process Specification will effectively eliminate various hidden issues in our mainframe and bare bones servers, thus contributing to continuous improvement in product quality. Chenbro will introduce more NVMe and GPGPU product solutions to meet market demand. Furthermore, Chenbro will also launch more conceptual product solutions to meet future data center development needs. Chenbro's engineering capabilities have been extended to rack-based solutions - similar to Facebook's OCP or Intel's RSD. We have the ability to build centers from traditional data centers (19" racks) to large-scale data centers, and we will continue to invest in new materials and research and development to drive our products to a more efficient and economical direction.

Future development plans and expected development costs in the most recent year:

Type	Product Specifications
Storage type	● Cold SATA storage server based on single channel platform such as ARM, Intel Mellow, AMD EPYC. ●Warm SAS/SATA storage server based on Intel Cascade lake dual platform, 2U 24x3.5 disk, 4U 40x3.5" disk, 4U 100x3.5" disk and other products. ●SAS/SATA JBOD, 4U 48x3.5" disk, 4U 96x3.5" disk and other products for storage array expansion. ●Solid state storage (SATA/NVMe SSD) server, 1U 10x2.5" disk, 2U 24x2.5" disk and other products. ●Hybrid storage (SAS/SATA/NVMe Tri-mode) server, 1U 2.5" SSD and 3.5”-disc hybrid
Edge computing	● 1U single channel, 3x3.5" disk / 3x2.5" disk, front and rear I/O free switching; ● 2U single/dual channel, 6/8x2.5" disk, front and rear I/O free switching; ● U single/dual, 8x2.5"/3.5" disk, free switching between front and rear I/O;
Artificial intelligence	● 4U 4x GPGPU · 8x GPGPU

Type	Product Specifications
Cloud computing	● 1U/2U, Intel Cascade Lake, AMD Rome platform products.
The total R&D estimate accounts for 3%~4% of the total revenue 2019 which is equivalent to the previous year	

(4) The impact of important domestic and international policies and legal changes in the past year on the company's financial business and corresponding measures:

The important policies and laws changes at home and abroad in recent years have not caused any significant impact to the Company. In addition to irregularly collecting and assessing the impact of important domestic and international policies and legal changes on the company's finances and business, the company will also consult relevant professionals to take appropriate measures in a timely manner.

(5) The impact of important domestic and international policies and legal changes in the past year on the company's financial business and corresponding measures:

Continuing the full range of server product strategies of the previous year, along with the launch of the new INTEL platform and the expected wave of device change, and through the steady growth of demand in China and North America, the high flexibility and modularity advantages have extend standard products to various market applications in an effort to maximize the productivity of shared parts. With the trend of SDS (Software Define Storage) becoming popular, flash memory (NVMe and SSD) storage solutions are changing data centers, and its increasingly popularized virtualization and enterprise-class applications are increasing in demand. Therefore, corresponding design changes will be present in the design of the white-box system platform for the data center. This includes high-density, high-capacity flash memory, online maintenance design and PCIe expansion accessories. In terms of high-performance computing application, in addition to the development of the multi-node server series, the adaptation and optimization of the GPU in the new series of chassis will be used as the basis for development, and the potential customers will be served in the JDM mode. In the development of mass storage products, in response to the rise of cloud database backup applications, ultra-high-density storage servers and JBOD products can provide more choices for high-end customers. Regarding PC products, the application specifications of the new generation of mini-STXs will also provide corresponding high-compatibility chassiss for the existing DIY market and customer base. As for IPC applications, this specification can also be used to develop compact fan less systems using different materials.

(6) The impact of recent corporate image changes on corporate crisis management and response measures:

The company's corporate image is good, and there have been no major changes in the recent year that have caused corporate crisis management.

(7) Expected benefits, possible risks and response measures for M&A:

The company does not have a merger plan; therefore it is not applicable.

(8) Expected benefits, possible risks and response measures for plant expansion:

The company does not have an expansion plan, therefore it is not applicable.

(9) Risks and countermeasures for the concentration of incoming goods or sales:

The transaction amount of the Company's largest sales customer only accounts for 22% of the net consolidated operating income. There is no situation where the sales amount of a single customer exceeds 50%. Therefore, there is no risk of concentration of sales. The transaction amount of the largest supplier accounts 5.7% of the consolidated incoming net amount, there is no purchase concentration risk.

(10) The impact, risks and response measures of many shares transferred or replaced on the company, for directors, supervisors or shareholders holding more than 10% of the shares:

On April 8, 2019, the company was informed that Mr. HSU SHEN KUO, a director of the company, had transferred more than one-half of the shares held during the original election on March 5, 2019, and therefore is naturally dismissed as a director of the company. His shares now only account 0.2% of the total shares in circulation so it has little effect on the company.

(11) The impact of changes in management rights on the company, risks and response measures:

The company does not have plans to change management rights, therefore it is not applicable.

(12) The Company and the company's directors, supervisors, Presidents, substantive principals, major shareholders holding more than 10% of the shares and subordinate companies have decided to determine or are still in the category of major litigation, non-litigation or administrative litigation. The result of which, may have a significant impact on the shareholders' equity or the price of the securities, the facts of the dispute, the amount of the subject matter, the commencement date of the lawsuit, the parties involved in the proceedings and the date of publication of the annual report: None.

(13) Cyber security risks and counter measures:

The Chenbro Micom Information System has established a backup mechanism and sent backup media to different places for storage, and conduct disaster reduction drills every year to reduce the risk of system interruption caused by unwarranted natural disasters and human error, and ensure that the information system can respond in a short time It also budgets and implements various equipment security training and education training to ensure its appropriateness and effectiveness, but it cannot guarantee that the company will not be affected by cyber-attacks such as new attacks and viruses.

The US subsidiary ERP system was attacked by ransomware towards the end of 2018, but it was not able to recover from the short-term recovery operation because the company had a backup system. Subsequent improvement measures include: Strengthening firewall and network control, continuous improvement of mail filtering system, strengthening employee security concept, and continuously strengthening account management and authority management.

(14) Other important risks and counter measures: none

7. Other Necessary Supplements

None

8

Other Special Information and Notes

1. Information of Related Companies
2. Status of Private Equity Securities from Current Years
3. Status of Subsidiary Shareholdings from Current Years
4. Other Necessary Supplements
5. In the Most Current Year, If There Is Any Significant Impact on Shareholders' Equity or Securities Price As Stipulated in the Second Paragraph of Article 36-3-2 of This Law

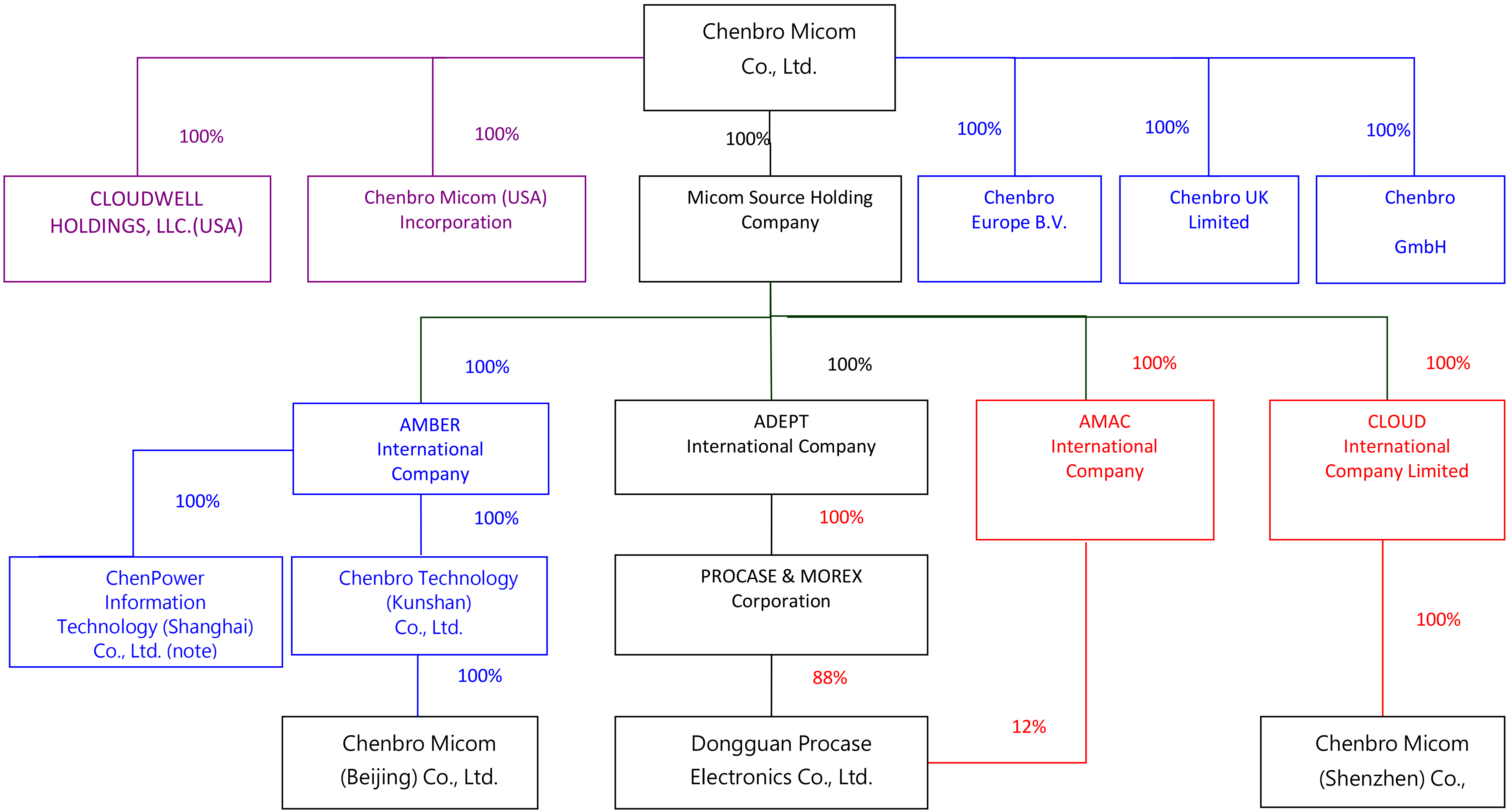
8. Other Special Information and Notes

1. Information of Related Company

(1) Business report

a.Operation status of each related company

Note: Chenbro Europe B.V. was dissolved after board of directors' approval on May 9, 2017, and was dissolved on March 2019



(2) Basic information of each related company

Company name	Date of establishment	Address	Paid-up funds	Main business
Chenbro Micom Co., Ltd.	1983.12.05	15th Floor, 150 Jianyi Road, Zhonghe District, New Taipei City	NT$1,197,260 thousand	Development, manufacture, and trade of PC computer chassis and servers
Chenbro Europe B.V.	1998.07.24	Avignonlaan 35, 5627 GA Eindhoven, The Netherlands	EUR91 thousand (Note 1)	Trade of PC computer chassis and servers
Chenbro Micom (USA) INC.	2000.01.25	2800 E. JURUPA STREET, ONTARIO CA 91761	US$1,000 thousand	Trade of PC computer chassis and servers
Cloudwell Holdings, LLC.	2013.07.12	2800 E. JURUPA STREET, ONTARIO CA 91761	US$3,600 thousand	Realtor
Micom-Source Holding Co.	1999.01.19	Cayman Islands	US$20,450 thousand	Holdings company
AMAC International Co.	2001.12.07	Cayman Islands	US$6,453 thousand	Holdings company
AMBER International Company	2005.12.07	Cayman Islands	US$8,240 thousand	Holdings company
Chenbro Technology (Kunshan) Co., Ltd.	2003.09.08	High-tech Industrial Park, Development Zone, Kunshan City, Jiangsu Province	US$10,0000 thousand	Processing of PC computer chassis and servers
Chenbro UK Limited	2008.08.24	Suite 11B, Crossford Court, Dane Road, Sale, Manchester, M33 7BZ, U.K.	0 (Note 2)	Sales service company
Dongguan Procase Electronic Co., Ltd.	1995.12.18	Hongye Industrial Zone, Tangxia Town, Dongguan City	HK$85,600 thousand	Processing of PC computer chassis and servers
ADEPT International Company LTD.	2007.02.22	Virgin Islands	US$15,800 thousand	Holdings company
PROCASE & MOREX Corporation	1997.10.03	Virgin Islands	US$17,751 thousand	Trade of PC computer chassis and servers
CLOUD INTERNATIONAL COMPANY LIMITED	2012.04.23	Samoa	US$550 thousand	Holdings company
Chenbro Micom (Shenzhen) Co., Ltd.	2012.08.24	Futian Center, Shenzhen, Guangdong Province	US$550 thousand	Trade of PC computer chassis and servers
Chenbro Micom (Beijing) Co., Ltd.	2014.06.06	Changping district, Beijing	RMB6,000 thousand	Technology development
Chenbro GmbH	2015.02.10	Carl-Friedrich-Benz-Str. 13, 47877 Willich, Germany	EUR250 thousand	Trade of PC computer chassis and servers

ChenPower Information Technology (Shanghai) Co., Ltd.	2016.10.08	Room 150, Zone J, 1st Floor, Building 1, 1362 Huqingping Road, Qingpu District, Shanghai.	US$2,100 thousand	Trade of PC computer chassis and servers

Note 1: Chenbro Europe B.V. was dissolved after the board of directors' approval on May 9, 2017 and was dissolved on March of 2019.

Note 2: Chenbro Europe U.K. shares were transferred to the Company after the board of directors' approval on May 9, 2017, with the transfer and registration completed on August 2017. On August 7, 2018, the board of directors decided to reduce the capital by 19,999 pounds and to close the chassis after completion. The capital reduction procedures were completed by October 2018.

(3) Presumptive reasons for the presumption of control and affiliation and personnel-related information: None.

(4) Business dealings and division of labor between various related companies

Company name	Business dealings and labor division
Chenbro Micom Co., Ltd.	Parent company in control of business operations of all its subsidiaries
Chenbro Europe B.V.	Subsidiary company that sells independently
Chenbro Micom (USA) INC.	Subsidiary company that sells independently
Micom-Source Holding Co.	A holding company established in accordance with the law in another region.
Cloudwell Holdings, LLC.	Subsidiary company that leases out real estate independently
AMAC International Co.	A holding company established in accordance with the law in another region
AMBER International Co.	A holding company established in accordance with the law in another region
ADEPT International Company LTD.	A holding company established in accordance with the law in another region
PROCASE & MOREX Corporation	A trade company established in accordance with the law in another region
Chenbro UK Limited	Subsidiary company that sells and provides services independently
Chenbro Technology (Kunshan) Co., Ltd.	Second-tier subsidiary company that manufactures and sells independently
Dongguan Procase Electronics Co., Ltd.	Third-tier subsidiary company that manufactures and sells independently
Cloud International Company Limited	A holding company established in accordance with the law in another region
Chenbro Micom (Shenzhen) Co., Ltd.	Only subsidiary with independent sales ability
Chenbro Micom (Beijing) Co., Ltd.	Third-tier subsidiary company with technology research and development center
Chenbro GmbH	Subsidiary company with independent sales ability
ChenPower Information Technology (Shanghai) Co., Ltd.	Second-tier subsidiary company with independent sales ability

(5) Information on directors, supervisors and President of related companies

Company name	Title	Name
Chenbro Europe B.V.	Director	Chen Meichi, Chen Zhifeng
Chenbro Micom (USA) INC.	Director	Chen Meichi, Wang Leeyami, Chen Yunpeng
Micom- Source Holding Co.	Director	Chen Meichi
Cloudwell Holdings, LLC.	Director	Chen Yunpeng
AMAC International Co.	Director	Chen Meichi
AMBER International Company	Director	Chen Meichi
Qinkun Technology (Kunshan)Co., Ltd	Director	Chen Meichi, Chen Zhifeng, Tsou keti
Chenbro UK Limited	Director	Chen Meichi, Chen Fengming
Dongguan Procase Electronics Co., Ltd.	Director	Chen Zhifen
ADEPT International Company LTD.	Director	Chen Meichi
PROCASE & MOREX CORPORATION	Director	Chen Meichi
CLOUD INTERNATIONAL COMPANY LIMITED	Director	Chen Meichi
Chenbro Micom (Shenzhen) Co., Ltd.	Director	Chen Fongjheng
Chenbro Micom (Beijing) Co., Ltd.	Director	Chen Fongjheng
Chenbro GmbH	Director	Chen Meichi
ChenPower Information Technology (Shanghai) Co., Ltd.	Director	Chen Meichi

(6) Operation status of each related company

Unit: Thousand TWD

Company name	Capital	Total assets	Total liabilities	Profit	Revenue	Operating profit	Gain/Loss this period (after tax)
Chenbro Europe B.V.	3,556	66,856	1,760	65,096	0	17	19
Chenbro Micom (USA) INC.	30,280	980,890	806,875	174,015	2,410,472	54,854	33,765
Cloudwell Holdings, LLC.	109,365	256,180	138,689	117,491	12,456	7,456	1,646
Micom- Source Holding Co.	619,223	2,463,687	29,714	2,433,973	0	415	211,835
AMAC International Co.	195,389	70,273	0	70,273	0	0	9,697
Qinkun Technology (Kunshan)Co., Ltd	383,754	2,644,537	932,402	1,712,135	2,437,952	123,681	102,447
AMBER International Company	249,504	1,826,813	86,122	1,740,691	0	(153)	137,238
ADEPT International Company LTD.	474,044	589,969	80,640	509,329	0	(27)	68,353
PROCASE & MOREX Corporation	537,500	808,339	219,933	588,406	925,109	(3,004)	70,846
Dongguan Procase Electronics Co., Ltd.	483,589	1,264,438	679,824	584,614	2,132,027	109,876	80,772
Chenbro UK Limited	0	2,268	1,026	1,242	2,862	136	122
CLOUD INTERNATIONAL COMPANY LIMITED	16,233	25,657	0	25,657	0	(36)	2,433
Chenbro Micom (Shenzhen) Co., Ltd.	14,975	24,287	0	24,287	0	2,510	2,420

Chenbro Micom (Beijing) Co., Ltd.	30,540	315	78	237	0	(281)	(281)
Chenbro GmbH	9,019	44,306	35,977	8,329	152,769	(2,130)	(2,282)
ChenPower Information Technology (Shanghai) Co., Ltd.	66,906	762,055	649,126	112,929	1,698,232	41,122	39,330

(7) The company that should be included in the preparation of the financial statements of the company's consolidated financial statements is the same as the company that should be included in the consolidated financial statements of the parent and subsidiary companies in accordance with No. 10 of the International Financial Reporting Standard, and no separate financial statements for the business combination are prepared. The statement is as follows:

Chenbro Micom Co., Ltd. and Subsidiaries

Consolidated financial statement declaration

The Company should list the companies within the consolidated financial statement of 2018 (Jan. 1 to Dec. 31) in accordance to No. 10 of the IRS, should be the same as those listed in the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises. The consolidated financial statements of the related companies should disclose relevant information on the consolidated financial statement of the parent and subsidiaries.

Sincerely,

Company name：Chenbro Micom Co., Ltd.

Responsible person: Chen Meichi

March 19, 2019

2. Status of Private Equity Securities from Current Years:

None

3. Status Subsidiary Shareholdings from Current Years:

None

4. Other Necessary Supplements:

None

5. In the Most Current Year, If There Is Any Significant Impact on Shareholders' Equity or Securities Price As Stipulated in the Second Paragraph of Article 36-3-2 of This Law:

None

【Appendix 1】 Internal control system statement

Chenbro Micom Co., Ltd.
Internal control system statement

Date: March 19, 2019

The internal control system of the Company in 2018 is based on the results of the self-assessment and is hereby declared as follows:

1. The Company is aware that the establishment, implementation and maintenance of the internal control system is the responsibility of the board of directors and managers of the Company. The Company has established this system. The purpose is to provide reasonable results in terms of operational effectiveness and efficiency (including profitability, performance and asset security, etc.), reporting reliability, timeliness, transparency, ensuring compliance with relevant regulations and compliance with relevant laws and regulations.
2. The internal control system has its inherent limitations. Regardless of how well the design is perfected, an effective internal control system can only provide reasonable assurance of the achievement of the above three objectives. Moreover, due to changes in the environment and conditions, the effectiveness of the internal control system may change. However, the company's internal control system has a self-monitoring mechanism. Once a fault is identified, the company will take corrective action.
3. The company judges whether the design and implementation of the internal control system is effective based on the judgment of the effectiveness of the internal control system as stipulated in the "Guidelines for the Establishment of Internal Control Systems for Public Offering Companies" (hereinafter referred to as "Processing Guidelines"). The internal control system judgment project used in the "processing criteria" is based on the process of management control, and the internal control system is divided into five components: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication and 5. Supervised operations. Each component also includes several items. Please refer to the "Processing Guidelines" for the above items.
4. The Company has adopted the above internal control system to judge the project and evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the previous assessment, the Company believes that the internal control system (including supervision and management of subsidiaries) of the Company on December 31, 2018, including understanding the effectiveness of operational and efficiency objectives, The design and implementation of the internal control system, which is reliable, timely,

transparent and in compliance with relevant regulations and relevant laws and regulations, is effective and can reasonably ensure the achievement of the above objectives.

6. This statement will become the main content of the company's annual report and public statement and will be made public. If the content of the above disclosure is illegal or concealed, it will involve legal liabilities listed in Articles 20, 32, 171 and 174 of the Securities Exchange Law.
7. This statement was approved by the board of directors of the Company on March 19, 2019. Among the seven directors in attendance, no one opposed to the statement. The rest agreed with the contents of this statement and together, released this statement.

Chenbro Micom Co., Ltd.
Chairman： Chen Meichi

[Attachment 2] Supervisor review report

Supervisor Review Report

The board of directors shall provide the company's 2018 annual business report, financial statements, together with the earnings distribution proposal. After the review by the supervisor, it is considered to be in compliance with the relevant laws and regulations of the company articles and is subject to the provisions of Article 219 of the Company Act. Please read the attached report.

Sincerely,
2019 Shareholders’ Meeting

Chenbro Micom Co., Ltd.

Supervisor：Huang Lirong

Supervisor：Chen Zhenxiang

Supervisor：Li Yami
March 19, 2019

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(18) PWCR18004160

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

Opinion

We have audited the accompanying consolidated balance sheets of Chenbro Micom Co., Ltd. and subsidiaries (the "Group") as at December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other matters section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent 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 consolidated financial statements of the current period. 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 consolidated financial statements of the current period are stated as follows:

Valuation of inventories

Description

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of allowance for inventory valuation losses. As of December 31, 2018, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$600,734 thousand and NT$88,252 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of computer peripheral equipment. As technology changes rapidly and the life cycle of electronic products is short, inventories may become obsolete within a short period. The Group measures inventories at the lower of cost and net realisable value, and assesses whether the value of inventories has declined. Any losses incurred due to obsolescence based on inventory aging and closeout inventory are examined by management periodically.

As the value of inventory is significant, the inventory items are numerous, and the accounting estimates are subject to management's judgement, we consider valuation of inventories a key audit matter.

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

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

3. Assessing the reasonableness of obsolete loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.

4. Verifying details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.

Reasonableness of revenue recognition

Description

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 global demand for servers continues to increase, the Group is committed to increasing sales revenue. In comparison with the lists of the Group's top 10 trading counterparties for the years ended December 31, 2018 and 2017, there are changes in sales revenue resulting in some trading counterparties being newly included in the top 10 list.

As the newly top 10 trading counterparties are significant to the consolidated financial statements, we consider the reasonableness of sales revenue from the newly top 10 trading counterparties a key audit matter.

How our audit addressed the matter

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

1. Assessing the revenue cycle and performing tests to determine that the Group's revenue process is conducted in accordance with the internal control procedures.

2. Checking the related industry background in respect of the newly top 10 trading counterparties.

3. Obtaining and selecting samples to verify related vouchers of the sales revenue from the newly top 10 trading counterparties.

Other matter – Scope of the Audit

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets amounting to NT$253,276 thousand and NT$252,449 thousand, representing 4% and 5% of the consolidated total assets as of December 31, 2018 and 2017, respectively, and total operating revenue both amounting to NT$0, representing 0% of the consolidated total operating revenue for the years then ended, respectively. Those statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in these financial statements, is based solely on the reports of other independent accountants.

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, 2018 and 2017.

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, including the supervisors, are responsible for overseeing the Group’s financial reporting process.

Auditor’s 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 auditor’s 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 ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain

solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Audrey Tseng　　　　　　　　　　Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2019

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,261,727	22	$ 1,127,353	21
1136	Current financial assets at amortised cost, net	6(3)	156,450	3	-	-
1147	Investments in debt instrument without active market - current	12(4)	-	-	144,097	3
1170	Accounts receivable, net	6(4)	1,649,113	28	1,471,448	27
1180	Accounts receivable - related parties, net	7	622	-	1,094	-
1200	Other receivables	6(5) and 7	47,187	1	52,996	1
1220	Current income tax assets		5,116	-	5,499	-
130X	Inventories	6(6)	512,482	9	617,106	12
1410	Prepayments		81,738	1	73,205	1
1470	Other current assets	8	2,876	-	11,551	-
11XX	**Total current assets**		3,717,311	64	3,504,349	65
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	25,389	-	-	-
1535	Non-current financial assets at amortised cost	6(3)	223,500	4	-	-
1543	Non-current financial assets measured at cost	12(4)	-	-	31,625	1
1600	Property, plant and equipment	6(7) and 8	1,721,274	30	1,675,691	31
1780	Intangible assets	6(8)	11,700	-	7,732	-
1840	Deferred income tax assets	6(22)	38,548	1	56,693	1
1900	Other non-current assets	6(7)(9) and 8	88,197	1	99,903	2
15XX	**Total non-current assets**		2,108,608	36	1,871,644	35
1XXX	**Total assets**		$ 5,825,919	100	$ 5,375,993	100

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 276,102	5	$ 296,883	6
2130	Current contract liabilities	6(18)	7,379	-	-	-
2170	Accounts payable		1,412,759	24	1,242,231	23
2180	Accounts payable - related parties	7	6,008	-	8,779	-
2200	Other payables	6(12) and 7	639,544	11	594,740	11
2230	Current income tax liabilities		105,678	2	72,589	1
2300	Other current liabilities	6(11)	11,252	-	22,348	1
21XX	**Total current liabilities**		2,458,722	42	2,237,570	42
	Non-current liabilities					
2540	Long-term borrowings	6(11)	129,460	2	132,190	2
2570	Deferred income tax liabilities	6(22)	45,232	1	58,767	1
2600	Other non-current liabilities	6(13)	27,525	1	28,113	1
25XX	**Total non-current liabilities**		202,217	4	219,070	4
2XXX	**Total liabilities**		2,660,939	46	2,456,640	46
	Equity					
	Share capital	6(14)				
3110	Share capital - common stock		1,197,260	20	1,197,260	22
	Capital surplus	6(15)				
3200	Capital surplus		48,209	1	48,209	1
	Retained earnings	6(16)(22)				
3310	Legal reserve		564,451	10	518,907	9
3320	Special reserve		175,154	3	142,624	3
3350	Unappropriated retained earnings		1,327,489	23	1,121,934	21
	Other equity interest	6(17)				
3400	Other equity interest		(147,583)	(3)	(109,581)	(2)
3XXX	**Total equity**		3,164,980	54	2,919,353	54
	Significant contingent liabilities and unrecorded contract commitments	9				
	Significant events after the balance sheet date	6(16) and 11				
3X2X	**Total liabilities and equity**		$ 5,825,919	100	$ 5,375,993	100

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Operating revenue**	6(18) and 7	$ 6,520,514	100	$ 5,513,754	100
5000	**Operating costs**	6(6)(21) and 7	(4,805,766)	(74)	(4,044,435)	(74)
5950	**Net operating margin**		1,714,748	26	1,469,319	26
	Operating expenses	6(21) and 7				
6100	Selling expenses		(347,943)	(5)	(295,153)	(5)
6200	General and administrative expenses		(340,878)	(5)	(312,851)	(6)
6300	Research and development expenses		(201,732)	(3)	(178,125)	(3)
6450	Expected credit impairment gain	12(2)	7,204	-	-	-
6000	**Total operating expenses**		(883,349)	(13)	(786,129)	(14)
6900	**Operating profit**		831,399	13	683,190	12
	Non-operating income and expenses					
7010	Other income	6(3)(19)	35,573	-	21,729	-
7020	Other gains and losses	6(20)	13,183	-	(81,629)	(1)
7050	Finance costs		(9,423)	-	(8,053)	-
7000	**Total non-operating income and expenses**		39,333	-	(67,953)	(1)
7900	**Profit before income tax**		870,732	13	615,237	11
7950	Income tax expense	6(22)	(228,382)	(3)	(159,795)	(3)
8200	**Profit for the year**		$ 642,350	10	$ 455,442	8

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
	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)	$ 571	-	($ 1,415)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(17)	(6,236)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	(114)	-	240	-
8310	**Other comprehensive income that will not be reclassified to profit or loss**		(5,779)	-	(1,175)	-
	Components of other comprehensive loss that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(17)	(46,044)	(1)	(36,095)	-
8399	Income tax relating to the components of other comprehensive income	6(17)(22)	14,278	-	3,565	-
8360	**Other comprehensive income that will be reclassified to profit or loss**		(31,766)	(1)	(32,530)	-
8300	**Other comprehensive loss for the year**		($ 37,545)	(1)	($ 33,705)	-
8500	**Total comprehensive income for the year**		$ 604,805	9	$ 421,737	8
	Profit attributable to:					
8610	Owners of the parent		$ 642,350	10	$ 455,442	8
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 604,805	9	$ 421,737	8
	Earnings per share (in dollars)	6(23)				
9750	**Basic earnings per share**		$ 5.37		$ 3.80	
9850	**Diluted earnings per share**		$ 5.29		$ 3.77	

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent								
			Capital Reserves		Retained Earnings			Other equity interest		
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised losses from financial assets measured at fair value through other comprehensive income	Total equity
2017										
Balance at January 1, 2017		$1,197,260	$ 41,987	$ 6,222	$ 458,888	$ 65,573	$1,163,915	($ 77,051)	$ -	$2,856,794
Profit for the year		-	-	-	-	-	455,442	-	-	455,442
Other comprehensive loss for the year	6(17)	-	-	-	-	-	(1,175)	(32,530)	-	(33,705)
Total comprehensive income		-	-	-	-	-	454,267	(32,530)	-	421,737
Distribution of 2016 earnings	6(16)									
Legal reserve		-	-	-	60,019	-	(60,019)	-	-	-
Special reserve		-	-	-	-	77,051	(77,051)	-	-	-
Cash dividends		-	-	-	-	-	(359,178)	-	-	(359,178)
Balance at December 31, 2017		$1,197,260	$ 41,987	$ 6,222	$ 518,907	$ 142,624	$1,121,934	($ 109,581)	$ -	$2,919,353
2018										
Balance at January 1, 2018		$1,197,260	$ 41,987	$ 6,222	$ 518,907	$ 142,624	$1,121,934	($ 109,581)	$ -	$2,919,353
Profit for the year		-	-	-	-	-	642,350	-	-	642,350
Other comprehensive income (loss) for the year	6(17)	-	-	-	-	-	457	(31,766)	(6,236)	(37,545)
Total comprehensive income		-	-	-	-	-	642,807	(31,766)	(6,236)	604,805
Distribution of 2017 earnings	6(16)									
Legal reserve		-	-	-	45,544	-	(45,544)	-	-	-
Special reserve		-	-	-	-	32,530	(32,530)	-	-	-
Cash dividends		-	-	-	-	-	(359,178)	-	-	(359,178)
Balance at December 31, 2018		$1,197,260	$ 41,987	$ 6,222	$ 564,451	$ 175,154	$1,327,489	($ 141,347)	($ 6,236)	$3,164,980

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 870,732	$ 615,237
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment gain	12(2)	(7,204)	-
Bad debts expense		-	3,406
Depreciation	6(7)(21)	185,652	135,169
Amortisation	6(8)(21)	5,774	5,042
Interest expense		9,423	8,053
Interest income	6(19)	(17,437)	(10,109)
Loss on disposal of property, plant and equipment	6(20)	1,899	1,225
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		-	1,355
Accounts receivable		(170,461)	(335,916)
Accounts receivable - related parties, net		472	355
Other receivables		6,784	3,418
Inventories		104,624	30,399
Prepayments		(8,533)	(12,521)
Other current assets		8,675	727
Changes in operating liabilities			
Current contract liabilities		(2,431)	-
Accounts payable		170,528	119,337
Accounts payable - related parties		(2,771)	2,010
Other payables		49,139	68,490
Other current liabilities		(1,743)	(6,933)
Other non-current liabilities		(17)	(1,294)
Cash inflow generated from operations		1,203,105	627,450
Interest received		16,462	9,668
Interest paid		(9,122)	(8,014)
Income tax paid		(175,574)	(171,577)
Net cash flows from operating activities		1,034,871	457,527

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(7)(24)	($ 247,430)	($ 311,002)
Proceeds from disposal of property, plant and equipment		952	2,505
Acquisition of intangible assets	6(8)	(8,693)	(2,795)
Proceeds from disposal of financial assets at amortised cost		144,097	-
Acquisition of financial assets at amortised cost		(379,950)	-
Acquisition of investments in debt instrument without active market- current		-	(144,097)
Decrease in other non-current assets		18	8,644
Net cash flows used in investing activities		(491,006)	(446,745)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings	6(25)	(27,002)	202,383
Decrease in guarantee deposits received		(13)	(1,178)
Repayment of long-term borrowings (including current portion)	6(25)	(6,124)	(6,441)
Payment of cash dividends	6(16)	(359,178)	(359,178)
Net cash flows used in financing activities		(392,317)	(164,414)
Effect on foreign exchange difference		(17,174)	(17,233)
Net increase (decrease) in cash and cash equivalents		134,374	(170,865)
Cash and cash equivalents at beginning of year	6(1)	1,127,353	1,298,218
Cash and cash equivalents at end of year	6(1)	$ 1,261,727	$ 1,127,353

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 19, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Group changed the presentation of certain accounts in the balance sheet. Under IFRS 15, liabilities in relation to customer contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet.

ii.Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for IFRS 16, 'Leases', the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intend to restate the financial statements of prior period (referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $65,033 and $8,413, respectively and other non-current assets will be decreased by $56,620.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)		
Name of investor	Name of subsidiary	Main business activities	December 31, 2018	December 31, 2017	Description
Chenbro Micom Co., Ltd.	Micom Source Holding Company	Holding company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Micom (USA) Incorporation	General trading company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Europe B.V.	General trading company	100	100	Note 3
Chenbro Micom Co., Ltd.	CLOUDWELL HOLDINGS, LLC.	Real estate leasing company	100	100	Note 1
Chenbro Micom Co., Ltd.	Chenbro GmbH	General trading company	100	100	
Chenbro Micom Co., Ltd.	Chenbro UK Limited	Marketing services	100	100	Notes 1 and 4

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2018	Ownership (%) December 31, 2017	Description
Micom Source Holding Company	Cloud International Company Limited	Holding company	100	100	
Micom Source Holding Company	AMAC International Company	Holding company	100	100	
Micom Source Holding Company	AMBER International Company	Holding company	100	100	
Micom Source Holding Company	ADEPT International Company	Holding company	100	100	
Cloud International Company	Chenbro Micom (Shenzhen) Co., Ltd.	General trading company	100	100	Note 2
AMBER International Company	Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing of computer cases	100	100	
AMBER International Company	ChenPower Information Technology (Shanghai) Co., Ltd.	General trading company	100	100	
Chenbro Technology (Kunshan) Co., Ltd.	Chenbro Micom (Beijing) Co., Ltd.	Research and development of technical skills	100	100	Note 2
ADEPT International Company	PROCASE & MOREX Corporation	Trading / Order taking company	100	100	
PROCASE & MOREX Corporation	Dongguan Procase Electronic Co., Ltd.	Manufacturing of computer cases	88	88	
AMAC International Company	Dongguan Procase Electronic Co., Ltd.	Manufacturing of computer cases	12	12	

Note 1: Except for the 2018 financial statements of Chenbro UK Limited which were audited by the Company's appointed independent accountants, the financial statements of other

subsidiaries were audited by its appointed independent accountants. The financial statements of these subsidiaries reflect total assets of $253,276 and $252,449, constituting 4% and 5% of the consolidated total assets as of December 31, 2018 and 2017, respectively, and net operating revenues of $0, constituting 0% of the consolidated total net operating revenue for both years then ended.

Note 2: On January 19, 2017, Chenbro Micom (Shenzhen) Co., Ltd. and Chenbro Micom (Beijing) Co., Ltd. were dissolved under the resolution of the Board of Directors.

Note 3: On May 9, 2017, Chenbro Europe B. V. was dissolved under the resolution of the Board of Directors, and was scheduled to be liquidated in 2019.

Note 4: On May 9, 2017, the Board of Directors of Chenbro UK Limited resolved to be directly held by the Company. The equity transfer was completed and registered in August 2017. In addition, the Board of Directors resolved to reduce the capital in the amount of GBP 19,999 on August 7, 2018, and CHENBRO UK Limited will be dissolved thereafter. The aforementioned reduction in capital was registered in October, 2018.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

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

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

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

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

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

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

(8) Financial assets at amortised cost

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

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

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

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

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

(9) Accounts and notes receivable

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

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

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

(12) Inventories

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

(13) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives.

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Buildings and structures	5～50 years
Machinery and equipment	3～12 years
Mold equipment	2～ 11 years
Computer communication equipment	3～ 10 years
Testing equipment	2～10 years
Transportation equipment	5 years
Office equipment	1～13 years
Other equipment	3～ 12 years

(14) Intangible assets

A. Trademarks

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

B. Computer software

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

(15) Operating leases

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Accounts payable

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

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

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(22) Income tax

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

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

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

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

(23) Share capital

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

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

(24) Dividends

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

(25) Revenue recognition

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

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

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

(26) Operating segments

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

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

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

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories was $512,482.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Petty cash and cash on hand	$ 398	$ 437
Demand deposits	112,672	24,052
Checking account deposits	189,884	73,639
Time deposits (including foreign currencies)	90,351	306,306
Foreign currency deposits	868,422	722,919
	$ 1,261,727	$ 1,127,353

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

B. The Group has reclassified cash and cash equivalents pledged to ‘other current assets’ and ‘other non-current assets’. Details are provided in Note 8.

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

Items	December 31, 2018
Non-current items:	
Equity instruments	
Unlisted stocks	$ 25,389

A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $25,389 as at December 31, 2018.

B. For the year ended December 31, 2018, the amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income was ($6,236).

C. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was

$25,389.

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

E. The information on December 31, 2017 is provided in Note 12(4).

(3) Financial assets at amortised cost

Items	December 31, 2018
Current items:	
Capital guaranteed financial products	$ 156,450
Non-current items:	
Time deposits	$ 223,500

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

	Year ended December 31, 2018
Interest income	$ 3,977

B. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was $379,950.

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

D. Information on held-to-maturity financial assets and investments in debt instruments without active market as of December 31, 2017 is provided in Note 12(4).

(4) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	$ 1,651,329	$ 1,495,199
Less: Allowance for bad debts	(2,216)	(23,751)
	$ 1,649,113	$ 1,471,448

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

	December 31, 2018	December 31, 2017
Not past due	$ 1,335,491	$ 1,234,387
Up to 30 days	236,572	166,234
31 to 90 days	78,968	68,229
91 to 180 days	226	4,723
Over 180 days	72	21,626
	$ 1,651,329	$ 1,495,199

The above ageing analysis was based on past due date.

B. The Group does not hold any collateral as security.

C. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group's accounts receivable were $1,649,113 and $1,471,448, respectively.

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

(5) Transfer of financial assets

The Group entered into a factoring agreement with banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Group decreased the estimated amount of business dispute and derecognised the transferred accounts receivable. As of December 31, 2018 and 2017, the related information is as follows:

December 31, 2018						
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 15,880	$ 15,880	$ 20,000	$ -		

December 31, 2017						
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 16,136	$ 16,136	$ 30,000	$ -		

Note: Shown as 'other receivables'.

(6) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	$ 151,050	($ 27,406)	$ 123,644
Semi-finished goods	110,309	(13,836)	96,473
Work in process	47,659	(25)	47,634
Finished goods	291,716	(46,985)	244,731
	$ 600,734	($ 88,252)	$ 512,482

	December 31, 2017		
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	$ 234,833	($ 19,670)	$ 215,163
Semi-finished goods	75,669	(14,015)	61,654
Work in process	82,812	(971)	81,841
Finished goods	343,929	(85,481)	258,448
	$ 737,243	($ 120,137)	$ 617,106

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2018	2017
Cost of goods sold	$ 4,790,517	$ 4,030,335
Sale of scraps	(13,550)	(10,251)
Loss on decline in market value	28,857	24,959
Gain on physical inventory	(58)	(608)
	$ 4,805,766	$ 4,044,435

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
At January 1, 2018												
Cost	$ 210,161	$ 1,549,720	$ 597,673	$ 309,436	$ 26,943	$ 23,799	$ 22,064	$ 55,015	$ 41,631	$ 51,431	$ 2,887,873	$ 30,162
Accumulated depreciation and impairment	-	(486,138)	(353,814)	(259,333)	(20,234)	(15,415)	(13,695)	(38,109)	(25,444)	-	(1,212,182)	-
	$ 210,161	$ 1,063,582	$ 243,859	$ 50,103	$ 6,709	$ 8,384	$ 8,369	$ 16,906	$ 16,187	$ 51,431	$ 1,675,691	$ 30,162
2018												
Opening net book amount	$ 210,161	$ 1,063,582	$ 243,859	$ 50,103	$ 6,709	$ 8,384	$ 8,369	$ 16,906	$ 16,187	$ 51,431	$ 1,675,691	$ 30,162
Additions	-	21,335	22,337	141,196	441	4,970	5,175	5,861	4,307	18,338	223,960	18,834
Disposals	-	(25)	(2,253)	-	-	(17)	(363)	(121)	(73)	-	(2,852)	-
Transfers	-	39,793	4,965	-	-	-	586	3,005	-	(19,479)	28,870	(30,096)
Effects of foreign exchange	2,240	(11,552)	(5,036)	(2,625)	101	(116)	(145)	(159)	(347)	(1,104)	(18,743)	(426)
Depreciation charges	-	(86,123)	(32,542)	(49,719)	(3,434)	(2,276)	(1,827)	(5,837)	(3,894)	-	(185,652)	-
Closing net book amount	$ 212,401	$ 1,027,010	$ 231,330	$ 138,955	$ 3,817	$ 10,945	$ 11,795	$ 19,655	$ 16,180	$ 49,186	$ 1,721,274	$ 18,474
At December 31, 2018												
Cost	$ 212,401	$ 1,590,398	$ 599,216	$ 446,988	$ 27,731	$ 28,517	$ 27,003	$ 62,341	$ 44,433	$ 49,186	$ 3,088,214	$ 18,474
Accumulated depreciation and impairment	-	(563,388)	(367,886)	(308,033)	(23,914)	(17,572)	(15,208)	(42,686)	(28,253)	-	(1,366,940)	-
	$ 212,401	$ 1,027,010	$ 231,330	$ 138,955	$ 3,817	$ 10,945	$ 11,795	$ 19,655	$ 16,180	$ 49,186	$ 1,721,274	$ 18,474

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

A. The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

C. The net difference from the transfers for this period resulted from the intangible assets of $1,226.

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
At January 1, 2017												
Cost	$ 215,971	$ 1,294,693	$ 510,324	$ 262,272	$ 33,270	$ 28,543	$ 20,232	$ 53,113	$ 41,627	$ 240,888	$ 2,700,933	$ 2,069
Accumulated depreciation and impairment	-	(428,607)	(345,735)	(234,127)	(23,981)	(21,196)	(15,003)	(35,534)	(27,651)	-	(1,131,834)	-
	$ 215,971	$ 866,086	$ 164,589	$ 28,145	$ 9,289	$ 7,347	$ 5,229	$ 17,579	$ 13,976	$ 240,888	$ 1,569,099	$ 2,069
2017												
Opening net book amount	$ 215,971	$ 866,086	$ 164,589	$ 28,145	$ 9,289	$ 7,347	$ 5,229	$ 17,579	$ 13,976	$ 240,888	$ 1,569,099	$ 2,069
Additions	-	106,867	77,906	48,095	2,450	2,714	5,053	3,057	5,674	22,312	274,128	30,632
Disposals	-	(76)	(1,078)	(48)	(339)	(26)	(2,021)	(123)	(19)	-	(3,730)	-
Transfers	-	170,733	34,948	-	-	20	1,203	1,598	26	(206,709)	1,819	(2,886)
Effects of foreign exchange	(5,810)	(18,007)	(728)	454	(375)	(68)	(130)	(644)	(88)	(5,060)	- (30,456)	347
Depreciation charges	-	(62,021)	(31,778)	(26,543)	(4,316)	(1,603)	(965)	(4,561)	(3,382)	-	(135,169)	-
Closing net book amount	$ 210,161	$ 1,063,582	$ 243,859	$ 50,103	$ 6,709	$ 8,384	$ 8,369	$ 16,906	$ 16,187	$ 51,431	$ 1,675,691	$ 30,162
At December 31, 2017												
Cost	$ 210,161	$ 1,549,720	$ 597,673	$ 309,436	$ 26,943	$ 23,799	$ 22,064	$ 55,015	$ 41,631	$ 51,431	$ 2,887,873	$ 30,162
Accumulated depreciation and impairment	-	(486,138)	(353,814)	(259,333)	(20,234)	(15,415)	(13,695)	(38,109)	(25,444)	-	(1,212,182)	-
	$ 210,161	$ 1,063,582	$ 243,859	$ 50,103	$ 6,709	$ 8,384	$ 8,369	$ 16,906	$ 16,187	$ 51,431	$ 1,675,691	$ 30,162

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

A. The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

C. The net difference from the transfers for this period resulted from the other current assets of $1,018 and expenses of $49.

(8) Intangible assets

	Trademarks	Computer software	Others	Total
At January 1, 2018				
Cost	$ 561	$ 37,254	$ 600	$ 38,415
Accumulated amortisation	(284)	(29,987)	(412)	(30,683)
	$ 277	$ 7,267	$ 188	$ 7,732
2018				
At January 1	$ 277	$ 7,267	$ 188	$ 7,732
Additions	15	8,678	-	8,693
Transfer (Note)	-	1,226	-	1,226
Amortisation charge	(47)	(5,652)	(75)	(5,774)
Effects of foreign exchange	-	(177)	-	(177)
At December 31	$ 245	$ 11,342	$ 113	$ 11,700
At December 31, 2018				
Cost	$ 576	$ 39,673	$ 600	$ 40,849
Accumulated amortisation	(331)	(28,331)	(487)	(29,149)
	$ 245	$ 11,342	$ 113	$ 11,700

	Trademarks	Computer software	Others	Total
At January 1, 2017				
Cost	$ 532	$ 31,481	$ 600	$ 32,613
Accumulated amortisation	(229)	(22,046)	(336)	(22,611)
	$ 303	$ 9,435	$ 264	$ 10,002
2017				
At January 1	$ 303	$ 9,435	$ 264	$ 10,002
Additions	29	2,766	-	2,795
Amortisation charge	(55)	(4,911)	(76)	(5,042)
Effects of foreign exchange	-	(23)	-	(23)
At December 31	$ 277	$ 7,267	$ 188	$ 7,732
At December 31, 2017				
Cost	$ 561	$ 37,254	$ 600	$ 38,415
Accumulated amortisation	(284)	(29,987)	(412)	(30,683)
	$ 277	$ 7,267	$ 188	$ 7,732

Note: It is transferred from prepayments for business facilities which is shown as ‘other non-current assets’.

Details of amortisation on intangible assets are as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Manufacturing cost	$ 2,155	$ 74
Selling expenses	191	448
Administrative expenses	1,152	1,772
Research and development expenses	2,276	2,748
	$ 5,774	$ 5,042

(9) Other non-current assets

	December 31, 2018	December 31, 2017
Long-term prepaid rent - land use right (Note)	$ 56,620	$ 59,203
Prepayments for business facilities	18,474	30,162
Others	13,103	10,538
	$ 88,197	$ 99,903

Note: On December 23, 1997, the Group's subsidiary, Dongguan Procase Electronic Co., Ltd., signed a land use right contract with the People's Republic of China for industrial use of the land in Hungyeh Industrial Zone, Tanghsia Town, Dongguan City, Guangdong Province with a term of 50 years; and in June 2004 and November 2006, the subsidiary, Chenbro Technology (Kunshan) Co., Ltd., signed a land use right contract with the People's Republic of China for use of the land in Yushan Town, Kunshan City with a term of 50 years for both contracts. The Group recognised rental expenses of $998 and $987 for the years ended December 31, 2018 and 2017, respectively.

(10) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Short-term borrowings	$ 276,102	3.00%~4.38%	A promissory note of the same amount was issued as collateral.

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Short-term borrowings	$ 296,883	0.83%~3.75%	A promissory note of the same amount was issued as collateral.

(11) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral		December 31, 2018
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	$	136,528
Less: Current portion (shown as 'other current liabilities')				(	7,068)
				$	129,460

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral		December 31, 2017
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	$	138,788
Less: Current portion (shown as 'other current liabilities')				(	6,598)
				$	132,190

The secured borrowing contract of the subsidiary, CLOUDWELL HOLDINGS, LLC., requires that the interest coverage ratio for each year should not be lower than 1.2. If the requirement is not met, the subsidiary shall repay the outstanding borrowing or provide bank deposits as collateral. As of December 31, 2018, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(12) Other payables

	December 31, 2018		December 31, 2017	
Wages and bonus payable	$	218,434	$	191,763
Payables for investment		80,640		78,120
Remuneration due to directors and supervisors and employee bonus payable		74,557		52,378
Payables for mold		65,297		64,685
Payables for export freight and customs clearance charges		34,693		37,427
Payables for service fees		20,472		18,061
Payables for machinery and equipment		2,098		6,734
Payables for consumable goods		16,609		7,602
Others		126,744		137,970
	$	639,544	$	594,740

(13) Pensions

A. Defined benefit plan

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

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

	December 31, 2018		December 31, 2017	
Present value of defined benefit obligations	$	43,438	$	49,425
Fair value of plan assets	(	16,092)	(	21,495)
Net liability recognised in the balance sheet (shown as 'other non-current liabilities')	$	27,346	$	27,930

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 49,425	($ 21,495)	$ 27,930
Current service cost	281	-	281
Interest expense (income)	494	(215)	279
	50,200	(21,710)	28,490
Remeasurements:			
Return on plan assets	-	(680)	(680)
Change in financial assumptions	362	-	362
Experience adjustments	(253)	-	(253)
	109	(680)	(571)
Pension fund contribution	-	(573)	(573)
Benefits paid	(6,871)	6,871	-
Balance at December 31	$ 43,438	($ 16,092)	$ 27,346

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 49,447	($ 23,060)	$ 26,387
Current service cost	362	-	362
Interest expense (income)	692	(323)	369
	50,501	(23,383)	27,118
Remeasurements:			
Return on plan assets	-	112	112
Change in financial assumptions	1,637	-	1,637
Experience adjustments	(334)	-	(334)
	1,303	112	1,415
Pension fund contribution	-	(603)	(603)
Benefits paid	(2,379)	2,379	-
Balance at December 31	$ 49,425	($ 21,495)	$ 27,930

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2018	2017
Discount rate	0.90%	1.00%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience for the years ended December 31, 2018 and 2017 are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 894)	$ 926	$ 798	($ 775)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 1,034)	$ 1,069	$ 923	($ 898)

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

(f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2019 amount to $519.

B. Defined contribution plan

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

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

(c) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2018 and 2017 were $8,680 and $8,405, respectively.

(d) The pension costs under the defined contribution pension plans of CHENBRO MICOM (USA) INCORPORATION, CHENBRO EUROPE B.V., Chenbro GmbH, Chenbro UK Limited, Chenbro Technology (Kunshan) Co., Ltd., ChenPower Information Technology (Shanghai) Co., Ltd., Dongguan Procase Electronic Co., Ltd. and CHENBRO MICOM (ShenZhen) Co., Ltd. for the years ended December 31, 2018 and 2017 were $40,168 and $32,899, respectively.

(14) Ordinary shares

As of December 31, 2018, the Company's authorised capital was $1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was $1,197,260 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(15) Capital surplus

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

(16) Retained earnings

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

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

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

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

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

E. On June 20, 2018 and June 20, 2017, the shareholders resolved the appropriation of 2017 and 2016 earnings as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	$ 45,544	$ -	$ 60,019	$ -
Special reserve	32,530	-	77,051	-
Cash dividends to shareholders	359,178	3.00	359,178	3.00
	$ 437,252	$ 3.00	$ 496,248	$ 3.00

F. On March 19, 2019, the Board of Directors has proposed the appropriation of 2018 earnings as follows:

	Year ended December 31, 2018	
	Amount	Dividend per share (in dollars)
Legal reserve	$ 64,235	$ -
Special reserve	38,002	-
Cash dividends to shareholders	478,904	4.00
	$ 581,141	$ 4.00

As of March 19, 2019, the abovementioned appropriation of 2018 earnings has not yet been resolved by the shareholders.

G. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(21).

(17) Other equity items

	2018			2017
	Currency translation	Unrealised losses on valuation	Total	Currency translation
At January 1	($ 109,581)	$ -	($ 109,581)	($ 77,051)
Valuation adjustment	-	(6,236)	(6,236)	$ -
Currency translation differences:				
- Group	(46,044)	-	(46,044)	(36,095)
- Tax on Group	14,278	-	14,278	3,565
At December 31	($ 141,347)	($ 6,236)	($ 147,583)	($ 109,581)

(18) Operating revenue:

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of control of goods to customers in the following major product types and geographical regions:

(a) Information on products

	Year ended December 31, 2018
Server cases	$ 4,038,899
Peripheral products and components	2,235,376
Personal computer cases	246,239
	$ 6,520,514

(b) Geographical information

	Year ended December 31, 2018
China	$ 2,740,916
US	2,443,186
Taiwan	461,779
Others	874,633
	$ 6,520,514

B. Contract assets and liabilities

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

	December 31, 2018
Contract assets-sale of products	$ -
Contract liabilities-sale of products	$ 7,379

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

	Year ended December 31, 2018
Contract liabilities-sale of products	$ 3,693

C. The Group adopts IFRS 15 starting from January 1, 2018. The Group disclosed operating revenue for 2018 in line with related regulations. Please refer to Note 4(25) for revenue recognition accounting policies.

D. Related disclosures on operating revenue for 2017 are provided in Note 12(5).

(19) Other income

	Years ended December 31,	
	2018	2017
Interest income	$ 13,460	$ 10,109
Interest income from bank deposits		
Interest income from financial assets measured at amortised cost	3,977	-
Total interest income	17,437	10,109
Other income	18,136	11,620
	$ 35,573	$ 21,729

(20) Other gains and losses

	Years ended December 31, 2018	Years ended December 31, 2017
Loss on disposal of property, plant and equipment	($ 1,899)	($ 1,225)
Net currency exchange gain (loss)	16,822	(78,137)
Miscellaneous disbursements	(1,740)	(2,267)
	$ 13,183	($ 81,629)

(21) Employee benefit, depreciation and amortisation expenses

	Years ended December 31, 2018	Years ended December 31, 2017
Wages and salaries	$ 931,053	$ 782,544
Labour and health insurance fees	40,023	38,711
Pension costs	49,408	42,035
Other personnel expenses	65,270	56,846
Employee benefit expense	$ 1,085,754	$ 920,136
Depreciation charges on property, plant and equipment	$ 185,652	$ 135,169
Amortisation charges on intangible assets	$ 5,774	$ 5,042

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

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $57,612 and $40,474, respectively; while directors' and supervisors' remuneration was accrued at $16,945 and $11,904, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2017, employees' compensation and directors' and supervisors' remuneration amounted to $39,240 and $11,541 as resolved by the Board of Directors on March 20, 2018, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to $1,234 and $363, respectively. The differences had been accounted for as changes in estimates in profit or loss for 2018.

Information about employees' compensation and directors' and supervisors' remuneration of the

Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2018	2017
Current tax:		
Current tax on profits for the year	$ 205,002	$ 133,129
Tax on undistributed surplus earnings	1,701	9,573
Prior year income tax underestimation (overestimation)	2,905	(5,365)
Total current tax	209,608	137,337
Deferred tax:		
Origination and reversal of temporary differences	20,379	22,458
Impact of change in tax rate	(1,605)	-
Total deferred tax	18,774	22,458
Income tax expense	$ 228,382	$ 159,795

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

	Years ended December 31, 2018	2017
Currency translation differences	($ 10,792)	($ 3,565)
Impact of change in tax rate	(3,486)	-
	($ 14,278)	($ 3,565)
Remeasurement of defined benefit obligations	$ 114	($ 240)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2018	2017
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 255,568	$ 176,122
10% tax on undistributed earnings	1,701	9,573
Prior year income tax underestimation (overestimation)	2,905	(5,365)
Effect from changes in tax regulation	(1,605)	-
Effect from expenses disallowed by tax regulation	(30,187)	(20,535)
Income tax expense	$ 228,382	$ 159,795

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

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

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	$ 23,018	($ 12,931)	$ -	$ 10,087
Unrealised gain on inter-affiliate accounts	20,072	(9,030)	-	11,042
Allowance for bad debts	1,648	1,217	-	2,865
Unused compensated absences	1,467	2,281	-	3,748
Pension expense payable	5,137	907	(114)	5,930
Pension expense that exceeds the limit for tax purpose	1,499	262	-	1,761
Unrealised exchange loss	661	(600)	-	61
Unrealised warranty provision	2,135	(101)	-	2,034
Others	1,056	(36)	-	1,020
	56,693	(18,031)	(114)	38,548
-Deferred tax liabilities:				
Investment income	(55,877)	(1,508)	14,278	(43,107)
Book-tax difference of depreciation charges on fixed assets	(2,804)	801	-	(2,003)
Others	(86)	(36)	-	(122)
	(58,767)	(743)	14,278	(45,232)
	($ 2,074)	($ 18,774)	$ 14,164	($ 6,684)

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	$ 23,544	($ 526)	$ -	$ 23,018
Unrealised gain on inter-affiliate accounts	41,171	(21,099)	-	20,072
Allowance for bad debts	1,634	14	-	1,648
Unused compensated absences	952	515	-	1,467
Pension expense payable	4,897	-	240	5,137
Pension expense that exceeds the limit for tax purpose	1,480	19	-	1,499
Unrealised exchange loss	-	661	-	661
Unrealised warranty provision	1,020	1,115	-	2,135
Others	2,028	(972)	-	1,056
	76,726	(20,273)	240	56,693
-Deferred tax liabilities:				
Investment income	(56,038)	(3,404)	3,565	(55,877)
Unrealised exchange gain	(1,298)	1,298	-	-
Book-tax difference of depreciation charges on fixed assets	(2,751)	(53)	-	(2,804)
Others	(60)	(26)	-	(86)
	(60,147)	(2,185)	3,565	(58,767)
	$ 16,579	($ 22,458)	$ 3,805	($ 2,074)

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2018 and 2017, the amounts of temporary difference unrecognised as deferred tax liabilities were $362,634 and $277,150, respectively.

E. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the

Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(23) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 642,350	119,726	$ 5.37
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 642,350		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,625	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 642,350	121,351	$ 5.29

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 455,442	119,726	$ 3.80
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 455,442		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,156	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 455,442	120,882	$ 3.77

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	$ 242,794	$ 304,760
Add: Opening balance of payable on equipment	6,734	12,976
Less: Ending balance of payable on equipment	(2,098)	(6,734)
Cash paid during the year	$ 247,430	$ 311,002

(25) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	$ 296,883	$ 138,788	$ 435,671
Changes in cash flow from financing activities	(27,002)	(6,124)	(33,126)
Impact of changes in foreign exchange rate	6,221	3,864	10,085
At December 31, 2018	$ 276,102	$ 136,528	$ 412,630

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company’s shares are held by the public, thus, there is no parent company or ultimate parent.

(2) Name of related party and relationship

Name of related party	Relationship with the Group
Chen-Source Inc.	Other related party

(3) Significant related party transactions

A. Operating revenue

	Years ended December 31, 2018	Years ended December 31, 2017
Sales of goods:		
Other related parties	$ 1,316	$ 2,168

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

B. Purchases and other expenses

	Years ended December 31, 2018	Years ended December 31, 2017
Purchase of goods:		
Other related parties	$ 48,350	$ 25,918
Other expenses:		
Other related parties (management service expense)	2,057	1,860
	$ 50,407	$ 27,778

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

(b) Management service expense: Management service expense arises from management of warehouse by other related parties on behalf of the Company. Prices and terms are determined based on mutual agreements, and the collection term is 60 days after monthly billings.

C. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable:		
Other related parties	$ 622	$ 1,094
Other receivables-payment on behalf of others: (shown as ‘other receivables’)		
Other related parties	234	182
	$ 856	$ 1,276

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

D. Payables to related parties

	December 31, 2018		December 31, 2017	
Accounts payable:				
Other related parties	$	6,008	$	8,779
Other payables-management service: (shown as 'other payables')				
Other related parties		669		570
	$	6,677	$	9,349

Accounts payable bear no interest.

(4) Key management compensation

	Years ended December 31,			
	2018		2017	
Short-term employee benefits	$	53,977	$	41,351
Post-employment benefits		346		345
Other long-term benefits		-		888
	$	54,323	$	42,584

8. PLEDGED ASSETS

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

	Book value				
Pledged asset	December 31, 2018		December 31, 2017		Purpose
Time deposits (shown as 'other current assets')	$	1,000	$	1,338	Customs duty guarantee
Cash in banks (shown as 'other non-current	$	3,134	$	3,018	Long-term borrowings (Note)
Land and buildings	$	220,994	$	218,261	Long-term borrowings (Note)

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) The subsidiaries have signed land use contracts with local economic development authorities. The present values of estimated future lease payments for land management during the assignment of use period are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 2,530	$ 2,503
Later than one year but not later than three years	4,932	5,042
Over three years	73,420	77,519
	$ 80,882	$ 85,064

(2) The Group entered into equipment agreement, lease agreement and ERP maintenance agreement. Future lease payments and their present values are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 17,240	$ 13,989
Later than one year but not later than three years	4,206	2,565
Over three years	212	-
	$ 21,658	$ 16,554

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(16)F for the distribution of retained earnings.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 25,389	$ -
Financial assets at cost	-	31,625
Financial assets at amortised cost		
Cash and cash equivalents	1,261,727	1,127,353
Financial assets at amortised cost	379,950	-
Investments in debt instruments without active markets	-	144,097
Accounts receivable (including related parties)	1,649,735	1,472,542
Other receivables	47,187	52,996
Guarantee deposits paid	2,613	2,068
	$ 3,366,601	$ 2,830,681

		December 31, 2018		December 31, 2017
Financial liabilities				
Financial liabilities at amortised cost				
Short-term borrowings	$	276,102	$	296,883
Accounts payable (including related parties)		1,418,767		1,251,010
Other accounts payable		639,544		594,740
Other current liabilities		3,756		15,312
Long-term borrowings (including current portion)		136,528		138,788
Guarantee deposits received		608		621
	$	2,475,305	$	2,297,354

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

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

	December 31, 2018		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 51,235	30.72	$ 1,573,939
USD:RMB	22,774	6.87	699,364
Non-monetary items			
USD:NTD	8,936	30.72	274,515
EUR:NTD	2,034	35.20	71,598
GBP:NTD	32	38.88	1,242
RMB:NTD	544,511	4.47	2,433,965
Financial liabilities			
Monetary items			
USD:NTD	$ 37,898	30.72	$ 1,164,227
USD:RMB	10,512	6.87	322,812

	December 31, 2017		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 40,101	29.76	$ 1,193,406
USD:RMB	33,701	6.52	1,004,168
Non-monetary items			
USD:NTD	7,573	29.76	225,359
EUR:NTD	2,117	35.57	75,313
GBP:NTD	49	40.11	1,962
RMB:NTD	495,176	4.57	2,262,955
Financial liabilities			
Monetary items			
USD:NTD	$ 26,032	29.76	$ 774,712
USD:RMB	11,090	6.52	330,442

iv.Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group:

	Year ended December 31, 2018		
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	30.72	($ 3,735)
USD:RMB	1,230	6.87	(5,498)
Financial liabilities			
Monetary items			
USD:NTD	$ -	30.72	$ 8,055
USD:RMB	1,185	6.87	5,299

	Year ended December 31, 2017		
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	29.76	($ 10,699)
USD:RMB	(3,491)	6.52	(15,956)
Financial liabilities			
Monetary items			
USD:NTD	$ -	29.76	$ 6,403
USD:RMB	1,263	6.52	5,770

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

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 15,739	-
USD:RMB	1%	6,994	-
Financial liabilities			
Monetary items			
USD:NTD	1%	11,642	-
USD:RMB	1%	3,228	-

	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 11,934	-
USD:RMB	1%	10,042	-
Financial liabilities			
Monetary items			
USD:NTD	1%	7,747	-
USD:RMB	1%	3,304	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.

ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other comprehensive income for the years ended December 31, 2018 and 2017 would have increased/decreased by $254 as a result of gains or losses on equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term borrowings and long-term borrowings (including current portion). Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are issued at fixed rates. During the years ended December 31, 2018 and 2017, the Group's borrowings were denominated in the USD and NTD.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated at amortised cost and at fair value through other comprehensive income.

ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

iii. Individual risk limits are set based on internal or external factors in accordance with limits set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.

iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 360 days.

vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. In 2018, the loss allowance is as follows:

	Not past due	1 to 90 days past due	91 to 180 days past due	181 to 270 days past due
December 31, 2018				
Expected loss rate	0.00%-0.13%	0.00%-0.56%	0.00%-6.31%	0.05%-23.98%
Total book value	$ 1,335,491	$ 315,540	$ 226	$ -
Loss allowance	$ -	$ 2,172	$ 36	$ -

	271 to 360 days past due	Over 360 days past due	Total
December 31, 2018			
Expected loss rate	74.51%-100.00%	100.00%	
Total book value	$ 72	$ -	$ 1,651,329
Loss allowance	$ 8	$ -	$ 2,216

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

	2018	
	Notes receivable	Accounts receivable
At January 1_IAS 39	$ -	$ 23,751
Adjustments under new standards	-	-
At January 1_IFRS 9	-	23,751
Reversal of impairment loss	-	(7,204)
Derecognised	-	(14,294)
Effect of foreign exchange	-	(37)
At December 31	$ -	$ 2,216

For the year ended December 31, 2018, reversal of impairment of accounts receivable that arise from customer contracts is $7,204.

ix. In 2017, credit risk information is provided in Note 12(4).

(c) Liquidity risk

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

ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The analysis is as follows:

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 277,238	$ -	$ -	$ -
Accounts payable	1,412,759	-	-	-
Accounts payable - related party	6,008	-	-	-
Other payables	639,544	-	-	-
Other current liabilities	3,756	-	-	-
Long-term borrowings (including current portion)	12,067	24,133	24,133	117,649
Guarantee deposits received	429	179	-	-

December 31, 2017	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 297,883	$ -	$ -	$ -
Accounts payable	1,242,231	-	-	-
Accounts payable - related party	8,779	-	-	-
Other payables	594,740	-	-	-
Other current liabilities	15,312	-	-	-
Long-term borrowings (including current portion)	11,689	23,379	23,379	125,662
Guarantee deposits received	438	183	-	-

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

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

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 25,389	$ 25,389

As of December 31, 2017, the Group had no fair value of financial assets estimated by valuation techniques.

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

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

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

D. The following chart is the movement of Level 3 in 2018:

	2018
	Equity securities
January 1	$ -
IFRS 9 transfer adjustments	31,625
Unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(6,236)
At December 31	$ 25,389

E. For the year ended December 31, 2018, there was no transfer into or out from Level 3.

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

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 25,389	Market comparable companies	Price to book ratio multiple	1.34-3.33(1.50)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20% (20%)	The higher the discount for lack of marketability, the lower the fair value

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

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	$ -	$ -	$ 254	$ 254
	Discount for lack of marketability	±1%	-	-	(64)	(64)

(4) Effects on initial application of IFRS 9

A. Summary of significant accounting policies adopted in 2017:

(a) Loans and receivables

i. Accounts receivable

Accounts receivable are accounts receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

ii. Investment in debt instrument without active market

Investments in debt instruments without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(b) Impairment of financial assets

i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

iii. When the Group assesses that financial assets at amortised cost have been objective evidence of impairment and an impairment loss has occurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) Financial assets at cost

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

ii. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are presented in 'financial assets measured at cost'.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

IAS 39 / IFRS 9	Measured at cost	Debt instrument without active markets
Transferred into and measured at fair value through other comprehensive income-equity	$ 31,625	$ -
Transferred into and measured at amortised cost	-	144,097

(a) Under IAS 39, because the cash flows of debt instruments, which were classified as debt instruments without active market, amounting to $144,097, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at amortised cost" on initial application of IFRS 9.

(b) Under IAS 39, because the equity instruments, which were classified as financial assets, financial assets at cost, amounting to $31,625, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" on initial application of IFRS 9.

C. As of December 31, 2017, the Group has no allowance for impairment and provision under IAS 39.

D. The significant accounts as of December 31, 2017 are as follows:

(a) Financial assets at cost

Items	December 31, 2017
Non-current items:	
Unlisted shares	$ 31,625

i. According to the Group's intention, its investment in unlisted stocks should be classified as 'available-for-sale financial assets'. However, as unlisted stocks are not traded in active market, and no sufficient industry information of companies similar to unlisted stocks' financial information cannot be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

ii. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others as collateral.

(b) Investments in debt instruments without active market

Items	December 31, 2017
Current items:	
Time deposits	$ 144,097

No investments in debt instruments without active markets held by the Group were pledged to others, and the Group transacts with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

E. Credit risk information for the year ended December 31, 2017 are as follows:

(a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. only banks and financial institutions with optimal credit ratings are accepted.

(b) As of December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017
Level 2	$ 1,214,531
Level 3	19,856
	$ 1,234,387

Level 1: Accounts receivable factored and yet to be sold at the balance sheet date.

Level 2: Accounts receivable are insured so that the Group only bears 10% of the risk of default and insurance companies bear the remaining 90%. In addition, accounts receivable arising from overseas and domestic customers which were not insured have been included in Level 2 due to its transparent financial information.

Level 3: Accounts receivable that are neither insured nor factored. The Group bears all risks.

(d) The ageing analysis of receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 166,234
31 to 90 days	68,229
91 to 180 days	4,723
Over 180 days	7,332
	$ 246,518

The above ageing analysis was based on past due date.

(e) Movement analysis of receivables that were impaired is as follows:

i. As of December 31, 2017, the Group accrued accounts receivable that were impaired and recognised $14,294.

ii. Movements on allowance for bad debts are as follows:

	2017		
	Individual provision	Group provision	Total
January 1	$ 14,517	$ 5,916	$ 20,433
(Reversal) provision for impairment	(92)	3,498	3,406
Write-offs during the period	(131)	-	(131)
Effect of exchange rate changes	-	43	43
At December 31	$ 14,294	$ 9,457	$ 23,751

(5) Effects of initial application of IFRS 15

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

The Group manufactures and sells computer cases and related products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017
Sales of goods	$ 5,513,754

C. For the year ended December 31, 2018, the effects and description of current balance sheet and comprehensive income statement if the Group continues adopting above accounting policies are as follows:

(a) Customer contracts where services were rendered but not yet billed, were previously presented as accounts receivable in the balance sheet, and are recognised as contract assets amounting to $0 in accordance with IFRS 15, 'Revenue from contracts with customers'.

(b) Advance sales receipts in relation to the contracts with customers were previously presented in accordance with previous R.O.C. GAAP. Under IFRS 15, 'Revenue from contracts with customers', the advance sales receipts are recognised as contract liabilities amounting to

$7,379.

There is no effect on the current comprehensive income if the Group continues adopting above accounting policies.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Counterparties' information are disclosed based on subsidiaries' audited financial statements. However, the information on investments between companies was eliminated when preparing the consolidated financial statements. The following disclosures are for reference only.

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

Name of company	Counterparty	Accounts	Amount for 2018	Percentage representing the account of company (%)	Note
PROCASE & MOREX Corporation	Dongguan Procase Electronic Co., Ltd.	Purchases	$ 541,026	63	Note 1
PROCASE & MOREX Corporation	Dongguan Procase Electronic Co., Ltd.	Accounts payable	89,900	54	Note 1
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Purchases	679,145	26	
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Accounts payable	120,301	16	
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Other receivables	26,362	23	
Chenbro Micom Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Royalty revenue	13,262	100	Note 2
Chenbro Micom Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Other receivables	13,262	12	Note 2
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	1,462,730	57	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	439,395	58	

Note 1: The Company purchased raw materials of iron pieces from the Company's fourth-tier subsidiary in Mainland China, Dongguan Procase Electronic Co., Ltd. through the third-tier subsidiary, PROCASE & MOREX Corporation for manufacturing computer cases.

Note 2: The Company provided development technology to ChenPower Information Technology (Shanghai) Co., Ltd., and charged the related royalties.

14. OPERATING SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

The Group has only one reportable operating segment, thus, the reportable information is in agreement with those in the consolidated financial statements.

(4) Reconciliation for segment income (loss)

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

(5) Information on product

Details of revenue balance is as follows:

	Years ended December 31,	
	2018	2017
Computer server cases	$ 4,038,899	$ 3,776,221
Peripheral products and components	2,235,376	1,494,143
Personal computer cases	246,239	243,390
	$ 6,520,514	$ 5,513,754

(6) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

	Years ended December 31,			
	2018		2017	
	Sales revenue	Non-current assets	Sales revenue	Non-current assets
US	$ 2,740,916	$ 1,315,518	$ 2,667,940	$ 1,266,845
China	2,443,186	260,701	1,924,118	254,590
Taiwan	461,779	242,096	333,584	254,489
Others	874,633	243	588,112	2,317
	$ 6,520,514	$ 1,818,558	$ 5,513,754	$ 1,778,241

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2018 and 2017 is as follows:

	Years ended December 31,			
	2018		2017	
	Sales revenue	Percentage in the consolidated net operating income	Sales revenue	Percentage in the consolidated net operating income
Company A	$ 1,428,979	22%	$ 1,475,380	27%
Company B	1,337,581	21%	1,007,998	18%
Company C	701,425	11%	862,772	16%

REPORT OF INDEPENDENT ACCOUNTANTS

(18) PWCR18003490

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, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and parent company only notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of the other independent auditors, as described in the Other Matters section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of the other independent 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 parent company only financial statements of the current period. 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 parent company only financial statements of the current period are stated as follows:

Valuation of inventories

Description

Refer to Note 4(10) for accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2018, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$123,089 thousand and NT$18,855 thousand, respectively.

The Company and its subsidiaries accounted for using equity method (shown as investments accounted for using equity method) are 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 Company and its subsidiaries measure inventories at the lower of cost and net realisable value, and assesses whether the value of inventories has declined. Any losses incurred due to obsolescence based on inventory aging and closeout inventory are examined by management periodically.

As the value of inventory is significant, the inventory items are numerous, and the accounting estimates are subject to management's judgement, we consider valuation of inventories a key audit matter.

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

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

3. Assessing the reasonableness of obsolete loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.

4. Verifying details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.

Reasonableness of revenue recognition

Description

The Company and its subsidiaries are primarily engaged in manufacturing and sales of computer peripheral equipment. The Company's and its subsidiaries's trading counterparties are mostly world-renowned companies with which the Company and its subsidiaries have long-term business partnership. As the global demand for servers continues to increase, the Company and its subsidiaries are committed to increasing sales revenue. When comparing the lists of the Company's and its subsidiaries's top 10 trading counterparties for the years ended December 31, 2018 and 2017, there were changes in the sales revenue breakdown which resulted to some trading counterparties being newly included in the top 10 list.

As the newly top 10 trading counterparties are significant to the consolidated financial statements, we consider the reasonableness of sales revenue from the newly top 10 trading counterparties a key audit matter.

How our audit addressed the matter

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

1. Assessing the revenue cycle and performing tests to determine whether the Company's and its subsidiaries's revenue process is conducted in accordance with the internal control procedures.

2. Checking the related industry background in respect of the newly top 10 trading counterparties.

3. Obtaining and selecting samples to verify related vouchers of the sales revenue from the newly top 10 trading counterparties.

Other matter – Scope of the Audit

As stated in Note 6(6), we did not audit the financial statements of certain investees accounted for using equity method. The balance of these long-term equity investments amounted to NT$117,491 thousand

and NT$114,158 thousand, both constituting 3% of total assets as of December 31, 2018 and 2017, respectively, and comprehensive income (loss) was NT$2,830 thousand and (NT$855) thousand, constituting 0% and (0%) of total comprehensive income for the years then ended, respectively. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein insofar as it relates to the amounts included in these financial statements relative to these investees, is based solely on the audit reports of the other independent accountants.

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 supervisors, are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 ROC GAAS 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 ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

Audrey Tseng　　　　Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 19, 2019

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

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Assets	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 246,049	5	$ 173,553	5
1170	Accounts receivable, net	6(3)	253,966	6	288,523	7
1180	Accounts receivable - related parties	7	785,049	17	290,370	8
1200	Other receivables	6(4)	26,813	1	30,244	1
1210	Other receivables - related parties	7	79,734	2	126,531	3
1220	Current income tax assets		-	-	4,851	-
130X	Inventories	6(5)	104,234	2	132,414	3
1410	Prepayments		2,542	-	2,217	-
1470	Other current assets	8	2,217	-	5,079	-
11XX	**Total current assets**		1,500,604	33	1,053,782	27
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	25,389	1	-	-
1543	Non-current financial assets measured at cost	12(4)	-	-	31,625	1
1550	Investments accounted for using equity method	6(6)(16)	2,770,347	61	2,567,334	65
1600	Property, plant and equipment	6(7)	234,576	5	245,684	6
1780	Intangible assets	6(8)	3,199	-	5,079	-
1840	Deferred income tax assets	6(21)	23,521	-	24,106	1
1900	Other non-current assets	6(9)	4,854	-	4,508	-
15XX	**Total non-current assets**		3,061,886	67	2,878,336	73
1XXX	**Total assets**		$ 4,562,490	100	$ 3,932,118	100

(Continued)

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Liabilities and Equity	Notes	December 31, 2018 AMOUNT	%	December 31, 2017 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 245,381	5	$ 237,363	6
2130	Current contract liabilities	6(17)	1,959	-	-	-
2170	Accounts payable		191,013	4	240,377	6
2180	Accounts payable - related parties	7	565,704	13	253,784	6
2200	Other payables	6(11)	221,520	5	178,508	5
2220	Other payables - related parties	7	29,059	1	1,424	-
2230	Current income tax liabilities		97,923	2	36,350	1
2300	Other current liabilities		60	-	2,263	-
21XX	**Total current liabilities**		1,352,619	30	950,069	24
	Non-current liabilities					
2570	Deferred income tax liabilities	6(21)	17,545	-	34,766	1
2600	Other non-current liabilities	6(12)	27,346	1	27,930	1
25XX	**Total non-current liabilities**		44,891	1	62,696	2
2XXX	**Total liabilities**		1,397,510	31	1,012,765	26
	Equity					
	Share capital	6(13)				
3110	Share capital - common stock		1,197,260	26	1,197,260	30
	Capital surplus	6(14)				
3200	Capital surplus		48,209	1	48,209	1
	Retained earnings	6(15)				
3310	Legal reserve		564,451	12	518,907	13
3320	Special reserve		175,154	4	142,624	4
3350	Unappropriated retained earnings		1,327,489	29	1,121,934	29
	Other equity interest	6(16)				
3400	Other equity interest		(147,583)	(3)	(109,581)	(3)
3XXX	**Total equity**		3,164,980	69	2,919,353	74
	Significant contingent liabilities and unrecorded contract commitments	9				
	Significant events after the balance sheet date	6(15) and 11				
3X2X	**Total liabilities and equity**		$ 4,562,490	100	$ 3,932,118	100

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

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

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
4000	**Operating revenue**	6(17) and 7	$ 3,581,542	100	$ 2,888,796	100
5000	**Operating costs**	6(5)(20) and 7	(2,715,125)	(76)	(2,242,133)	(78)
5900	**Net operating margin**		866,417	24	646,663	22
5910	Unrealised profit from sales		(22,359)	(1)	(32,153)	(1)
5920	Realised profit from sales		32,929	1	78,420	3
	Net realised profit from sales	6(6)	10,570	-	46,267	2
5950	**Net operating margin**		876,987	24	692,930	24
	Operating expenses	6(20) and 7				
6100	Selling expenses		(111,990)	(3)	(106,666)	(4)
6200	General and administrative expenses		(137,140)	(4)	(117,924)	(4)
6300	Research and development expenses		(144,633)	(4)	(128,925)	(4)
6450	Expected credit impairment gain	12(2)	202	-	-	-
6000	**Total operating expenses**		(393,561)	(11)	(353,515)	(12)
6900	**Operating profit**		483,426	13	339,415	12
	Non-operating income and expenses					
7010	Other income	6(18) and 7	20,289	1	32,308	1
7020	Other gains and losses	6(19)	13,662	-	(38,330)	(2)
7050	Finance costs		(3,651)	-	(1,927)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	6(6)	239,275	7	193,213	7
7000	**Total non-operating income and expenses**		269,575	8	185,264	6
7900	**Profit before income tax**		753,001	21	524,679	18
7950	Income tax expense	6(21)	(110,651)	(3)	(69,237)	(2)
8200	**Profit for the year**		$ 642,350	18	$ 455,442	16

(Continued)

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

	Items	Notes	2018 AMOUNT	2018 %	2017 AMOUNT	2017 %
	Other comprehensive income					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	Gain (loss) on remeasurement of defined benefit plan	6(12)	$ 571	-	($ 1,415)	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(16)	(6,236)	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	(114)	-	240	-
8310	**Other comprehensive loss that will not be reclassified to profit or loss**		(5,779)	-	(1,175)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(16)	(46,044)	(1)	(36,095)	(1)
8399	Income tax relating to the components of other comprehensive income	6(16)(21)	14,278	-	3,565	-
8360	**Other comprehensive loss that will be reclassified to profit or loss**		(31,766)	(1)	(32,530)	(1)
8300	**Other comprehensive loss for the year**		($ 37,545)	(1)	($ 33,705)	(1)
8500	**Total comprehensive income for the year**		$ 604,805	17	$ 421,737	15
	Earnings per share (in dollars)	6(22)				
9750	**Basic earnings per share**		$ 5.37		$ 3.80	
9850	**Diluted earnings per share**		$ 5.29		$ 3.77	

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, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital Reserves: Total capital surplus, additional paid-in capital	Capital Reserves: Treasury stock transactions	Retained Earnings: Legal reserve	Retained Earnings: Special reserve	Retained Earnings: Unappropriated retained earnings	Other Equity Interest: Financial statements translation differences of foreign operations	Other Equity Interest: Unrealised losses from financial assets measured at fair value through other comprehensive income	Total equity
2017										
Balance at January 1, 2017		$ 1,197,260	$ 41,987	$ 6,222	$ 458,888	$ 65,573	$ 1,163,915	($ 77,051)	$ -	$ 2,856,794
Profit for the year		-	-	-	-	-	455,442	-	-	455,442
Other comprehensive loss for the year	6(16)	-	-	-	-	-	(1,175)	(32,530)	-	(33,705)
Total comprehensive income (loss)		-	-	-	-	-	454,267	(32,530)	-	421,737
Distribution of 2016 earnings	6(15)									
Legal reserve		-	-	-	60,019	-	(60,019)	-	-	-
Special reserve		-	-	-	-	77,051	(77,051)	-	-	-
Cash dividends		-	-	-	-	-	(359,178)	-	-	(359,178)
Balance at December 31, 2017		$ 1,197,260	$ 41,987	$ 6,222	$ 518,907	$ 142,624	$ 1,121,934	($ 109,581)	$ -	$ 2,919,353
2018										
Balance at January 1, 2018		$ 1,197,260	$ 41,987	$ 6,222	$ 518,907	$ 142,624	$ 1,121,934	($ 109,581)	$ -	$ 2,919,353
Profit for the year		-	-	-	-	-	642,350	-	-	642,350
Other comprehensive income (loss) for the year	6(16)	-	-	-	-	-	457	(31,766)	(6,236)	(37,545)
Total comprehensive income (loss)		-	-	-	-	-	642,807	(31,766)	(6,236)	604,805
Distribution of 2017 earnings	6(15)									
Legal reserve		-	-	-	45,544	-	(45,544)	-	-	-
Special reserve		-	-	-	-	32,530	(32,530)	-	-	-
Cash dividends		-	-	-	-	-	(359,178)	-	-	(359,178)
Balance at December 31, 2018		$ 1,197,260	$ 41,987	$ 6,222	$ 564,451	$ 175,154	$ 1,327,489	($ 141,347)	($ 6,236)	$ 3,164,980

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
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 753,001	$ 524,679
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment gain	12(2)	(201)	-
Reversal for doubtful accounts		-	(2,356)
Depreciation	6(7)(20)	17,220	24,012
Amortisation	6(8)(20)	2,496	3,940
Interest expense		3,651	1,927
Interest income	6(18)	(707)	(411)
Loss (gain) on disposal of property, plant and equipment	6(19)	315	(467)
Share of profit of subsidiaries, associates and joint ventures	6(6)	(239,275)	(193,213)
Net realised profit from sales	6(6)	(10,570)	(46,267)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		34,758	(20,577)
Accounts receivable - related parties		(494,679)	237,130
Other receivables		3,431	4,773
Other receivables - related parties		47,585	56,475
Inventories		28,180	30,156
Prepayments		(325)	140
Other current assets		2,862	1,341
Changes in operating liabilities			
Current contract liabilities		1,959	-
Accounts payable		(49,364)	(69,061)
Accounts payable - related parties		311,920	(197,489)
Other payables (including related parties)		72,083	(13,549)
Other current liabilities		(2,203)	(1,466)
Other non-current liabilities		(13)	128
Cash inflow generated from operations		482,124	339,845
Interest received		707	421
Interest paid		(3,311)	(1,889)
Income tax paid		(46,699)	(92,314)
Net cash flows from operating activities		432,821	246,063
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using equity method	6(6)	-	(1,882)
Acquisition of property, plant and equipment	6(23)	(8,846)	(15,004)
Proceeds from disposal of property, plant and equipment		47	2,640
Acquisition of intangible assets		(616)	(1,457)
Decrease in other non-current assets		250	2,499
Net cash flows used in investing activities		(9,165)	(13,204)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		8,018	142,863
Payment of cash dividends	6(15)	(359,178)	(359,178)
Net cash flows used in financing activities		(351,160)	(216,315)
Net increase in cash and cash equivalents		72,496	16,544
Cash and cash equivalents at beginning of year	6(1)	173,553	157,009
Cash and cash equivalents at end of year	6(1)	$ 246,049	$ 173,553

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

CHENBRO MICOM CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANISATION

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

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

These financial statements were authorised for issuance by the Board of Directors on March 19, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

New standards, interpretations and amendments as endorsed by the FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions'	January 1, 2018
Amendments to IFRS 4, 'Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts'	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendments to IAS 7, 'Disclosure initiative'	January 1, 2017
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b) The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer

Step 2: Identify separate performance obligations in the contract(s)

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Company has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The significant effects of adopting the modified transition as of January 1, 2018 are summarised below:

i. Presentation of assets and liabilities in relation to contracts with customers

In line with IFRS 15 requirements, the Company changed the presentation of certain accounts in the balance sheet. Under IFRS 15, liabilities in relation to customer contracts are recognised as contract liabilities, but were previously presented as advance sales receipts in the balance sheet.

ii. Please refer to Note 12(5) for other disclosures in relation to the first application of IFRS 15.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for IFRS 16, 'Leases', the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company will adopt the modified retrospective transitional provisions of IFRS 16, 'Leases'.

Accordingly, it is expected that 'right-of-use asset' and 'lease liability' will both be increased by \$1,761 with respect to the lease contracts of lessees on January 1, 2019.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

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

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

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

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

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December

31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

(4) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(5) Cash equivalents

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

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

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

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

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

(7) Accounts receivable

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

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

(8) Impairment of financial assets

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

(9) Derecognition of financial assets

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

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

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

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

(10) Inventories

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

(11) Investments accounted for using equity method / subsidiaries

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

B. Unrealised gains or losses on transactions between the Company and its subsidiaries have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners' equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

(12) Property, plant and equipment

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

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

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

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

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

(13) Intangible assets

A. Trademarks

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

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 4 years.

(14) Operating leases

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(15) Impairment of non-financial assets

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

(16) Borrowings

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

(17) Accounts payable

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

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

(18) <u>Derecognition of financial liabilities</u>

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

(19) <u>Offsetting financial instruments</u>

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

(20) <u>Employee benefits</u>

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(21) Income tax

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

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

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

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

(22) Share capital

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

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

(23) Dividends

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

(24) Revenue recognition

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

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

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

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

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

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories was $104,234.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Petty cash and cash on hand	$ 242	$ 162
Demand deposits	112,672	24,051
Checking account deposits	744	628
Foreign currency deposits	132,391	148,712
	$ 246,049	$ 173,553

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

B. The Company has reclassified cash and cash equivalents pledged to ‘other current assets’. Details are provided in Note 8.

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

Items	December 31, 2018
Non-current items:	
Equity instruments	
Unlisted stocks	$ 25,389

A. The Company has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $25,389 as at December 31, 2018.

B. Amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the year ended December 31, 2018 amounted to ($6,236).

C. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Company was $25,389.

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

E. The information on December 31, 2017 is provided in Note 12(4).

(3) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	$ 254,612	$ 303,664
Less: Allowance for bad debts	(646)	(15,141)
	$ 253,966	$ 288,523

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

	December 31, 2018	December 31, 2017
Not past due	$ 179,943	$ 239,192
Up to 30 days	53,840	24,259
31 to 90 days	20,541	25,596
91 to 180 days	263	290
Over 180 days	25	14,327
	$ 254,612	$ 303,664

The above ageing analysis was based on past due date.

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

C. As at December 31, 2018 and 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company's accounts receivable were $253,966 and $288,523, respectively.

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

(4) Transfer of financial assets

The Company entered into a factoring agreement with banks to sell its accounts receivable. Under the agreement, the Company is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Company does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Company decreased the estimated amount of business dispute and derecognised the transferred accounts receivable. As of December 31, 2018 and 2017, the related information is as follows:

December 31, 2018						
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 15,880	$ 15,880	$ 20,000	$ -	$ -	

December 31, 2017						
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 16,136	$ 16,136	$ 30,000	$ -	$ -	

Note: Shown as 'other receivables'.

(5) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	$ 30,355	($ 10,261)	$ 20,094
Work in process	674	-	674
Finished goods	92,060	(8,594)	83,466
	$ 123,089	($ 18,855)	$ 104,234

	December 31, 2017		
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	$ 38,666	($ 18,857)	$ 19,809
Finished goods	115,846	(3,241)	112,605
	$ 154,512	($ 22,098)	$ 132,414

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

	Years ended December 31,	
	2018	2017
Cost of goods sold	$ 2,718,362	$ 2,248,142
Gain from reversal of decline in market value and obsolete and slow-moving inventories	(3,243)	(6,068)
Loss on physical inventory	6	59
	$ 2,715,125	$ 2,242,133

The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the inventories were subsequently sold for the years ended December 31, 2018 and 2017.

B. The Group has no inventories pledged to others.

(6) Investments accounted for using equity method

	2018	2017
At January 1	$ 2,567,334	$ 2,362,067
Addition of investments accounted for using equity method	-	1,882
Share of profit or loss of investments accounted for using equity method	239,275	193,213
Unrealised profit of inter-company transactions	10,570	46,267
Shares returned from reduction in subsidiaries	(788)	-
Changes in other equity items (Note 6(16))	(46,044)	(36,095)
At December 31	$ 2,770,347	$ 2,567,334

	December 31, 2018	December 31, 2017
Micom Source Holding Company	$ 2,422,992	$ 2,264,700
CLOUDWELL HOLDINGS, LLC.	117,491	112,196
Chenbro Europe B.V.	65,021	65,553
Chenbro GmbH	6,577	9,760
Chenbro Micom (USA) Incorporation	157,024	113,163
Chenbro UK Limited	1,242	1,962
	$ 2,770,347	$ 2,567,334

A. The financial statements of investee accounted for using equity method, CLOUDWELL HOLDINGS, LLC., were audited by their appointed independent accountants. The Company recognised comprehensive income of $2,830 on investees accounted for using equity method based on such financial statements for the year ended December 31, 2018. As of December 31, 2018, the balance of the related investment accounted for using equity method was $117,491.

B. The financial statements of investees accounted for using equity method, CLOUDWELL HOLDINGS, LLC., and Chenbro UK Limited, were audited by their appointed independent accountants. The Company recognised comprehensive loss of ($855) on investees accounted for using equity method based on such financial statements for the year ended December 31, 2017. As of December 31, 2017, the balance of the related investments accounted for using equity method was $114,158.

C. On May 9, 2017, Chenbro Europe B. V. was dissolved under the resolution of the Board of Directors. The liquidation will be implemented in 2019.

D. On May 9, 2017, the Board of Directors of Chenbro UK Limited resolved to be directly held by the Company. The equity transfer was completed and registered in August 2017. In addition, the Board of Directors resolved to reduce the capital in the amount of GBP 19,999 on August 7, 2018, and CHENBRO UK Limited will be dissolved thereafter. The aforementioned reduction in capital was registered in October, 2018.

E. Details of the Company's subsidiaries are provided in Note 4(4) of the Company's consolidated financial statements as of and for the year ended December 31, 2018.

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Total	Prepayments for business facilities (Note)
At January 1, 2018											
Cost	$ 140,737	$ 126,628	$ 4,766	$ 253,745	$ 13,427	$ 14,006	$ 3,148	$ 11,754	$ 7,535	$ 575,746	$ -
Accumulated depreciation	-	(44,922)	(1,996)	(242,291)	(10,660)	(11,909)	(196)	(11,690)	(6,398)	(330,062)	-
	$ 140,737	$ 81,706	$ 2,770	$ 11,454	$ 2,767	$ 2,097	$ 2,952	$ 64	$ 1,137	$ 245,684	$ -
2018											
Opening net book amount	$ 140,737	$ 81,706	$ 2,770	$ 11,454	$ 2,767	$ 2,097	$ 2,952	$ 64	$ 1,137	$ 245,684	$ -
Additions	-	-	-	137	-	4,937	1,400	-	-	6,474	596
Disposals	-	-	-	-	-	-	(362)	-	-	(362)	-
Depreciation charges	-	(3,323)	(503)	(9,301)	(1,647)	(1,224)	(594)	(64)	(564)	(17,220)	-
Closing net book amount	$ 140,737	$ 78,383	$ 2,267	$ 2,290	$ 1,120	$ 5,810	$ 3,396	$ -	$ 573	$ 234,576	$ 596
At December 31, 2018											
Cost	$ 140,737	$ 126,628	$ 4,766	$ 253,882	$ 13,427	$ 18,943	$ 4,140	$ 11,754	$ 7,535	$ 581,812	$ 596
Accumulated depreciation	-	(48,245)	(2,499)	(251,592)	(12,307)	(13,133)	(744)	(11,754)	(6,962)	(347,236)	-
	$ 140,737	$ 78,383	$ 2,267	$ 2,290	$ 1,120	$ 5,810	$ 3,396	$ -	$ 573	$ 234,576	$ 596

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

The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Total
At January 1, 2017										
Cost	$ 140,737	$ 126,268	$ 4,766	$ 255,702	$ 15,758	$ 17,761	$ -	$ 11,823	$ 12,804	$ 585,619
Accumulated depreciation	-	(41,608)	(1,493)	(228,040)	(12,006)	(16,718)	-	(11,569)	(10,807)	(322,241)
	$ 140,737	$ 84,660	$ 3,273	$ 27,662	$ 3,752	$ 1,043	$ -	$ 254	$ 1,997	$ 263,378
2017										
Opening net book amount	$ 140,737	$ 84,660	$ 3,273	$ 27,662	$ 3,752	$ 1,043	$ -	$ 254	$ 1,997	$ 263,378
Additions	-	360	-	1,905	1,376	1,702	3,148	-	-	8,491
Disposals	-	-	-	(2,173)	-	-	-	-	-	(2,173)
Depreciation charges	-	(3,314)	(503)	(15,940)	(2,361)	(648)	(196)	(190)	(860)	(24,012)
Closing net book amount	$ 140,737	$ 81,706	$ 2,770	$ 11,454	$ 2,767	$ 2,097	$ 2,952	$ 64	$ 1,137	$ 245,684
At December 31, 2017										
Cost	$ 140,737	$ 126,628	$ 4,766	$ 253,745	$ 13,427	$ 14,006	$ 3,148	$ 11,754	$ 7,535	$ 575,746
Accumulated depreciation	-	(44,922)	(1,996)	(242,291)	(10,660)	(11,909)	(196)	(11,690)	(6,398)	(330,062)
	$ 140,737	$ 81,706	$ 2,770	$ 11,454	$ 2,767	$ 2,097	$ 2,952	$ 64	$ 1,137	$ 245,684

The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 10~11 years, respectively.

(8) Intangible assets

	Trademarks	Computer software	Others	Total
At January 1, 2018				
Cost	$ 562	$ 26,400	$ 600	$ 27,562
Accumulated amortisation	(285)	(21,786)	(412)	(22,483)
	$ 277	$ 4,614	$ 188	$ 5,079
2018				
At January 1	$ 277	$ 4,614	$ 188	$ 5,079
Additions	15	601	-	616
Amortisation charge	(47)	(2,374)	(75)	(2,496)
At December 31	$ 245	$ 2,841	$ 113	$ 3,199
At December 31, 2018				
Cost	$ 577	$ 26,547	$ 600	$ 27,724
Accumulated amortisation	(332)	(23,706)	(487)	(24,525)
	$ 245	$ 2,841	$ 113	$ 3,199

	Trademarks	Computer software	Others	Total
At January 1, 2017				
Cost	$ 533	$ 24,972	$ 600	$ 26,105
Accumulated amortisation	(230)	(17,977)	(336)	(18,543)
	$ 303	$ 6,995	$ 264	$ 7,562
2017				
At January 1	$ 303	$ 6,995	$ 264	$ 7,562
Additions	29	1,428	-	1,457
Amortisation charge	(55)	(3,809)	(76)	(3,940)
At December 31	$ 277	$ 4,614	$ 188	$ 5,079
At December 31, 2017				
Cost	$ 562	$ 26,400	$ 600	$ 27,562
Accumulated amortisation	(285)	(21,786)	(412)	(22,483)
	$ 277	$ 4,614	$ 188	$ 5,079

Details of amortisation on intangible assets are as follows:

	Years ended December 31, 2018	Years ended December 31, 2017
Selling expenses	$ 92	$ 350
Administrative expenses	1,026	1,752
Research and development expenses	1,378	1,838
	$ 2,496	$ 3,940

(9) Other non-current assets

	December 31, 2018	December 31, 2017
Guarantee deposits paid	$ 533	$ 783
Prepayments for business facilities	596	-
Others	3,725	3,725
	$ 4,854	$ 4,508

(10) Short-term borrowings

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Short-term borrowings	$ 245,381	3.00%~3.30%	A promissory note of the same amount was issued as collateral.

Type of borrowings	December 31, 2017	Interest rate range	Collateral
Short-term borrowings	$ 237,363	0.83%~1.90%	A promissory note of the same amount was issued as collateral.

(11) Other payables

	December 31, 2018	December 31, 2017
Remuneration due to directors and supervisors and employee bonus payable	$ 74,557	$ 52,378
Wages and bonus payable	63,246	54,668
Payables for export freight and customs clearance charges	18,928	17,081
Payables for service fees	17,643	13,833
Payables for mold	7,135	10,909
Payables for machinery and equipment	142	1,918
Others	39,869	27,721
	$ 221,520	$ 178,508

(12) Pensions

A. Defined benefit plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$ 43,438	$ 49,425
Fair value of plan assets	(16,092)	(21,495)
Net liability recognised in the balance sheet (shown as 'other non-current liabilities')	$ 27,346	$ 27,930

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 49,425	($ 21,495)	$ 27,930
Current service cost	281	-	281
Interest expense (income)	494	(215)	279
	50,200	(21,710)	28,490
Remeasurements:			
Return on plan assets	-	(680)	(680)
Change in financial assumptions	362	-	362
Experience adjustments	(253)	-	(253)
	109	(680)	(571)
Pension fund contribution	-	(573)	(573)
Benefits paid	(6,871)	6,871	-
Balance at December 31	$ 43,438	($ 16,092)	$ 27,346

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2017			
Balance at January 1	$ 49,447	($ 23,060)	$ 26,387
Current service cost	362	-	362
Interest expense (income)	692	(323)	369
	50,501	(23,383)	27,118
Remeasurements:			
Return on plan assets	-	112	112
Change in financial assumptions	1,637	-	1,637
Experience adjustments	(334)	-	(334)
	1,303	112	1,415
Pension fund contribution	-	(603)	(603)
Benefits paid	(2,379)	2,379	-
Balance at December 31	$ 49,425	($ 21,495)	$ 27,930

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	2018	2017
Discount rate	0.9%	1.00%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience for the years ended December 31, 2018 and 2017 are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2018				
Effect on present value of defined benefit obligation	($ 894)	$ 926	$ 798	($ 775)
December 31, 2017				
Effect on present value of defined benefit obligation	($ 1,034)	$ 1,069	$ 923	($ 898)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 are $519.

B. Defined contribution plan

Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2018 and 2017 were $8,680 and $8,405, respectively.

(13) Ordinary shares

As of December 31, 2018, the Company's authorised capital was $1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was $1,197,260 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

(14) Capital surplus

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

(15) Retained earnings

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

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

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

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

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

E. (a) On June 20, 2018 and June 20, 2017, the shareholders resolved the appropriations of 2017 and 2016 earnings as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	$ 45,544	$ -	$ 60,019	$ -
Special reserve	32,530	-	77,051	-
Cash dividends to shareholders	359,178	3.00	359,178	3.00
	$ 437,252	$ 3.00	$ 496,248	$ 3.00

(b) On March 19, 2019, the Board of Directors has proposed the appropriation of 2018 earnings as follows:

	Year ended December 31, 2018	
	Amount	Dividend per share (in dollars)
Legal reserve	$ 64,235	$ -
Special reserve	38,002	-
Cash dividends to shareholders	478,904	4.00
	$ 581,141	$ 4.00

As of March 19, 2019, the abovementioned appropriation of 2018 earnings has not yet been resolved by the shareholders.

F. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(20).

(16) Other equity items

	Years ended December 31,			
	2018			2017
	Currency translation	Unrealised gains (losses) on valuation	Total	Currency translation
At January 1	($ 109,581)	$ -	($ 109,581)	($ 77,051)
Valuation adjustments	-	(6,236)	(6,236)	
Currency translation differences:				
–Group	(46,044)	-	(46,044)	(36,095)
–Tax on Group	14,278	-	14,278	3,565
At December 31	($ 141,347)	($ 6,236)	($ 147,583)	($ 109,581)

(17) Operating revenue:

A. Disaggregation of revenue from contracts with customers

The Company derives revenue from the transfer of control of goods to customers in the following major product types and geographical regions:

(a) Information on products

	Year ended December 31, 2018
Server cases	$ 1,975,001
Peripheral products and components	1,378,458
Personal computer cases	228,083
	$ 3,581,542

(b) Geographical information

	Year ended December 31, 2018
China	$ 2,136,176
US	474,850
Taiwan	455,250
Others	515,266
	$ 3,581,542

B. Contract assets and liabilities

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

	December 31, 2018
Contract assets-sale of products	$ -
Contract liabilities-sale of products	$ 1,959

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

	Year ended December 31, 2018
Contract liabilities-sale of products	$ 1,503

C. The Company adopts IFRS 15 starting from January 1, 2018. The Company disclosed operating revenue for the third quarter of 2018 in line with related regulations. Please refer to Note 4(24) for revenue recognition accounting policies.

D. Related disclosures on operating revenue for 2017 are provided in Note 12(5).

(18) Other income

	Years ended December 31, 2018	2017
Royalty revenue	$ 13,262	$ 29,531
Interest income from bank deposits	707	411
Other income	6,320	2,366
	$ 20,289	$ 32,308

(19) Other gains and losses

	Years ended December 31, 2018	Years ended December 31, 2017
Net currency exchange gain (loss)	$ 14,486	($ 38,457)
(Loss) gain on disposal of property, plant and equipment	(315)	467
Other expenses	(509)	(340)
	$ 13,662	($ 38,330)

(20) Employee benefit, depreciation and amortisation expenses

	Years ended December 31, 2018	Years ended December 31, 2017
Wages and salaries	$ 234,995	$ 207,745
Labour and health insurance fees	13,288	14,611
Pension costs	9,240	9,136
Other personnel expenses	13,690	11,125
Employee benefit expense	$ 271,213	$ 242,617
Depreciation charges on property, plant and equipment	$ 17,220	$ 24,012
Amortisation charges on intangible assets	$ 2,496	$ 3,940

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

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $57,612 and $40,474, respectively; while directors' and supervisors' remuneration was accrued at $16,945 and $11,904, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2017, employees' compensation and directors' and supervisors' remuneration amounted to $39,240 and $11,541 as resolved by the Board of Directors on March 20, 2018, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to $1,234 and $363, respectively. The differences had been accounted for as changes in estimates in profit or loss for 2018.

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

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Year ended December 31, 2018	Year ended December 31, 2017
Current tax:		
Current tax on profits for the year	$ 109,622	$ 50,790
Tax on undistributed surplus earnings	1,701	9,573
Prior year income tax underestimation	1,800	882
Total current tax	113,123	61,245
Deferred tax:		
Origination and reversal of temporary differences	(867)	7,992
Impact of change in tax rate	(1,605)	-
Total deferred tax	(2,472)	7,992
Income tax expense	$ 110,651	$ 69,237

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

	Year ended December 31, 2018	Year ended December 31, 2017
Currency translation differences	($ 10,792)	($ 3,565)
Impact of change in tax rate	(3,486)	-
	($ 14,278)	($ 3,565)
Remeasurement of defined benefit obligation	$ 114	($ 240)

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2018	Years ended December 31, 2017
Tax calculated based on profit before tax and statutory tax rate	$ 150,600	$ 89,195
10% tax on undistributed earnings	1,701	9,573
Prior year income tax underestimation	1,800	882
Effect from changes in tax regulation	(1,605)	-
Effect from expenses disallowed by tax regulations	(41,845)	(30,413)
Income tax expense	$ 110,651	$ 69,237

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

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	$ 4,639	($ 2,311)	$ -	$ 2,328
Unrealised gain on inter-affiliate accounts	8,882	(1,210)	-	7,672
Allowance for bad debts	1,543	1,316	-	2,859
Unused compensated absences	675	1,040	-	1,715
Pension expense payable	5,137	907	(114)	5,930
Pension expense that exceeds the limit for tax purpose	1,499	262	-	1,761
Unrealised warranty provision	1,020	118	-	1,138
Unrealised exchange loss	661	(600)	-	61
Others	50	7	-	57
	24,106	(471)	(114)	23,521
-Deferred tax liabilities:				
Investment income	(34,766)	2,943	14,278	(17,545)
	($ 10,660)	$ 2,472	$ 14,164	$ 5,976

	2017			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	$ 5,267	($ 628)	$ -	$ 4,639
Unrealised gain on inter-affiliate accounts	18,655	(9,773)	-	8,882
Allowance for bad debts	1,613	(70)	-	1,543
Unused compensated absences	675	-	-	675
Pension expense payable	4,897	-	240	5,137
Pension expense that exceeds the limit for tax purpose	1,480	19	-	1,499
Unrealised warranty provision	1,020	-	-	1,020
Unrealised exchange loss	-	661	-	661
Others	58	(8)	-	50
Unused compensated absences	33,665	(9,799)	240	24,106
-Deferred tax liabilities:				
Investment income	(38,840)	509	3,565	(34,766)
Unrealised exchange gain	(1,298)	1,298	-	-
	(40,138)	1,807	3,565	(34,766)
	($ 6,473)	($ 7,992)	$ 3,805	($ 10,660)

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2018 and 2017, the amounts of temporary differences unrecognised as deferred tax liabilities were $362,634 and $277,150, respectively.

E. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

F. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(22) Earnings per share

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 642,350	119,726	$ 5.37
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 642,350		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,625	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 642,350	121,351	$ 5.29

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 455,442	119,726	$ 3.80
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 455,442		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,156	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 455,442	120,882	$ 3.77

(23) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31, 2018	Years ended December 31, 2017
Purchase of property, plant and equipment	$ 6,474	$ 8,491
Add: Opening balance of payable on equipment	1,918	8,431
Ending balance of prepayments for business facilities	596	-
Less: Ending balance of payable on equipment	(142)	(1,918)
Cash paid during the year	$ 8,846	$ 15,004

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's shares are held by the public, thus, there is no parent company or ultimate parent.

(2) Name of related party and relationship

Names of related parties	Relationship with the Company
Micom Source Holding Company (MICOM)	First-tier subsidiary
CLOUDWELL HOLDINGS, LLC. (CLOUDWELL)	First-tier subsidiary
Chenbro Europe B.V.	First-tier subsidiary (Note 1)
Chenbro GmbH (GmbH)	First-tier subsidiary
Chenbro Micom (USA) Incorporation (CMI)	First-tier subsidiary
Chenbro UK Limited (UK)	First-tier subsidiary (Note 2)
ChenPower Information Technology (Shanghai) Co., Ltd. (CPT)	Third-tier subsidiary (Note 3)
Chenbro Micom (Shenzhen) Co., Ltd. (CCS)	Third-tier subsidiary (Note 3)
Chenbro Technology (Kunshan) Co., Ltd. (CSH)	Third-tier subsidiary (Note 3)
Procase & Morex Corp. (PROCASE)	Third-tier subsidiary (Note 3)
Dongguan Procase Electronic Co., Ltd. (DGP)	Fourth-tier subsidiary (Note 3)
Chen-Source Inc.	Other related party

Note 1: On May 9, 2017, Chenbro Europe B.V. was dissolved under the resolution of Board of Directors. The liquidation will be completed in 2019.

Note 2: In accordance with the resolution made by the Board of Directors on May 9, 2017, the Company directly held the shares of Chenbro UK Limited. The registration of such share transfer was completed in August 2017.

Note 3: Shown as 'subsidiary' in Note 7(3).

(3) Significant related party transactions

A. Operating revenue and other income

	Years ended December 31, 2018	Years ended December 31, 2017
Sales of goods:		
Subsidiaries		
－CMI	$ 2,090,728	$ 1,590,598
－Other subsidiaries	117,841	114,293
Other income – royalty revenue:		
Subsidiaries		
－DGP	-	29,531
－Other subsidiaries	13,262	-
Other income – management revenue:		
Subsidiaries	19,204	17,033
Other related parties	32	805
	$ 2,241,067	$ 1,752,260

(a) Sales of goods: Goods are sold based on normal prices and terms. Payment collection is T/T 45~120 days and 60~90 days after monthly billings.

(b) Royalty revenue: Royalties received from subsidiaries for using the Company's resources.

(c) Management revenue: Revenue arises from managing administrative affairs on behalf of subsidiaries and other related parties and is shown as a deduction to 'selling expenses' and 'management fees'. Management revenue is determined based on agreed upon terms and payment collection is 60~90 days after monthly billings.

B. Purchases and other expenses

	Years ended December 31, 2018	Years ended December 31, 2017
Purchases of goods:		
Subsidiaries		
－CSH	$ 1,462,730	$ 1,111,269
－PROCASE	679,145	667,130
－Other subsidiaries	2,725	-
Other related parties	48,350	25,918
Other expenses:		
Subsidiaries (service expense)		
－GmbH	-	6,969
－Other subsidiaries	2,877	3,313
Other related parties (management service expense)	2,057	1,860
	$ 2,197,884	$ 1,816,459

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

(b) Service expense: Service expenses paid by the Company to subsidiaries.

(c) Management service expense: Expenses paid to other related parties for managing storages. Prices and terms are determined based on mutual agreements and payment term is 60 days after monthly billings.

C. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable:		
Subsidiaries		
－CMI	$ 755,690	$ 242,239
－Other subsidiaries	29,359	48,131
	785,049	290,370
Other receivables – advance payments on behalf of others:		
Subsidiaries		
－PROCASE	26,362	43,909
－CSH	33,741	41,121
－DGP	-	29,531
－CPT	13,262	-
－Other subsidiaries	6,135	11,788
Other related parties	234	182
	79,734	126,531
	$ 864,783	$ 416,901

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

(b) Other receivables are amounts paid for purchase of materials and collection of royalties on behalf of subsidiaries and other related parties.

D. Payables to related parties

	December 31, 2018	December 31, 2017
Accounts payable:		
Subsidiaries		
－CSH	$ 439,395	$ 105,305
－PROCASE	120,301	139,701
Other related parties	6,008	8,778
	565,704	253,784
Other payables:		
Subsidiaries	28,390	854
Other related parties	669	570
	29,059	1,424
	$ 594,763	$ 255,208

(a) Accounts payable bear no interest.

(b) Other payables: The payables are service expenses paid by subsidiaries and mold fee.

E. Endorsements and guarantees provided to related parties

	December 31, 2018	December 31, 2017
Subsidiaries (Note)		
－PROCASE	$ 7,000	$ 7,000
－CLOUDWELL	5,600	5,600
－CMI	4,000	4,000
	$ 16,600	$ 16,600

Note: unit in thousands of USD.

(4) Key management compensation

	Years ended December 31,	
	2018	2017
Short-term employee benefits	$ 52,279	$ 40,203
Post-employment benefits	346	345
Other long-term benefits	-	888
	$ 52,625	$ 41,436

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2018	December 31, 2017	Purpose
Time deposits (shown as 'other current assets')	$ 1,000	$ 1,000	Customs duty guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The Company entered into equipment purchase agreements and lease agreements. Future lease payments at their present values are as follows:

	December 31, 2018	December 31, 2017
Not later than one year	$ 2,409	$ 1,164
Later than one year but not later than three years	968	753
	$ 3,377	$ 1,917

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(15) E(b) for the appropriation of earnings.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 25,389	$ -
Financial assets at cost	-	31,625
Financial assets at amortised cost		
Cash and cash equivalents	246,049	173,553
Accounts receivable (including related parties)	1,039,015	578,893
Other receivables (including related parties)	106,547	156,775
Guarantee deposits paid	533	783
	$ 1,417,533	$ 941,629

	December 31, 2018	December 31, 2017
Financial liabilities		
Financial liabilities at amortised cost		
Short-term borrowings	$ 245,381	$ 237,363
Accounts payable (including related parties)	756,717	494,161
Other accounts payable (including related parties)	250,579	179,932
	$ 1,252,677	$ 911,456

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

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

	December 31, 2018				
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	40,867	30.72	$	1,255,434
Non-monetary items					
USD:NTD		8,936	30.72		274,515
EUR:NTD		2,034	35.20		71,598
GBP:NTD		32	38.88		1,242
Financial liabilities					
Monetary items					
USD:NTD	$	28,486	30.72	$	875,090
HKD:RMB		383	3.92		1,501
RMB:NTD		1,264	4.47		5,650

	December 31, 2017				
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	29,319	29.76	$	872,533
Non-monetary items					
USD:NTD		7,573	29.76		225,359
EUR:NTD		2,117	35.57		75,313
GBP:NTD		49	40.11		1,962
Financial liabilities					
Monetary items					
USD:NTD	$	15,295	29.76	$	455,179
HKD:NTD		535	3.81		2,038

iv. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company:

	Year ended December 31, 2018		
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	30.72	($ 2,727)
Financial liabilities			
Monetary items			
USD:NTD	$ -	30.72	$ 7,943

	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	29.76	($ 8,138)
Financial liabilities			
Monetary items			
USD:NTD	$ -	29.76	$ 4,194
HKD:NTD	-	3.81	7

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

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 12,554	-
Financial liabilities			
Monetary items			
USD:NTD	1%	8,751	-
HKD:RMB	1%	15	-
RMB:NTD	1%	57	-

	Year ended December 31, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 8,725	-
Financial liabilities			
Monetary items			
USD:NTD	1%	4,552	-
HKD:NTD	1%	20	-

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.

ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other comprehensive income for the years ended December 31, 2018 and 2017 would have increased/decreased by $254 as a result of gains or losses on equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Company's interest rate risk arises from short-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's borrowings are primarily at fixed rates. During the years ended December 31, 2018 and 2017, the Company's borrowings at variable rate were denominated in the USD and NTD.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated at amortised cost and at fair value through other comprehensive income.

ii. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

iii. Individual risk limits are set based on internal or external factors in accordance with limits set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.

iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 360 days.

vi. The Company classifies customer's accounts receivable in accordance with credit risk on trade. The Company applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The Company used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. In 2018, the loss allowance is as follows:

	Not past due	1 to 90 days past due	91 to 180 days past due	181 to 270 days past due
December 31, 2018				
Expected loss rate	0.13%	0.56%	6.31%	23.98%
Total book value	$ 179,943	$ 74,381	$ 263	$ -
Loss allowance	$ -	$ 617	$ 26	$ -

	271 to 360 days past due	Over 360 days past due	Total
December 31, 2018			
Expected loss rate	74.51%	100.00%	
Total book value	$ 25	$ -	$ 254,612
Loss allowance	$ 3	$ -	$ 646

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

	2018	
	Notes receivable	Accounts receivable
At January 1_IAS 39	$ -	$ 15,141
Adjustments under new standards	-	-
At January 1_IFRS 9	-	15,141
Reversal of impairment loss	-	(201)
Derecognised	-	(14,294)
At December 31	$ -	$ 646

For the year ended December 31, 2018, reversal of impairment of accounts receivable that arise from customer contracts is $201.

ix. Credit risk information for 2017 is provided in Note 12(4).

(c) Liquidity risk

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

ii. The table below analyses the Company's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The analysis is as follows:

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 246,076	$ -	$ -	$ -
Accounts payable	191,013	-	-	-
Accounts payable - related party	565,704	-	-	-
Other payables	221,520	-	-	-
Other payables - related party	29,059	-	-	-
Other current liabilities	60	-	-	-

December 31, 2017	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 237,619	$ -	$ -	$ -
Accounts payable	240,377	-	-	-
Accounts payable - related party	253,784	-	-	-
Other payables	178,508	-	-	-
Other payables - related party	1,424	-	-	-
Other current liabilities	66	-	-	-

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

B. The carrying amounts of the Company’s financial assets not measured at fair value, which are including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), guarantee deposits paid, short-term borrowings, contract liabilities, accounts payable (including related parties) and other payables (including related parties), are approximate to their fair values.

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

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

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 25,389	$ 25,389

As of December 31, 2017, the Company had no fair value of financial assets estimated by valuation techniques.

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

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

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

D. The following chart is the movement of Level 3 for the year ended December 31, 2018:

		2018
		Equity securities
January 1	$	-
IFRS 9 transfer adjustments		31,625
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	(	6,236)
At December 31	$	25,389

E. For the year ended December 31, 2018, there was no transfer into or out from Level 3.

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

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

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 25,389	Market comparable companies	Price to book ratio multiple	1.34-3.33(1.50)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20% (20%)	The higher the discount for lack of marketability, the lower the fair value

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

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	$ -	$ -	$ 254	$ 254
	Discount for lack of marketability	±1%	-	-	(64)	(64)

(4) Effects on initial application of IFRS 9

A. Summary of significant accounting policies adopted in 2017:

(a) Loans and receivables

Accounts receivable

Accounts receivable are accounts receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(b) Impairment of financial assets

i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a Company of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.

ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(i) Significant financial difficulty of the debtor;

(ii) A breach of contract, such as a default or delinquency in interest or principal payments;

(iii) The Company, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(v) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a Company of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the Company, including adverse changes in the payment status of borrowers in the Company or national or local economic conditions that correlate with defaults on the assets in the Company;

iii. When the Company assesses that financial assets at amortised cost have been objective evidence of impairment and an impairment loss has occurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) Financial assets at cost

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

ii. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are presented in 'financial assets measured at cost'.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

IAS 39 / IFRS 9	Measured at cost
Transferred into and measured at fair value through other comprehensive income-equity	$ 31,625

Under IAS 39, because the equity instruments, which were classified as financial assets at cost, amounting to $31,625, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" on initial application of IFRS 9.

C. As of December 31, 2017, the Company has no allowance for impairment and provision under IAS 39.

D. The significant accounts as of December 31, 2017 are as follows:

Financial assets at cost

Items	December 31, 2017
Non-current items:	
Unlisted shares	$ 31,625

(a) According to the Company's intention, its investment in unlisted stocks should be classified as 'available-for-sale financial assets'. However, as unlisted stocks are not traded in active market, and no sufficient industry information of companies similar to unlisted stocks' financial information cannot be obtained, the fair value of the investment in unlisted stocks cannot be measured reliably. The Company classified those stocks as 'financial assets measured at cost'.

(b) As of December 31, 2017, no financial assets measured at cost held by the Company were pledged to others as collateral.

E. Credit risk information for the year ended December 31, 2017 is as follows:

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. only banks and financial institutions with optimal credit ratings are accepted.

(b) As of December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

(c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

	December 31, 2017
Level 2	$ 239,192

Level 1: Accounts receivable factored and yet to be sold at the balance sheet date.

Level 2: Accounts receivable are insured so that the Company only bears 10% of the risk of default and insurance companies bear the remaining 90%. In addition, accounts receivable arising from overseas and domestic customers which were not insured have been included in Level 2 due to its transparent financial information.

Level 3: Accounts receivable that are neither insured nor factored. The Company bears all risks.

(d) The ageing analysis of receivable that were past due but not impaired is as follows:

	December 31, 2017
Up to 30 days	$ 24,259
31 to 90 days	25,596
91 to 180 days	290
Over 180 days	33
	$ 50,178

The above ageing analysis was based on past due date.

(e) Movement analysis of receivables that were impaired is as follows:

i. As of December 31, 2017, the Company accrued accounts receivable that were impaired and recognised $14,294.

ii. Movements on allowance for bad debts are as follows:

	2017		
	Individual provision	Group provision	Total
January 1	$ 14,517	$ 3,111	$ 17,628
Reversal for impairment	(92)	(2,264)	(2,356)
Write-offs during the period	(131)	-	(131)
At December 31	$ 14,294	$ 847	$ 15,141

(5) Effects of initial application of IFRS 15

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

The Company manufactures and sells computer cases and related products. Revenue is measured at the fair value of the consideration received or receivable taking into account of business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Company's activities. Revenue arising from the sales of goods is recognised when the Company has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

	Year ended December 31, 2017
Sales of goods	$ 2,888,796

C. For the year ended December 31, 2018, the effects and description of current balance sheet and comprehensive income statement if the Company continues adopting above accounting policies are as follows:

(a) Customer contracts where services were rendered but not yet billed, were previously presented as accounts receivable on the balance sheet, and are recognised as contract assets amounting to $0 in accordance with IFRS 15, 'Revenue from contracts with customers'.

(b) Advance sales receipts in relation to the contracts with customers were previously presented as advance sales receipts, in accordance with previous R.O.C. GAAP. Under IFRS 15, 'Revenue from contracts with customers', the advance sales receipts are recognised as contract liabilities amounting to $2,196.

There is no effect on the current comprehensive income if the Company continues adopting above accounting policies.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

For investees' disclosures, the financial statements of CLOUDWELL HOLDINGS., LLC. were audited by the investees' appointed independent accountants. Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

Name of company	Counterparty	Accounts	Amount for 2018	Percentage representing the account of company (%)	Note
PROCASE & MOREX	Dongguan Procase Electronic Co., Ltd.	Purchases	$ 541,026	63	Note 1
PROCASE & MOREX	Dongguan Procase Electronic Co., Ltd.	Accounts payable	89,900	54	Note 1
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Purchases	679,145	26	
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Accounts payable	120,301	16	
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Other receivables	26,362	23	
Chenbro Micom Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Royalty revenue	13,262	100	Note 2
Chenbro Micom Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Other receivables	13,262	12	Note 2
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	1,462,730	57	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	439,395	58	

Note 1: The Company purchased raw materials of iron pieces from the Company's fourth-tier subsidiary in Mainland China, Dongguan Procase Electronic Co., Ltd., through the third-tier subsidiary, PROCASE & MOREX Corporation (Procase) for manufacturing computer cases.

Note 2: The Company provided development technology to ChenPower Information Technology (Shanghai) Co., Ltd. and charged the related royalties.

14. OPERATING SEGMENT INFORMATION

Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" Article 22, a company is not required to present operating segment information within the scope of IFRS 8, in the parent company only financial statements.