

**CHENBRO MICOM CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2020 AND 2019**

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(20)PWCR 20000311

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Chenbro Micom Co., Ltd. and subsidiaries (the “Group”) as at March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Note 4(3), we did not review the financial statements of insignificant consolidated subsidiaries, which statements reflect total assets of NT\$431,712 thousand and NT\$322,427 thousand, constituting 7% and 5% of the consolidated total assets, and total liabilities of NT\$165,779 thousand and NT\$143,125 thousand, constituting 7% and 6% of the consolidated total liabilities as at March 31, 2020 and 2019, respectively, and total comprehensive loss of NT\$5,380 thousand and NT\$192 thousand, constituting (7%) and (0%) of the consolidated total comprehensive income for the three months then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Pan, Hui-Lin

Lin, Chun-Yao

For and on behalf of PricewaterhouseCoopers, Taiwan

May 12, 2020

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 review 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
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Assets		Notes	March 31, 2020		December 31, 2019		March 31, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,711,858	28	\$ 988,565	15	\$ 1,356,731	23
1136	Current financial assets at	6(3)						
	amortised cost, net		102,240	2	672,955	11	387,900	7
1150	Notes receivable, net	6(4)	5,971	-	1,026	-	-	-
1170	Accounts receivable, net	6(4) and 7	1,207,601	20	1,636,213	26	1,203,452	20
1200	Other receivables	6(5) and 7	31,820	-	69,123	1	39,718	1
1220	Current income tax assets		604	-	611	-	649	-
130X	Inventories	6(6)	1,009,405	16	974,512	15	748,841	13
1410	Prepayments		45,799	1	21,837	-	33,879	-
1470	Other current assets	8	8,507	-	4,511	-	3,729	-
11XX	Total current assets		<u>4,123,805</u>	<u>67</u>	<u>4,369,353</u>	<u>68</u>	<u>3,774,899</u>	<u>64</u>
Non-current assets								
1517	Non-current financial assets at fair	6(2)						
	value through other comprehensive							
	income		27,400	-	28,458	1	28,458	1
1535	Non-current financial assets at	6(3)						
	amortised cost		213,000	4	215,500	3	229,000	4
1600	Property, plant and equipment	6(7) and 8	1,568,652	26	1,558,811	24	1,709,029	29
1755	Right-of-use assets	6(8)	57,320	1	58,422	1	64,351	1
1780	Intangible assets	6(9)	13,284	-	10,335	-	10,614	-
1840	Deferred income tax assets		65,279	1	66,660	1	49,393	1
1900	Other non-current assets	6(7)(10) and 8	69,760	1	97,916	2	18,923	-
15XX	Total non-current assets		<u>2,014,695</u>	<u>33</u>	<u>2,036,102</u>	<u>32</u>	<u>2,109,768</u>	<u>36</u>
1XXX	Total assets		<u>\$ 6,138,500</u>	<u>100</u>	<u>\$ 6,405,455</u>	<u>100</u>	<u>\$ 5,884,667</u>	<u>100</u>

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2020, DECEMBER 31, 2019 AND MARCH 31, 2019
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of March 31, 2020 and 2019 are reviewed, not audited)

Liabilities and Equity			March 31, 2020		December 31, 2019		March 31, 2019	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(11)	\$ 60,460	1	\$ 59,960	1	\$ 61,640	1
2130	Current contract liabilities	6(19)	10,787	-	6,624	-	8,911	-
2170	Accounts payable		1,436,533	23	1,751,374	27	1,401,446	24
2180	Accounts payable - related parties	7	677	-	4,612	-	6,835	-
2200	Other payables	6(13) and 7	584,994	10	665,487	11	608,487	10
2230	Current income tax liabilities		196,538	3	197,511	3	160,794	3
2280	Current lease liabilities		3,057	-	3,698	-	4,413	-
2300	Other current liabilities	6(12)	11,518	-	10,282	-	11,354	-
21XX	Total current liabilities		2,304,564	37	2,699,548	42	2,263,880	38
Non-current liabilities								
2540	Long-term borrowings	6(12)	118,414	2	119,253	2	128,068	2
2570	Deferred income tax liabilities		78,227	1	36,926	1	57,591	1
2580	Non-current lease liabilities		1,398	-	1,068	-	3,028	-
2600	Other non-current liabilities		28,589	1	28,653	-	27,489	1
25XX	Total non-current liabilities		226,628	4	185,900	3	216,176	4
2XXX	Total liabilities		2,531,192	41	2,885,448	45	2,480,056	42
Share capital			6(15)					
3110	Common stock		1,197,260	20	1,197,260	19	1,197,260	20
Capital surplus			6(16)					
3200	Capital surplus		48,209	1	48,209	1	48,209	1
Retained earnings			6(17)					
3310	Legal reserve		628,686	10	628,686	10	564,451	10
3320	Special reserve		213,156	4	213,156	3	175,154	3
3350	Unappropriated retained earnings		1,792,208	29	1,657,248	26	1,513,763	26
Other equity interest			6(18)					
3400	Other equity interest		(287,211)	(5)	(224,552)	(4)	(94,226)	(2)
31XX	Equity attributable to owners of the parent		3,592,308	59	3,520,007	55	3,404,611	58
36XX	Non-controlling interests		15,000	-	-	-	-	-
3XXX	Total equity		3,607,308	59	3,520,007	55	3,404,611	58
Significant events after the balance sheet date			11					
3X2X	Total liabilities and equity		\$ 6,138,500	100	\$ 6,405,455	100	\$ 5,884,667	100

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended March 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(19) and 7	\$ 1,337,275	100	\$ 1,560,448	100
5000 Operating costs	6(6)(22) and 7	(990,156)	(74)	(1,084,911)	(69)
5950 Net operating margin		<u>347,119</u>	<u>26</u>	<u>475,537</u>	<u>31</u>
Operating expenses	6(22) and 7				
6100 Selling expenses		(76,055)	(6)	(76,831)	(5)
6200 General and administrative expenses		(97,919)	(7)	(88,654)	(6)
6300 Research and development expenses		(47,499)	(4)	(49,659)	(3)
6450 Impairment loss determined in accordance with IFRS 9	12(2)	(135)	-	(82)	-
6000 Total operating expenses		(221,608)	(17)	(215,226)	(14)
6900 Operating profit		<u>125,511</u>	<u>9</u>	<u>260,311</u>	<u>17</u>
Non-operating income and expenses					
7010 Other income	6(3)(20)	19,893	2	7,565	-
7020 Other gains and losses	6(21)	18,530	1	(18,486)	(1)
7050 Finance costs		(1,668)	-	(2,454)	-
7000 Total non-operating income and expenses		<u>36,755</u>	<u>3</u>	<u>(13,375)</u>	<u>(1)</u>
7900 Profit before income tax		162,266	12	246,936	16
7950 Income tax expense	6(23)	(27,306)	(2)	(60,662)	(4)
8200 Profit for the period		<u>\$ 134,960</u>	<u>10</u>	<u>\$ 186,274</u>	<u>12</u>

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended March 31			
		2020		2019	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Components of other comprehensive income that will not be reclassified to profit or loss					
8316 Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(18)	(\$ 1,058)	-	\$ -	-
8310 Other comprehensive loss that will not be reclassified to profit or loss		(1,058)	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss					
8361 Financial statements translation differences of foreign operations	6(18)	(26,482)	(2)	64,852	4
8399 Income tax relating to the components of other comprehensive income	6(18)(23)	(35,119)	(3)	(11,495)	(1)
8360 Other comprehensive (loss) income that will be reclassified to profit or loss		(61,601)	(5)	53,357	3
8300 Total other comprehensive (loss) income for the period		(\$ 62,659)	(5)	\$ 53,357	3
8500 Total comprehensive income for the period		<u>\$ 72,301</u>	<u>5</u>	<u>\$ 239,631</u>	<u>15</u>
Profit attributable to:					
8610 Owners of the parent		\$ 134,960	10	\$ 186,274	12
8620 Non-controlling interest		-	-	-	-
		<u>\$ 134,960</u>	<u>10</u>	<u>\$ 186,274</u>	<u>12</u>
Comprehensive income attributable to:					
8710 Owners of the parent		\$ 72,301	5	\$ 239,631	15
8720 Non-controlling interest		-	-	-	-
		<u>\$ 72,301</u>	<u>5</u>	<u>\$ 239,631</u>	<u>15</u>
Earnings per share (in dollars)	6(24)				
9750 Basic earnings per share		<u>\$ 1.13</u>		<u>\$ 1.56</u>	
9850 Diluted earnings per share		<u>\$ 1.12</u>		<u>\$ 1.54</u>	

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

		Equity attributable to owners of the parent										
		Capital Reserves			Retained Earnings			Other Equity Interest				
			Total capital surplus, additional paid-in capital	Treasury stock transactions			Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total	Non-controlling interests	Total equity
Notes	Share capital - common stock				Legal reserve	Special reserve						
<u>2019</u>												
Balance at January 1, 2019	\$1,197,260	\$ 41,987	\$ 6,222	\$ 564,451	\$ 175,154	\$1,327,489	(\$ 141,347)	(\$ 6,236)	\$3,164,980	\$ -	\$3,164,980	
Profit for the period	-	-	-	-	-	186,274	-	-	186,274	-	186,274	
Other comprehensive income for the period 6(18)	-	-	-	-	-	-	53,357	-	53,357	-	53,357	
Total comprehensive income	-	-	-	-	-	186,274	53,357	-	239,631	-	239,631	
Balance at March 31, 2019	\$1,197,260	\$ 41,987	\$ 6,222	\$ 564,451	\$ 175,154	\$1,513,763	(\$ 87,990)	(\$ 6,236)	\$3,404,611	\$ -	\$3,404,611	
<u>2020</u>												
Balance at January 1, 2020	\$1,197,260	\$ 41,987	\$ 6,222	\$ 628,686	\$ 213,156	\$1,657,248	(\$ 218,316)	(\$ 6,236)	\$3,520,007	\$ -	\$3,520,007	
Profit for the period	-	-	-	-	-	134,960	-	-	134,960	-	134,960	
Other comprehensive loss for the period 6(18)	-	-	-	-	-	-	(61,601)	(1,058)	(62,659)	-	(62,659)	
Total comprehensive income (loss)	-	-	-	-	-	134,960	(61,601)	(1,058)	72,301	-	72,301	
Non-controlling interests cash inflow from the establishment of a subsidiary	-	-	-	-	-	-	-	-	-	15,000	15,000	
Balance at March 31, 2020	\$1,197,260	\$ 41,987	\$ 6,222	\$ 628,686	\$ 213,156	\$1,792,208	(\$ 279,917)	(\$ 7,294)	\$3,592,308	\$ 15,000	\$3,607,308	

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 162,266	\$ 246,936
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment loss	12(2)	135	82
Depreciation	6(7)(8)(22)	49,440	49,226
Amortization	6(9)(22)	1,189	1,378
Interest expense		1,668	2,454
Interest income	6(20)	(6,996)	(6,269)
Loss on disposal of property, plant and equipment	6(21)	427	410
Loss on disposal of investments	6(21)	-	6,396
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(4,945)	-
Accounts receivable		428,464	446,169
Other receivables		38,363	8,183
Inventories		(41,738)	(156,506)
Prepayments		(23,962)	(8,094)
Other current assets		(3,996)	(853)
Changes in operating liabilities			
Current contract liabilities		4,163	1,532
Accounts payable		(314,841)	(11,313)
Accounts payable - related parties		(3,935)	827
Other payables		(79,168)	(28,248)
Other current liabilities		1,114	13
Other non-current liabilities		(62)	(36)
Cash inflow generated from operations		207,586	552,287
Interest received		5,936	3,926
Interest paid		(1,702)	(2,579)
Income tax paid		(20,709)	(11,060)
Net cash flows from operating activities		191,111	542,574

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	2020	2019
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of non-current financial assets at fair value through other comprehensive income	12(3)	\$ -	(\$ 3,069)
Acquisition of property, plant and equipment	6(25)	(40,941)	(18,086)
Proceeds from disposal of property, plant and equipment		-	8
Acquisition of intangible assets	6(9)	(4,238)	(87)
Acquisition of financial assets at amortised cost		(653,684)	(236,950)
Proceeds from disposal of financial assets at amortised cost		1,221,878	-
Decrease (increase) in other non-current assets		5,843	(428)
Net cash flows from (used in) investing activities		528,858	(258,612)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings	6(26)	-	(215,430)
Repayment of long-term borrowings (including current portion)	6(26)	(1,532)	(1,584)
Payment of the principal of lease liabilities	6(8)	(1,103)	(972)
Non-controlling interests cash inflow from establishment of a subsidiary		15,000	-
Net cash flows from (used in) financing activities		12,365	(217,986)
Effect of foreign exchange differences		(9,041)	29,028
Net increase in cash and cash equivalents		723,293	95,004
Cash and cash equivalents at beginning of period	6(1)	988,565	1,261,727
Cash and cash equivalents at end of period	6(1)	\$ 1,711,858	\$ 1,356,731

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were reported to the Board of Directors on May 12, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2022

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, "Interim financial reporting" as endorsed by the FSC.

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

(3) 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:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Chenbro Micom Co., Ltd.	Micom Source Holding Company	Holding company	100	100	100	
Chenbro Micom Co., Ltd.	Chenbro Micom (USA) Incorporation	General trading company	100	100	100	
Chenbro Micom Co., Ltd.	Chenbro Europe B.V.	General trading company	-	-	100	Notes 1, 2 and 4
Chenbro Micom Co., Ltd.	CLOUDWELL HOLDINGS, LLC.	Real estate leasing company	100	100	100	Notes 1 and 2
Chenbro Micom Co., Ltd.	Chenbro GmbH	General trading company	100	100	100	Notes 1 and 2
Chenbro Micom Co., Ltd.	Chenbro UK Limited	Marketing services	-	100	100	Notes 1, 2 and 5
Chenbro Micom Co., Ltd.	Edge International Company Limited	Trading/Order taking company	100	-	-	Notes 1, 2 and 7
Chenbro Micom Co., Ltd.	Chen-Feng Co., Ltd.	Manufacturing of computer	70	-	-	Notes 1, 2 and 8
Micom Source Holding Company	Cloud International Company Limited	Holding company	100	100	100	Notes 1, 2 and 6
Micom Source Holding Company	AMAC International Company	Holding company	100	100	100	Notes 1 and 2
Micom Source Holding Company	AMBER International Company	Holding company	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
Micom Source Holding Company	ADEPT International Company	Holding company	100	100	100	
Cloud International Company	Chenbro Micom (Shenzhen) Co., Ltd.	General trading company	-	-	100	Notes 1, 2 and 3
AMBER International Company	Chenbro Technology (Kunshan) Co.,	Manufacturing of computer cases	100	100	100	
AMBER International Company	ChenPower Information Technology (Shanghai) Co.,	General trading company	100	100	100	
Chenbro Technology (Kunshan) Co., Ltd.	Chenbro Micom (Beijing) Co., Ltd.	Research and development of technical skills	-	-	100	Notes 1, 2 and 3
ADEPT International	PROCASE & MOREX	Trading / Order taking	100	100	100	
PROCASE & Corporation	Dongguan Procace Ltd.	Manufacturing cases	88	88	88	
AMAC	Dongguan Procace	Manufacturing	12	12	12	

Note 1: The financial statements of the entity as of and for the three months ended March 31, 2020 and 2019 were not reviewed by independent accountants as the entity did not meet the definition of a significant subsidiary.

Note 2: Insignificant subsidiaries were consolidated in the statements based on the subsidiaries' unreviewed financial statements. On March 31, 2020 and 2019, the insignificant subsidiaries have total assets in the amounts of \$431,712 and \$322,427, and total liabilities in the amounts of \$165,779 and \$143,125, respectively. For the three months ended March 31, 2020 and 2019, the amounts of comprehensive loss were \$5,380 and \$192, respectively.

Note 3: As resolved by the Board of Directors on January 19, 2017, Chenbro Micom (Shenzhen) Co., Ltd. and Chenbro Micom (Beijing) Co. are under liquidation. The liquidation of Chenbro Micom (Shenzhen) Co., Ltd. and Chenbro Micom (Beijing) Co., Ltd. were completed in August 2019 and December 2019, respectively.

Note 4: On May 9, 2017, Chenbro Europe B. V. was dissolved under the resolution of the Board of Directors, and the liquidation was completed in March 2019.

Note 5: The Board of Directors of Chenbro UK Limited resolved to reduce the capital in the

amount of GBP 19,999 on August 7, 2018. The reduction in capital was registered in October, 2018 and Chenbro UK Limited has remitted back the share capital of \$1,178 in July 2019. The liquidation was completed in January 2020.

Note 6: On June 25, 2019, Cloud International Company Limited was dissolved under the resolution of the Board of Directors.

Note 7: Edge International Company Limited was established on December 31, 2019, and the funds were in place in February 2020.

Note 8: Chen-Feng Precision Co., Ltd. was established on March 16, 2020.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

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

(5) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;

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

(6) Cash equivalents

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

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

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

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
 - (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

(12) Inventories

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

(13) Property, plant and equipment

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

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

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

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

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

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

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

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

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

(15) Intangible assets

A. Trademarks

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

B. Computer software

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

(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.

- iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

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.

- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.
- F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(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:

The Group's inventories are stated at the lower of cost and net realisable value. There might be material changes to the evaluation of inventory value as the technology changes rapidly, the items of the inventory in the balance sheet date are numerous, and the identification of obsolete inventory and determination of net realisable value are subject to management's judgement.

As of March 31, 2020, the carrying amount of inventories was \$1,009,405.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Petty cash and cash on hand	\$ 300	\$ 350	\$ 381
Demand deposits	117,582	23,247	78,987
Checking account deposits	252,316	85,845	190,644
Time deposits (including foreign currencies)	85,560	114,650	246,858
Foreign currency deposits	1,256,100	764,473	839,861
	<u>\$ 1,711,858</u>	<u>\$ 988,565</u>	<u>\$ 1,356,731</u>

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

<u>Items</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Non-current items:			
Equity instruments			
Unlisted stocks	<u>\$ 27,400</u>	<u>\$ 28,458</u>	<u>\$ 28,458</u>

- A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$27,400, \$28,458 and \$28,458 as at March 31, 2020, December 31, 2019 and March 31, 2019, respectively.
- B. For the three months ended March 31, 2020 and 2019, the amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income was (\$1,058) and \$0, respectively.
- C. As at March 31, 2020, December 31, 2019 and March 31, 2019, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$27,400, \$28,458 and \$28,458, respectively.
- D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(3) Financial assets at amortised cost

Items	March 31, 2020	December 31, 2019	March 31, 2019
Current items:			
Capital guaranteed financial products	\$ 102,240	\$ 672,955	\$ 274,800
Time deposits	-	-	113,100
	<u>\$ 102,240</u>	<u>\$ 672,955</u>	<u>\$ 387,900</u>
Non-current items:			
Time deposits	<u>\$ 213,000</u>	<u>\$ 215,500</u>	<u>\$ 229,000</u>

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

	Three months ended March 31,	
	2020	2019
Interest income	<u>\$ 4,829</u>	<u>\$ 2,894</u>

B. As at March 31, 2020, December 31, 2019 and March 31, 2019, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was \$315,240, \$888,455 and \$616,900, respectively.

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

(4) Accounts and notes receivable

	March 31, 2020	December 31, 2019	March 31, 2019
Notes receivable	<u>\$ 5,971</u>	<u>\$ 1,026</u>	<u>\$ -</u>
Accounts receivable	\$ 1,209,650	\$ 1,638,114	\$ 1,205,782
Less: Allowance for uncollectible accounts	(2,049)	(1,901)	(2,330)
	<u>\$ 1,207,601</u>	<u>\$ 1,636,213</u>	<u>\$ 1,203,452</u>

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

	March 31, 2020		December 31, 2019	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	\$ 1,086,342	\$ 5,971	\$ 1,408,356	\$ 1,026
Up to 30 days	63,727	-	194,522	-
31 to 90 days	56,287	-	24,011	-
91 to 180 days	3,145	-	11,225	-
Over 180 days	149	-	-	-
	<u>\$ 1,209,650</u>	<u>\$ 5,971</u>	<u>\$ 1,638,114</u>	<u>\$ 1,026</u>

	March 31, 2019	
	Accounts receivable	Notes receivable
Not past due	\$ 1,007,696	\$ -
Up to 30 days	148,677	-
31 to 90 days	42,275	-
91 to 180 days	7,045	-
Over 180 days	89	-
	<u>\$ 1,205,782</u>	<u>\$ -</u>

The above ageing analysis was based on past due date.

- B. As of March 31, 2020, December 31, 2019, March 31, 2019 and January 1, 2019, the balances of receivables (including notes receivable) from contracts with customers amounted to \$1,215,621, \$1,639,140, \$1,205,782 and \$1,651,951, respectively.
- C. The Group does not hold any collateral as security as at March 31, 2020, December 31, 2019 and March 31, 2019, and the maximum exposure to credit risk in respect of the amount that best represents the Group's notes receivable was \$5,971, \$1,026 and \$0 and accounts receivable was \$1,207,601, \$1,636,213 and \$1,203,452, respectively.
- D. Information relating to credit risk is provided in Note 12(2).

(5) Transfer of financial assets

- A. The Group entered into a factoring agreement with banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Group decreased the estimated amount of business dispute and derecognised the transferred accounts receivable. As of March 31, 2020, December 31, 2019 and March 31, 2019, the related information is as follows:

March 31, 2020

Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 6,026	\$ 6,026	\$ 20,000	\$ -	\$ -	\$ -	-

December 31, 2019

Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 10,106	\$ 10,106	\$ 20,000	\$ -	\$ -	\$ -	-

March 31, 2019

Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 17,273	\$ 17,273	\$ 20,000	\$ -	\$ -	\$ -	-

Note: Shown as 'other receivables'.

- B. The finance costs of the Group for the three months ended March 31, 2020 and 2019 were \$9 and \$15, respectively.

(6) Inventories

March 31, 2020			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 289,563	(\$ 31,925)	\$ 257,638
Semi-finished goods	145,753	(18,552)	127,201
Work in process	150,990	(3,313)	147,677
Finished goods	543,463	(66,574)	476,889
	<u>\$ 1,129,769</u>	<u>(\$ 120,364)</u>	<u>\$ 1,009,405</u>

December 31, 2019			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 277,602	(\$ 70,839)	\$ 206,763
Semi-finished goods	115,100	(14,162)	100,938
Work in process	122,221	(2,114)	120,107
Finished goods	608,130	(61,426)	546,704
	<u>\$ 1,123,053</u>	<u>(\$ 148,541)</u>	<u>\$ 974,512</u>

March 31, 2019			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 200,245	(\$ 53,561)	\$ 146,684
Semi-finished goods	77,781	(23,913)	53,868
Work in process	118,687	(3,107)	115,580
Finished goods	495,989	(63,280)	432,709
	<u>\$ 892,702</u>	<u>(\$ 143,861)</u>	<u>\$ 748,841</u>

The cost of inventories recognised as expense for the period:

	Three months ended March 31,	
	2020	2019
Cost of goods sold	\$ 1,018,868	\$ 1,034,853
Sale of scraps	(438)	(1,186)
(Gain on reversal of) loss on decline in market value	(28,177)	51,249
Gain on physical inventory	(97)	(5)
	<u>\$ 990,156</u>	<u>\$ 1,084,911</u>

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

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
<u>At January 1, 2020</u>												
Cost	\$ 210,674	\$ 1,570,573	\$ 527,210	\$ 437,021	\$ 26,956	\$ 29,672	\$ 26,688	\$ 59,083	\$ 41,670	\$ 8,069	\$ 2,937,616	\$ 80,182
Accumulated depreciation and impairment	-	(608,372)	(320,438)	(325,037)	(23,803)	(19,605)	(16,928)	(41,913)	(22,709)	-	(1,378,805)	-
	<u>\$ 210,674</u>	<u>\$ 962,201</u>	<u>\$ 206,772</u>	<u>\$ 111,984</u>	<u>\$ 3,153</u>	<u>\$ 10,067</u>	<u>\$ 9,760</u>	<u>\$ 17,170</u>	<u>\$ 18,961</u>	<u>\$ 8,069</u>	<u>\$ 1,558,811</u>	<u>\$ 80,182</u>
<u>2020</u>												
Opening net book amount	\$ 210,674	\$ 962,201	\$ 206,772	\$ 111,984	\$ 3,153	\$ 10,067	\$ 9,760	\$ 17,170	\$ 18,961	\$ 8,069	\$ 1,558,811	\$ 80,182
Additions	-	9,697	13,146	4,344	49	2,190	-	184	1,260	914	31,784	7,866
Disposals	-	-	-	-	-	-	-	(427)	-	-	(427)	-
Transfers (Note)	-	-	30,100	8,175	-	-	-	-	-	(1,330)	36,945	(30,100)
Effects of foreign exchange	583	(6,844)	(2,657)	(1,014)	18	(48)	(63)	(128)	(190)	(89)	(10,432)	(79)
Depreciation charges	-	(21,160)	(8,246)	(13,984)	(406)	(905)	(568)	(1,575)	(1,185)	-	(48,029)	-
Closing net book amount	<u>\$ 211,257</u>	<u>\$ 943,894</u>	<u>\$ 239,115</u>	<u>\$ 109,505</u>	<u>\$ 2,814</u>	<u>\$ 11,304</u>	<u>\$ 9,129</u>	<u>\$ 15,224</u>	<u>\$ 18,846</u>	<u>\$ 7,564</u>	<u>\$ 1,568,652</u>	<u>\$ 57,869</u>
<u>At March 31, 2020</u>												
Cost	\$ 211,257	\$ 1,568,084	\$ 564,111	\$ 427,631	\$ 27,115	\$ 31,761	\$ 26,465	\$ 56,280	\$ 42,549	\$ 7,564	\$ 2,962,817	\$ 57,869
Accumulated depreciation and impairment	-	(624,190)	(324,996)	(318,126)	(24,301)	(20,457)	(17,336)	(41,056)	(23,703)	-	(1,394,165)	-
	<u>\$ 211,257</u>	<u>\$ 943,894</u>	<u>\$ 239,115</u>	<u>\$ 109,505</u>	<u>\$ 2,814</u>	<u>\$ 11,304</u>	<u>\$ 9,129</u>	<u>\$ 15,224</u>	<u>\$ 18,846</u>	<u>\$ 7,564</u>	<u>\$ 1,568,652</u>	<u>\$ 57,869</u>

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

- A. The significant components of buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. The net difference of the transfers for this period resulted from transferring mold equipment made for customers from inventories amounting to \$6,845.

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
<u>At January 1, 2019</u>												
Cost	\$ 212,401	\$ 1,590,398	\$ 599,216	\$ 446,988	\$ 27,731	\$ 28,517	\$ 27,003	\$ 62,341	\$ 44,433	\$ 49,186	\$ 3,088,214	\$ 18,474
Accumulated depreciation and impairment	-	(563,388)	(367,886)	(308,033)	(23,914)	(17,572)	(15,208)	(42,686)	(28,253)	-	(1,366,940)	-
	<u>\$ 212,401</u>	<u>\$ 1,027,010</u>	<u>\$ 231,330</u>	<u>\$ 138,955</u>	<u>\$ 3,817</u>	<u>\$ 10,945</u>	<u>\$ 11,795</u>	<u>\$ 19,655</u>	<u>\$ 16,180</u>	<u>\$ 49,186</u>	<u>\$ 1,721,274</u>	<u>\$ 18,474</u>
<u>2019</u>												
Opening net book amount	\$ 212,401	\$ 1,027,010	\$ 231,330	\$ 138,955	\$ 3,817	\$ 10,945	\$ 11,795	\$ 19,655	\$ 16,180	\$ 49,186	\$ 1,721,274	\$ 18,474
Additions	-	3,461	4,244	455	159	-	-	651	647	4,880	14,497	3,735
Disposals	-	-	(371)	-	-	-	-	(23)	(24)	-	(418)	-
Transfers (Note)	-	31,160	7,547	-	-	-	-	114	-	(45,526)	(6,705)	(17,195)
Effects of foreign exchange	233	19,417	5,600	984	10	125	184	373	383	1,032	28,341	378
Depreciation charges	-	(22,521)	(8,327)	(12,714)	(552)	(718)	(579)	(1,588)	(961)	-	(47,960)	-
Closing net book amount	<u>\$ 212,634</u>	<u>\$ 1,058,527</u>	<u>\$ 240,023</u>	<u>\$ 127,680</u>	<u>\$ 3,434</u>	<u>\$ 10,352</u>	<u>\$ 11,400</u>	<u>\$ 19,182</u>	<u>\$ 16,225</u>	<u>\$ 9,572</u>	<u>\$ 1,709,029</u>	<u>\$ 5,392</u>
<u>At March 31, 2019</u>												
Cost	\$ 212,634	\$ 1,655,363	\$ 624,347	\$ 431,101	\$ 27,974	\$ 28,714	\$ 27,523	\$ 63,944	\$ 45,902	\$ 9,572	\$ 3,127,074	\$ 5,392
Accumulated depreciation and impairment	-	(596,836)	(384,324)	(303,421)	(24,540)	(18,362)	(16,123)	(44,762)	(29,677)	-	(1,418,045)	-
	<u>\$ 212,634</u>	<u>\$ 1,058,527</u>	<u>\$ 240,023</u>	<u>\$ 127,680</u>	<u>\$ 3,434</u>	<u>\$ 10,352</u>	<u>\$ 11,400</u>	<u>\$ 19,182</u>	<u>\$ 16,225</u>	<u>\$ 9,572</u>	<u>\$ 1,709,029</u>	<u>\$ 5,392</u>

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

- A. The significant components of buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. The net difference of the transfers for this period resulted from transferring mold equipment made for customers to inventories amounting to \$6,705.

(8) Leasing arrangements - lessee

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 52,863	\$ 53,655	\$ 56,910
Buildings	1,502	2,007	3,927
Transportation equipment	2,955	2,760	3,514
	<u>\$ 57,320</u>	<u>\$ 58,422</u>	<u>\$ 64,351</u>

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
	<u>Depreciation charge</u>	<u>Depreciation charge</u>
Land	\$ 235	\$ 249
Buildings	651	609
Transportation equipment	525	408
	<u>\$ 1,411</u>	<u>\$ 1,266</u>

- D. For the three months ended March 31, 2020 and 2019, the additions to right-of-use assets was \$792 and \$0, respectively.
- E. Information on profit or loss in relation to lease contracts is as follows:

	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
<u>Items affecting profit or loss</u>		
Interest expense on lease liabilities	\$ 59	\$ 82
Expense on short-term lease contracts	1,821	1,348
Expense on leases of low-value assets	95	120
Expense on variable lease payments	874	771

- F. For the three months ended March 31, 2020 and 2019, the Group's total cash outflow for leases was \$3,952 and \$3,293 (of which \$1,103 and \$972 represents payments of the principal of lease liabilities), respectively.

G. Variable lease payments

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

H. Extension and termination options

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

(9) Intangible assets

	Trademarks	Computer software	Others	Total
<u>At January 1, 2020</u>				
Cost	\$ 576	\$ 41,868	\$ 884	\$ 43,328
Accumulated amortisation	(377)	(32,069)	(547)	(32,993)
	<u>\$ 199</u>	<u>\$ 9,799</u>	<u>\$ 337</u>	<u>\$ 10,335</u>
<u>2020</u>				
At January 1	\$ 199	\$ 9,799	\$ 337	\$ 10,335
Additions	-	4,238	-	4,238
Amortisation charge	(12)	(1,160)	(17)	(1,189)
Effects of foreign exchange	-	(100)	-	(100)
At March 31	<u>\$ 187</u>	<u>\$ 12,777</u>	<u>\$ 320</u>	<u>\$ 13,284</u>
<u>At March 31, 2020</u>				
Cost	\$ 576	\$ 41,636	\$ 884	\$ 43,096
Accumulated amortisation	(389)	(28,859)	(564)	(29,812)
	<u>\$ 187</u>	<u>\$ 12,777</u>	<u>\$ 320</u>	<u>\$ 13,284</u>
	Trademarks	Computer software	Others	Total
<u>At January 1, 2019</u>				
Cost	\$ 576	\$ 39,673	\$ 600	\$ 40,849
Accumulated amortisation	(331)	(28,331)	(487)	(29,149)
	<u>\$ 245</u>	<u>\$ 11,342</u>	<u>\$ 113</u>	<u>\$ 11,700</u>
<u>2019</u>				
At January 1	\$ 245	\$ 11,342	\$ 113	\$ 11,700
Additions	-	-	87	87
Amortisation charge	(12)	(1,351)	(15)	(1,378)
Effects of foreign exchange	-	205	-	205
At March 31	<u>\$ 233</u>	<u>\$ 10,196</u>	<u>\$ 185</u>	<u>\$ 10,614</u>
<u>At March 31, 2019</u>				
Cost	\$ 576	\$ 38,930	\$ 687	\$ 40,193
Accumulated amortisation	(343)	(28,734)	(502)	(29,579)
	<u>\$ 233</u>	<u>\$ 10,196</u>	<u>\$ 185</u>	<u>\$ 10,614</u>

Details of amortisation on intangible assets are as follows:

	Three months ended March 31,	
	2020	2019
Manufacturing cost	\$ 549	\$ 606
Selling expenses	21	1
Administrative expenses	319	305
Research and development expenses	300	466
	<u>\$ 1,189</u>	<u>\$ 1,378</u>

(10) Other non-current assets

	March 31, 2020	December 31, 2019	March 31, 2019
Prepayment for buildings	\$ 49,280	\$ 49,280	\$ -
Prepayments for business facilities	8,589	30,902	5,392
Others	11,891	17,734	13,531
	<u>\$ 69,760</u>	<u>\$ 97,916</u>	<u>\$ 18,923</u>

(11) Short-term borrowings

Type of borrowings	March 31, 2020	Interest rate	Collateral
Short-term borrowings	<u>\$ 60,460</u>	2.55%	A promissory note of the same amount was issued as collateral.

Type of borrowings	December 31, 2019	Interest rate	Collateral
Short-term borrowings	<u>\$ 59,960</u>	2.70%	A promissory note of the same amount was issued as collateral.

Type of borrowings	March 31, 2019	Interest rate	Collateral
Short-term borrowings	<u>\$ 61,640</u>	3.10%	A promissory note of the same amount was issued as collateral.

(12) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2020
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	\$ 125,699
Less: Current portion (shown as 'other current liabilities')				(7,285)
				<u>\$ 118,414</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2019
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	\$ 126,411
Less: Current portion (shown as 'other current liabilities')				(7,158)
				<u>\$ 119,253</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2019
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	\$ 135,225
Less: Current portion (shown as 'other current liabilities')				(7,157)
				<u>\$ 128,068</u>

The secured borrowing contract of the subsidiary, CLOUDWELL HOLDINGS, LLC., requires that the interest coverage ratio for each year should not be lower than 1.2. If the requirement is not met, the subsidiary shall repay the outstanding borrowing or provide bank deposits as collateral. As of March 31, 2020, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(13) Other payables

	March 31, 2020	December 31, 2019	March 31, 2019
Wages and bonus payable	\$ 182,371	\$ 277,096	\$ 172,804
Remuneration due to supervisors and employee compensation	122,898	106,996	96,573
Payables for investment	-	-	80,903
Payables for mold	64,633	61,516	90,182
Payables for export freight and customs clearance charges	42,331	39,814	26,187
Payables for service fees	23,393	42,894	25,809
Payables for consumable goods	12,331	18,931	5,974
Payables for machinery and equipment	2,841	4,132	2,244
Others	134,196	114,108	107,811
	<u>\$ 584,994</u>	<u>\$ 665,487</u>	<u>\$ 608,487</u>

(14) Pensions

A. Defined benefit plan

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contributions for the deficit by next March.
- (b) For the aforementioned pension plan, the Group recognised pension costs of \$78 and \$90 for the three months ended March 31, 2020 and 2019, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2021 amount to \$561.

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 three months ended March 31, 2020 and 2019 were \$2,289 and \$2,161, respectively.
- (d) Chenbro Europe B.V., CLOUDWELL HOLDINGS, LLC., Chenbro GmbH, Edge International Company Limited, Chenbro UK Limited, Chen-Feng Precision Co., Ltd., Cloud International Company Limited, AMAC International Company, AMBER International Company, ADEPT International Company, CHENBRO MICOM (ShenZhen) Co., Ltd., Chenbro Micom (Beijing) Co., Ltd. and PROCASE & MOREX Corporation did not establish their pension plans or had no employees. In addition, the pension costs under the defined contribution pension plans of Micom Source Holding Company, CHENBRO MICOM (USA) INCORPORATION, Chenbro Technology (Kunshan) Co., Ltd., ChenPower Information Technology (Shanghai) Co., Ltd. and Dongguan Procace Electronic Co., Ltd. for the three months ended March 31, 2020 and 2019 were \$4,763 and \$10,641, respectively.

(15) Ordinary shares

As of March 31, 2020, the Company’s authorised capital was \$1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was \$1,197,260, consisting of 119,726 thousand shares, with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. There was no change in the number of the Company’s ordinary shares outstanding during the three months ended March 31, 2020 and 2019.

(16) Capital surplus

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

(17) Retained earnings

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

(b) The amount of \$65,573 previously set aside by the Company as special reserve on initial application of IFRSs in accordance with 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 March 17, 2020, the Board of Directors proposed the appropriations of 2019 earnings, and on June 25, 2019, the shareholders during their meeting resolved the appropriations of 2018 earnings as follows:

	Year ended December 31, 2019		Year ended December 31, 2018	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 91,195	\$ -	\$ 64,235	\$ -
Special reserve	11,396	-	38,002	-
Cash dividends to shareholders	550,739	4.60	478,904	4.00
	<u>\$ 653,330</u>	<u>\$ 4.60</u>	<u>\$ 581,141</u>	<u>\$ 4.00</u>

As of May 12, 2020, the abovementioned appropriations of 2019 earnings has not yet been resolved by the shareholders.

(18) Other equity items

	2020		
	Currency translation	Unrealised losses on valuation	Total
At January 1	(\$ 218,316)	(\$ 6,236)	(\$ 224,552)
Currency translation differences:			
- Group	(26,482)	(1,058)	(27,540)
- Tax on Group	(35,119)	-	(35,119)
At March 31	<u>(\$ 279,917)</u>	<u>(\$ 7,294)</u>	<u>(\$ 287,211)</u>

	2019		
	Currency translation	Unrealised losses on valuation	Total
At January 1	(\$ 141,347)	(\$ 6,236)	(\$ 147,583)
Currency translation differences:			
- Group	64,852	-	64,852
- Tax on Group	(11,495)	-	(11,495)
At March 31	<u>(\$ 87,990)</u>	<u>(\$ 6,236)</u>	<u>(\$ 94,226)</u>

(19) 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:

	Three months ended March 31,	
	2020	2019
Server cases, peripheral products and components	\$ 1,280,587	\$ 1,499,549
Personal computer cases	56,688	60,899
	<u>\$ 1,337,275</u>	<u>\$ 1,560,448</u>

B. Contract assets and liabilities

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

	March 31, 2020	December 31, 2019
Contract liabilities - sale of products	<u>\$ 10,787</u>	<u>\$ 6,624</u>
	March 31, 2019	January 1, 2019
Contract liabilities - sale of products	<u>\$ 8,911</u>	<u>\$ 7,379</u>

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

	Three months ended March 31,	
	2020	2019
Contract liabilities - sale of products	<u>\$ 464</u>	<u>\$ 431</u>

(20) Other income

	Three months ended March 31,	
	2020	2019
Interest income		
Interest income from bank deposits	\$ 2,167	\$ 3,375
Interest income from financial assets measured at amortised cost	4,829	2,894
Total interest income	6,996	6,269
Other income	12,897	1,296
	<u>\$ 19,893</u>	<u>\$ 7,565</u>

(21) Other gains and losses

	Three months ended March 31,	
	2020	2019
Loss on disposal of property, plant and equipment	(\$ 427)	(\$ 410)
Loss on disposal of investment	-	(6,396)
Net currency exchange gain (loss)	18,842	(11,403)
Miscellaneous disbursements	(379)	(277)
Other gains and losses	494	-
	<u>\$ 18,530</u>	<u>(\$ 18,486)</u>

(22) Employee benefit, depreciation and amortisation expenses

	Three months ended March 31,	
	2020	2019
Wages and salaries	\$ 210,918	\$ 225,020
Labour and health insurance fees	8,606	9,827
Pension costs	7,130	12,892
Other personnel expenses	14,732	17,243
Employee benefit expense	<u>\$ 241,386</u>	<u>\$ 264,982</u>
Depreciation charges	<u>\$ 49,440</u>	<u>\$ 49,226</u>
Amortisation charges	<u>\$ 1,189</u>	<u>\$ 1,378</u>

- 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 three months ended March 31, 2020 and 2019, employees' compensation was accrued at \$12,288 and \$17,012, respectively; while directors' and supervisors' remuneration was accrued at \$3,614 and \$5,004, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2019, employees' compensation and directors' and supervisors' remuneration amounted to \$81,802 and \$24,059 as resolved by the Board of Directors on March 17, 2020, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to \$877 and \$258, respectively. The differences had been

accounted for as changes in estimates in profit or loss for 2020.

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

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31,	
	2020	2019
Current tax:		
Current tax on profits for the period	\$ 19,743	\$ 70,643
Deferred tax:		
Origination and reversal of temporary differences	7,563	(9,981)
Income tax expense	<u>\$ 27,306</u>	<u>\$ 60,662</u>

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

	Three months ended March 31,	
	2020	2019
Currency translation differences	<u>\$ 35,119</u>	<u>\$ 11,495</u>

B. The Company's income tax returns through 2018 have been assessed and approved by the Tax Authority.

(24) Earnings per share

Three months ended March 31, 2020			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 134,960	119,726	\$ 1.13
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 134,960		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,117	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 134,960	120,843	\$ 1.12
Three months ended March 31, 2019			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 186,274	119,726	\$ 1.56
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 186,274		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,140	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 186,274	120,866	\$ 1.54

(25) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Three months ended March 31,	
	2020	2019
Purchase of property, plant and equipment	\$ 39,650	\$ 18,232
Add: Opening balance of payable on equipment	4,132	2,098
Less: Ending balance of payable on equipment	(2,841)	(2,244)
Cash paid during the period	<u>\$ 40,941</u>	<u>\$ 18,086</u>

B. The subsidiary-Chenbro Europe B.V. was liquidated in March 2019 and accordingly, the Group lost control over the subsidiary. The information on cash returned and relevant assets and liabilities is as follows:

	Amount
Cash returned	<u>\$ 65,130</u>
Carrying amounts of the assets and liabilities of Chenbro Europe B.V.	
Cash	\$ 65,130
Other receivables	1,629
Other payables	(2,830)
Total net assets	<u>\$ 63,929</u>

(26) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2020	\$ 59,960	\$ 126,411	\$ 4,766	\$ 191,137
Changes in cash flow from financing activities	-	(1,532)	(1,103)	(2,635)
Impact of changes in foreign exchange rate	500	820	-	1,320
Changes in other non-cash items	-	-	792	792
At March 31, 2020	<u>\$ 60,460</u>	<u>\$ 125,699</u>	<u>\$ 4,455</u>	<u>\$ 190,614</u>

	Short-term borrowings	Long-term borrowings	Lease liabilities	Liabilities from financing activities-gross
At January 1, 2019	\$ 276,102	\$ 136,528	\$ -	\$ 412,630
Changes in cash flow from financing activities	(215,430)	(1,584)	(972)	(217,986)
Impact of changes in foreign exchange rate	968	281	-	1,249
Changes in other non-cash items	-	-	8,413	8,413
At March 31, 2019	<u>\$ 61,640</u>	<u>\$ 135,225</u>	<u>\$ 7,441</u>	<u>\$ 204,306</u>

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The Company's shares are held by the public, thus, there is no parent company or ultimate parent.

(2) Name of related party and relationship

Name of related party	Relationship with the Group
Chen-Source Inc.	Other related party

(3) Significant related party transactions

A. Operating revenue

	Three months ended March 31,	
	2020	2019
Sales:		
Other related parties	<u>\$ 8</u>	<u>\$ 545</u>

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

B. Purchases and other expenses

	Three months ended March 31,	
	2020	2019
Purchases:		
Other related parties	\$ 680	\$ 4,963
Other expenses:		
Other related parties	1,052	551
	<u>\$ 1,732</u>	<u>\$ 5,514</u>

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

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

C. Receivables from related parties

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable: (shown as 'accounts receivable')			
Other related parties	\$ 8	\$ 459	\$ 835
Other receivables- payment on behalf of others: (shown as 'other receivables')			
Other related parties	1	8	597
	<u>\$ 9</u>	<u>\$ 467</u>	<u>\$ 1,432</u>

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

D. Payables to related parties

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts payable:			
Other related parties	\$ 677	\$ 4,612	\$ 6,835
Other payables - other expenses: (shown as 'other payables')			
Other related parties	736	590	641
	<u>\$ 1,413</u>	<u>\$ 5,202</u>	<u>\$ 7,476</u>

Accounts payable bear no interest.

(4) Key management compensation

	Three months ended March 31,	
	2020	2019
Short-term employee benefits	\$ 18,279	\$ 18,476
Post-employment benefits	106	80
	<u>\$ 18,385</u>	<u>\$ 18,556</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	March 31, 2020	December 31, 2019	March 31, 2019	
Time deposits (shown as 'other current assets')	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 1,000</u>	Customs duty guarantee
Cash in banks (shown as 'other non-current assets')	<u>\$ 3,122</u>	<u>\$ 3,090</u>	<u>\$ 3,152</u>	Long-term borrowings (Note)
Land and buildings	<u>\$ 212,171</u>	<u>\$ 211,467</u>	<u>\$ 220,633</u>	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

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

As resolved by the Board of Directors on May 12, 2020, the Seychelles subsidiary, Edge International Company Limited, and the British Virgin Islands subsidiary, ADEPT International Company, will be liquidated.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 27,400	\$ 28,458	\$ 28,458
Financial assets at amortised cost			
Cash and cash equivalents	1,711,858	988,565	1,356,731
Financial assets at amortised cost	315,240	888,455	616,900
Notes receivable	5,971	1,026	-
Accounts receivable	1,207,601	1,636,213	1,203,452
Other receivables	31,820	69,123	39,718
Other current assets	3,000	3,000	1,000
Guarantee deposits paid	4,323	2,931	2,625
Other non-current assets	3,122	3,090	3,152
	<u>\$ 3,310,335</u>	<u>\$ 3,620,861</u>	<u>\$ 3,252,036</u>
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>December 31, 2019</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 60,460	\$ 59,960	\$ 61,640
Accounts payable (including related parties)	1,437,210	1,755,986	1,408,281
Other payables	584,994	665,487	608,487
Other current liabilities	3,824	2,710	3,757
Long-term borrowings (including current portion)	125,699	126,411	135,225
Guarantee deposits received	579	586	623
	<u>\$ 2,212,766</u>	<u>\$ 2,611,140</u>	<u>\$ 2,218,013</u>
Lease liabilities	<u>\$ 4,455</u>	<u>\$ 4,766</u>	<u>\$ 7,441</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.
- (b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury, and primarily hedge using natural hedge.
- iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

March 31, 2020			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 51,908	30.23	\$ 1,569,179
USD:RMB	14,488	7.09	436,771
<u>Non-monetary items</u>			
USD:NTD	7,231	30.23	218,583
EUR:NTD	354	33.24	11,768
RMB:NTD	461,785	4.26	1,967,204
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 21,900	30.23	\$ 662,037
USD:RMB	8,431	7.09	254,170
December 31, 2019			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 66,433	29.98	\$ 1,991,661
USD:RMB	28,496	6.98	856,802
<u>Non-monetary items</u>			
USD:NTD	8,458	29.98	253,559
EUR:NTD	284	33.59	9,540
RMB:NTD	580,384	4.31	2,501,453
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 38,381	29.98	\$ 1,150,662
USD:RMB	9,039	6.98	271,779

March 31, 2019			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 46,535	30.82	\$ 1,434,209
USD:RMB	21,018	6.73	647,847
<u>Non-monetary items</u>			
USD:NTD	9,593	30.82	295,643
EUR:NTD	121	34.61	4,174
GBP:NTD	32	40.11	1,267
RMB:NTD	545,000	4.58	2,496,097
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 28,444	30.82	\$ 876,644
USD:RMB	10,932	6.73	336,961

- 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:

Three months ended March 31, 2020			
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.23	\$ 4,102
USD:RMB	790	7.09	5,600
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.23	(\$ 4,948)
USD:RMB	(485)	7.09	(3,441)

Three months ended March 31, 2019			
Exchange gain (loss)			
Foreign currency			
	amount		
	(in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.82	\$ 2,596
USD:RMB	(314)	6.73	(2,110)
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ -	30.82	(\$ 1,579)
USD:RMB	(47)	6.73	(317)

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

Three months ended March 31, 2020			
Sensitivity analysis			
	Degree of	Effect on profit	Effect on other
	variation	or loss	comprehensive
			income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 15,692	\$ -
USD:RMB	1%	4,368	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	6,620	-
USD:RMB	1%	2,542	-

Three months ended March 31, 2019			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 14,342	\$ -
USD:RMB	1%	6,478	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	8,766	-
USD:RMB	1%	3,370	-

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 three months ended March 31, 2020 and 2019 would have increased/decreased by \$274 and \$285 as a result of gains or losses on equity investment at fair value through other comprehensive income, respectively.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term borrowings and long-term borrowings (including current portion). Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are issued at fixed rates. During the three months ended March 31, 2020 and 2019, the Group's borrowings were denominated in the USD.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial assets at amortised cost and debt instruments stated at fair value through other comprehensive income.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.
- iii. Individual risk limits are set based on internal or external factors in accordance with limits

set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.

- iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.
- vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vii. The Group used the forecastability of The New Basel Capital Accord to adjust historical and timely information to assess the default possibility of accounts receivable. As of March 31, 2020, December 31, 2019 and March 31, 2019, the loss allowance is as follows:

	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>March 31, 2020</u>				
Expected loss rate	0.03%	0.03%-0.11%	0.03%-2.36%	0.03%-8.39%
Total book value	\$ 1,086,342	\$ 120,014	\$ 3,145	\$ 149
Loss allowance	\$ -	\$ 1,714	\$ 320	\$ 15
	271 to 360 days past due	Over 360 days past due	Total	
<u>March 31, 2020</u>				
Expected loss rate	0.03%-100%	100.00%		
Total book value	\$ -	\$ -	\$ 1,209,650	
Loss allowance	\$ -	\$ -	\$ 2,049	
	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>December 31, 2019</u>				
Expected loss rate	0.03%	0.03%-0.15%	0.03%-2.61%	0.03%-8.42%
Total book value	\$ 1,408,356	\$ 218,533	\$ 11,225	\$ -
Loss allowance	\$ -	\$ 785	\$ 1,116	\$ -

	271 to 360 days past due	Over 360 days past due	Total	
<u>December 31, 2019</u>				
Expected loss rate	0.03%-100%	100%		
Total book value	\$ -	\$ -	\$ 1,638,114	
Loss allowance	\$ -	\$ -	\$ 1,901	
	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
<u>March 31, 2019</u>				
Expected loss rate	0.00%-0.08%	0.00%-0.33%	0.00%-4.09%	0.05%-12.58%
Total book value	\$ 1,007,696	\$ 190,952	\$ 7,045	\$ 89
Loss allowance	\$ -	\$ 1,663	\$ 658	\$ 9
	271 to 360 days past due	Over 360 days past due	Total	
<u>March 31, 2019</u>				
Expected loss rate	37.25%-100%	100.00%		
Total book value	\$ -	\$ -	\$ 1,205,782	
Loss allowance	\$ -	\$ -	\$ 2,330	

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

	2020	2019
	Accounts receivable	Accounts receivable
At January 1	\$ 1,901	\$ 2,216
Impairment loss	135	82
Effect of exchange rate changes	13	32
At March 31	\$ 2,049	\$ 2,330

For the three months ended March 31, 2020 and 2019, impairment of accounts receivable arising from customer contracts amounted to \$135 and \$82, respectively.

(c) Liquidity risk

- 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.
- 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:

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>March 31, 2020</u>				
Short-term borrowings	\$ 60,541	\$ -	\$ -	\$ -
Accounts payable	1,436,533	-	-	-
Accounts payable - related party	677	-	-	-
Other payables	584,994	-	-	-
Lease liabilities	3,246	1,269	332	-
Other current liabilities	3,824	-	-	-
Long-term borrowings (including current portion)	11,874	23,748	23,748	100,930
Guarantee deposits received	409	170	-	-

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2019</u>				
Short-term borrowings	\$ 60,050	\$ -	\$ -	\$ -
Accounts payable	1,751,374	-	-	-
Accounts payable - related party	4,612	-	-	-
Other payables	665,487	-	-	-
Lease liabilities	3,698	1,055	198	-
Other current liabilities	2,710	-	-	-
Long-term borrowings (including current portion)	11,776	23,552	23,552	103,039
Guarantee deposits received	414	172	-	-

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>March 31, 2019</u>				
Short-term borrowings	\$ 61,799	\$ -	\$ -	\$ -
Accounts payable	1,401,446	-	-	-
Accounts payable - related party	6,835	-	-	-
Other payables	608,487	-	-	-
Lease liabilities	4,413	3,157	181	-
Other current liabilities	3,757	-	-	-
Long-term borrowings (including current portion)	12,106	24,212	24,212	115,005
Guarantee deposits received	440	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, including cash and cash equivalents, current financial assets at amortised cost, notes receivable, accounts receivable, other receivables, guarantee deposits paid (shown as other non-current assets), other current assets, other non-current assets, short-term borrowings, accounts payable (including related parties), other payables, lease liabilities, long-term borrowings (including current portion) and guarantee deposits received (shown as other current liabilities and other non-current liabilities), are approximate to their fair values.
- C. The related information 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 on the nature of the assets and liabilities is as follows:

March 31, 2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 27,400	\$ 27,400
December 31, 2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value</u>				
<u>measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 28,458	\$ 28,458

March 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ -	\$ -	\$ 28,458	\$ 28,458

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

- i. The fair value of the Group's financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.
- ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. The following chart is the movement of Level 3 for the three months ended March 31, 2020 and 2019:

	2020	2019
	Equity securities	Equity securities
January 1	\$ 28,458	\$ 25,389
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income	(1,058)	-
Acquired during the period	-	3,069
At March 31	\$ 27,400	\$ 28,458

E. For the three months ended March 31, 2020 and 2019, there was no transfer into or out from Level 3.

- F. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.
- G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	<u>Fair value at March 31, 2020</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (median)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 27,400	Market comparable companies	Price to book ratio multiple	0.89-2.69 (1.29)	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
	<u>Fair value at December 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (first quartile)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 28,458	Market comparable companies	Price to book ratio multiple	1.37-4.41 (1.68)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20% (20%)	The higher the discount for lack of marketability, the lower the fair value

	<u>Fair value at March 31, 2019</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range (first quartile)</u>	<u>Relationship of inputs to fair value</u>
Non-derivative equity instrument:					
Unlisted shares	\$ 28,458	Market comparable companies	Price to book ratio multiple	1.51-5.53 (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:

			<u>March 31, 2020</u>			
			<u>Recognised in profit or loss</u>		<u>Recognised in other comprehensive income</u>	
	<u>Input</u>	<u>Change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>	<u>Favourable change</u>	<u>Unfavourable change</u>
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 274	(\$ 274)
	Discount for lack of marketability	±1%	-	-	69	(69)

			December 31, 2019					
			Recognised in profit or loss		Recognised in other comprehensive income			
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change		
Financial assets								
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 285	\$ 285		
	Discount for lack of marketability	±1%	-	-	(71)	(71)		
			March 31, 2019					
			Recognised in profit or loss		Recognised in other comprehensive income			
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change		
Financial assets								
Equity instrument	Price to book ratio multiple	±1%	\$ -	\$ -	\$ 285	(\$ 285)		
	Discount for lack of marketability	±1%	-	-	71	(71)		

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: None.
- B. Provision of endorsements and guarantees to others: Please refer to table 1.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: 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 3.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Counterparties' information are disclosed based on subsidiaries' financial statements, which were not reviewed by independent accountants. 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 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area:

Name of company	Counterparty	Accounts	Amount in the first quarter of 2020	Percentage representing the account of the company (%)	Note
Chenbro Micom Co., Ltd.	Edge International Company Limited	Purchases	\$ 111,955	20	Note 1
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	331,239	59	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	364,672	57	

Note 1: The Company purchased raw materials of iron pieces from the investee company in Mainland China, Dongguan Procace Electronic Co., Ltd., through the subsidiary, Edge International Company Limited, for manufacturing computer cases.

Note 2: Transaction amounts that did not reach NT\$100 million or 20% of paid-in capital or more will not be disclosed.

(4) Major shareholders information

Major shareholders information: Please refer to table 8.

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 Company and its subsidiaries 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) Information about segment profit or loss, assets and liabilities

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

(3) 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.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Three months ended March 31, 2020

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

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of March 31, 2020 (Note 4)	Outstanding endorsement/ guarantee amount at March 31, 2020 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary (Note 6)	Provision of endorsements/ guarantees by parent company (Note 6)	Provision of endorsements/ guarantees to the party in Mainland China (Note 6)	Footnote
		Company name	Relationship with the endorser/ guarantor											
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Inc.	2	\$ 718,462	\$ 60,500	\$ 60,460	\$ -	\$ -	1.68	\$ 2,155,385	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	2	718,462	169,400	169,288	125,699	-	4.69	2,155,385	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	PROCASE & MOREX Corporation	3	718,462	121,000	-	-	-	0.00	2,155,385	Y	N	N	Note 3

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

(1) The Company is '0'.

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

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

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

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

(3) A company that directly and indirectly holds more than 50 percent of the voting shares in the Company

(4) Companies in which the Company holds, directly or indirectly, 90% or more of the voting shares

(5) Where the Company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project

(6) Where all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages

(7) Where companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other

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

Note 4: The maximum endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US\$2,000, \$5,600 and \$4,000 thousand for the three months ended March 31, 2020, respectively.

Note 5: The outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US\$2,000 thousand, \$5,600 thousand and \$0 thousand for the three months ended March 31, 2020, respectively.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period

March 31, 2020

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

Table 2

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	As of March 31, 2020				Footnote
				Number of shares	Book value	Ownership (%)	Fair value	
CHENBRO MICOM CO., LTD.	Diamond Creative Holding Limited	None	Non-current financial assets at fair value through other comprehensive income	1,100,000	\$27,400	14.29%	\$27,400	

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

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

Three months ended March 31, 2020

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

Table 3

							Differences in transaction terms compared to third party transactions					
Transaction									Notes/accounts receivable (payable)			
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote	
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	The Company's subsidiary	Sales	\$ 458,692	55	OA 120 days	Note 1	Note 1	\$ 685,524	66	Note 2	
Edge International Company Limited	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	111,955	100	60 days after monthly billing	Note 1	Note 1	73,017	100	Note 2	
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	331,239	76	60 days after monthly billing	Note 1	Note 1	364,672	68	Note 2	
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	327,582	81	Based on agreement	Note 1	Note 1	514,867	91	Note 2	

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Receivables from related parties reaching \$100 million or 20% of paid-in capital or more

March 31, 2020

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

Table 4

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2020 (Note 3)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts (Note 2)
					Amount	Action taken		
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Accounts receivable \$ 685,524	2.26	-		\$ 285,329	\$ -
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Other accounts receivable \$ 986	None	-		624	-
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 364,672	2.47	\$ 6,140	Subsequent collection	198,915	-
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable \$ 514,867	2.56	-		148,143	-

Note 1: Subsequent collections as of May 12, 2020.

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting period
Three months ended March 31, 2020
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 5

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage or consolidated total operating revenues or total assets (Note 5)
				General ledger account	Amount (Notes 3, 6 and 7)	Transaction terms	
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Sales	\$ 458,692	Note 4	34
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	685,524	Note 4	11
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	331,239	Note 4	25
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	364,672	Note 4	6
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	327,582	Note 4	24
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Accounts receivable	514,867	Note 4	8
3	Edge International Company Limited	CHENBRO MICOM CO., LTD.	2	Sales	111,955	Note 4	8

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

(1) Parent company is '0'.

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

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

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

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

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

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

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

Note 6: Except for current profit (loss) for the three months ended March 31, 2020 is translated using the quarterly average exchange rate in 2020, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at March 31, 2020.

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Information on investees (not including investees in Mainland China)
Three months ended March 31, 2020
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 6

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2020			Net profit (loss) of the investee for the three months ended March 31, 2020 (Note 5)	Investment income (loss) recognised by the Company for the three months ended March 31, 2020 (Notes 5 and 6)	Footnote
				Balance as at March 31, 2020 (Note 5)	Balance as at December 31, 2019 (Note 5)	Number of shares	Ownership (%)	Book value (Note 5)			
CHENBRO MICOM CO., LTD.	Micom Source Holding Company	Cayman Islands	Holding company	\$ 720,264	\$ 720,264	20,449,890	100	\$ 2,502,561	\$ 5,838	\$ 52,261	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	100,689	(14,389)	(9,273)	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	117,894	409	409	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	11,768	1,719	1,686	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chen-Feng Precession Co., LTD.	Taiwan	Manufacturing of NCT	35,000	-	3,500,000	70	35,000	-	-	Note 8
CHENBRO MICOM CO., LTD.	Edge International Company Limited	Seychelles	Trading/ order taking company	14,963	-	500,000	100	19,222	4,259	4,259	Note 4,5 and 7
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	195,074	195,074	6,452,738	100	66,265	(1,035)	-	Notes 3, 4 and 5
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	249,095	249,095	8,239,890	100	1,898,537	14,129	-	Notes 3, 4 and 5
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	534,258	534,258	35,346	100	587,431	(7,559)	-	Notes 3, 4 and 5
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Trading/ order taking company	256,955	256,955	35,502	100	557,028	(6,225)	-	Notes 2, 4 and 5

Note 1: Investment income (loss) recognised for the three months ended March 31, 2020 includes recognition and elimination of realised and unrealised gain (loss) on upstream transactions.

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

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

Note 4: The transactions were eliminated when preparing the consolidated financial statements.

Note 5: Except for current profit (loss) for the three months ended March 31, 2020 which is translated using the quarterly average exchange rate in 2020, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at March 31, 2020.

Note 6: Investment income / loss recognised by the Company includes only that of the subsidiaries in which the Company directly invested and that of investees accounted for using equity method.

Note 7: Edge International Company Limited was established on December 31, 2019 and funds were in place in February 2020.

Note 8: Chen-Feng Precession Co., Ltd. was established on March 16, 2020.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Three months ended March 31, 2020

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

Table 7

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2020	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2020		Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Net income of investee for the three months ended March 31, 2020	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2020 (Note 2)	Book value of investments in Mainland China as of March 31, 2020	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2020	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	\$ 302,300	\$ 2	\$ 302,300	\$ -	\$ -	\$ 302,300	\$ 6,011	\$ 100	\$ 6,011	\$ 1,286,604	\$ 302,406	Notes 2, 4, 6 and 7
Dongguan Procace Electronic Co., Ltd.	Manufacturing and processing of computer cases	379,145	2	90,569	-	-	90,569	(8,635)	100	(8,635)	551,226	-	Notes 3, 6 and 7
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	63,483	2	-	-	-	-	8,651	100	8,651	129,374		Notes 2, 5, 6 and 7

Investment method:

1.Directly invest in a company in Mainland China.

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

3.Others.

Note 1: The investments income/loss of current period were reviewed by independent accountants of the Company.

Note 2: The Company reinvested through Amber International Company.

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

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

Note 5: The Company incorporated on October 8, 2016 and was reinvested by Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company at amount of USD\$ 2.1 million as capital of the Company on December 23, 2016.

Note 6: Except for current profit (loss) for the three months ended March 31, 2020 translated using the quarterly average exchange rate in 2020, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at March 31, 2020.

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

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2020	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 8)
CHENBRO MICOM CO., LTD.	\$ 392,869	\$ 417,424	\$ -

Note 8: Pursuant to the Gong-Zhi-Zi Order No. 10620430600, certificate for qualified operational headquarters, issued by Industrial Development Bureau, Ministry of Economic Affairs on November 20, 2017, there is no ceiling on accumulated investments in Mainland China for the period from November 15, 2017 to November 14, 2020.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Major shareholders information

March 31, 2020

Table 8

Name of major shareholders	Shares	
	Number of shares held	Ownership (%)
Chen Fengming	13,614,433	11.37
Pengwei Investment Holdings	12,209,000	10.19
Lianmei Investment	11,907,000	9.94
Chen Meichi	9,656,009	8.06
Minguang Investment Holding	9,243,967	7.72