CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

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.

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REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(16)PWCR16003261

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

Opinion

We have audited the accompanying consolidated balance sheets of Chenbro Micom Co., Ltd and subsidiaries (the "Group") as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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Valuation of accounts receivable

Description

Please refer to Note 4(8) for accounting policy on allowance for uncollectible accounts, and Note 6(2) for details of allowance for uncollectible accounts. As of December 31, 2016, the Group's accounts receivable and allowance for uncollectible accounts amounted to NT$1,159,414 thousand and NT$20,433 thousand, respectively.

The Group assesses bad debts based on historical experience, known reason or existing objective evidences. A provision for impairment is recognized for those accounts which are considered uncollectible. Management evaluates the reasonableness of estimated provision periodically. As the estimation of allowance for uncollectible accounts is subject to management's judgement, the amount of provision is based on the collectability of accounts receivable, and considering that accounts receivable and allowance for uncollectible accounts are material to the financial statements, we consider the allowance for uncollectible accounts a key audit matter.

How our audit addressed the matter

Our procedures in relation to management's valuation of accounts receivable included:

- Assessing the reasonableness of policies and procedures on allowance for uncollectible accounts, including the reasonableness of classification of customer's credit quality and ageing analysis, based on accounting principles and credit quality of customer.
- Comparing the provision policy on allowance for uncollectible accounts whether it has been consistently applied in the comparative periods of financial statements.
- Assessing the adequacy of allowance for uncollectible accounts estimated by management and checking its appropriation.
- Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventories

Description

Please refer to Note 4(10) for accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for description of allowance for inventory valuation losses. As of December 31, 2016, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$775,589 thousand and

NT$128,084 thousand, respectively.

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

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

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

- Obtaining the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses are consistent for all periods. Assessing the reasonableness of net realizable value determined by the management and relevant assumptions of inventory classification and closeout inventory.
- Checking whether the logic of inventory aging report generated by the system is appropriate, confirming whether the information on the report was in agreement with the Group's policy and analysing with historical data;
- Matching information obtained in physical counts of disposed and obsolete inventory list prepared by management and interviewing management and employees to determine whether there are any obsolete, slow-moving or damaged inventories that were not included in the list.
- Assessing the reasonableness of net realizable value based on the inventory age and closeout inventory individually identified by the management, and obtaining evidences.

Other matter - audits of the other independent accountants

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets amounting to NT$359,305 thousand and NT$331,281 thousand, both representing 7% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and total operating revenue amounting to NT$205,204 thousand and NT$143,228 thousand, representing 4% and 3% of the consolidated total operating revenue for the years then ended, respectively. Those statements were

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audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in these financial statements and the information disclosed in Note 13 are based solely on the audits of the other independent accountants.

Other matter – Parent company only financial reports

We have audited and expressed an unmodified opinion on the parent company only financial statements of Chenbro Micom Co., Ltd. as at and for the years ended December 31, 2016 and 2015.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in

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the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

Audrey Tseng

Audrey Tseng

Chih Ping Chiun

Chih, Ping-Chiun

for and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2017

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

	Assets	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,298,218	26	$ 1,434,077	31
1150	Notes receivable, net		1,355	-	3,670	-
1170	Accounts receivable, net	6(2)	1,138,981	23	1,012,935	22
1180	Accounts receivable - related parties, net	7	1,449	-	1,517	-
1200	Other receivables	6(3) and 7	55,973	1	43,743	1
1220	Current income tax assets		4,865	-	1,858	-
130X	Inventories	6(4)	647,505	13	519,745	11
1410	Prepayments		60,684	1	61,322	2
1470	Other current assets	8	12,278	1	7,645	-
11XX	**Total current assets**		3,221,308	65	3,086,512	67
	Non-current assets					
1543	Non-current financial assets measured at cost	6(5)	31,625	1	-	-
1600	Property, plant and equipment	6(6) and 8	1,569,099	31	1,209,024	26
1780	Intangible assets	6(7)	10,002	-	10,662	-
1840	Deferred income tax assets	6(20)	76,726	1	76,287	2
1900	Other non-current assets	6(6)(8) and 8	79,386	2	244,103	5
15XX	**Total non-current assets**		1,766,838	35	1,540,076	33
1XXX	**Total assets**		$ 4,988,146	100	$ 4,626,588	100

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

	Liabilities and Equity	Notes	2016 AMOUNT	%	2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(9)	$ 94,500	2	$ 131,350	3
2150	Notes payable		-	-	656	-
2170	Accounts payable		1,122,894	22	951,512	20
2180	Accounts payable - related parties	7	6,769	-	12,877	-
2200	Other payables	6(11) and 7	532,453	11	474,650	10
2230	Current income tax liabilities		105,528	2	31,523	1
2300	Other current liabilities	6(10)	30,751	1	47,556	1
21XX	**Total current liabilities**		1,892,895	38	1,650,124	35
	Non-current liabilities					
2540	Long-term borrowings	6(10)	150,318	3	159,948	3
2570	Deferred income tax liabilities	6(20)	60,147	1	69,531	2
2600	Other non-current liabilities	6(12)	27,992	1	38,970	1
25XX	**Total non-current liabilities**		238,457	5	268,449	6
2XXX	**Total liabilities**		2,131,352	43	1,918,573	41
	Share capital	6(13)				
3110	Share capital - common stock		1,197,260	24	1,201,260	26
	Capital surplus	6(14)				
3200	Capital surplus		48,209	1	56,749	1
	Retained earnings	6(15)				
3310	Legal reserve		458,888	9	408,404	9
3320	Special reserve		65,573	1	65,573	2
3350	Unappropriated retained earnings		1,163,915	23	933,712	20
	Other equity interest	6(16)				
3400	Other equity interest		(77,051)	(1)	54,857	1
3500	**Treasury stocks**	6(13)	-	-	(12,540)	-
3XXX	**Total equity**		2,856,794	57	2,708,015	59
	Significant contingent liabilities and unrecorded contract commitments	9				
	Significant events after the balance sheet date	6(15) and 11				
3X2X	**Total liabilities and equity**		$ 4,988,146	100	$ 4,626,588	100

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

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

	Items	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
4000	**Operating revenue**	7	$ 5,209,967	100	$ 4,439,229	100
5000	**Operating costs**	6(4)(19) and 7	(3,659,785)	(70)	(3,148,434)	(71)
5950	**Net operating margin**		1,550,182	30	1,290,795	29
	Operating expenses	6(19) and 7				
6100	Selling expenses		(309,354)	(6)	(256,324)	(6)
6200	General and administrative expenses		(284,557)	(6)	(279,071)	(6)
6300	Research and development expenses		(177,815)	(3)	(162,191)	(4)
6000	**Total operating expenses**		(771,726)	(15)	(697,586)	(16)
6900	**Operating profit**		778,456	15	593,209	13
	Non-operating income and expenses					
7010	Other income	6(17) and 7	22,320	-	30,395	1
7020	Other gains and losses	6(18)	23,362	1	50,403	1
7050	Finance costs		(7,863)	-	(9,100)	-
7000	**Total non-operating income and expenses**		37,819	1	71,698	2
7900	**Profit before income tax**		816,275	16	664,907	15
7950	Income tax expense	6(20)	(216,087)	(4)	(160,073)	(3)
8200	**Profit for the year**		$ 600,188	12	$ 504,834	12
	Other comprehensive income					
8311	Loss on remeasurements of defined benefit plans		($ 9,896)	-	($ 3,215)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(20)	1,682	-	547	-
8310	**Components of other comprehensive loss that will not be reclassified to profit of loss**		(8,214)	-	(2,668)	-
	Components of other comprehensive loss that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(16)	(157,552)	(3)	(41,287)	(1)
8399	Income tax relating to the components of other comprehensive income	6(16)(20)	25,644	-	7,362	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(131,908)	(3)	(33,925)	(1)
8500	**Total comprehensive income for the year**		$ 460,066	9	$ 468,241	11
	Profit attributable to:					
8610	Owners of the parent		$ 600,188	12	$ 504,834	12
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 460,066	9	$ 468,241	11
	Earnings per share (in dollars)	6(21)				
9750	**Basic earnings per share**		$	5.01	$	4.22
9850	**Diluted earnings per share**		$	4.95	$	4.15

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

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

		Equity attributable to owners of the parent								
			Capital Reserves		Retained Earnings					
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Treasury stocks	Total equity
2015										
Balance at January 1, 2015		$1,201,260	$ 42,127	$ 14,622	$ 354,277	$ 65,573	$ 844,851	$ 88,782	($ 12,540)	$2,598,952
Distribution of 2014 earnings	6(15)									
Provision for legal reserve		-	-	-	54,127	-	(54,127)	-	-	-
Distribution of cash dividends		-	-	-	-	-	(359,178)	-	-	(359,178)
Consolidated net income after tax for 2015		-	-	-	-	-	504,834	-	-	504,834
Other comprehensive loss for 2015	6(16)	-	-	-	-	-	(2,668)	(33,925)	-	(36,593)
Balance at December 31, 2015		$1,201,260	$ 42,127	$ 14,622	$ 408,404	$ 65,573	$ 933,712	$ 54,857	($ 12,540)	$2,708,015
2016										
Balance at January 1, 2016		$1,201,260	$ 42,127	$ 14,622	$ 408,404	$ 65,573	$ 933,712	$ 54,857	($ 12,540)	$2,708,015
Distribution of 2015 earnings	6(15)									
Provision for legal reserve		-	-	-	50,484	-	(50,484)	-	-	-
Distribution of cash dividends		-	-	-	-	-	(311,287)	-	-	(311,287)
Retirement of treasury share	6(13)	(4,000)	(140)	(8,400)	-	-	-	-	12,540	-
Consolidated net income after tax for 2016		-	-	-	-	-	600,188	-	-	600,188
Other comprehensive loss for 2016	6(16)	-	-	-	-	-	(8,214)	(131,908)	-	(140,122)
Balance at December 31, 2016		$1,197,260	$ 41,987	$ 6,222	$ 458,888	$ 65,573	$ 1,163,915	($ 77,051)	$ -	$2,856,794

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

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

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 816,275	$ 664,907
Adjustments			
Adjustments to reconcile profit (loss)			
Provision (reversal of allowance) for doubtful accounts	6(2)	2,003	(3,624)
Depreciation	6(6)(19)	110,059	130,717
Amortization	6(7)(19)	5,228	6,518
Interest expense		7,863	9,100
Interest income	6(17)	(10,163)	(22,518)
Loss (gain) on disposal of property, plant and equipment	6(18)	660	(18)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		2,315	(3,215)
Accounts receivable		(127,861)	(264,393)
Accounts receivable - related parties, net		68	1,735
Other receivables		(14,514)	24,504
Inventories		(127,760)	79,358
Prepayments		638	(9,061)
Other current assets		(4,633)	(6,364)
Changes in operating liabilities			
Notes payable		(656)	164
Accounts payable		171,382	74,302
Accounts payable - related parties		(6,108)	(7,443)
Other payables		50,264	19,695
Other current liabilities		(3,643)	11,124
Other non-current liabilities		(20,874)	515
Cash inflow generated from operations		850,543	706,003
Interest received		12,447	16,552
Interest paid		(8,079)	(9,123)
Income tax paid		(129,741)	(240,433)
Net cash flows from operating activities		725,170	472,999

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

	Notes	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of available-for-sale financial assets-current		$ -	$ 63,625
Acquisition of financial assets measured at cost		(31,625)	-
Acquisition of property, plant and equipment	6(22)	(380,574)	(241,309)
Proceeds from disposal of property, plant and equipment	6(6)	1,034	757
Acquisition of intangible assets	6(7)	(4,710)	(3,997)
Decrease in other non-current assets		7,930	183
Net cash flows used in investing activities		(407,945)	(180,741)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings		(36,850)	(90,200)
(Decrease) increase in guarantee deposits received		(13,293)	14,910
Repayment of long-term borrowings (including current portion)		(6,552)	(6,199)
Payment of cash dividends	6(15)	(311,287)	(359,178)
Net cash flows used in financing activities		(367,982)	(440,667)
Effect on foreign exchange difference		(85,102)	(15,461)
Net decrease in cash and cash equivalents		(135,859)	(163,870)
Cash and cash equivalents at beginning of year	6(1)	1,434,077	1,597,947
Cash and cash equivalents at end of year	6(1)	$ 1,298,218	$ 1,434,077

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

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 AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorised for issuance by the Board of Directors on February 23, 2017.

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”)

None.

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

New standards, interpretations and amendments to the IFRSs as endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

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

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9, 'Financial instruments' with IFRS 4, 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, First-time adoption of International Financial Reporting Standards'	January 1, 2018

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

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating results based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

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

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

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

C. Amendments to IFRS 15, ‘Clarifications to IFRS 15, Revenue from Contracts with Customers’

The amendments clarify how to identify a performance obligation (the promise to transfer goods or services to a customer) in a contract; determine whether a company is a principal (the provider of goods or services) or an agent (responsible for arranging for the goods or services to be provided); and determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

D. IFRS 16, ‘Leases’

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

E. Amendments to IAS 7, ‘Disclosure initiative’

This amendment requires that an entity shall provide more disclosures related to changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

A. Except for the defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the consolidated financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment 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 (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Chenbro Micom Co., Ltd.	Micom Source Holding Company	Holding company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Micom (USA) Incorporation	General trading company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Europe B.V.	General trading company	100	100	Note 2
Chenbro Micom Co., Ltd.	CLOUDWELL HOLDINGS, LLC.	Real estate leasing company	100	100	Note 2
Chenbro Micom Co., Ltd.	Chenbro GmbH	Marketing services	100	100	
Micom Source Holding Company	Cloud International Company Limited	Holding company	100	100	
Micom Source Holding Company	AMAC International Company	Holding company	100	100	
Micom Source Holding Company	AMBER International Company	Holding company	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Micom Source Holding Company	ADEPT International Company	Holding company	100	100	
Chenbro Europe B.V.	Chenbro UK Limited	Marketing services	100	100	Note 2
Cloud International Company Limited	Chenbro Micom (Shenzhen) Co., Ltd.	General trading company	100	100	
AMBER International Company	Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing of computer cases	100	100	
AMBER International Company	ChenPower Information Technology (Shang Hai) Co., Ltd.	General trading company	100	-	Note 1
Chenbro Technology (Kunshan) Co., Ltd.	Chenbro Micom (Beijing) Co., Ltd.	Research and development of technical skills	100	100	
ADEPT International Company	PROCASE & MOREX Corporation	Trading / Order taking company	100	100	
PROCASE & Corporation	Dongguan Procase Electronic Co., Ltd.	Manufacturing of computer cases	88	88	
AMAC International	Dongguan Procase Electronic Co., Ltd.	Manufacturing of computer cases	12	12	

Note 1: The subsidiary was established on October 8, 2016.

Note 2: Chenbro Europe B.V., Chenbro UK Limited and CLOUDWELL HOLDINGS, LLC. for the years ended December 31, 2016 and 2015 were audited by other independent accountants. The financial statements of these consolidated immaterial subsidiaries reflect total assets of $359,305 and $331,281, both constituting 7% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and net operating revenues of $205,204 and $143,228, constituting 4% and 3% of the consolidated total net operating revenue for the years then ended, respectively.

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) Accounts receivable

Accounts receivable are accounts receivable originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the debtor;

(b) A breach of contract, such as a default or delinguency in interest or principal payments;

(c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) Observable data indicating the there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group.

C. When the Group assesses that financial assets measured at amortised cost has been objective evidence of impairment and an impairment loss has occurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(9) <u>Derecognition of financial assets</u>

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.

(10) <u>Inventories</u>

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

(11) Financial assets measured at cost

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

B. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured is presented in 'financial assets measured at cost'.

(12) Property, plant and equipment

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

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

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

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

Buildings and structures	5～50 years
Machinery and equipment	3～12 years
Mold equipment	2～ 5 years
Computer communication equipment	3～ 5 years
Testing equipment	2～10 years
Transportation equipment	5～ 7 years
Office equipment	3～10 years
Other equipment	3～ 5 years

(13) Intangible assets

A. Trademarks

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

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(14) 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 recognizing 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.

(15) 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.

(16) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) 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.

(18) 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.

(19) 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 defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).

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

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

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

(20) 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

10% 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.

(21) 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.

(22) 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.

(23) Revenue recognition

The Group manufactures and sells computer cases and related products. Revenue is measured at the fair value of the consideration received or receivable taking into account business tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and when the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(24) 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:

A. Evaluation of accounts receivable

The Group assesses bad debts based on historical experience, known reason or existing objective evidences. A provision for impairment is recognized for those accounts which are considered uncollectible. As the estimation of allowance for uncollectible accounts was based on the possibility of accounts recovery, the change in estimates may be material.

As of December 31, 2016, the carrying amount of accounts receivable was $1,138,981.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2016, the carrying amount of inventories was $647,505.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Petty cash and cash on hand	$ 600	$ 1,111
Demand deposits	38,614	53,309
Checking accounts	71,096	11,546
Time deposits (including foreign currencies)	763,891	602,721
Foreign currency deposits	424,017	765,390
	$ 1,298,218	$ 1,434,077

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) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	$ 1,159,414	$ 1,031,553
Less: allowance for bad debts	(20,433)	(18,618)
	$ 1,138,981	$ 1,012,935

A. The Group has insured most of its accounts receivable from primary clients and is entitled to 90% of compensation if bad debts occur.

B. The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2016	December 31, 2015
Level 1	$ -	$ -
Level 2	911,233	880,966
Level 3	5,232	12,256
	$ 916,465	$ 893,222

Level 1: Accounts receivable factored and yet to be sold at the balance sheet date.

Level 2: Accounts receivable are insured so that the Group only bears 10% of the risk of default and insurance companies bear the remaining 90%. Because of the financial transparency, the domestic and foreign listed customers that are not insured are listed in level 2.

Level 3: Accounts receivable that are neither insured nor factored. The Group bears all risks.

C. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2016	December 31, 2015
Up to 30 days	$ 137,224	$ 95,558
31 to 90 days	57,335	16,348
91 to 180 days	28,358	7,999
Over 180 days	5,515	3,909
	$ 228,432	$ 123,814

The above ageing analysis was based on past due date.

D. Movement analysis of accounts receivable that were impaired is as follows:

(a) As of December 31, 2016 and 2015, all of the Group's accounts receivable that were individually determined to be impaired amounted to $14,517.

(b) Movements on the Group's provision for impairment of accounts receivable are as follows:

	2016		
	Individual provision	Group provision	Total
At January 1	$ 14,517	$ 4,101	$ 18,618
Provision for impairment	-	2,003	2,003
Effects of foreign exchange	-	(188)	(188)
December 31	$ 14,517	$ 5,916	$ 20,433

	2015		
	Individual provision	Group provision	Total
At January 1	$ 14,695	$ 7,562	$ 22,257
Reversal of impairment	(178)	(3,446)	(3,624)
Effects of foreign exchange	-	(15)	(15)
December 31	$ 14,517	$ 4,101	$ 18,618

E. The Group does not hold any collateral as security.

(3) Transfer of financial assets

The Group entered into a factoring agreement with banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Group decreased the estimated amount of business dispute and derecognised the transferred accounts receivable. As of December 31, 2016 and 2015, the related information is as follows:

December 31, 2016

Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 15,803	$ 15,803	$ 30,000	$ -		

December 31, 2015

Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 12,868	$ 12,868	$ 30,000	$ -		

Note: Shown as 'other receivables'.

(4) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	$ 242,789	($ 33,022)	$ 209,767
Semi-finished goods	49,245	(3,763)	45,482
Work in process	79,585	(586)	78,999
Finished goods	403,970	(90,713)	313,257
	$ 775,589	($ 128,084)	$ 647,505

	December 31, 2015		
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	$ 201,713	($ 36,273)	$ 165,440
Semi-finished goods	45,985	(2,997)	42,988
Work in process	66,090	(737)	65,353
Finished goods	351,613	(105,649)	245,964
	$ 665,401	($ 145,656)	$ 519,745

The cost of inventories recognised as expense for the period:

	Years ended December 31,	
	2016	2015
Cost of goods sold	$ 3,615,780	$ 3,145,599
Sale of scraps	(8,651)	(7,224)
Loss on decline in market value	53,386	11,693
Gain on physical inventory	(730)	(1,634)
	$ 3,659,785	$ 3,148,434

(5) Financial assets measured at cost

Items	December 31, 2016
Non-current items:	
Unlisted stocks	$ 31,625

A. According to the Group’s intention, its investment in the unlisted stocks should be classified as available-for-sale financial assets. However, as the unlisted stocks are not traded in active market, and no sufficient industry information of companies similar to unlisted Corporation’s financial information cannot be obtained, the fair value of the investment in the unlisted stocks cannot be measured reliably. The Group classified those stocks as ‘financial assets measured at cost’. As of December 31, 2015, the Group has no financial assets measured at cost.

B. As of December 31, 2016, no financial assets measured at cost held by the Group were pledged to others.

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
At January 1, 2016												
Cost	$ 217,323	$1,092,251	$ 537,637	$ 253,656	$ 32,266	$ 25,285	$ 20,070	$ 51,829	$ 33,523	$ 35,170	$2,299,010	$ 158,856
Accumulated depreciation and impairment	-	(410,405)	(343,682)	(218,575)	(20,295)	(20,804)	(14,824)	(33,523)	(27,878)	-	(1,089,986)	-
	$ 217,323	$ 681,846	$ 193,955	$ 35,081	$ 11,971	$ 4,481	$ 5,246	$ 18,306	$ 5,645	$ 35,170	$1,209,024	$ 158,856
2016												
Opening net book amount	$ 217,323	$ 681,846	$ 193,955	$ 35,081	$ 11,971	$ 4,481	$ 5,246	$ 18,306	$ 5,645	$ 35,170	$1,209,024	$ 158,856
Additions	-	15,279	13,685	9,798	2,107	974	1,359	4,641	1,387	228,634	277,864	110,465
Disposals	-	(598)	(732)	-	(265)	-	-	(95)	(4)	-	(1,694)	-
Transfers	-	254,222	3,654	2,277	-	3,489	-	54	9,845	(10,542)	262,999	(262,999)
Effects of foreign exchange	(1,352)	(40,238)	(12,697)	(97)	(143)	(398)	(250)	(818)	(668)	(12,374)	(69,035)	(4,253)
Depreciation charges	-	(44,425)	(33,276)	(18,914)	(4,381)	(1,199)	(1,126)	(4,509)	(2,229)	-	(110,059)	-
Closing net book amount	$ 215,971	$ 866,086	$ 164,589	$ 28,145	$ 9,289	$ 7,347	$ 5,229	$ 17,579	$ 13,976	$ 240,888	$1,569,099	$ 2,069
At December 31, 2016												
Cost	$ 215,971	$1,294,693	$ 510,324	$ 262,272	$ 33,270	$ 28,543	$ 20,232	$ 53,113	$ 41,627	$ 240,888	$2,700,933	$ 2,069
Accumulated depreciation and impairment	-	(428,607)	(345,735)	(234,127)	(23,981)	(21,196)	(15,003)	(35,534)	(27,651)	-	(1,131,834)	-
	$ 215,971	$ 866,086	$ 164,589	$ 28,145	$ 9,289	$ 7,347	$ 5,229	$ 17,579	$ 13,976	$ 240,888	$1,569,099	$ 2,069

Note: Prepayments for business facilities are shown as 'other non-current assets'. Details are provided in Note 6(8).

A. The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
At January 1, 2015												
Cost	$ 214,570	$1,098,799	$ 531,882	$ 228,679	$ 30,391	$ 23,601	$ 21,055	$ 47,756	$ 33,579	$ -	$2,230,312	$ 19,168
Accumulated depreciation and impairment	-	(367,292)	(312,098)	(199,618)	(17,248)	(19,763)	(14,874)	(29,839)	(25,820)	-	(986,552)	-
	$ 214,570	$ 731,507	$ 219,784	$ 29,061	$ 13,143	$ 3,838	$ 6,181	$ 17,917	$ 7,759	$ -	$1,243,760	$ 19,168
2015												
Opening net book amount	$ 214,570	$ 731,507	$ 219,784	$ 29,061	$ 13,143	$ 3,838	$ 6,181	$ 17,917	$ 7,759	$ -	$1,243,760	$ 19,168
Additions	-	2,339	4,614	31,095	2,928	1,897	-	4,493	655	36,648	84,669	159,487
Disposals	-	-	(437)	-	-	(2)	(40)	(105)	(155)	-	(739)	-
Transfers (Note 2)	-	-	16,689	668	-	-	-	-	-	(1,061)	16,296	(17,541)
Effects of foreign exchange	2,753	(1,970)	(4,840)	(34)	195	(78)	63	191	(108)	(417)	(4,245)	(2,258)
Depreciation charge	-	(50,030)	(41,855)	(25,709)	(4,295)	(1,174)	(958)	(4,190)	(2,506)	-	(130,717)	-
Closing net book amount	$ 217,323	$ 681,846	$ 193,955	$ 35,081	$ 11,971	$ 4,481	$ 5,246	$ 18,306	$ 5,645	$ 35,170	$1,209,024	$ 158,856
At December 31, 2015												
Cost	$ 217,323	$1,092,251	$ 537,637	$ 253,656	$ 32,266	$ 25,285	$ 20,070	$ 51,829	$ 33,523	$ 35,170	$2,299,010	$ 158,856
Accumulated depreciation and impairment	-	(410,405)	(343,682)	(218,575)	(20,295)	(20,804)	(14,824)	(33,523)	(27,878)	-	(1,089,986)	-
	$ 217,323	$ 681,846	$ 193,955	$ 35,081	$ 11,971	$ 4,481	$ 5,246	$ 18,306	$ 5,645	$ 35,170	$1,209,024	$ 158,856

Note 1: Prepayments for business facilities are shown as 'other non-current assets'. Details are provided in Note 6(8)

Note 2: The current transfers of $1,245 are prepayments for business facilities that were transferred to intangible assets and other non-current assets amounting to $500 and $745, respectively.

A. The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.

B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(7) Intangible assets

	Trademarks	Computer software	Others	Total
At January 1, 2016				
Cost	$ 501	$ 26,942	$ 460	$ 27,903
Accumulated amortisation	(189)	(16,793)	(259)	(17,241)
	$ 312	$ 10,149	$ 201	$ 10,662
2016				
At January 1	$ 312	$ 10,149	$ 201	$ 10,662
Additions	31	4,539	140	4,710
Amortisation charge	(40)	(5,111)	(77)	(5,228)
Effects of foreign exchange	-	(142)	-	(142)
At December 31	$ 303	$ 9,435	$ 264	$ 10,002
At December 31, 2016				
Cost	$ 532	$ 31,481	$ 600	$ 32,613
Accumulated amortisation	(229)	(22,046)	(336)	(22,611)
	$ 303	$ 9,435	$ 264	$ 10,002
At January 1, 2015				
Cost	$ 501	$ 24,041	$ 821	$ 25,363
Accumulated amortisation	(149)	(11,677)	(818)	(12,644)
	$ 352	$ 12,364	$ 3	$ 12,719
2015				
At January 1	$ 352	$ 12,364	$ 3	$ 12,719
Additions	-	3,738	259	3,997
Transfers	-	500	-	500
Amortisation charge	(40)	(6,417)	(61)	(6,518)
Effects of foreign exchange	-	(36)	-	(36)
At December 31	$ 312	$ 10,149	$ 201	$ 10,662
At December 31, 2015				
Cost	$ 501	$ 26,942	$ 460	$ 27,903
Accumulated amortisation	(189)	(16,793)	(259)	(17,241)
	$ 312	$ 10,149	$ 201	$ 10,662

Details of amortisation on intangible assets are as follows:

	Years ended December 31, 2016	Years ended December 31, 2015
Operating costs	$ -	$ 704
Selling expenses	455	384
Administrative expenses	2,265	3,284
Research and development expenses	2,508	2,146
	$ 5,228	$ 6,518

(8) Other non-current assets

	December 31, 2016	December 31, 2015
Long-term prepaid rent - land use right (Note)	$ 61,466	$ 66,112
Prepayments for business facilities	2,069	158,856
Others	15,851	19,135
	$ 79,386	$ 244,103

Note. On December 23, 1997, the Group's subsidiary, Dongguan Procase Electronic Co., Ltd. signed a land use right contract with the People's Republic of China for industrial use of the land in Hungyeh Industrial Zone, Tanghsia Town, Dongguan City, Guangdong Province with a term of 50 years; and in June 2004 and November 2006, the subsidiary, Chenbro Technology (Kunshan) Co., Ltd. signed a land use right contract with the People's Republic of China for use of the land in Yushan Town, Kunshan City with a term of 50 years for both contracts. The Group recognised rental expenses of $1,080 and $1,111 for the years ended December 31, 2016 and 2015, respectively.

(9) Short-term borrowings

Type of borrowings	December 31, 2016	Interest rate range	Collateral
Short-term borrowings	$ 94,500	0.8%~1.14%	A promissory note of the same amount was issued as collateral.

Type of borrowings	December 31, 2015	Interest rate range	Collateral
Short-term borrowings	$ 131,350	0.82%~2.75%	A promissory note of the same amount was issued as collateral.

As of December 31, 2015, the joint credit line of the Company and its indirect subsidiary, PROCASE & MOREX Corporation ("Procase"), was USD 3 million, and as of that date, the Company nor Procase has not yet made a drawdown.

(10) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2016
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 USA	$ 157,208
Less: current portion (shown as 'other current liabilities')				(6,890)
				$ 150,318

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2015
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 USA	$ 166,707
Less: current portion (shown as 'other current liabilities')				(6,759)
				$ 159,948

The secured borrowing contract of the subsidiary, CLOUDWELL HOLDINGS, LLC., requires that the interest coverage ratio for each year should not be lower than 1.2. If the requirement is not met, the subsidiary shall repay the outstanding borrowing or provide bank deposits as collateral. As of December 31, 2016, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(11) Other payables

	December 31, 2016	December 31, 2015
Wages and bonus payable	$ 127,159	$ 117,462
Payables for investment	84,656	86,179
Remuneration due to directors and supervisors and employee bonus payable	67,566	59,171
Payables for mold	44,200	43,562
Payables for export freight and customs clearance charges	29,017	27,296
Payables for service fees	15,486	11,228
Payables for machinery and equipment	12,976	5,221
Payables for consumable goods	3,249	8,212
Others	148,144	116,319
	$ 532,453	$ 474,650

(12) Pensions

A. Defined benefit plan

(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is not enough to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company will make contribution for the deficit by next March.

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	$ 49,447	$ 41,496
Fair value of plan assets	(23,060)	(2,676)
Net liability recognised in the balance sheet (shown as 'other non-current liabilities')	$ 26,387	$ 38,820

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

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2016			
Balance at January 1	$ 41,496	($ 2,676)	$ 38,820
Current service cost	383	-	383
Interest expense (income)	705	(46)	659
	42,584	(2,722)	39,862
Remeasurements:			
Return on plan assets	-	23	23
Change in financial assumptions	1,348	-	1,348
Experience adjustments	8,525	-	8,525
	9,873	23	9,896
Pension fund contribution	-	(23,371)	(23,371)
Benefits paid	(3,010)	3,010	-
Balance at December 31	$ 49,447	($ 23,060)	$ 26,387

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	$ 37,132	($ 1,994)	$ 35,138
Current service cost	316	-	316
Interest expense (income)	743	(40)	703
	38,191	(2,034)	36,157
Remeasurements:			
Return on plan assets	-	(90)	(90)
Change in financial assumptions	1,304	-	1,304
Experience adjustments	2,001	-	2,001
	3,305	(90)	3,215
Pension fund contribution	-	(552)	(552)
Balance at December 31	$ 41,496	($ 2,676)	$ 38,820

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earning is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2016 and 2015 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2016	2015
Discount rate	1.40%	1.70%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience for the years ended December 31, 2016 and 2015 are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2016				
Effect on present value of defined benefit obligation	($ 1,127)	$ 1,168	$ 1,024	($ 995)
December 31, 2015				
Effect on present value of defined benefit obligation	($ 1,033)	$ 1,199	$ 1,060	($ 939)

The sensitivity analysis above was arrived at based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2017 are $620.

B. Defined contribution plan

(a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) Other overseas companies have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees' salaries and wages. Other than the periodic contribution, the overseas companies have no further obligations.

(c) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2016 and 2015 were $7,582 and $6,937, respectively.

(d) The pension costs under the defined contribution pension plans of CHENBRO MICOM (USA) INCORPORATION, CHENBRO EUROPE B.V., Chenbro GmbH, Chenbro Technology (Kunshan) Co., Ltd., ChenPower information Technology (Shang Hai) Co., Ltd., Dongguan Procase Electronic Co., Ltd. and CHENBRO MICOM（ShenZhen）Co., Ltd. for the year ended December 31, 2016 and 2015 were $22,887 and $18,074, respectively.

(13) <u>Ordinary shares</u>

A. As of December 31, 2016, the Company's authorized capital was $1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was $1,197,260 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares in 2015 are as follows:

		December 31, 2015	
Name of company holding the shares	Reason for reacquisition	Number of shares (in thousands)	Carrying amount
The Company	To be reissued to employees	400	$ 12,540

(b) Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should not be pledged as collateral and are not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Law, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired.

(e) In 2013, the Company repurchased treasury stock to be reissued to employees for 400 thousand shares of $12,540 thousand. The registration of retirement of shares has been completed on October 21, 2016.

(14) Capital surplus

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

(15) Retained earnings

A. Under the Company's Articles of Incorporation adopted by the shareholders during their meeting on June 23, 2016, 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 be taken into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.

B. The Company's dividend policy is based on the current profit and consideration of the Company's growth in the future, capital budget plan and capital needs as well as consideration of shareholders' interest and long-term financial plan, etc. Earnings can be distributed to shareholders as cash dividends or stock dividends. Cash dividends shall account for at least 10% of the total dividends distributed. If cash dividends are lower than $0.20 (in dollars) per share, stock dividends will be issued instead.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

(b) The amount of $65,573 previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. On June 23, 2016 and June 11, 2015, the shareholders resolved the appropriations of 2015 and 2014 earnings as follows:

	Year ended December 31, 2015		Year ended December 31, 2014	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	$ 50,483	$ -	$ 54,127	$ -
Cash dividends to shareholders	311,287	2.60	359,178	3.0
	$ 361,770	$ 2.60	$ 413,305	$ 3.0

F. On February 23, 2017, the Board of Directors has proposed the appropriation of 2016 earnings as follows:

	Year ended December 31, 2016	
	Amount	Dividend per share (in dollars)
Legal reserve	$ 60,019	$ -
Special reserve	77,051	-
Cash dividends to shareholders	359,178	3.00
	$ 496,248	$ 3.00

As of February 23, 2017, the abovementioned appropriation of 2016 earnings has not yet been resolved by the shareholders.

G. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(19).

(16) Other equity items

	2016	2015
At January 1	$ 54,857	$ 88,782
Currency translation differences:		
–Group	(157,552)	(41,287)
–Tax on Group	25,644	7,362
At December 31	($ 77,051)	$ 54,857

(17) Other income

	Years ended December 31, 2016	Years ended December 31, 2015
Interest income	$ 10,163	$ 22,518
Other income	12,157	7,877
	$ 22,320	$ 30,395

(18) Other gains and losses

	Years ended December 31, 2016	Years ended December 31, 2015
Net currency exchange gain	$ 26,809	$ 59,296
(Loss) gain on disposal of property, plant and equipment	(660)	18
Other expenses	(2,787)	(8,911)
	$ 23,362	$ 50,403

(19) Employee benefit, depreciation and amortisation expenses

	Years ended December 31, 2016	Years ended December 31, 2015
Wages and salaries	$ 717,432	$ 578,656
Labour and health insurance fees	36,498	29,575
Pension costs	31,511	26,030
Other personnel expenses	56,919	29,951
Employee benefit expense	$ 842,360	$ 664,212
Depreciation charges on property, plant and equipment	$ 110,059	$ 130,717
Amortisation charges on intangible assets	$ 5,228	$ 6,518

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

B. For the years ended December 31, 2016 and 2015, employees' compensation was accrued at $52,210 and $45,723, respectively; while directors' and supervisors' remuneration was accrued at $15,356 and $13,448, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2015, employees' compensation and directors' and supervisors' remuneration amounted to $44,231 and $13,009 as resolved by the Board of Directors on March 22, 2016, respectively, and the differences with the amounts recognized in the current year's financial statements amounted to $1,492 and $439, respectively. The differences have been adjusted in the third quarter of 2016.

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.

(20) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2016	Years ended December 31, 2015
Current tax:		
Current tax on profits for the year	$ 185,615	$ 124,437
Tax on undistributed surplus earnings	14,306	12,797
Prior year income tax over estimate	(1,337)	(1,779)
Total current tax	198,584	135,455
Deferred tax:		
Origination and reversal of temporary differences	17,503	24,618
Income tax expense	$ 216,087	$ 160,073

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

	Years ended December 31, 2016	Years ended December 31, 2015
Currency translation differences	($ 25,644)	($ 7,362)
Remeasurement of defined benefit obligations	($ 1,682)	($ 547)

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2016	Years ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	$ 226,500	$ 164,526
10% tax on undistributed earnings	14,306	12,797
Prior year income tax over estimate	(1,337)	(1,779)
Effect from expenses disallowed by tax regulation	(23,382)	(15,471)
Tax expense	$ 216,087	$ 160,073

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

	2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	$ 25,790	($ 2,246)	$ -	$ 23,544
Unrealised gain on inter-affiliate accounts	38,880	2,291	-	41,171
Amount of allowance for bad debts that exceed the limit for tax purpose	3,247	(1,613)	-	1,634
Unused compensated absences	973	(21)	-	952
Pension expense payable	3,215	-	1,682	4,897
Pension expense that exceeds the limit for tax purpose	1,405	75	-	1,480
Capitalised repairs and maintenance expense	15	(8)	-	7
Capitalised deed tax	53	(2)	-	51
Unrealised warranty provision	1,020	-	-	1,020
Others	1,689	281	-	1,970
	76,287	(1,243)	1,682	76,726
-Deferred tax liabilities:				
Investment income	(65,319)	(16,363)	25,644	(56,038)
Unrealised exchange gain	(717)	(581)	-	(1,298)
Book-tax difference of depreciation charges on fixed assets	(3,470)	719	-	(2,751)
Others	(25)	(35)	-	(60)
	(69,531)	(16,260)	25,644	(60,147)
	$ 6,756	($ 17,503)	$ 27,326	$ 16,579

	2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	$ 27,192	($ 1,402)	$ -	$ 25,790
Unrealised gain on inter-affiliate accounts	52,758	(13,878)	-	38,880
Amount of allowance for bad debts that exceed the limit for tax purpose	3,488	(241)	-	3,247
Unused compensated absences	980	(7)	-	973
Pension expense payable	2,668	-	547	3,215
Pension expense that exceeds the limit for tax purpose	1,326	79	-	1,405
Capitalised repairs and maintenance expense	23	(8)	-	15
Capitalised deferred tax	54	(1)	-	53
Unrealised warranty provision	-	1,020	-	1,020
Others	1,924	(235)	-	1,689
	90,413	(14,673)	547	76,287
-Deferred tax liabilities:				
Investment income	(61,241)	(11,440)	7,362	(65,319)
Unrealised exchange gain	(1,933)	1,216	-	(717)
Book-tax difference of depreciation charges on fixed assets	(3,774)	304	-	(3,470)
Others	-	(25)	-	(25)
	(66,948)	(9,945)	7,362	(69,531)
	$ 23,465	($ 24,618)	$ 7,909	$ 6,756

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2016 and 2015, the amounts of temporary differences unrecognised as deferred tax liabilities were $246,234 and $194,090, respectively.

E. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority. However, the income tax return for 2013 is still being assessed.

F. Unappropriated retained earnings:

	December 31, 2016	December 31, 2015
Earnings generated in and before 1997	$ 12,886	$ 12,886
Earnings generated in and after 1998	1,151,029	920,826
	$ 1,163,915	$ 933,712

G. The balance of the imputation tax credit account and actual creditable tax rate are as follows:

	December 31, 2016	December 31, 2015
Balance of the imputation tax credit account	$ 126,116	$ 156,076

	2016 (estimated)	2015 (actual)
Creditable tax rate	16.81%	16.29%

(21) Earnings per share

	Year ended December 31, 2016		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 600,188	119,726	$ 5.01
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 600,188		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,423	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 600,188	121,149	$ 4.95

	Year ended December 31, 2015		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 504,834	119,726	$ 4.22
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 504,834		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,853	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 504,834	121,579	$ 4.15

(22) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31,	
	2016	2015
Purchase of property, plant and equipment	$ 388,329	$ 244,156
Add: opening balance of payable on equipment	5,221	2,374
Less: ending balance of payable on equipment	(12,976)	(5,221)
Cash paid during the year	$ 380,574	$ 241,309

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) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2016	2015
Other related parties	$ 3,204	$ 5,367

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

B. Purchases

	Years ended December 31,	
	2016	2015
Other related parties	$ 52,145	$ 53,215

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.

C. Receivables from related parties

	December 31, 2016	December 31, 2015
Other related parties	$ 1,449	$ 1,517

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

D. Payables to related parties

	December 31, 2016	December 31, 2015
Other related parties	$ 6,769	$ 12,877

Accounts payable bear no interest.

(3) Key management compensation

	Years ended December 31,	
	2016	2015
Short-term employee benefits	$ 41,393	$ 32,733
Post-employment benefits	345	255
Other long-term benefits	1,287	1,227
	$ 43,025	$ 34,215

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2016	December 31, 2015	Purpose
Time deposits (shown as 'other current assets')	$ 1,322	$ 1,341	Customs duty guarantee
Cash in banks (shown as 'other non-current assets')	$ 3,252	$ 3,296	Long-term borrowings (Note)
Land and buildings	$ 241,045	$ 249,984	Long-term borrowings (Note)

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) The subsidiaries have signed land use contracts with local economic development authorities. The present values of estimated future lease payments for land management during the assignment of use period are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 2,458	$ 2,645
Later than one year but not later than three years	5,014	5,208
Over three years	80,851	88,902
	$ 88,323	$ 96,755

(2) The Group entered into equipment agreement, lease agreement and ERP maintenance agreement. Future lease payments and their present values are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 3,472	$ 107,706
Later than one year but not later than three years	3,918	2,191
Over three years	920	1,133
	$ 8,310	$ 111,030

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

(1) Please refer to Note 6(15) F. for the appropriation of earnings.

(2) On January 19, 2017, to adjust the investment structure in China, the Board of Directors has approved to establish subsidiaries in Beijing and Shanghai, through ChenPower Information Technology (Shanghai) Co., Ltd. which was invested by the second-tier subsidiary, Amber International Company, and stop the operations of third-tier subsidiaries, Chenbro Micom (Shenzhen) Co., Ltd. and Chenbro Micom (Beijing) Co., Ltd.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, short-term loans, notes payable, accounts payable (including related parties) and other payables) approximate to their fair values.

The fair value information of financial instruments measured at fair value is provided in Note 12(3).

Financial liabilities: Long-term borrowings (including current portion)

	December 31,2016	December 31,2015
Book value	$ 157,208	$ 166,707
Fair value risk	$ 161,276	$ 171,138

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the Company treasury, and primarily hedge using natural hedge.

iii. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2016		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 45,599	32.25	$ 1,470,568
USD:RMB	30,237	6.99	976,467
Non-monetary items			
USD:NTD	5,567	32.25	179,545
EUR:NTD	1,941	33.90	65,797
RMB:NTD	460,730	4.62	2,128,572
Financial liabilities			
Monetary items			
USD:NTD	$ 33,532	32.25	$ 1,081,407
USD:RMB	14,991	6.99	484,116

	December 31, 2015		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 45,753	32.83	$ 1,502,071
USD:RMB	27,326	6.60	896,347
Non-monetary items			
USD:NTD	3,981	32.83	130,688
EUR:NTD	1,789	35.88	64,187
RMB:NTD	399,048	4.97	1,983,269
Financial liabilities			
Monetary items			
USD:NTD	$ 34,943	32.83	$ 1,147,179
RMB:NTD	3,000	4.97	14,910
USD:RMB	10,972	6.60	359,904

iv. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group:

	Year ended December 31, 2016		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	32.25	$ 24,456
USD:RMB	2,674	6.99	12,352
Financial liabilities			
Monetary items			
USD:NTD	$ -	32.25	($ 15,944)
USD:RMB	656	6.99	3,031

	Year ended December 31, 2015		
	Exchange gain (loss)		
	Foreign currency amount (In thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	32.83	$ 31,442
USD:RMB	3,800	6.60	18,886
Financial liabilities			
Monetary items			
USD:RMB	($ 2,376)	6.60	($ 11,809)

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

	Year ended December 31, 2016		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 14,706	-
USD:RMB	1%	9,765	-
Financial liabilities			
Monetary items			
USD:NTD	1%	10,814	-
RMB:NTD	1%	-	-
USD:RMB	1%	4,841	-

	Year ended December 31, 2015		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 15,021	-
USD:RMB	1%	8,963	-
Financial liabilities			
Monetary items			
USD:NTD	1%	11,472	-
RMB:NTD	1%	149	-
USD:RMB	1%	3,599	-

Interest rate risk

The Group's interest rate risk arises from short-term borrowings and long-term borrowings (including current portion). Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are issued at fixed rates. During the years ended December 31, 2016 and 2015, the Group's borrowings were denominated in the USD and NTD.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group’s credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only parties with optimal ratings are accepted.

ii. For the years ended December 31, 2016 and 2015, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The credit quality information of significant financial assets that are neither past due nor impaired is provided in Note 6(2) B.

iv. The ageing analysis of financial assets that were past due is provided in Note 6(2) C.

v. The group analysis of financial assets that had been impaired is provided in Note 6(2) D.

(c) Liquidity risk

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

ii. The table below analyses the Group’s non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The analysis is as follows:

Non-derivative financial liabilities:

December 31, 2016	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 94,552	$ -	$ -	$ -
Accounts payable	1,122,894	-	-	-
Accounts payable - related party	6,769	-	-	-
Other payables	532,453	-	-	-
Other current liabilities	22,244	-	-	-
Long-term borrowings (including current portion)	12,668	25,335	25,335	148,843
Guarantee deposits received	1,617	1,605	-	-

December 31, 2015	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 131,773	$ -	$ -	$ -
Notes payable	656	-	-	-
Accounts payable	951,512	-	-	-
Accounts payable - related party	12,877	-	-	-
Other payables	474,650	-	-	-
Other current liabilities	40,797	-	-	-
Long-term borrowings (including current portion)	12,895	25,791	25,791	164,416
Guarantee deposits received	-	150	-	-

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. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2) A.

B. 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. The fair value of the Group's investment in without active market is included in Level 3.

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 at December 31, 2016 is as follows:

December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets measured at cost				
Equity securities	$ -	$ -	$ 31,625	$ 31,625

There is no financial and non-financial instruments measured at fair value as of December 31, 2015.

D. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	Fair value at December 31, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 31,625	Net asset value	Not applicable		Not applicable

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

			December 31, 2016			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Net assets value	±1%	$ -	$ -	$ 316	$ 316

G. The following chart is the movement of Level 3 for the years ended December 31, 2016 and 2015:

	Equity securities	
	Years ended December 31,	
	2016	2015
At January 1	$ -	$ -
Acquired during the year	31,625	-
At December 31	$ 31,625	$ -

H. For the years ended December 31, 2016 and 2015, there was no transfer into or out from Level 3.

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

The information of certain subsidiaries were disclosed from the financial statements audited by other 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:

(a) The Company purchased through the third-tier subsidiary, PROCASE & MOREX Corporation (Procase). For the year ended December 31, 2016, Procase purchased raw materials of iron pieces amounting to $869,358, for manufacturing computer cases, from the Company's fourth-tier subsidiary in Mainland China, Dongguan Procase Electronic Co., Ltd.. Balance of accounts payable amounted to $50,050, comprising 20% of the accounts payable of Procase. For the year ended December 31, 2016, Procase sold finished goods of computer cases to the Company, amounting to $1,002,535, comprising 66% of Procase's sales in 2016 Balance of accounts payable to Dongguan Procase Electronic Co., Ltd. amounted to $160,666, comprising 21% of the accounts payable of the Company.

For the year ended December 31, 2016, the Company provided research and development technical skills to Dongguan Procase Electronic Co., Ltd. and received royalty of $31,578. Other receivables from Donggun Procase Electronic Co., Ltd. amounted to $31,578, comprising 14% of other receivables of the Company.

(b) For the year ended December 31, 2016, the Company purchased finished goods of computer cases amounting to $745,259 from the Company's third-tier subsidiary - Chenbro Technology (Kunshan) Co., Ltd. As of December 31, 2016, balance of accounts payable to Chenbro Technology (Kunshan) Co., Ltd. amounted to $283,838, comprising 37% of the accounts payable of the Company.

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, also, selling methods and customer categories are alike, the Company's and subsidiaries' chief operating decision-maker aggregates that the Company and its subsidiaries only have one reportable operating segment. Furthermore, the measurement basis for the Company is in agreement with the basis stated in the reports reviewed by the chief operating decision-maker.

(2) Measurement of segment information

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

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

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

(4) Reconciliation for segment income (loss)

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

(5) Information on product

Details of revenue balance is as follows:

	Years ended December 31,	
	2016	2015
Computer server cases	$ 3,480,444	$ 2,496,706
Peripheral products and components	1,371,021	1,447,190
Personal computer cases	302,432	346,958
Molds	56,070	148,375
	$ 5,209,967	$ 4,439,229

(6) Geographical information

Geographical information for the years ended December 31, 2016 and 2015 is as follows:

	Years ended December 31,			
	2016		2015	
	Sales revenue	Non-current assets	Sales revenue	Non-current assets
US	$ 1,981,137	$ 285,560	$ 1,695,673	$ 300,093
China	2,107,549	1,090,933	1,428,601	871,259
Taiwan	521,372	273,953	664,560	283,830
Others	599,909	621	650,395	1,428
	$ 5,209,967	$ 1,651,067	$ 4,439,229	$ 1,456,610

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2016 and 2015 is as follows:

	Years ended December 31,					
	2016			2015		
		Sales revenue	Percentage in the consolidated net operating income		Sales revenue	Percentage in the consolidated net operating income
Company A	$	1,486,109	29%	$	1,254,169	28%
Company B		898,885	17%		859,652	19%

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2016

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

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2016 (Note 5)	Outstanding endorsement/ guarantee amount at December 31, 2016 (Note 6)	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 4)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 4)	Provision of endorsements/ guarantees to the party in Mainland China (Note 4)	Footnote
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Inc.	1	$ 571,359	$ 129,000	$ 129,000	$ -	$ -	5	$ 1,714,076	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	1	571,359	180,600	180,600	157,208	-	6	1,714,076	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	PROCASE & MOREX Corporation	2	571,359	338,625	225,750	-	-	8	1,714,076	Y	N	N	Note 3

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:
(1) The Company is '0'.
(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is as follows:
(1) A subsidiary.
(2) The subsidiary's direct wholly-owned affiliate

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

Note 5: The maximum endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US$4,000 thousand, $5,600 thousand and $10,500 thousand for the year ended December 31, 2016, respectively.

Note 6: The outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US$4,000 thousand, $5,600 thousand and $7,000 thousand for the year ended December 31, 2016, respectively.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the period
December 31, 2016
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 2

				As of December 31, 2016				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
CHENBRO MICOM CO., LTD.	Diamond Creative Holding Limited	None	Financial assets measured at cost- noncurrent	1,000,000	$31,625	14.29%	$31,625	

Note: Financial assets measured at cost- noncurrent.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2016

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

Table 3

			Transaction				Differences in transaction terms compared to third party transactions		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	($ 1,773,834)	55	T/T 120 days	Note 1	Note 1	$ 485,386	61	Note 2
PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	(1,002,535)	66	60 days after monthly billing	Note 1	Note 1	160,666	52	Note 2
PROCASE & MOREX CORPORATION	Dongguan Procase Electronic Co., Ltd.	Parent-subsidiary company	Sales	(474,106)	31	Based on agreement	Note 1	Note 1	146,331	47	Note 2
Dongguan Procase Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	Parent-subsidiary company	Sales	(869,358)	52	Based on agreement	Note 1	Note 1	50,050	13	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	(745,259)	44	60 days after monthly billing	Note 1	Note 1	283,838	60	Note 2
CHENBRO MICOM CO., LTD.	Chenbro Europe B.V.	The Company's subsidiary	Sales	(177,537)	5	T/T 45 days	Note 1	Note 1	17,554	2	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

Year ended December 31, 2016

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

Table 4

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2016 (Note 3)	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts (Note 2)
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Accounts receivable $ 485,386	4.38	$ -	-	$ 242,308	$ -
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Other receivables $ 5,251	None	-	-	4,508	-
Procase & Morex Corporation	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable $ 160,666	4.78	958	Subsequent collection	81,633	-
Procase & Morex Corporation	Dongguan Procase Electronic Co., Ltd.	Parent-subsidiary company	Accounts receivable $ 146,331	2.99	-	-	28,533	-
Chembro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable $ 283,838	3.59	-	-	128,697	-

Note 1: Subsequent collections as of February 23, 2017.
Note 2: As the related parties have excellent credit condition, no allowance for doubtful accounts was recognized.
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 periods
Year ended December 31, 2016

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

Table 5

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			
				General ledger account	Amount (Notes 3, 6 and 7)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 5)
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Sales	$ 1,773,834	Note 4	34
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	485,386	Note 4	10
0	CHENBRO MICOM CO., LTD.	Chenbro Europe B.V.	1	Sales	177,537	Note 4	3
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	745,259	Note 4	14
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	283,838	Note 4	6
2	Dongguan Procase Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	3	Sales	869,358	Note 4	17
3	PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	2	Sales	1,002,535	Note 4	19
3	PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	2	Accounts receivable	160,666	Note 4	3
3	PROCASE & MOREX CORPORATION	Dongguan Procase Electronic Co., Ltd.	3	Sales	474,106	Note 4	9
3	PROCASE & MOREX CORPORATION	Dongguan Procase Electronic Co., Ltd.	3	Accounts receivable	146,331	Note 4	3

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories:
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary.

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

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

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

Note 6: The transactions were eliminated when preparing the consolidated financial statements.

Note 7: Except current profit (loss) for the year ended December 31, 2016 is translated using the yearly average exchange rate in 2016, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2016.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investees (not including inestees in Mainland China)

Year ended December 31, 2016

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 December 31, 2016			Net profit (loss) of the investee for the year ended December 31, 2016 (Note 6)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 6)	Footnote
				Balance as at December 31, 2016 (Note 6)	Balance as at December 31, 2015 (Note 6)	Number of shares	Ownership (%)	Book value (Note 6)			
CHENBRO MICOM CO., LTD.	Micom Source Holding Company	Cayman Islands	Holding company	$ 663,518	$ 663,518	20,449,890	100	$ 2,116,725	$ 276,475	$ 261,615	Notes 1 and 5
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	59,585	24,869	27,461	Notes 1 and 5
CHENBRO MICOM CO., LTD.	Chenbro Europe B.V.	Netherlands	General trading company	2,837	2,837	20,000	100	57,018	7,716	6,915	Notes 1 and 5
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	77,740	3,600,000	100	119,960	1,699	1,699	Notes 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	Marketing services	9,019	9,019	250,000	100	8,779	71	71	Notes 5
Micom Source Holding Company	Cloud International Company Limited	Samoa	Holding company	17,738	17,738	550,000	100	29,531	3,838	-	Notes 3 and 5
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	208,109	208,109	6,452,738	100	58,820	9,107	-	Notes 3 and 5
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	265,740	265,740	8,239,890	100	1,610,497	226,253	-	Notes 3 and 5
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	509,550	509,550	31,600	100	462,560	40,772	-	Notes 3 and 5
Chenbro Europe B.V	Chenbro UK Limited	UK	Marketing services	848	848	20,000	100	1,729	144	-	Notes 4 and 5
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Trading/ order taking company	274,125	274,125	35,502	100	513,902	54,290	-	Notes 2 and 5

Note 1: Investment income (loss) recognised for the year ended December 31, 2016 includes recognition and elimination of realised and unrealised gain (loss) on upstream transactions.
Note 2: Investment income / loss recognised by ADEPT International Company.
Note 3: Investment income / loss recognised by Micom Source Holding Company.
Note 4: Investment income / loss recognised by Chenbro Europe B.V..
Note 5: The transactions were eliminated when preparing the consolidated financial statements.
Note 6: Except for current profit (loss) for the year ended December 31, 2016 which is translated using the yearly average exchange rate in 2016, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2016.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Information on investments in Mainland China
Year ended December 31, 2016

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, 2016	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended 'December 31, 2016: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended 'December 31, 2016: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	Net income of investee for the year ended December 31, 2016	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2016 (Note 2)	Book value of investments in Mainland China as of December 31, 2016	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2016	Footnote
CHENBRO MICOM (ShenZhen) Co., Ltd.	Trading and order taking	$ 16,125	2	$ 16,125	$ -	$ -	$ 16,125	$ 3,893	100	$ 3,893	$ 28,025	$ -	Notes 1, 8 and 9
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	322,500	2	322,500	-	-	322,500	224,328	100	224,328	1,542,752	302,406	Notes 3, 6, 8 and 9
CHENBRO MICOM (BEIJING) CO., LTD	Rendering technical service	27,720	2	-	-	-	-	(18,093)	100	(18,093)	4,865	-	Notes 5, 8 and 9
Dongguan Procase Electronic Co., Ltd.	Manufacturing and processing of computer cases	404,480	2	96,621	-	-	96,621	75,914	100	75,914	489,125	-	Notes 4, 8 and 9
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	67,725	2	-	-	-	-	1,338	100	1,338	68,670	-	Note 3, 7, 8 and 9

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 Company reinvested through Cloud International Company Limited with earnings of Micom Source Holding Company.
Note 2：The investment income/loss of current period were audited by independent accountants of the Company.
Note 3: The Company reinvested through Amber International Company.
Note 4: The Company reinvested through Procase & Morex Corporation and Amac International Company.
Note 5: The investee was established on June 6, 2014 and received RMB 6 million as capital which was remitted from the earnings of Chenbro Technology (Kunshan) Co., Ltd. on August 4, 2014.
Note 6: The Company distributed cash dividends of $302,406 (net of taxation on earnings remitted from Mainland China) to the Company through the holding companies, Amber International Company and Micom Source Holding Company on October 17, 2014.
Note 7：The Company incorporated on October 8, 2016 and was reinvested by Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company at amount of US$ 2.1 million as capital of the Company on December 23, 2016.
Note 8: The transactions were eliminated when preparing the consolidated financial statements.
Note 9: Except current profit (loss) for the year ended December 31, 2016 translated using the yearly average exchange rate in 2016, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2016.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2016	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 10)
CHENBRO MICOM CO., LTD.	$ 435,246	$ 384,909	$ -

Note 10: Pursuant to the Gong-Zhi-Zi Order No. 10320431220, certificate for qualified operational headquarters, issued by Industrial Development Bureau, Ministry of Economic Affairs on December 11, 2014, there is no ceiling on accumulated investments in Mainland China for the period from November 25, 2014 to November 24, 2017.