CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT

ACCOUNTANTS

SEPTEMBER 30, 2017 AND 2016

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(17)PWCR17001786

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

We have reviewed the accompanying consolidated balance sheets of Chenbro Micom Co., Ltd. and its subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2017 and 2016, as well as the consolidated statements of changes in equity and of cash flows for the nine months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements" in the Republic of China. A review consists primarily of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As explained in Note 4(3), we did not review the financial statements of certain insignificant consolidated subsidiaries, which statements reflect total assets of NT$619,008 thousand and NT$448,287 thousand, constituting 12% and 10% of the consolidated total assets, and total liabilities of NT$163,785 thousand and NT$171,373 thousand, constituting 7% and 9% of the consolidated total liabilities as of September 30, 2017 and 2016, respectively, and total comprehensive loss of NT$1,312 thousand, NT$12,899 thousand, NT$26,024 thousand and NT$24,404 thousand, constituting (1%), (18%), (10%) and (8%) of the consolidated total comprehensive income for the three months and nine months then ended, respectively. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies.

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain insignificant consolidated subsidiaries and the information disclosed in Note 13 been reviewed by independent accountants, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting", as endorsed by the Financial Supervisory Commission.

Audrey Tseng Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

November 7, 2017

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2017, DECEMBER 31, 2016 AND SEPTEMBER 30, 2016
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2017 and 2016 are reviewed, not audited)

			September 30, 2017		December 31, 2016		September 30, 2016	
	Assets	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 1,224,501	25	$ 1,298,218	26	$ 1,318,421	28
1150	Notes receivable, net		-	-	1,355	-	1,069	-
1170	Accounts receivable, net	6(2)	1,143,448	23	1,138,981	23	958,163	21
1180	Accounts receivable - related parties, net	7	200	-	1,449	-	667	-
1200	Other receivables	6(3) and 7	39,729	1	55,973	1	41,819	1
1220	Current income tax assets		5,192	-	4,865	-	12,522	-
130X	Inventories	6(4)	582,985	12	647,505	13	581,105	13
1410	Prepayments		69,122	1	60,684	1	55,730	1
1470	Other current assets	8	16,595	-	12,278	1	6,093	-
11XX	**Total current assets**		3,081,772	62	3,221,308	65	2,975,589	64
	Non-current assets							
1543	Non-current financial assets measured at cost	6(5)	31,625	1	31,625	1	-	-
1600	Property, plant and equipment	6(6) and 8	1,669,893	34	1,569,099	31	1,231,698	26
1780	Intangible assets	6(7)	6,122	-	10,002	-	8,191	-
1840	Deferred income tax assets	6(20)	66,344	1	76,726	1	78,845	2
1900	Other non-current assets	6(6)(8) and 8	101,321	2	79,386	2	368,156	8
15XX	**Total non-current assets**		1,875,305	38	1,766,838	35	1,686,890	36
1XXX	**Total assets**		$ 4,957,077	100	$ 4,988,146	100	$ 4,662,479	100

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2017, DECEMBER 31, 2016 AND SEPTEMBER 30, 2016
(Expressed in thousands of New Taiwan dollars)
(The consolidated balance sheets as of September 30, 2017 and 2016 are reviewed, not audited)

			September 30, 2017		December 31, 2016		September 30, 2016	
	Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(9)	$ 400,066	8	$ 94,500	2	$ 257,808	5
2170	Accounts payable		985,790	20	1,122,894	22	900,165	19
2180	Accounts payable - related parties	7	2,449	-	6,769	-	12,204	-
2200	Other payables	6(11) and 7	500,959	10	532,453	11	454,546	10
2230	Current income tax liabilities		46,849	1	105,528	2	82,098	2
2300	Other current liabilities	6(10)	28,982	1	30,751	1	30,432	1
21XX	**Total current liabilities**		1,965,095	40	1,892,895	38	1,737,253	37
	Non-current liabilities							
2540	Long-term borrowings	6(10)	136,621	3	150,318	3	147,836	3
2570	Deferred income tax liabilities	6(20)	57,680	1	60,147	1	58,233	1
2600	Other non-current liabilities	6(12)	26,685	-	27,992	1	17,991	1
25XX	**Total non-current liabilities**		220,986	4	238,457	5	224,060	5
2XXX	**Total liabilities**		2,186,081	44	2,131,352	43	1,961,313	42
	Share capital	6(13)						
3110	Share capital - common stock		1,197,260	24	1,197,260	24	1,201,260	26
	Capital surplus	6(14)						
3200	Capital surplus		48,209	1	48,209	1	56,749	1
	Retained earnings	6(15)(20)						
3310	Legal reserve		518,907	10	458,888	9	458,888	10
3320	Special reserve		142,624	3	65,573	1	65,573	1
3350	Unappropriated retained earnings		976,419	20	1,163,915	23	986,947	21
	Other equity interest	6(16)						
3400	Other equity interest		(112,423)	(2)	(77,051)	(1)	(55,711)	(1)
3500	**Treasury stocks**	6(13)	-	-	-	-	(12,540)	-
3XXX	**Total equity**		2,770,996	56	2,856,794	57	2,701,166	58
	Significant contingent liabilities and unrecorded contract commitments	9						
	Significant events after the balance sheet date	11						
3X2X	**Total liabilities and equity**		$ 4,957,077	100	$ 4,988,146	100	$ 4,662,479	100

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

			Three months ended September 30				Nine months ended September 30			
			2017		2016		2017		2016	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	7	$ 1,365,883	100	$ 1,268,253	100	$ 3,915,896	100	$ 3,871,694	100
5000	**Operating costs**	6(4)(19) and 7	(1,057,422)	(77)	(890,659)	(70)	(2,868,986)	(73)	(2,730,905)	(71)
5950	**Net operating margin**		308,461	23	377,594	30	1,046,910	27	1,140,789	29
	Operating expenses	6(19) and 7								
6100	Selling expenses		(71,046)	(5)	(68,547)	(5)	(218,408)	(6)	(221,763)	(6)
6200	General and administrative expenses		(79,290)	(6)	(69,119)	(6)	(227,709)	(6)	(213,960)	(5)
6300	Research and development expenses		(44,648)	(3)	(43,255)	(4)	(133,674)	(3)	(131,500)	(3)
6000	**Total operating expenses**		(194,984)	(14)	(180,921)	(15)	(579,791)	(15)	(567,223)	(14)
6900	**Operating profit**		113,477	9	196,673	15	467,119	12	573,566	15
	Non-operating income and expenses									
7010	Other income	6(17)	4,162	-	2,824	-	17,065	-	10,072	-
7020	Other gains and losses	6(18)	(11,840)	(1)	(16,342)	(1)	(57,086)	(1)	(9,174)	-
7050	Finance costs		(2,036)	-	(2,100)	-	(5,340)	-	(5,960)	-
7000	**Total non-operating income and expenses**		(9,714)	(1)	(15,618)	(1)	(45,361)	(1)	(5,062)	-
7900	**Profit before income tax**		103,763	8	181,055	14	421,758	11	568,504	15
7950	Income tax expense	6(20)	(24,448)	(2)	(47,048)	(3)	(113,006)	(3)	(153,498)	(4)
8200	**Profit for the period**		$ 79,315	6	$ 134,007	11	$ 308,752	8	$ 415,006	11
	Other comprehensive income									
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations	6(16)	$ 30,911	2	($ 74,473)	(6)	($ 40,553)	(1)	($ 131,109)	(3)
8399	Income tax relating to the components of other comprehensive income	6(16)(20)	(4,932)	-	11,554	1	5,181	-	20,541	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		25,979	2	(62,919)	(5)	(35,372)	(1)	(110,568)	(3)
8500	**Total comprehensive income for the period**		$ 105,294	8	$ 71,088	6	$ 273,380	7	$ 304,438	8
	Profit attributable to:									
8610	Owners of the parent		$ 79,315	6	$ 134,007	11	$ 308,752	8	$ 415,006	11
	Comprehensive income attributable to:									
8710	Owners of the parent		$ 105,294	8	$ 71,088	6	$ 273,380	7	$ 304,438	8
	Earnings per share (in dollars)	6(21)								
9750	**Basic earnings per share**		$ 0.66		$ 1.12		$ 2.58		$ 3.47	
9850	**Diluted earnings per share**		$ 0.66		$ 1.12		$ 2.56		$ 3.43	

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

		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
2016										
Balance at January 1, 2016		$1,201,260	$ 42,127	$ 14,622	$ 408,405	$ 65,573	$ 933,711	$ 54,857	($ 12,540)	$2,708,015
Distribution of 2015 earnings	6(15)									
Legal reserve		-	-	-	50,483	-	(50,483)	-	-	-
Cash dividends		-	-	-	-	-	(311,287)	-	-	(311,287)
Profit for the period		-	-	-	-	-	415,006	-	-	415,006
Other comprehensive loss for the period	6(16)	-	-	-	-	-	-	(110,568)	-	(110,568)
Balance at September 30, 2016		$1,201,260	$ 42,127	$ 14,622	$ 458,888	$ 65,573	$ 986,947	($ 55,711)	($ 12,540)	$2,701,166
2017										
Balance at January 1, 2017		$1,197,260	$ 41,987	$ 6,222	$ 458,888	$ 65,573	$ 1,163,915	($ 77,051)	$ -	$2,856,794
Distribution of 2016 earnings	6(15)									
Legal reserve		-	-	-	60,019	-	(60,019)	-	-	-
Special reserve		-	-	-	-	77,051	(77,051)	-	-	-
Cash dividends		-	-	-	-	-	(359,178)	-	-	(359,178)
Profit for the period		-	-	-	-	-	308,752	-	-	308,752
Other comprehensive loss for the period	6(16)	-	-	-	-	-	-	(35,372)	-	(35,372)
Balance at September 30, 2017		$1,197,260	$ 41,987	$ 6,222	$ 518,907	$ 142,624	$ 976,419	($ 112,423)	$ -	$2,770,996

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 421,758	$ 568,504
Adjustments			
Adjustments to reconcile profit (loss)			
Bad debts expense	6(2)	6,381	514
Depreciation	6(6)(19)	93,899	84,093
Amortization	6(7)(19)	3,862	3,853
Interest expense		5,340	5,960
Interest income	6(17)	(7,015)	(7,528)
Loss on disposal of property, plant and equipment	6(18)	892	402
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		1,355	2,601
Accounts receivable		(10,926)	54,414
Accounts receivable - related parties, net		1,249	850
Other receivables		16,632	4,196
Inventories		64,520	(61,360)
Prepayments		(8,438)	5,592
Other current assets		(3,518)	1,552
Changes in operating liabilities			
Notes payable		-	(656)
Accounts payable		(137,104)	(51,347)
Accounts payable - related parties		(4,320)	(673)
Other payables		(22,344)	(24,749)
Other current liabilities		(1,552)	(17,003)
Other non-current liabilities		(1,307)	(20,979)
Cash inflow generated from operations		419,364	548,236
Interest received		6,627	5,256
Interest paid		(5,310)	(5,930)
Income tax paid		(159,133)	(106,707)
Net cash flows from operating activities		261,548	440,855

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	2017	2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(22)	($ 262,805)	($ 268,230)
Proceeds from disposal of property, plant and equipment	6(6)	-	1,017
Acquisition of intangible assets	6(7)	(29)	(1,433)
Decrease (increase) in other non-current assets	6(8)	6,074	(25,535)
Net cash flows used in investing activities		(256,760)	(294,181)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings		305,566	126,458
Repayment of long-term borrowings (including current portion)		(4,655)	(4,927)
Payment of cash dividends	6(15)	(359,178)	(311,287)
Net cash flows used in financing activities		(58,267)	(189,756)
Effect on foreign exchange difference		(20,238)	(72,574)
Net decrease in cash and cash equivalents		(73,717)	(115,656)
Cash and cash equivalents at beginning of period	6(1)	1,298,218	1,434,077
Cash and cash equivalents at end of period	6(1)	$ 1,224,501	$ 1,318,421

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

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 reported to the Board of Directors on November 7, 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")

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
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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.

(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 as endorsed by the FSC effective from 2018 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
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
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
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Prepayment features with negative compensation (amendments to IFRS 9)	January 1, 2019
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 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Long-term interests in associates and joint ventures (amendments to IAS 28)	January 1, 2019
IFRS 23, 'Uncertainty over income tax treatments'	January 1, 2019

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(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 International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its 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 (%) September 30, 2017	Description
Chenbro Micom Co., Ltd.	Micom Source Holding Company	Holding company	100	
Chenbro Micom Co., Ltd.	Chenbro Micom (USA) Incorporation	General trading company	100	
Chenbro Micom Co., Ltd.	Chenbro Europe B.V.	General trading company	100	Notes 2, 3 and 5
Chenbro Micom Co., Ltd.	CLOUDWELL HOLDINGS, LLC.	Real estate leasing company	100	Notes 2 and 3
Chenbro Micom Co., Ltd.	Chenbro GmbH	General trading company	100	Notes 2 and 3
Chenbro Micom Co., Ltd.	Chenbro UK Limited	Marketing services	100	Notes 2, 3 and 6
Micom Source Holding Company	Cloud International Company Limited	Holding company	100	Notes 2 and 3
Micom Source Holding Company	AMAC International Company	Holding company	100	Notes 2 and 3
Micom Source Holding Company	AMBER International Company	Holding company	100	
Micom Source Holding Company	ADEPT International Company	Holding company	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) September 30, 2017	Description
Cloud International Company	Chenbro Micom (Shenzhen) Co., Ltd.	General trading company	100	Notes 2, 3 and 4
AMBER International Company	Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing of computer cases	100	
AMBER International Company	ChenPower Information Technology (Shanghai) Co., Ltd.	General trading company	100	Notes 2 and 3
Chenbro Technology (Kunshan) Co., Ltd.	Chenbro Micom (Beijing) Co., Ltd.	Research and development of technical skills	100	Notes 2, 3 and 4
ADEPT International Company	PROCASE & MOREX Corporation	Trading / Order taking company	100	
PROCASE & MOREX Corporation	Dongguan Procase Electronic Co., Ltd.	Manufacturing of computer cases	88	
AMAC International Company	Dongguan Procase Electronic Co., Ltd.	Manufacturing of computer cases	12	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2016	September 30, 2016	Description
Chenbro Micom Co., Ltd.	Micom Source Holding	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	Notes 2 and 3
Chenbro Micom Co., Ltd.	CLOUDWELL HOLDINGS, LLC.	Real estate leasing company	100	100	Notes 2 and 3

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2016	Ownership (%) September 30, 2016	Description
Chenbro Micom Co., Ltd.	Chenbro GmbH	Marketing services	100	100	Notes 2 and 3
Micom Source Holding Company	Cloud International Company Limited	Holding company	100	100	Notes 2 and 3
Micom Source Holding Company	AMAC International Company	Holding company	100	100	Notes 2 and 3
Micom Source Holding Company	AMBER International Company	Holding company	100	100	
Micom Source Holding Company	ADEPT International Company	Holding company	100	100	
Chenbro Europe B.V.	Chenbro UK Limited	Marketing services	100	100	Notes 2 and 3
Cloud International Company Limited	Chenbro Micom (Shenzhen) Co., Ltd.	General trading company	100	100	Notes 2 and 3
AMBER International Company	Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing of computer cases	100	100	
AMBER International Company	ChenPower Information Technology (Shanghai) Co., Ltd.	General trading company	100	-	Note 1
Chenbro Technology (Kunshan) Co., Ltd.	Chenbro Micom (Beijing) Co., Ltd.	Research and development of technical skills	100	100	Notes 2 and 3
ADEPT International Company	PROCASE & MOREX Corporation	Trading / Order taking company	100	100	
PROCASE & MOREX Corporation	Dongguan Procase Electronic Co., Ltd.	Manufacturing of computer cases	88	88	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2016	Ownership (%) September 30, 2016	Description
AMAC International Company	Dongguan Procase Electronic Co., Ltd.	Manufacturing of computer cases	12	12	

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

Note 2: The financial statements of the entity as of and for the nine months ended September 30, 2017 and 2016 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

Note 3: We did not review the financial statements of certain consolidated immaterial subsidiaries, which statements reflect total assets of $619,008 and $448,287 as of September 30, 2017 and 2016, respectively, total liabilities of $163,785 and $171,373 as of September 30, 2017 and 2016, respectively, and comprehensive loss of $1,312, $12,899, $26,024 and $24,404 for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, respectively.

Note 4: On January 19, 2017, Chenbro Micom (Shenzhen) Co., Ltd. and Chenbro Micom (Beijing) Co., Ltd. were dissolved under the resolution of Board of Directors.

Note 5: On May 9, 2017, Chenbro Europe B. V. was dissolved under the resolution of Board of Directors.

Note 6: In accordance with the resolution made by the Board of Directors on May 9, 2017, the Company directly held the shares of Chenbro UK Limited. The registration of such share transfer was completed in August 2017.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

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

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) <u>Cash equivalents</u>

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) <u>Accounts receivable</u>

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) <u>Impairment of financial assets</u>

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) <u>Financial assets measured at cost</u>

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

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

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

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

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

(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.

E. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pre-tax income of the interim period and the related information must be disclosed accordingly.

(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 September 30, 2017, the carrying amount of accounts receivable was $1,143,448.

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 September 30, 2017, the carrying amount of inventories was $582,985.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2017	December 31, 2016	September 30, 2016
Petty cash and cash on hand	$ 276	$ 600	$ 609
Demand deposits	18,406	38,614	16,972
Checking account deposits	61,129	71,096	63,355
Time deposits (including foreign currencies)	500,576	763,891	497,656
Foreign currency deposits	644,114	424,017	739,829
	$ 1,224,501	$ 1,298,218	$ 1,318,421

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

	September 30, 2017	December 31, 2016	September 30, 2016
Accounts receivable	$ 1,170,209	$ 1,159,414	$ 977,139
Less: Allowance for bad debts	(26,761)	(20,433)	(18,976)
	$ 1,143,448	$ 1,138,981	$ 958,163

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:

	September 30, 2017	December 31, 2016	September 30, 2016
Level 1	$ -	$ -	$ -
Level 2	925,267	911,233	823,082
Level 3	10,316	5,232	1,640
	$ 935,583	$ 916,465	$ 824,722

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:

	September 30, 2017	December 31, 2016	September 30, 2016
Up to 30 days	$ 153,724	$ 137,224	$ 86,524
31 to 90 days	31,830	57,335	36,833
91 to 180 days	6,500	28,358	2,677
Over 181 days	21,756	5,515	11,866
	$ 213,810	$ 228,432	$ 137,900

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 September 30, 2017, December 31, 2016 and September 30, 2016, all of the Group's accounts receivable that were individually determined to be impaired amounted to $20,816, $14,517 and $14,517, respectively.

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

	2017		
	Individual provision	Group provision	Total
At January 1	$ 14,517	$ 5,916	$ 20,433
Provision for (reversal of) impairment	6,430	(49)	6,381
Write-offs during the period	(131)	-	(131)
Effects of foreign exchange	-	78	78
At September 30	$ 20,816	$ 5,945	$ 26,761

	2016		
	Individual provision	Group provision	Total
At January 1	$ 14,517	$ 4,101	$ 18,618
Provision for impairment	-	514	514
Effects of foreign exchange	-	(156)	(156)
At September 30	$ 14,517	$ 4,459	$ 18,976

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 September 30, 2017, December 31, 2016 and September 30, 2016, the related information is as follows:

September 30, 2017						
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 10,302	$ 10,302	$ 30,000	$ -		

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	$ -		

September 30, 2016						
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 9,215	$ 9,215	$ 30,000	$ -		

Note: Shown as ‘other receivables’.

(4) Inventories

	September 30, 2017		
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	$ 199,553	($ 24,110)	$ 175,443
Semi-finished goods	57,841	(9,644)	48,197
Work in process	101,849	(6,390)	95,459
Finished goods	379,256	(115,370)	263,886
	$ 738,499	($ 155,514)	$ 582,985

	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

	September 30, 2016		
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	$ 242,241	($ 19,426)	$ 222,815
Semi-finished goods	33,054	(4,447)	28,607
Work in process	70,878	(599)	70,279
Finished goods	418,454	(159,050)	259,404
	$ 764,627	($ 183,522)	$ 581,105

The cost of inventories recognised as expense for the period:

	Three months ended September 30,	
	2017	2016
Cost of goods sold	$ 1,032,628	$ 853,967
Sale of scraps	(1,702)	(2,607)
Loss on decline in market value	26,675	39,324
Gain on physical inventory	(179)	(25)
	$ 1,057,422	$ 890,659

	Nine months ended September 30,	
	2017	2016
Cost of goods sold	$ 2,830,319	$ 2,683,920
Sale of scraps	(6,207)	(6,221)
Loss on decline in market value	45,457	53,640
Gain on physical inventory	(583)	(434)
	$ 2,868,986	$ 2,730,905

(5) Financial assets measured at cost

Items	September 30, 2017	December 31, 2016
Non-current items:		
Unlisted stocks	$ 31,625	$ 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 the unlisted company's financial information can be obtained, the fair value of the investment in the unlisted stocks cannot be measured reliably. Accordingly, the Group classified those stocks as 'financial assets measured at cost'. As of September 30, 2016, the Group has no financial assets measured at cost.

B. As of September 30, 2017 and 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, 2017												
Cost	$ 215,971	$1,294,693	$ 510,324	$ 262,272	$ 33,270	$ 28,543	$ 20,232	$ 53,113	$ 41,627	$ 240,888	$2,700,933	$ 2,069
Accumulated depreciation and impairment	-	(428,607)	(345,735)	(234,127)	(23,981)	(21,196)	(15,003)	(35,534)	(27,651)	-	(1,131,834)	-
	$ 215,971	$ 866,086	$ 164,589	$ 28,145	$ 9,289	$ 7,347	$ 5,229	$ 17,579	$ 13,976	$ 240,888	$1,569,099	$ 2,069
2017												
Opening net book amount	$ 215,971	$ 866,086	$ 164,589	$ 28,145	$ 9,289	$ 7,347	$ 5,229	$ 17,579	$ 13,976	$ 240,888	$1,569,099	$ 2,069
Additions	-	94,922	39,763	44,513	1,429	2,312	2,595	1,759	2,819	33,879	223,991	29,634
Disposals	-	-	(595)	-	(132)	(20)	-	(66)	(5)	-	(818)	-
Transfers	-	168,732	34,793	-	-	20	1,197	1,973	26	(205,578)	1,163	(2,011)
Effects of foreign exchange	(4,363)	(16,767)	(1,799)	474	(292)	(97)	(132)	(555)	(168)	(5,944)	(29,643)	338
Depreciation charges	-	(42,121)	(23,392)	(17,578)	(3,253)	(1,162)	(592)	(3,298)	(2,503)	-	(93,899)	-
Closing net book amount	$ 211,608	$1,070,852	$ 213,359	$ 55,554	$ 7,041	$ 8,400	$ 8,297	$ 17,392	$ 14,145	$ 63,245	$1,669,893	$ 30,030
At September 30, 2017												
Cost	$ 211,608	$1,536,006	$ 558,249	$ 307,251	$ 30,499	$ 28,833	$ 23,555	$ 55,001	$ 44,019	$ 63,245	$2,858,266	$ 30,030
Accumulated depreciation and impairment	-	(465,154)	(344,890)	(251,697)	(23,458)	(20,433)	(15,258)	(37,609)	(29,874)	-	(1,188,373)	-
	$ 211,608	$1,070,852	$ 213,359	$ 55,554	$ 7,041	$ 8,400	$ 8,297	$ 17,392	$ 14,145	$ 63,245	$1,669,893	$ 30,030

Note: Pepayments 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.

C. The net difference from the transfers for this period resulted from the expenses of $49 and prepayments of $799.

	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	-	(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	-	4,290	8,500	2,985	2,024	982	1,379	3,979	1,159	135,039	160,337	112,508
Disposals	-	(606)	(731)	-	-	-	-	(78)	(4)	-	(1,419)	-
Transfers	-	-	3,123	114	-	3,476	-	37	1,079	(7,829)	-	-
Effects of foreign exchange	(3,429)	(28,732)	(10,249)	(79)	(290)	(354)	(292)	(920)	(219)	(7,587)	(52,151)	(13,990)
Depreciation charge	-	(34,010)	(25,358)	(14,556)	(3,255)	(859)	(815)	(3,521)	(1,719)	-	(84,093)	-
Closing net book amount	$ 213,894	$ 622,788	$ 169,240	$ 23,545	$ 10,450	$ 7,726	$ 5,518	$ 17,803	$ 5,941	$ 154,793	$1,231,698	$ 257,374
At September 30, 2016												
Cost	$ 213,894	$1,045,360	$ 512,220	$ 256,995	$ 33,518	$ 28,649	$ 20,317	$ 52,651	$ 33,340	$ 154,793	$2,351,737	$ 257,374
Accumulated depreciation and impairment	-	(422,572)	(342,980)	(233,450)	(23,068)	(20,923)	(14,799)	(34,848)	(27,399)	-	(1,120,039)	-
	$ 213,894	$ 622,788	$ 169,240	$ 23,545	$ 10,450	$ 7,726	$ 5,518	$ 17,803	$ 5,941	$ 154,793	$1,231,698	$ 257,374

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.

(7) Intangible assets

	Trademarks	Computer software	Others	Total
At January 1, 2017				
Cost	$ 532	$ 31,481	$ 600	$ 32,613
Accumulated amortisation	(229)	(22,046)	(336)	(22,611)
	$ 303	$ 9,435	$ 264	$ 10,002
2017				
At January 1	$ 303	$ 9,435	$ 264	$ 10,002
Additions	29	-	-	29
Amortisation charge	(44)	(3,761)	(57)	(3,862)
Effects of foreign exchange	-	(47)	-	(47)
At September 30	$ 288	$ 5,627	$ 207	$ 6,122
At September 30, 2017				
Cost	$ 561	$ 28,608	$ 600	$ 29,769
Accumulated amortisation	(273)	(22,981)	(393)	(23,647)
	$ 288	$ 5,627	$ 207	$ 6,122

	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	-	1,293	140	1,433
Amortisation charge	(30)	(3,764)	(59)	(3,853)
Effects of foreign exchange	-	(51)	-	(51)
At September 30	$ 282	$ 7,627	$ 282	$ 8,191
At September 30, 2016				
Cost	$ 390	$ 26,052	$ 380	$ 26,822
Accumulated amortisation	(108)	(18,425)	(98)	(18,631)
	$ 282	$ 7,627	$ 282	$ 8,191

Details of amortisation on intangible assets are as follows:

	Three months ended September 30,	
	2017	2016
Selling expenses	$ 112	$ 105
Administrative expenses	599	553
Research and development expenses	478	601
	$ 1,189	$ 1,259

	Nine months ended September 30,	
	2017	2016
Selling expenses	$ 336	$ 317
Administrative expenses	1,859	1,739
Research and development expenses	1,667	1,797
	$ 3,862	$ 3,853

(8) Other non-current assets

	September 30, 2017	December 31, 2016	September 30, 2016
Long-term prepaid rent - land use right (Note)	$ 59,529	$ 61,466	$ 62,478
Prepayments for business facilities	30,030	2,069	257,374
Current prepayments for investments	-	-	31,625
Others	11,762	15,851	16,679
	$ 101,321	$ 79,386	$ 368,156

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 $248, $265, $737 and $823 for the three months ended September 30, 2017 and 2016 and nine months ended September 30, 2017 and 2016, respectively.

(9) Short-term borrowings

Type of borrowings	September 30, 2017	Interest rate range	Collateral
Short-term borrowings	$ 400,066	0.82%~3.5%	A promissory note of the same amount was issued as collateral.

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	September 30, 2016	Interest rate range	Collateral
Short-term borrowings	$ 257,808	0.80%~2.75%	A promissory note of the same amount was issued as collateral.

(10) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	September 30, 2017
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	$ 143,294
Less: Current portion (shown as 'other current liabilities')				(6,673)
				$ 136,621

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 the 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	September 30, 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 the USA	$ 154,474
Less: Current portion (shown as 'other current liabilities')				(6,638)
				$ 147,836

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 September 30, 2017, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(11) Other payables

	September 30, 2017	December 31, 2016	September 30, 2016
Wages and bonus payable	$ 152,533	$ 142,298	$ 126,896
Payables for investment	79,748	84,656	82,320
Remuneration due to directors and supervisors and employee bonus payable	35,623	67,566	47,774
Payables for mold	43,650	44,200	38,396
Payables for export freight and customs clearance charges	23,756	29,017	14,993
Payables for service fees	15,764	15,486	13,113
Payables for machinery and equipment	3,796	12,976	9,836
Payables for consumable goods	10,997	3,249	5,501
Others	135,092	133,005	115,717
	$ 500,959	$ 532,453	$ 454,546

(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) For the aforementioned pension plan, the Group recognised pension costs of $182, $261, $548 and $782 for the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, respectively.

(c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2018 are $603.

B. Defined contribution plan

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

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

(c) The pension costs under the defined contribution pension plan of the Company for the three months ended September 30, 2017 and 2016 and nine months ended September 30, 2017 and 2016 were $2,140, $1,949, $6,239 and $5,552, 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 three months ended September 30, 2017 and 2016 and nine months ended September 30, 2017 and 2016 were $8,278, $5,495, $24,277 and $16,076, respectively.

(13) Ordinary shares

A. As of September 30, 2017, 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 2016 are as follows:

		September 30, 2016	
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 totaling 400 thousand shares in the amount 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, 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 20, 2017 and June 23, 2016, the shareholders resolved the appropriations of 2016 and 2015 earnings as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	$ 60,019	$ -	$ 50,483	$ -
Special reserve	77,051	-	-	-
Cash dividends to shareholders	359,178	3.00	311,287	2.60
	$ 496,248	$ 3.00	$ 361,770	$ 2.60

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

(16) Other equity items

	2017	2016
At January 1	($ 77,051)	$ 54,857
Currency translation differences:		
- Group	(40,553)	(131,109)
- Tax on Group	5,181	20,541
At September 30	($ 112,423)	($ 55,711)

(17) Other income

	Three months ended September 30,	
	2017	2016
Interest income	$ 2,330	$ 2,184
Other income	1,832	640
	$ 4,162	$ 2,824

	Nine months ended September 30,	
	2017	2016
Interest income	$ 7,015	$ 7,528
Other income	10,050	2,544
	$ 17,065	$ 10,072

(18) Other gains and losses

	Three months ended September 30, 2017	Three months ended September 30, 2016
Net currency exchange loss	($ 11,059)	($ 15,514)
Loss on disposal of property, plant and equipment	(219)	(73)
Other expenses	(562)	(755)
	($ 11,840)	($ 16,342)

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Net currency exchange loss	($ 54,538)	($ 6,895)
Loss on disposal of property, plant and equipment	(892)	(402)
Other expenses	(1,656)	(1,877)
	($ 57,086)	($ 9,174)

(19) Employee benefit, depreciation and amortisation expenses

	Three months ended September 30, 2017	Three months ended September 30, 2016
Wages and salaries	$ 186,635	$ 176,175
Labour and health insurance fees	10,067	10,221
Pension costs	10,600	7,705
Other personnel expenses	13,482	13,830
Employee benefit expense	$ 220,784	$ 207,931
Depreciation charges on property, plant and equipment	$ 40,967	$ 27,033
Amortisation charges on intangible assets	$ 1,189	$ 1,259

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Wages and salaries	$ 555,786	$ 529,145
Labour and health insurance fees	28,370	27,133
Pension costs	31,064	22,410
Other personnel expenses	40,099	43,635
Employee benefit expense	$ 655,319	$ 622,323
Depreciation charges on property, plant and equipment	$ 93,899	$ 84,093
Amortisation charges on intangible assets	$ 3,862	$ 3,853

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

B. For the three months ended September 30, 2017 and 2016, and nine months ended September 30, 2017 and 2016, employees' compensation was accrued at $6,816, $9,956, $27,527 and $36,916, respectively; while directors' and supervisors' remuneration was accrued at $2,005, $2,928, $8,096 and $10,858, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2016, employees' compensation and directors' and supervisors' remuneration amounted to $51,972 and $15,286 as resolved by the Board of Directors on February 23, 2017, respectively, and the differences with the amounts recognized in the current year's financial statements amounted to $238 and $70, respectively. The differences are accounted for as changes in estimates and had been adjusted in the profit or loss for 2017.

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:

	Three months ended September 30,	
	2017	2016
Current tax:		
Current tax on profits for the period	$ 14,262	$ 42,970
Tax on undistributed surplus earnings	-	-
Prior year income tax under (over) estimation	-	-
Total current tax	14,262	42,970
Deferred tax:		
Origination and reversal of temporary differences	10,186	4,078
Income tax expense	$ 24,448	$ 47,048

	Nine months ended September 30,	
	2017	2016
Current tax:		
Current tax on profits for the period	$ 89,455	$ 132,732
Tax on undistributed surplus earnings	9,573	14,306
Prior year income tax under (over) estimation	882	(225)
Total current tax	99,910	146,813
Deferred tax:		
Origination and reversal of temporary differences	13,096	6,685
Income tax expense	$ 113,006	$ 153,498

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

	Three months ended September 30,	
	2017	2016
Currency translation differences	$ 4,932	($ 11,554)

	Nine months ended September 30,	
	2017	2016
Currency translation differences	($ 5,181)	($ 20,541)

B. The Company's income tax returns through 2014 have been assessed and approved by the Tax Authority.

C. Unappropriated retained earnings:

	September 30, 2017	December 31, 2016	September 30, 2016
Earnings generated in and before 1997	$ 12,886	$ 12,886	$ 12,886
Earnings generated in and after 1998	963,533	1,151,029	974,062
	$ 976,419	$ 1,163,915	$ 986,948

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

	September 30, 2017	December 31, 2016	September 30, 2016
Balance of the imputation tax credit account	$ 100,652	$ 126,116	$ 98,460

	2016 (actual)	2015 (actual)
Creditable tax rate	15.38%	16.29%

(21) Earnings per share

	Three months ended September 30, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 79,315	119,726	$ 0.66
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 79,315		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	145	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 79,315	119,871	$ 0.66

	Three months ended September 30, 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	$ 134,007	119,726	$ 1.12
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 134,007		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	203	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 134,007	119,929	$ 1.12

	Nine months ended September 30, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 308,752	119,726	$ 2.58
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 308,752		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	776	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 308,752	120,502	$ 2.56

	Nine months ended September 30, 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	$ 415,006	119,726	$ 3.47
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 415,006		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,235	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 415,006	120,961	$ 3.43

(22) Supplemental cash flow information

Investing activities with partial cash payments:

	Nine months ended September 30,	
	2017	2016
Purchase of property, plant and equipment	$ 253,625	$ 272,845
Add: Opening balance of payable on equipment	12,976	5,221
Less: Ending balance of payable on equipment	(3,796)	(9,836)
Cash paid during the period	$ 262,805	$ 268,230

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) Names of related parties and relationship

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

(3) Significant related party transactions

A. Operating revenue

	Three months ended September 30,	
	2017	2016
Sales of goods:		
Other related parties	$ 76	$ 318

	Nine months ended September 30,	
	2017	2016
Sales of goods:		
Other related parties	$ 1,092	$ 2,292

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

B. Purchases and other expenses

	Three months ended September 30,	
	2017	2016
Purchase of goods:		
Other related parties	$ 3,305	$ 18,036
Other expenses:		
Other related parties (management service expense)	466	466
	$ 3,771	$ 18,502

	Nine months ended September 30, 2017		Nine months ended September 30, 2016	
Purchase of goods:				
Other related parties	$	18,181	$	46,433
Other expenses:				
Other related parties (management service expense)		1,397		1,397
	$	19,578	$	47,830

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

(b) Management service expense: Management service expense arises from management of warehouse by other related parties on behalf of the Company. Prices and terms are determined based on mutual agreements, and the collection term is 60 days after monthly billings.

C. Receivables from related parties

	September 30, 2017		December 31, 2016		September 30, 2016	
Accounts receivable:						
Other related parties	$	200	$	1,449	$	667
Other receivables-payment on behalf of others:						
Other related parties		23		490		484
	$	223	$	1,939	$	1,151

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

D. Payables to related parties

	September 30, 2017		December 31, 2016		September 30, 2016	
Accounts payable:						
Other related parties	$	2,449	$	6,769	$	12,204
Other payables-management service:						
Other related parties		358		545		398
	$	2,807	$	7,314	$	12,602

Accounts payable bear no interest.

(4) Key management compensation

	Three months ended September 30, 2017	Three months ended September 30, 2016
Short-term employee benefits	$ 6,495	$ 7,474
Post-employment benefits	93	84
Other long-term benefits	246	322
	$ 6,834	$ 7,880

	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Short-term employee benefits	$ 27,025	$ 30,343
Post-employment benefits	279	252
Other long-term benefits	888	966
	$ 28,192	$ 31,561

8. PLEDGED ASSETS

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

	Book value			
Pledged asset	September 30, 2017	December 31, 2016	September 30, 2016	Purpose
Time deposits (shown as ‘other current assets’)	$ 1,339	$ 1,322	$ 1,333	Customs duty guarantee
Cash in banks (shown as ‘other non-current assets’)	$ 3,063	$ 3,252	$ 3,148	Long-term borrowings (Note)
Land and buildings	$ 223,873	$ 241,045	$ 235,492	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:

	September 30, 2017	December 31, 2016	September 30, 2016
Not later than one year	$ 2,474	$ 2,458	$ 2,497
Later than one year but not later than three years	5,000	5,014	5,055
Over three years	77,791	80,851	82,759
	$ 85,265	$ 88,323	$ 90,311

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

	September 30, 2017	December 31, 2016	September 30, 2016
Not later than one year	$ 31,030	$ 3,782	$ 3,873
Later than one year but not later than three years	2,481	3,918	3,587
Over three years	82	920	1,238
	$ 33,593	$ 8,620	$ 8,698

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In response to the capital needs of the sub-subsidiary, ADEPT International Company (hereafter referred to as ADEPT), the Company's Board of Directors approved the loan of US$3 million to ADEPT on November 7, 2017. The Board also authorised the Company's chairperson to loan multiple times or make a revolving credit line for ADEPT to draw down up to a maximum of US$3 million within one year.

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)

	September 30, 2017		December 31, 2016		September 30, 2016	
Book value	$	143,294	$	157,208	$	154,474
Fair value risk	$	146,959	$	161,276	$	158,534

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:

	September 30, 2017		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 41,383	30.38	$ 1,257,216
USD:RMB	31,709	6.67	962,321
Non-monetary items			
USD:NTD	5,585	30.38	169,672
EUR:NTD	1,942	35.70	69,345
RMB:NTD	490,326	4.55	2,230,985
Financial liabilities			
Monetary items			
USD:NTD	$ 29,811	30.38	$ 905,658
USD:RMB	9,367	6.67	284,274

	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	445,866	4.62	2,059,902
Financial liabilities			
Monetary items			
USD:NTD	$ 33,532	32.25	$ 1,081,407
USD:RMB	14,991	6.99	484,116

	September 30, 2016				
		Foreign currency amount (in thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	43,663	31.36	$	1,369,272
USD:RMB		32,743	6.68		1,025,809
Non-monetary items					
USD:NTD		4,965	31.36		155,701
RMB:NTD		429,356	4.69		2,013,680
EUR:NTD		1,816	35.08		63,703
Financial liabilities					
Monetary items					
USD:NTD	$	31,149	31.36	$	976,833
RMB:NTD		3,000	4.69		14,070
USD:RMB		10,768	6.68		337,353

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

	Three months ended September 30, 2017				
	Exchange gain (loss)				
		Foreign currency amount (in thousands)	Exchange rate		Book value
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	-	30.38	$	3,967
USD:RMB		3,101	6.67		13,964
Financial liabilities					
Monetary items					
USD:NTD	$	-	30.38	$	2,563
USD:RMB	(	1,594)	6.67	(	7,159)

	Three months ended September 30, 2016		
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	31.36	($ 3,663)
USD:RMB	(3,255)	6.68	(15,787)
Financial liabilities			
Monetary items			
USD:NTD	$ -	31.36	($ 2,137)
USD:RMB	4	6.68	25

	Nine months ended September 30, 2017		
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	30.38	$ 8,020
USD:RMB	677	6.67	3,079
Financial liabilities			
Monetary items			
USD:NTD	$ -	30.38	($ 5,755)
USD:RMB	(1)	6.67	(6)

	Nine months ended September 30, 2016		
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	31.36	($ 16,401)
USD:RMB	(10)	6.68	(47)
Financial liabilities			
Monetary items			
USD:NTD	$ -	31.36	$ 7,993
USD:RMB	(52)	6.68	(246)

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

	Nine months ended September 30, 2017		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 12,572	-
USD:RMB	1%	9,623	-
Financial liabilities			
Monetary items			
USD:NTD	1%	9,057	-
USD:RMB	1%	2,843	-

	Nine months ended September 30, 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%	$ 13,693	-
USD:RMB	1%	10,258	-
Financial liabilities			
Monetary items			
USD:NTD	1%	9,768	-
RMB:NTD	1%	141	-
USD:RMB	1%	3,374	-

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 nine months ended September 30, 2017 and 2016, 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 nine months ended September 30, 2017 and 2016, 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:

September 30, 2017	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 401,184	$ -	$ -	$ -
Accounts payable	985,790	-	-	-
Accounts payable - related party	2,449	-	-	-
Other payables	500,959	-	-	-
Other current liabilities	21,872	-	-	-
Long-term borrowings (including current portion)	11,933	23,866	23,866	131,263
Guarantee deposits received	437	205	-	-

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	-	-

September 30, 2016	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 258,319	$ -	$ -	$ -
Accounts payable	900,165	-	-	-
Accounts payable - related party	12,204	-	-	-
Other payables	454,546	-	-	-
Other current liabilities	23,794	-	-	-
Long-term borrowings (including current portion)	12,318	24,636	24,636	147,815
Guarantee deposits received	-	1,605	-	-

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

As of September 30, 2017, December 31, 2016 and September 30, 2016, the Group did not hold any financial assets that requires valuation technique to measure its fair value.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

Immaterial subsidiaries which shall be disclosed in the information of investees are based on the subsidiaries' unreviewed financial statements for the same period end.

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: please refer to table 5.

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

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Counterparties' information are disclosed based on subsidiaries' unreviewed financial statements. However, the information on investments between companies was eliminated when preparing the consolidated financial statements. The following disclosures are for reference only.

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies

in the Mainland Area:

(a) The Company purchased through the third-tier subsidiary, PROCASE & MOREX Corporation (Procase). During the nine months ended September 30, 2017, Procase purchased raw materials of iron pieces amounting to $379,996, 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 $69,167, comprising 37% of the accounts payable of Procase. During the nine months ended September 30, 2017, Procase sold finished goods of computer cases to the Company, amounting to $470,719, comprising 69% of Procase's sales during the nine months ended September 30, 2017. As of September 30, 2017, balance of accounts payable to Procase amounted to $173,427, comprising 34% of the accounts payable of the Company.

During the nine months ended September 30, 2017, the Company provided research and development technical skills to Dongguan Procase Electronic Co., Ltd. and received royalty. As of September 30, 2017, other receivables from Dongguan Procase Electronic Co., Ltd. amounted to $31,578, comprising 23% of other receivables of the Company.

(b) During the nine months ended September 30, 2017, the Company purchased finished goods of computer cases amounting to $953,733 from the Company's third-tier subsidiary - Chenbro Technology (Kunshan) Co., Ltd. As of September 30, 2017, balance of accounts payable to Chenbro Technology (Kunshan) Co., Ltd. amounted to $160,656, comprising 32% 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 has assessed that the Company and its subsidiaries only have one reportable operating segment. Furthermore, the measurement basis for the Company is in agreement with the basis stated in the reports reviewed by the chief operating decision-maker.

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

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

(3) Reconciliation for segment income (loss)

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Loans to others

Nine months ended September 30, 2017

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

Table 1

No. (Note 1)	Creditor	Borrower	General ledger accoun	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2017 (Note 2）	Balance at September 30, 2017 （Note 3）	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
0	CHENBRO MICOM CO., LTD.	Chenbro GmbH	Other receivables due from related parties	Yes	$ 35,700	$ 35,700	$ -	Based on market interest rate	Short-term financing	$ -	Operating Capital	$ -	None	$ -	$ 277,100	$ 554,199	Note 4

Note 1: The numbers filled in for the loans 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: The maximum balance of Chenbro Micom Co., Ltd. loan to Chenbro GmbH during the nine-month period ended September 30, 2017 was EU 1 million in original currency.

Note 3: The ending balance of Chenbro Micom Co., Ltd. loan to Chenbro GmbH during the nine-month period ended September 30, 2017 was EU 1 million in original currency.

Note 4: Ceiling on total loans to others is 20% of the Company's net worth and limit on loans to a single party is 10% of the Company's net worth based on the Company's "Procedures for Provision of Loans".

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Nine months ended September 30, 2017

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

Table 2

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 September 30, 2017 (Note 5)	Outstanding endorsement/ guarantee amount at September 30, 2017 (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	$ 554,199	$ 121,520	$ 121,520	$ 60,760	$ -	4	$ 1,662,598	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	1	554,199	170,128	170,128	143,294	-	6	1,662,598	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	PROCASE & MOREX Corporation	2	554,199	212,660	212,660	-	-	8	1,662,598	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 $7,000 thousand for the nine months ended September 30, 2017, 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 nine months ended September 30, 2017, respectively.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the period
September 30, 2017
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 3

				As of September 30, 2017				
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- non-current	1,000,000	$31,625	14.29%	$31,625	

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

Nine months ended September 30, 2017

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

Table 4

			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	($	1,389,704)	60	T/T 120 days	Note 1	Note 1	$ 419,801	63	Note 2
PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	(	470,719)	69	60 days after monthly billing	Note 1	Note 1	173,427	64	Note 2
PROCASE & MOREX CORPORATION	Dongguan Procase Electronics Co., Ltd.	Parent-subsidiary company	Sales	(	190,440)	28	Based on agreement	Note 1	Note 1	91,815	34	Note 2
Dongguan Procase Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	Parent-subsidiary company	Sales	(	379,996)	33	Based on agreement	Note 1	Note 1	69,167	16	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	(	953,733)	60	60 days after monthly billing	Note 1	Note 1	160,656	35	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

September 30, 2017

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

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2017 (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 $ 419,801	4.09	$ 58,266	Subsequent collection	$ 115,361	$ -
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Other receivables $ 7,814	None	-	-	3,326	-
Procase & Morex Corporation	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable $ 173,427	3.76	6,512	Subsequent collection and offset with accounts payable	78,664	-
Chembro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable $ 160,656	5.72	-	-	71,290	-

Note 1: Subsequent collections as of November 7, 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
Nine months ended September 30, 2017

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

Table 6

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	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	$ 1,389,704	Note 4	35
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	419,801	Note 4	8
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	953,733	Note 4	24
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	160,656	Note 4	3
2	Dongguan Procase Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	3	Sales	379,996	Note 4	10
3	PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	2	Sales	470,719	Note 4	12
3	PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	2	Accounts receivable	173,427	Note 4	3
3	PROCASE & MOREX CORPORATION	Dongguan Procase Electronic Co., Ltd.	3	Sales	190,440	Note 4	5

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 nine months ended September 30, 2017 is translated using the yearly average exchange rate in 2017, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at September 30, 2017.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investees (not including inestees in Mainland China)

Nine months ended September 30, 2017

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

Table 7

				Initial investment amount		Shares held as at September 30, 2017					
Investor	Investee	Location	Main business activities	Balance as at September 30, 2017 (Note 6)	Balance as at December 31, 2016 (Note 6)	Number of shares	Ownership (%)	Book value (Note 6)	Net profit (loss) of the investee for the nine months ended September 30, 2017 (Note 6)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2017 (Note 6 and 7)	Footnote
CHENBRO MICOM CO., LTD.	Micom Source Holding Company	Cayman Islands	Holding company	$ 663,518	$ 663,518	20,449,890	100	$ 2,211,007	$ 126,337	$ 124,564	Notes 1 and 6
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	55,720	26,876	20,793	Notes 1 and 6
CHENBRO MICOM CO., LTD.	Chenbro Europe B.V.	Netherlands	General trading company	2,837	2,837	20,000	100	62,169	93	(100)	Notes 1 and 6
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	113,952	952	952	Notes 2 and 6
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	Gerneral trading company	9,019	9,019	250,000	100	5,196	(3,625)	(3,625)	Notes 2 and 6
CHENBRO MICOM CO., LTD.	Chenbro UK Limited	UK	Marketing services	1,882	-	20,000	100	1,980	12	12	Notes 6 and 8
Micom Source Holding Company	Cloud International Company Limited	Samoa	Holding company	16,709	16,709	550,000	100	20,587	(8,408)	-	Notes 3 and 6
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	196,042	196,042	6,452,738	100	62,372	4,383	-	Notes 3 and 6
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	250,331	250,331	8,239,890	100	1,674,610	101,410	-	Notes 3 and 6
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	480,004	480,004	31,600	100	500,732	33,395	-	Notes 3 and 6
Chenbro Europe B.V.	Chenbro UK Limited	UK	Marketing services	-	893	-	0	-	107	-	Notes 4, 6 and 8
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Trading/ order taking company	258,230	258,230	35,502	100	536,419	28,608	-	Notes 5 and 6

Note 1: Investment income / loss recognised for the nine months ended September 30, 2017 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: Initial investment amount was translated using the exchange rates prevailing at the dates of the investments, and remaining current profit (loss) for the nine months ended September 30, 2017 which is translated using the yearly average exchange rate in 2017, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at September 30, 2017.

Note 7: Investment income / loss recognised by the Company includes only that of the subsidiaries in which the Company directly invested and that of investees accounted for using equity method.

Note 8: Beginning in August 2017, the Company directly held Chenbro UK Limited, in which was transferred from Chenbro Europe B.V..

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Information on investments in Mainland China
Nine months ended September 30, 2017

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

Table 8

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2017	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2017: Remitted to Mainland China	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the nine months ended September 30, 2017: Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2017	Net income of investee for the nine months September 30, 2017	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine months ended September 30, 2017 （Note 2）	Book value of investments in Mainland China as of September 30, 2017	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2017	Footnote
CHENBRO MICOM (ShenZhen) Co., Ltd.	Trading and order taking	$ 15,190	$ 2	$ 15,190	$ -	$ -	$ 15,190	($ 8,315)	$ 100	($ 8,315)	$ 19,174	$ -	Notes 1, 8 and 9
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	303,800	2	303,800	-	-	303,800	105,178	100	105,178	1,625,960	302,406	Notes 3, 6, 8 and 9
CHENBRO MICOM (BEIJING) CO., LTD	Rendering technical service	27,300	2	-	-	-	-	(9,745)	100	(9,745)	(5,084)	-	Notes 5, 8 and 9
Dongguan Procase Electronic Co., Ltd.	Manufacturing and processing of computer cases	381,026	2	91,018	-	-	91,018	36,586	100	36,586	518,789	-	Notes 4, 8 and 9
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	63,798	2	-	-	-	-	(561)	100	(561)	67,062		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 amounts are based on the unreviewed self-prepared financial statements provided by ChenPower Information Technology (Shanghai) Co., Ltd., Chenbro Micom (Shenzhen) Co., Ltd. and Chenbro Micom (Beijing) Co., Ltd. whereas the amounts of other investees are based on financial statements reviewed by the Company’s CPA.
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 nine months ended September 30, 2017 translated using the yearly average exchange rate in 2017, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at September 30, 2017.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2017	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.	$ 410,008	$ 362,590	$ -

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.