

**CHENBRO MICOM CO., LTD. AND
SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT
ACCOUNTANTS
MARCH 31, 2018 AND 2017**

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

(18)PWCR18000353

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

Introduction

We have reviewed the accompanying consolidated balance sheets of Chenbro Micom Co., Ltd. and subsidiaries (the “Group”) as at March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparations of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 4(3), we did not review the financial statements of certain insignificant consolidated subsidiaries, which statements reflect total assets of NT\$382,173 thousand and NT\$498,270 thousand, constituting 7% and 10% of the consolidated total assets, and total liabilities of NT\$143,573 thousand and NT\$163,252 thousand, constituting 6% and 9% of the consolidated total liabilities as at March 31, 2018 and 2017, and total comprehensive loss of NT\$2,547 thousand and NT\$24,477 thousand, constituting (3%) and (94%) of the consolidated total comprehensive income for the three-month periods then ended.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three-month periods then ended in accordance with “Regulations Governing the Preparations of Financial Reports 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

May 8, 2018

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2018, DECEMBER 31, 2017 AND MARCH 31, 2017

(Expressed in thousands of New Taiwan dollars)

(The consolidated balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

(The consolidated balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)								
Assets		Notes	March 31, 2018		December 31, 2017		March 31, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current assets								
1100	Cash and cash equivalents	6(1)	\$ 1,344,977	25	\$ 1,127,353	21	\$ 1,144,458	24
1136	Current financial assets at amortised cost, net	6(3)	99,506	2	-	-	-	-
1140	Current contract assets	6(18)	64,816	1	-	-	-	-
1147	Investments in debt instrument without active market - current	12(4)	-	-	144,097	3	-	-
1150	Notes receivable, net		302	-	-	-	451	-
1170	Accounts receivable, net	6(4)	1,138,265	21	1,471,448	27	1,060,898	22
1180	Accounts receivable - related parties	7	296	-	1,094	-	930	-
1200	Other receivables	6(5) and 7	44,164	1	52,996	1	44,995	1
1220	Current income tax assets		5,510	-	5,499	-	4,851	-
130X	Inventories	6(6)	667,299	13	617,106	12	685,358	15
1410	Prepayments		66,676	1	73,205	1	70,570	2
1470	Other current assets	8	9,101	-	11,551	-	15,820	-
11XX	Total current assets		<u>3,440,912</u>	<u>64</u>	<u>3,504,349</u>	<u>65</u>	<u>3,028,331</u>	<u>64</u>
Non-current assets								
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	31,625	1	-	-	-	-
1543	Non-current financial assets measured at cost	12(4)	-	-	31,625	1	31,625	1
1600	Property, plant and equipment	6(7) and 8	1,684,851	31	1,675,691	31	1,546,728	32
1780	Intangible assets	6(8)	13,016	-	7,732	-	8,547	-
1840	Deferred income tax assets		40,695	1	56,693	1	70,211	1
1900	Other non-current assets	6(7)(9) and 8	145,684	3	99,903	2	81,570	2
15XX	Total non-current assets		<u>1,915,871</u>	<u>36</u>	<u>1,871,644</u>	<u>35</u>	<u>1,738,681</u>	<u>36</u>
1XXX	Total assets		\$ 5,356,783	100	\$ 5,375,993	100	\$ 4,767,012	100

(Continued)

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

(The consolidated balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)

(The consolidated balance sheets as of March 31, 2018 and 2017 are reviewed, not audited)								
Liabilities and Equity		Notes	March 31, 2018		December 31, 2017		March 31, 2017	
			AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities								
2100	Short-term borrowings	6(10)	\$ 257,148	5	\$ 296,883	6	\$ 60,660	1
2130	Current contract liabilities	6(18)	10,619	-	-	-	-	-
2170	Accounts payable		1,246,732	23	1,242,231	23	974,991	20
2180	Accounts payable - related parties	7	4,015	-	8,779	-	4,702	-
2200	Other payables	6(12) and 7	527,209	10	594,740	11	480,120	10
2230	Current income tax liabilities		79,470	2	72,589	1	126,669	3
2300	Other current liabilities	6(11)	9,933	-	22,348	1	28,265	1
21XX	Total current liabilities		2,135,126	40	2,237,570	42	1,675,407	35
Non-current liabilities								
2540	Long-term borrowings	6(11)	127,651	2	132,190	2	139,712	3
2570	Deferred income tax liabilities		61,848	1	58,767	1	41,266	1
2600	Other non-current liabilities	6(13)	28,110	1	28,113	1	27,926	1
25XX	Total non-current liabilities		217,609	4	219,070	4	208,904	5
2XXX	Total liabilities		2,352,735	44	2,456,640	46	1,884,311	40
Share capital		6(14)						
3110	Share capital - common stock		1,197,260	22	1,197,260	22	1,197,260	25
Capital surplus		6(15)						
3200	Capital surplus		48,209	1	48,209	1	48,209	1
Retained earnings		6(16)(21)						
3310	Legal reserve		518,907	10	518,907	9	458,888	10
3320	Special reserve		142,624	3	142,624	3	65,573	1
3350	Unappropriated retained earnings		1,176,011	22	1,121,934	21	1,288,833	27
Other equity interest		6(17)						
3400	Other equity interest		(78,963)	(2)	(109,581)	(2)	(176,062)	(4)
3XXX	Total equity		3,004,048	56	2,919,353	54	2,882,701	60
Significant contingent liabilities and unrecorded contract commitments		9						
3X2X	Total liabilities and equity		\$ 5,356,783	100	\$ 5,375,993	100	\$ 4,767,012	100

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

Items	Notes	Three months ended March 31			
		2018		2017	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(18) and 7	\$ 1,389,407	100	\$ 1,234,802	100
5000 Operating costs	6(6)(21) and 7	(1,067,597)	(77)	(842,701)	(69)
5950 Net operating margin		<u>321,810</u>	<u>23</u>	<u>392,101</u>	<u>31</u>
Operating expenses	6(21) and 7				
6100 Selling expenses		(72,860)	(5)	(66,729)	(5)
6200 General and administrative expenses		(78,945)	(6)	(74,332)	(6)
6300 Research and development expenses		(46,183)	(3)	(45,802)	(4)
6450 Expected credit impairment gain	12(2)	<u>4,138</u>	<u>-</u>	<u>-</u>	<u>-</u>
6000 Total operating expenses		<u>(193,850)</u>	<u>(14)</u>	<u>(186,863)</u>	<u>(15)</u>
6900 Operating profit		<u>127,960</u>	<u>9</u>	<u>205,238</u>	<u>16</u>
Non-operating income and expenses					
7010 Other income	6(19)	4,977	-	6,674	1
7020 Other gains and losses	6(20)	(34,606)	(2)	(31,823)	(3)
7050 Finance costs		(2,238)	-	(1,709)	-
7000 Total non-operating income and expenses		<u>(31,867)</u>	<u>(2)</u>	<u>(26,858)</u>	<u>(2)</u>
7900 Profit before income tax		<u>96,093</u>	<u>7</u>	<u>178,380</u>	<u>14</u>
7950 Income tax expense	6(22)	(42,016)	(3)	(53,462)	(4)
8200 Profit for the period		<u>\$ 54,077</u>	<u>4</u>	<u>\$ 124,918</u>	<u>10</u>
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(17)	\$ 35,080	2	(\$ 115,619)	(9)
8399 Income tax relating to the components of other comprehensive income	6(17)(22)	(4,462)	-	16,608	1
8360 Components of other comprehensive income that will be reclassified to profit or loss		<u>30,618</u>	<u>2</u>	<u>(99,011)</u>	<u>(8)</u>
8500 Total comprehensive income for the period		<u>\$ 84,695</u>	<u>6</u>	<u>\$ 25,907</u>	<u>2</u>
Profit, attributable to:					
8610 Owners of the parent		<u>\$ 54,077</u>	<u>4</u>	<u>\$ 124,918</u>	<u>10</u>
Comprehensive income attributable to:					
8710 Owners of the parent		<u>\$ 84,695</u>	<u>6</u>	<u>\$ 25,907</u>	<u>2</u>
Earnings per share (in dollars)	6(23)				
9750 Basic earnings per share		<u>\$ 0.45</u>		<u>\$ 1.04</u>	
9850 Diluted earnings per share		<u>\$ 0.45</u>		<u>\$ 1.04</u>	

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

		Equity attributable to owners of the parent							
		Capital Reserves			Retained Earnings			Financial statements translation differences of foreign operations	Total equity
Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings			
<u>2017</u>									
		\$ 1,197,260	\$ 41,987	\$ 6,222	\$ 458,888	\$ 65,573	\$ 1,163,915	(\$ 77,051)	\$ 2,856,794
		-	-	-	-	-	124,918	-	124,918
Other comprehensive loss for the period	6(17)	-	-	-	-	-	-	(99,011)	(99,011)
Total comprehensive income		-	-	-	-	-	124,918	(99,011)	25,907
Balance at March 31, 2017		<u>\$ 1,197,260</u>	<u>\$ 41,987</u>	<u>\$ 6,222</u>	<u>\$ 458,888</u>	<u>\$ 65,573</u>	<u>\$ 1,288,833</u>	<u>(\$ 176,062)</u>	<u>\$ 2,882,701</u>
<u>2018</u>									
		\$ 1,197,260	\$ 41,987	\$ 6,222	\$ 518,907	\$ 142,624	\$ 1,121,934	(\$ 109,581)	\$ 2,919,353
Profit for the period		-	-	-	-	-	54,077	-	54,077
Other comprehensive income for the period	6(17)	-	-	-	-	-	-	30,618	30,618
Total comprehensive income		-	-	-	-	-	54,077	30,618	84,695
Balance at March 31, 2018		<u>\$ 1,197,260</u>	<u>\$ 41,987</u>	<u>\$ 6,222</u>	<u>\$ 518,907</u>	<u>\$ 142,624</u>	<u>\$ 1,176,011</u>	<u>(\$ 78,963)</u>	<u>\$ 3,004,048</u>

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 96,093	\$ 178,380
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment gain	12(2)	(4,138)	-
Bad debts expense	6(4) and 12(2)	-	1,545
Depreciation	6(7)(21)	44,561	25,419
Amortisation	6(8)(21)	1,518	1,380
Interest expense		2,238	1,709
Interest income	6(19)	(2,048)	(2,404)
Loss on disposal of property, plant and equipment	6(19)	577	285
Changes in operating assets and liabilities			
Changes in operating assets			
Current contract assets		5,036	-
Notes receivable, net		(302)	904
Accounts receivable		267,366	76,713
Accounts receivable - related parties		798	519
Other receivables		7,713	11,214
Inventories		(50,193)	(37,853)
Prepayments		(7,866)	(9,886)
Other current assets		2,450	(3,542)
Changes in operating liabilities			
Current contract liabilities		809	-
Accounts payable		4,501	(147,903)
Accounts payable - related parties		(4,764)	(2,067)
Other payables		(66,684)	(42,608)
Other current liabilities		(2,522)	(2,137)
Other non-current liabilities		(3)	(66)
Cash inflow generated from operations		295,140	49,602
Interest received		3,167	2,168
Interest paid		(2,166)	(1,647)
Income tax paid		(21,060)	(27,464)
Net cash flows from operating activities		<u>275,081</u>	<u>22,659</u>

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	<u>Notes</u>	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment	6(7)(24)	(\$ 43,335)	(\$ 80,169)
Proceeds from disposal of property, plant and equipment	6(7)	1	44
Acquisition of intangible assets	6(8)	(5,843)	(29)
Proceeds from disposal financial assets at amortised cost	6(3)	44,591	-
(Increase) decrease in other non-current assets	6(9)	(29,478)	1,002
Net cash flows used in investing activities		(34,064)	(79,152)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Decrease in short-term borrowings		(37,865)	(33,840)
Repayment of long-term borrowings (including current portion)		(1,601)	(1,635)
Net cash flows used in financing activities		(39,466)	(35,475)
Effect on foreign exchange difference		16,073	(61,792)
Net increase (decrease) in cash and cash equivalents		217,624	(153,760)
Cash and cash equivalents at beginning of period	6(1)	1,127,353	1,298,218
Cash and cash equivalents at end of period	6(1)	<u>\$ 1,344,977</u>	<u>\$ 1,144,458</u>

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2018 AND 2017

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

(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were reported to the Board of Directors on May 8, 2018.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

In adopting the new standards endorsed by the FSC effective from 2018, the Group applied the new rules under IFRS 9 and IFRS 15 using modified retrospective approach from January 1, 2018, with the practical expedients permitted under the statement. The significant effects of applying the new standards as of January 1, 2018 are summarised below:

- A. In accordance with IFRS 9, the Group expects to reclassify investment in debt instruments without active market as financial assets at amortised cost.
- B. In accordance with IFRS 9, the Group expects to reclassify financial assets at cost as financial assets at fair value through other comprehensive income and make an irrevocable election at initial recognition on equity instruments not held for dealing or trading purpose.
- C. Presentation of contract liabilities

In line with IFRS 15 requirements, the Group expects to change the presentation of certain accounts in the balance sheet as follows:

Liabilities in relation to revenue contracts are recognised as contract liabilities, but were previously presented as advance sales receipts (shown as ‘other current liabilities’) in the balance sheet.

Except for the abovementioned effects of IFRS 9 and IFRS 15, the above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

Please refer to Note 12(4) and (5) for disclosure in relation to the first application of IFRS 9 and IFRS 15, respectively.

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

None.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 16, 'Leases'	January 1, 2019
IFRS 17, 'Insurance contracts'	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

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

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

The Group will adopt the simple modified retrospective transitional provisions of IFRS 16 'Lease', and classify the effects on the lease contract of lessee to January 1, 2019 in accordance with IFRS 16. The Group has assessed the contract for the year ended March 31, 2018 in accordance with the standard. The Group expects to recognise right-of-use asset of \$69,427 and lease liabilities of \$10,445, by decreasing retained earnings by \$326 and other non-current assets by \$59,308.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

- (a) Financial assets at fair value through other comprehensive income.
 - (b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.
- B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.
- C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 and for the first quarter of 2017 were not restated. The financial statements for the year ended December 31, 2017 and for the first quarter of 2017 were prepared in compliance with International Accounting Standard 39 (‘IAS 39’), International Accounting Standard 11 (‘IAS 11’), International Accounting Standard 18 (‘IAS 18’) and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership	Description
			(%) March 31, 2018	
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 1, 3 and 5
Chenbro Micom Co., Ltd.	CLOUDWELL HOLDINGS, LLC.	Real estate leasing company	100	Notes 1 and 3
Chenbro Micom Co., Ltd.	Chenbro GmbH	General trading company	100	Notes 1 and 3
Chenbro Micom Co., Ltd.	Chenbro UK Limited	Marketing services	100	Notes 1, 3 and 6
Micom Source Holding Company	Cloud International Company Limited	Holding company	100	Notes 1 and 3
Micom Source Holding Company	AMAC International Company	Holding company	100	Notes 1 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	Description
			(%) March 31, 2018	
Cloud International Company Limited	Chenbro Micom (Shenzhen) Co., Ltd.	General trading company	100	Note 1, 3 and 4
AMBER International Company	Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing of computer cases	100	
AMBER International Company	ChenPower Information Technology	General trading company	100	
Chenbro Technology (Kunshan) Co., Ltd.	Chenbro Micom (Beijing) Co., Ltd.	Research and development of technical skills	100	Note 1, 3 and 4
ADEPT International Company	PROCASE & MOREX Corporation	Trading / Order taking company	100	
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	88	
AMAC International Company	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	12	

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2017	March 31, 2017	
Chenbro Micom Co., Ltd.	Micom Source Holding Company	Holding company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Micom (USA) Incorporation	General trading company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Europe B.V.	General trading company	100	100	Note 2, 3 and 5
Chenbro Micom Co., Ltd.	CLOUDWELL HOLDINGS, LLC.	Real estate leasing company	100	100	Note 2 and 3
Chenbro Micom Co., Ltd.	Chenbro GmbH	General trading company	100	100	Note 2 and 3
Chenbro Micom Co., Ltd.	Chenbro UK Limited	Marketing services	100	-	Note 2, 3 and 6
Micom Source Holding Company	Cloud International Company Limited	Holding company	100	100	Note 2 and 3
Micom Source Holding Company	AMAC International Company	Holding company	100	100	Note 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	Notes 2, 3 and 6
Cloud International Company	Chenbro Micom (Shenzhen) Co., Ltd.	General trading company	100	100	Note 2, 3 and 4
AMBER International Company	Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing of computer cases	100	100	
AMBER International Company	ChenPower Information Technology (Shanghai) Co., Ltd.	General trading company	100	100	Note 2 and 3

Name of investor	Name of subsidiary	Main business activities	Ownership (%)		Description
			December 31, 2017	March 31, 2017	
Chenbro Technology (Kunshan) Co., Ltd.	Chenbro Micom (Beijing) Co., Ltd.	Research and development of technical skills	100	100	Note 2, 3 and 4
ADEPT International Company	PROCASE & MOREX Corporation	Trading / Order taking company	100	100	
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	88	88	
AMAC International Company	Dongguan Procace Electronic Co., Ltd.	Manufacturing of computer cases	12	12	

Note 1: The financial statements of the entity as of and for the three months ended March 31, 2018 were not reviewed by the independent accountants as the entity did not meet the definition of a significant subsidiary.

Note 2: The financial statements of the entity as of and for the three months ended March 31, 2017 were not reviewed by the independent accountants as the entity did not meet the definition of a significant subsidiary.

Note 3: Certain insignificant subsidiaries which were consolidated in the statements were stated based on the each subsidiaries' unaudited financial statements. On March 31, 2018 and 2017, the insignificant subsidiaries have total assets in the amounts of \$382,173 and \$498,270, and total liabilities in the amounts of \$143,573 and \$163,252, respectively. For the three months ended March 31, 2018 and 2017, the amounts of comprehensive loss were \$2,547 and \$24,477, respectively.

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

Note 5: On May 9, 2017, Chenbro Europe B. V. was dissolved under the resolution of the 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) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
- (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
- (a) Liabilities that are expected to be paid off within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

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

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

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

future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortised cost

- A. Financial assets at amortised cost are those that meet all of the following criteria:
- (a) The objective of the Group's business model is achieved by collecting contractual cash flows.
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

(12) Inventories

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

value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Property, plant and equipment

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

Buildings and structures	5～50 years
Machinery and equipment	3～12 years
Mold equipment	2～ 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

(14) Intangible assets

A. Trademarks

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

B. Computer software

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

(15) Operating leases

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

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets in which there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for 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.

(17) Borrowings

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

(18) Notes and accounts payable

- A. Accounts payable are liabilities for purchases of raw materials, goods or services.
- B. The short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

- i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date).
- ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.
- iii. Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

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

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

(22) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 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 recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.
- F. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(23) Share capital

- A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.
- B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(24) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(25) Revenue recognition

- A. The Group manufactures and sells computer cases and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.
- B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term after the transfer of controls in 45 to 30 days, which is consistent with market practice.
- C. A receivable is recognised when the control of products are transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(26) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group's chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements does not require management to make critical judgements in applying the Group's accounting policies. The management makes critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

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 recognised 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 March 31, 2018, the carrying amount of accounts receivable was \$1,156,800.

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 March 31, 2018, the carrying amount of inventories was \$667,299.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Petty cash and cash on hand	\$ 395	\$ 437	\$ 874
Demand deposits	12,432	24,052	26,545
Checking account deposits	84,834	73,639	53,900
Time deposits (including foreign currencies)	246,366	306,306	423,407
Foreign currency deposits	1,000,950	722,919	639,732
	<u>\$ 1,344,977</u>	<u>\$ 1,127,353</u>	<u>\$ 1,144,458</u>

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

B. The Group has reclassified cash and cash equivalents pledged to 'other current assets' and 'other non-current assets'. Details are provided in Note 8.

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

<u>Items</u>	<u>March 31, 2018</u>
Non-current items:	
Equity instruments	
Unlisted stocks	<u>\$ 31,625</u>

A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$31,625 as at March 31, 2018.

B. For the three months ended March 31, 2018, amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are \$0.

C. As at March 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at fair value through other comprehensive income held by the Group was \$31,625.

D. Information relating to credit risk is provided in Note 12(2).

E. The information on December 31, 2017 and March 31, 2017 is provided in Note 12(4).

(3) Financial assets at amortised cost

Items	March 31, 2018
Current items:	
Time deposits	\$ 99,506

A. Information relating to credit risk is provided in Note 12(2).

B. The information on December 31, 2017 and March 31, 2017 is provided in Note 12(4).

(4) Accounts receivable

	March 31, 2018	December 31, 2017	March 31, 2017
Accounts receivable	\$ 1,157,981	\$ 1,495,199	\$ 1,082,701
Long-term accounts receivable	18,535	-	-
Less: Allowance for bad debts	(19,716)	(23,751)	(21,803)
	<u>\$ 1,156,800</u>	<u>\$ 1,471,448</u>	<u>\$ 1,060,898</u>

Long-term accounts receivable are shown as ‘other non-current assets’. Details are provided in Note 6(9).

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

	March 31, 2018	December 31, 2017	March 31, 2017
Without past due	\$ 975,101	\$ 1,234,387	\$ 850,518
Up to 30 days	111,554	166,234	104,233
31 to 90 days	69,443	68,229	62,694
91 to 180 days	1,743	4,723	25,425
Over 181 days	18,675	21,626	39,831
	<u>\$ 1,176,516</u>	<u>\$ 1,495,199</u>	<u>\$ 1,082,701</u>

The above ageing analysis was based on past due date.

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

C. As at March 31, 2018, December 31, 2017 and March 31, 2017, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Group’s accounts receivable were \$1,156,800, \$1,471,448 and \$1,060,898, respectively.

D. Information relating to credit risk is provided in Note 12(2).

(5) Transfer of financial assets

The Group entered into a factoring agreement with banks to sell its accounts receivable. Under the

agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Group decreased the estimated amount of business dispute and derecognised the transferred accounts receivable. As of March 31, 2018, December 31, 2017 and March 31, 2017, the related information is as follows:

March 31, 2018

Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 16,513	\$ 16,513	\$ 30,000	\$ -		

December 31, 2017

Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 16,136	\$ 16,136	\$ 30,000	\$ -		

March 31, 2017

Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	\$ 19,255	\$ 19,255	\$ 30,000	\$ -		

Note: Shown as 'other receivables'.

(6) Inventories

March 31, 2018

	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 217,143	(\$ 22,064)	\$ 195,079
Semi-finished goods	68,676	(10,461)	58,215
Work in process	157,375	(3,112)	154,263
Finished goods	324,773	(65,031)	259,742
	<u>\$ 767,967</u>	<u>(\$ 100,668)</u>	<u>\$ 667,299</u>

December 31, 2017			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 234,833	(\$ 19,670)	\$ 215,163
Semi-finished goods	75,669	(14,015)	61,654
Work in process	82,812	(971)	81,841
Finished goods	343,929	(85,481)	258,448
	<u>\$ 737,243</u>	<u>(\$ 120,137)</u>	<u>\$ 617,106</u>

March 31, 2017			
	Cost	Allowance for valuation loss and obsolete and slow- moving inventories	Book value
Raw materials	\$ 220,316	(\$ 22,078)	\$ 198,238
Semi-finished goods	59,487	(4,657)	54,830
Work in process	95,457	(283)	95,174
Finished goods	429,020	(91,904)	337,116
	<u>\$ 804,280</u>	<u>(\$ 118,922)</u>	<u>\$ 685,358</u>

The cost of inventories recognised as expense for the year:

	Three months ended March 31,	
	2018	2017
Cost of goods sold	\$ 1,089,404	\$ 846,096
Sale of scraps	(3,799)	(939)
Gain on reversal of decline in market value	(18,008)	(2,302)
Gain on physical inventory	-	(154)
	<u>\$ 1,067,597</u>	<u>\$ 842,701</u>

For the three months ended March 31, 2018 and 2017, the amount that the Group reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because of sale of inventory were \$18,008 and \$2,302.

(7) Property, plant and equipment

											Unfinished construction and equipment under acceptance		Prepayments for business facilities (Note)
	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others			Total	
At January 1, 2018													
Cost	\$ 210,161	\$ 1,549,720	\$ 597,673	\$ 309,436	\$ 26,943	\$ 23,799	\$ 22,064	\$ 55,015	\$ 41,631	\$ 51,431	\$ 2,887,873	\$ 30,162	
Accumulated depreciation and impairment	- (486,138)	(353,814)	(259,333)	(20,234)	(15,415)	(13,695)	(38,109)	(25,444)	- (1,212,182)	-	-	-	
	<u>\$ 210,161</u>	<u>\$ 1,063,582</u>	<u>\$ 243,859</u>	<u>\$ 50,103</u>	<u>\$ 6,709</u>	<u>\$ 8,384</u>	<u>\$ 8,369</u>	<u>\$ 16,906</u>	<u>\$ 16,187</u>	<u>\$ 51,431</u>	<u>\$ 1,675,691</u>	<u>\$ 30,162</u>	
2018													
Opening net book amount	\$ 210,161	\$ 1,063,582	\$ 243,859	\$ 50,103	\$ 6,709	\$ 8,384	\$ 8,369	\$ 16,906	\$ 16,187	\$ 51,431	\$ 1,675,691	\$ 30,162	
Additions	- 11,242	2,221	8,163	37	165	-	501	1,721	16,458	40,508	1,908		
Disposals	- - (554)	-	-	-	-	- (24)	-	- (578)	-	-	-		
Transfers	- 37,233	2,794	-	-	-	-	1,365	- (42,254)	(862)	24,269			
Effects of foreign exchange	(1,516)	10,326	4,161	649 (82)	108	93	73	272	569	14,653	755		
Depreciation charges	- (21,218)	(8,514)	(10,781)	(933)	(460)	(376)	(1,290)	(989)	- (44,561)	-	-		
Closing net book amount	<u>\$ 208,645</u>	<u>\$ 1,101,165</u>	<u>\$ 243,967</u>	<u>\$ 48,134</u>	<u>\$ 5,731</u>	<u>\$ 8,197</u>	<u>\$ 8,086</u>	<u>\$ 17,531</u>	<u>\$ 17,191</u>	<u>\$ 26,204</u>	<u>\$ 1,684,851</u>	<u>\$ 57,094</u>	
At March 31, 2018													
Cost	\$ 208,645	\$ 1,614,742	\$ 611,691	\$ 318,611	\$ 26,754	\$ 24,121	\$ 22,360	\$ 56,915	\$ 43,964	\$ 26,204	\$ 2,954,007	\$ 57,094	
Accumulated depreciation and impairment	- (513,577)	(367,724)	(270,477)	(21,023)	(15,924)	(14,274)	(39,384)	(26,773)	- (1,269,156)	-	-		
	<u>\$ 208,645</u>	<u>\$ 1,101,165</u>	<u>\$ 243,967</u>	<u>\$ 48,134</u>	<u>\$ 5,731</u>	<u>\$ 8,197</u>	<u>\$ 8,086</u>	<u>\$ 17,531</u>	<u>\$ 17,191</u>	<u>\$ 26,204</u>	<u>\$ 1,684,851</u>	<u>\$ 57,094</u>	

Note: Pepayments for business facilities are shown as ‘other non-current assets’. Details are provided in Note 6(9).

- A. The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.
- C. The net difference from the transfers for this period resulted from the intangible assets of \$862 and transfers into ‘prepayments’.

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
<u>At January 1, 2017</u>												
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)	-
	<u>\$ 215,971</u>	<u>\$ 866,086</u>	<u>\$ 164,589</u>	<u>\$ 28,145</u>	<u>\$ 9,289</u>	<u>\$ 7,347</u>	<u>\$ 5,229</u>	<u>\$ 17,579</u>	<u>\$ 13,976</u>	<u>\$ 240,888</u>	<u>\$ 1,569,099</u>	<u>\$ 2,069</u>
<u>2017</u>												
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	-	7,123	486	-	79	790	-	466	461	57,616	67,021	3,361
Disposals	-	-	(8)	-	-	(14)	(257)	(47)	(3)	-	(329)	-
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Effects of foreign exchange	(4,479)	(37,345)	(7,178)	(53)	(313)	(281)	(216)	(887)	(540)	(12,352)	(63,644)	(175)
Depreciation charges	-	(10,348)	(7,395)	(4,109)	(1,066)	(345)	(235)	(1,089)	(832)	-	(25,419)	-
Closing net book amount	<u>\$ 211,492</u>	<u>\$ 825,516</u>	<u>\$ 150,494</u>	<u>\$ 23,983</u>	<u>\$ 7,989</u>	<u>\$ 7,497</u>	<u>\$ 4,521</u>	<u>\$ 16,022</u>	<u>\$ 13,062</u>	<u>\$ 286,152</u>	<u>\$ 1,546,728</u>	<u>\$ 5,255</u>
<u>At March 31, 2017</u>												
Cost	\$ 211,492	\$ 1,248,325	\$ 485,538	\$ 261,956	\$ 32,343	\$ 27,081	\$ 17,082	\$ 50,985	\$ 40,726	\$ 286,152	\$ 2,661,680	\$ 5,255
Accumulated depreciation and impairment	-	(422,809)	(335,044)	(237,973)	(24,354)	(19,584)	(12,561)	(34,963)	(27,664)	-	(1,114,952)	-
	<u>\$ 211,492</u>	<u>\$ 825,516</u>	<u>\$ 150,494</u>	<u>\$ 23,983</u>	<u>\$ 7,989</u>	<u>\$ 7,497</u>	<u>\$ 4,521</u>	<u>\$ 16,022</u>	<u>\$ 13,062</u>	<u>\$ 286,152</u>	<u>\$ 1,546,728</u>	<u>\$ 5,255</u>

Note: Prepayments for business facilities are shown as 'other non-current assets'. Details are provided in Note 6(9)

- A. The significant components of the buildings include buildings and accessory equipment of buildings, which are depreciated over 10~50 years and 5~11 years, respectively.
- B. Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Intangible assets

	<u>Trademarks</u>	<u>Computer software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2018</u>				
Cost	\$ 561	\$ 37,254	\$ 600	\$ 38,415
Accumulated amortisation	(284)	(29,987)	(412)	(30,683)
	<u>\$ 277</u>	<u>\$ 7,267</u>	<u>\$ 188</u>	<u>\$ 7,732</u>
<u>2018</u>				
At January 1	\$ 277	\$ 7,267	\$ 188	\$ 7,732
Additions	15	5,828	-	5,843
Transfer (note)	-	862	-	862
Amortisation charge	(12)	(1,488)	(18)	(1,518)
Effects of foreign exchange	-	97	-	97
At March 31	<u>\$ 280</u>	<u>\$ 12,566</u>	<u>\$ 170</u>	<u>\$ 13,016</u>
<u>At March 31, 2018</u>				
Cost	\$ 576	\$ 37,788	\$ 600	\$ 38,964
Accumulated amortisation	(296)	(25,222)	(430)	(25,948)
	<u>\$ 280</u>	<u>\$ 12,566</u>	<u>\$ 170</u>	<u>\$ 13,016</u>
	<u>Trademarks</u>	<u>Computer software</u>	<u>Others</u>	<u>Total</u>
<u>At January 1, 2017</u>				
Cost	\$ 532	\$ 31,481	\$ 600	\$ 32,613
Accumulated amortisation	(229)	(22,046)	(336)	(22,611)
	<u>\$ 303</u>	<u>\$ 9,435</u>	<u>\$ 264</u>	<u>\$ 10,002</u>
<u>2017</u>				
At January 1	\$ 303	\$ 9,435	\$ 264	\$ 10,002
Additions	29	-	-	29
Amortisation charge	(22)	(1,339)	(19)	(1,380)
Effects of foreign exchange	-	(104)	-	(104)
At March 31	<u>\$ 310</u>	<u>\$ 7,992</u>	<u>\$ 245</u>	<u>\$ 8,547</u>
<u>At March 31, 2017</u>				
Cost	\$ 561	\$ 35,446	\$ 600	\$ 36,607
Accumulated amortisation	(251)	(27,454)	(355)	(28,060)
	<u>\$ 310</u>	<u>\$ 7,992</u>	<u>\$ 245</u>	<u>\$ 8,547</u>

Note: It is transferred from prepayments for business facilities which is shown as ‘other non-current assets’.

Details of amortisation on intangible assets are as follows:

	Three months ended March 31,	
	2018	2017
Manufacturing cost	\$ 408	\$ -
Selling expenses	113	112
Administrative expenses	298	692
Research and development expenses	699	576
	<u>\$ 1,518</u>	<u>\$ 1,380</u>

(9) Other non-current assets

	March 31, 2018	December 31, 2017	March 31, 2017
Long-term prepaid rent - land use right (Note 1)	\$ 59,308	\$ 59,203	\$ 59,442
Prepayments for business facilities	57,094	30,162	5,255
Long-term accounts receivable	18,535	-	-
Others	10,747	10,538	16,873
	<u>\$ 145,684</u>	<u>\$ 99,903</u>	<u>\$ 81,570</u>

Note: On December 23, 1997, the Group's subsidiary, Dongguan Procace 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 \$254 and \$247 for the three months ended March 31, 2018 and 2017, respectively.

(10) Short-term borrowings

Type of borrowings	March 31, 2018	Interest rate range	Collateral
Short-term borrowings	<u>\$ 257,148</u>	0.83%~2.5%	A promissory note of the same amount was issued as collateral.
Type of borrowings	December 31, 2017	Interest rate range	Collateral
Short-term borrowings	<u>\$ 296,883</u>	0.83%~3.75%	A promissory note of the same amount was issued as collateral.
Type of borrowings	March 31, 2017	Interest rate range	Collateral
Short-term borrowings	<u>\$ 60,660</u>	1.13%~1.37%	A promissory note of the same amount was issued as collateral.

(11) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2018
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	\$ 134,166
Less: Current portion (shown as 'other current liabilities')				(6,515)
				<u>\$ 127,651</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2017
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	\$ 138,788
Less: Current portion (shown as 'other current liabilities')				(6,598)
				<u>\$ 132,190</u>

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	March 31, 2017
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	\$ 146,253
Less: Current portion (shown as 'other current liabilities')				(6,541)
				<u>\$ 139,712</u>

The secured borrowing contract of the subsidiary, CLOUDWELL HOLDINGS, LLC., requires that the interest coverage ratio for each year should not be lower than 1.2. If the requirement is not met, the subsidiary shall repay the outstanding borrowing or provide bank deposits as collateral. As of March 31, 2018, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(12) Other payables

	March 31, 2018	December 31, 2017	March 31, 2017
Wages and bonus payable	\$ 141,722	\$ 191,763	\$ 93,589
Payables for investment	76,414	78,120	79,616
Remuneration due to directors and supervisors and employee bonus payable	59,300	52,378	82,333
Payables for mold	42,990	64,685	32,790
Payables for export freight and customs clearance charges	30,489	37,427	29,419
Payables for service fees	19,547	18,061	18,688
Payables for machinery and equipment	5,815	6,734	3,189
Payables for consumable goods	13,323	7,602	1,671
Others	137,609	137,970	138,825
	<u>\$ 527,209</u>	<u>\$ 594,740</u>	<u>\$ 480,120</u>

(13) Pensions

A. Defined benefit plan

- (a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is 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 \$140 and \$183 for the three months ended March 31, 2018 and 2017, respectively.
- (c) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2019 are \$577.

B. Defined contribution plan

- (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) Other overseas companies have a defined contribution plan in accordance with the local regulations, and contributions to endowment insurance and pension reserve are based on employees’ salaries and wages. Other than the periodic contribution, the overseas companies have no further obligations.
- (c) The pension costs under the defined contribution pension plan of the Company for the three months ended March 31, 2018 and 2017 were \$2,166 and \$2,031, respectively.
- (d) The pension costs under the defined contribution pension plans of CHENBRO MICOM (USA) INCORPORATION, CHENBRO EUROPE B.V., Chenbro GmbH, Chenbro UK Limited, Chenbro Technology (Kunshan) Co., Ltd., ChenPower Information Technology (Shanghai) Co., Ltd., Dongguan Procace Electronic Co., Ltd. and CHENBRO MICOM (ShenZhen)Co., Ltd. for the three months ended March 31, 2018 and 2017 were \$8,869 and \$7,972, respectively.

(14) Ordinary shares

As of March 31, 2018, the Company’s authorised capital was \$1,500,000, consisting of 150 million shares of ordinary stock (including 1 million shares reserved for employee stock options), and the paid-in capital was \$1,197,260 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected.

(15) Capital surplus

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

(16) Retained earnings

- A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital. The remaining shall take into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.
- B. The Company's dividend policy is based on the current profit and consideration of the Company's growth in the future, capital budget plan and capital needs as well as consideration of shareholders' interest and long-term financial plan, etc. Earnings can be distributed to shareholders as cash dividends or stock dividends. Cash dividends shall account for at least 10% of the total dividends distributed. If cash dividends are lower than \$0.20 (in dollars) per share, stock dividends will be issued instead.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- (b) The amount of \$65,573 previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.
- E. On March 20, 2018, the Board of Directors proposed the appropriation of 2017 earnings, and on June 20, 2017, the shareholders during their meeting resolved the appropriation of 2016 earnings as follows:

	Year ended December 31, 2017		Year ended December 31, 2016	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	\$ 45,544	\$ -	\$ 60,019	\$ -
Special reserve	32,530	-	77,051	-
Cash dividends to shareholders	359,178	3.00	359,178	3.00
	<u>\$ 437,252</u>	<u>\$ 3.00</u>	<u>\$ 496,248</u>	<u>\$ 3.00</u>

As of May 8, 2018, the abovementioned appropriation of 2017 earnings has not yet been resolved by the shareholders.

F. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(21).

(17) Other equity items

	2018	2017
At January 1	(\$ 109,581)	(\$ 77,051)
Currency translation differences:		
- Group	35,080	(115,619)
- Tax on Group	(4,462)	16,608
At March 31	<u>(\$ 78,963)</u>	<u>(\$ 176,062)</u>

(18) Operating revenue:

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of control of goods to customers in the following major product types and geographical regions:

(a) Information on products

	Three months ended March 31, 2018
Server cases	\$ 870,309
Peripheral products and components	460,798
Personal computer cases	58,300
	<u>\$ 1,389,407</u>

(b) Geographical information

	Three months ended March 31, 2018
US	\$ 493,571
China	709,715
Taiwan	70,435
Others	115,686
	<u>\$ 1,389,407</u>

B. Contract assets and liabilities

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

	March 31, 2018
Contract assets-sale of products	<u>\$ 64,816</u>
Contract liabilities-sale of products	<u>\$ 10,619</u>

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

	Three months ended March 31, 2018
Contract liabilities-sale of products	\$ 596

C. The Group adopts IFRS 15 starting from January 1, 2018. The Group discloses operating revenue for the first quarter of 2018 in line with related regulations. Please refer to Note 4(25) for revenue recognition accounting policies.

D. Related disclosures for 2017 operating revenue are provided in Note 12(5) B.

(19) Other income

	Three months ended March 31,	
	2018	2017
Interest income	\$ 2,048	\$ 2,404
Other income	2,929	4,270
	<u>\$ 4,977</u>	<u>\$ 6,674</u>

(20) Other gains and losses

	Three months ended March 31,	
	2018	2017
Net currency exchange	(\$ 33,869)	(\$ 30,865)
Loss on disposal of property, plant and equipment	(577)	(285)
Other expenses	(160)	(673)
	<u>(\$ 34,606)</u>	<u>(\$ 31,823)</u>

(21) Employee benefit, depreciation and amortisation expenses

	Three months ended March 31,	
	2018	2017
Wages and salaries	\$ 199,469	\$ 182,948
Labour and health insurance fees	9,779	9,179
Pension costs	11,175	10,186
Other personnel expenses	13,364	13,639
Employee benefit expense	<u>\$ 233,787</u>	<u>\$ 215,952</u>
Depreciation charges on property, plant and equipment	<u>\$ 44,561</u>	<u>\$ 25,419</u>
Amortisation charges on intangible assets	<u>\$ 1,518</u>	<u>\$ 1,380</u>

A. According to the Articles of Incorporation of the Company, a ratio of profit of the current year distributable, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 6% for employees' compensation and shall not

be higher than 3% for directors' and supervisors' remuneration and will be distributed in the form of stock or cash as resolved by the Board of Directors. Employees who are entitled to receive employees' compensation include employees of subsidiaries of the company meeting certain specific requirements. Related regulations were set by the Board of Directors. The distribution of employees' compensation and directors' and supervisors' remuneration should be reported to the stockholders. However, if the Company has accumulated deficit, the Company should cover accumulated losses first, then distribute employees' compensation and directors' and supervisors' remuneration proportionately as described above.

- B. For the three months ended March 31, 2018 and 2017, employees' compensation was accrued at \$5,349 and \$11,649, respectively; while directors' and supervisors' remuneration was accrued at \$1,573 and \$3,426, respectively. The aforementioned amounts were recognised in salary expenses.

For the year ended December 31, 2017, employees' compensation and directors' and supervisors' remuneration amounted to \$39,240 and \$11,541 as resolved by the Board of Directors on March 20, 2018, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to \$1,234 and \$363, respectively. The differences had been accounted for as changes in estimates in the profit or loss for 2018.

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

(22) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Three months ended March 31,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 27,399	\$ 49,220
Deferred tax:		
Origination and reversal of temporary differences	16,222	4,242
Impact of change in tax rate	(1,605)	-
Total deferred tax	14,617	4,242
Income tax expense	<u>\$ 42,016</u>	<u>\$ 53,462</u>

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

	Three months ended March 31,	
	2018	2017
Currency translation differences	\$ 7,948	(\$ 16,608)
Impact of change in tax rate	(3,486)	-
	<u>\$ 4,462</u>	<u>(\$ 16,608)</u>

- B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority. However, the Company's income tax returns through 2015 have not been approved by the Tax Authority.
- C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(23) Earnings per share

	Three months ended March 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	<u>\$ 54,077</u>	119,726	<u>\$ 0.45</u>
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 54,077		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	885	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 54,077</u>	<u>120,611</u>	<u>\$ 0.45</u>

Three months ended March 31, 2017			
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 124,918	119,726	\$ 1.04
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 124,918		
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	771	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 124,918	120,497	\$ 1.04

(24) Supplemental cash flow information

Investing activities with partial cash payments:

	Three months ended March 31	
	2018	2017
Purchase of property, plant and equipment	\$ 42,416	\$ 70,382
Add: Opening balance of payable on equipment	6,734	12,976
Less: Ending balance of payable on equipment	(5,815)	(3,189)
Cash paid during the period	\$ 43,335	\$ 80,169

(25) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	\$ 296,883	\$ 138,788	\$ 435,671
Changes in cash flow from financing activities	(37,865)	(1,601)	(39,466)
Impact of changes in foreign exchange rate	(1,870)	(3,021)	(4,891)
At March 31, 2018	\$ 257,148	\$ 134,166	\$ 391,314

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

<u>Name of related parties</u>	<u>Relationship with the Group</u>
Chen-Source Inc.	Other related parties

(3) Significant related party transactions

A. Operating revenue

	<u>Three months ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Sales of goods:		
Other related parties	\$ <u>297</u>	\$ <u>599</u>

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

B. Purchases and other expenses

	<u>Three months ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Purchase of goods:		
Other related parties	\$ 4,944	\$ 8,997
Other expenses:		
Other related parties (management service expense)	<u>463</u>	<u>466</u>
	\$ <u>5,407</u>	\$ <u>9,463</u>

(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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Accounts receivable:			
Other related parties	\$ 296	\$ 1,094	\$ 930
Other receivables- payment on behalf of others: (shown as 'other receivables')			
Other related parties	<u>637</u>	<u>182</u>	<u>1,576</u>
	<u>\$ 933</u>	<u>\$ 1,276</u>	<u>\$ 2,506</u>

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

D. Payables to related parties

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Accounts payable:			
Other related parties	\$ 4,015	\$ 8,779	\$ 4,702
Other payables- management service: (shown as 'other payables')			
Other related parties	<u>813</u>	<u>570</u>	<u>346</u>
	<u>\$ 4,828</u>	<u>\$ 9,349</u>	<u>\$ 5,048</u>

Accounts payable bear no interest.

(4) Key management compensation

	<u>Three months ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 8,459	\$ 12,372
Post-employment benefits	66	93
Other long-term benefits	-	321
	<u>\$ 8,525</u>	<u>\$ 12,786</u>

8. PLEDGED ASSETS

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

Pledged asset	Book value			Purpose
	March 31, 2018	December 31, 2017	March 31, 2017	
Time deposits (shown as 'other current assets')	\$ 1,341	\$ 1,338	\$ 1,308	Customs duty guarantee
Cash in banks (shown as 'other non-current assets')	\$ 2,956	\$ 3,018	\$ 3,058	Long-term borrowings (Note)
Land and buildings	\$ 212,474	\$ 218,261	\$ 225,631	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:

	March 31, 2018	December 31, 2017	March 31, 2017
Not later than one year	\$ 2,568	\$ 2,503	\$ 2,364
Later than one year but not later than three years	5,131	5,042	4,806
Over three years	78,251	77,519	76,583
	<u>\$ 85,950</u>	<u>\$ 85,064</u>	<u>\$ 83,753</u>

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

	March 31, 2018	December 31, 2017	March 31, 2017
Not later than one year	\$ 21,413	\$ 13,989	\$ 18,879
Later than one year but not later than three years	2,147	2,565	2,971
Over three years	-	-	567
	<u>\$ 23,560</u>	<u>\$ 16,554</u>	<u>\$ 22,417</u>

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	March 31, 2018	December 31, 2017	March 31, 2017
<u>Financial assets</u>			
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	\$ 31,625	-	-
Financial assets at cost	-	31,625	31,625
Financial assets at amortised cost			
Cash and cash equivalents	1,344,977	1,127,353	1,144,458
Investments in debt instruments without active markets	-	144,097	-
Notes receivables	302	-	451
Accounts receivables (including related parties)	1,138,561	1,472,542	1,061,828
Other receivables	44,164	52,996	44,995
Guarantee deposits paid	2,702	2,068	4,385
Other financial assets	99,506	-	-
	<u>\$ 2,661,837</u>	<u>\$ 2,830,681</u>	<u>\$ 2,287,742</u>
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 257,148	\$ 296,883	\$ 60,660
Accounts payable (including related parties)	1,250,747	1,251,010	979,693
Other accounts payable	527,209	594,740	480,120
Long-term borrowings (including current portion)	134,166	138,788	146,253
Guarantee deposits received	632	621	3,053
	<u>\$ 2,169,902</u>	<u>\$ 2,282,042</u>	<u>\$ 1,669,779</u>

B. Financial risk management policies

- (a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's

overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance.

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.
- ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure with the 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:

March 31, 2018			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 40,949	29.11	\$ 1,192,025
USD:RMB	31,612	6.26	920,194
<u>Non-monetary items</u>			
USD:NTD	7,618	29.11	221,768
EUR:NTD	2,000	35.87	71,739
GBP:NTD	50	40.79	2,030
RMB:NTD	498,320	4.65	2,317,190
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 22,884	29.11	\$ 666,153
USD:RMB	10,784	6.26	313,911
December 31, 2017			
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 40,101	29.76	\$ 1,193,406
USD:RMB	33,701	6.52	1,004,168
<u>Non-monetary items</u>			
USD:NTD	7,573	29.76	225,359
EUR:NTD	2,117	35.57	75,313
GBP:NTD	49	40.11	1,962
RMB:NTD	495,176	4.57	2,262,955
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 26,032	29.76	\$ 774,712
USD:RMB	11,090	6.52	330,442

March 31, 2017				
Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ 49,280	30.33	\$	1,494,662
USD:RMB	30,495	6.88		925,243
<u>Non-monetary items</u>				
USD:NTD	6,306	30.33		191,262
EUR:NTD	1,979	32.43		64,169
RMB:NTD	469,303	4.41		2,069,628
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$ 34,589	30.33	\$	1,049,084
USD:RMB	14,793	6.88		448,831

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

	Three months ended March 31, 2018			
	Exchange gain (loss)			
	Foreign currency amount (in thousands)	Exchange rate	Book value	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$ -	29.11	(\$	9,294)
USD:RMB	(1,319)	6.26	(	6,133)
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$ -	29.11	\$	667
USD:RMB	1,883	6.26		8,756

	Three months ended March 31, 2017			
	Exchange gain (loss)			
	Foreign			
	currency amount			
	(in thousands)	Exchange rate	Book value	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	\$	-	30.33 (\$	35,268)
USD:RMB		464	6.88	2,047
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	\$	-	30.33 \$	16,769
USD:RMB	(	299)	6.88 (	1,320)

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

Three months ended March 31, 2018			
Sensitivity analysis			
Degree of variation		Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 11,920	-
USD:RMB	1%	9,202	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	6,662	-
USD:RMB	1%	3,139	-

Three months ended March 31, 2017			
Sensitivity analysis			
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	1%	\$ 14,947	-
USD:RMB	1%	9,252	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	1%	10,491	-
USD:RMB	1%	4,488	-

Price risk

- i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.
- ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other comprehensive income for the three months ended March 31, 2018 and 2017 would have increased/decreased by \$316 as a result of gains or losses on equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term borrowings and long-term borrowings (including current portion). Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are issued at fixed rates. During the three months ended March 31, 2018 and 2017, the Group's borrowings were denominated in the USD and NTD.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated at amortised cost and at fair value through other comprehensive income.
- ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard

payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

- iii. Individual risk limits are set based on internal or external factors in accordance with limits set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.
- iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- v. The Group adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 360 days.
- vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix to estimate expected credit loss under the provision matrix basis.
- vii. The Group used the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. In the first quarter of 2018, the loss allowance is as follows:

	Without past due	1 to 90 days	91 to 180 days	181 to 270 days
<u>March 31, 2018</u>				
Expected loss rate	0.10%	1.50%	4.95%	39.55%
Total book value	\$ 975,101	\$ 180,997	\$ 1,743	\$ 1,037
Loss allowance	\$ 1,014	\$ 2,712	\$ 86	\$ 410
	271 to 360 days	Over 361 days	Total	
<u>March 31, 2018</u>				
Expected loss rate	61.62%	87.91%		
Total book value	\$ 44	\$ 17,594	\$ 1,176,516	
Loss allowance	\$ 27	\$ 15,467	\$ 19,716	

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

	2018
	<u>Accounts receivable</u>
At January 1_IAS 39	\$ 23,751
Adjustments under new standards	-
At January 1_IFRS 9	23,751
Reversal of impairment loss	(4,138)
Effect of exchange rate changes	103
At March 31	<u>\$ 19,716</u>

For the three months ended March 31, 2018, reversal of impairment of accounts receivable that arise from customer contracts is (\$4,138).

ix. In the first quarter of 2017, credit risk information is provided in Note 12(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The analysis is as follows:

Non-derivative financial liabilities:

	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>March 31, 2018</u>				
Short-term borrowings	\$ 257,420	\$ -	\$ -	\$ -
Accounts payable	1,246,732	-	-	-
Accounts payable - related party	4,015	-	-	-
Other payables	527,209	-	-	-
Other current liabilities	2,973	-	-	-
Long-term borrowings (including current portion)	11,434	22,868	22,868	120,060
Guarantee deposits received	446	186	-	-
	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>December 31, 2017</u>				
Short-term borrowings	\$ 297,883	\$ -	\$ -	\$ -
Accounts payable	1,242,231	-	-	-
Accounts payable - related party	8,779	-	-	-
Other payables	594,740	-	-	-
Other current liabilities	15,312	-	-	-
Long-term borrowings (including current portion)	11,689	23,379	23,379	125,662
Guarantee deposits received	438	183	-	-

Non-derivative financial liabilities

	Within 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
<u>March 31, 2017</u>				
Short-term borrowings	\$ 60,700	\$ -	\$ -	\$ -
Accounts payable	974,991	-	-	-
Accounts payable-related parties	4,702	-	-	-
Other payables	480,120	-	-	-
Other current liabilities	20,181	-	-	-
Long-term borrowings (including current portion)	11,913	23,827	23,827	137,004
Guarantee deposits received	1,543	1,510	-	-

iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The carrying amounts of the Group's financial assets not measured at fair value, which are including cash and cash equivalents, financial assets at amortised cost-current, contract assets, notes receivable, accounts receivable (including related parties), other receivables, guarantee deposits paid, short-term borrowings, contract liabilities, accounts payable (including related parties), other payables and long-term borrowings (including current portion), are approximate to their fair values.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

March 31, 2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income				
Equity securities	\$ <u>-</u>	\$ <u>-</u>	\$ <u>31,625</u>	\$ <u>31,625</u>

As of December 31, 2017 and March 31, 2017, the Group had no fair value of financial assets been estimated by valuation techniques.

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

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

D. The following chart is the movement of Level 3 in the first quarter of 2018:

	<u>2018</u>
	<u>Equity securities</u>
January 1	\$ -
IFRS 9 transfer adjustments	31,625
At March 31	\$ <u>31,625</u>

E. For the three months ended March 31, 2018, there was no transfer into or out from Level 3.

F. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of

information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	Fair value at March 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	\$ 31,625	Net asset value	N/A		N/A

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

		March 31, 2018					
		Recognised in profit or loss		Recognised in other comprehensive income			
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets							
Equity instrument	Net asset value	±1%	\$ -	\$ -	\$ 316	\$ 316	

(4) Effects on initial application of IFRS 9

- A. Summaries of adopting significant accounting policies in 2017 and the first quarter of 2017:

(a) Loans and receivables

i. Accounts receivable

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

ii. Investment in debt instrument without active market

Investments in debt instruments without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(b) Impairment of financial assets

- i. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- ii. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (v) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
- iii. When the Group assesses that financial assets at amortised cost have been objective evidence of impairment and an impairment loss has occurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(c) Financial assets at cost

- i. On a regular way purchase or sale basis, financial assets measured at cost are recognised and derecognised using trade date accounting.
- ii. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are presented in 'financial assets measured at cost'.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

IFRS9	IAS39	Debt instrument without active markets	
		Measured at cost	
Transferred into and measured at fair value through other comprehensive income-equity		\$ 31,625	\$ -
Transferred into and measured at amortised cost		-	144,097

- (a) Under IAS 39, because the cash flows of debt instruments, which were classified as debt instruments without active market, amounting to \$144,097, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at amortised cost" on initial application of IFRS 9.
 - (b) Under IAS 39, because the equity instruments, which were classified as financial assets, financial assets at cost, amounting to \$31,625, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" on initial application of IFRS 9.
- C. As of December 31, 2017, the Group has no allowance for impairment and provision under IAS 39.
- D. The significant accounts as of December 31, 2017 and March 31, 2017 are as follows:

(a) Financial assets at cost

Items	December 31, 2017	March 31, 2017
Non-current items :		
Unlisted shares	\$ 31,625	\$ 31,625

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

- ii. As of December 31, 2017 and March 31, 2017, no financial assets measured at cost held by the Group were pledged to others as collaterals.

(b) Investments in debt instruments without active market

Items	December 31, 2017	March 31, 2017
Current items:		
Time deposits	\$ 144,097	\$ -

No investments in debt instruments without active markets held by the Group were pledged to others, and the Group transacts with a variety of financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

E. Credit risk information for the year ended December 31, 2017 and the first quarter of 2017 are as follows:

- (a) Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. Only banks and financial institutions with optimal credit ratings are accepted.
- (b) As of December 31, 2017 and March 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Group's Credit Quality Control Policy:

	December 31, 2017	March 31, 2017
Level 2	\$ 1,214,531	\$ 838,910
Level 3	19,856	11,608
	<u>\$ 1,234,387</u>	<u>\$ 850,518</u>

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

Level 2: Accounts receivable are insured so that the Group only bears 10% of the risk of default and insurance companies bear the remaining 90%. In addition, accounts receivable arisen from overseas and domestic customers which were not insured have been included in Level 2 due to its transparent financial information.

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

(d) The ageing analysis of receivable that were past due but not impaired is as follows:

	December 31, 2017	March 31, 2017
Up to 30 days	\$ 166,234	\$ 104,233
31 to 90 days	68,229	62,694
91 to 180 days	4,723	25,425
Over 181 days	7,332	25,384
	<u>\$ 246,518</u>	<u>\$ 217,736</u>

The above ageing analysis was based on past due date.

(e) Movement analysis of in receivables that were impaired is as follows:

- i. As of December 31, 2017 and March 31, 2017, the Group accrued accounts receivable that were impaired and recognised of \$14,294 and \$14,447, respectively.
- ii. Movements on allowance for bad debts are as follows:

	2017		
	Individual provision	Group provision	Total
January 1	\$ 14,517	\$ 5,916	\$ 20,433
(Reversal) provision for impairment	(70)	1,615	1,545
Effect of exchange rate changes	-	(175)	(175)
At March 31	<u>\$ 14,447</u>	<u>\$ 7,356</u>	<u>\$ 21,803</u>

(5) Effects of initial application of IFRS 15

A. The significant accounting policies applied on revenue recognition for the three months ended March 31, 2017 and the first quarter of 2017 are set out below.

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

- B. The revenue recognised by using above accounting policies in the first quarter of 2017 are as follows:

	For the three months ended March 31, 2017
Sales of goods	<u>\$ 1,234,802</u>

- C. For the three months ended March 31, 2018, the effects and description of current balance sheets and comprehensive income statements if the Group continues adopting above accounting policies are as follows:

- (a) Customer contracts where services were rendered but not yet billed, were previously presented as accounts receivable on the balance sheet, and are recognised as contract assets amounting to \$64,816 in accordance with IFRS 15 'Revenue from contracts with customers'.
- (b) Advance sales receipts in relation to the contracts with customers were previously presented in accordance with previous R.O.C. GAAP. Under IFRS 15 'Revenue from contracts with customers', the advance sales receipts are recognised as contract liabilities amounting to \$10,619.

There is no effect to the current comprehensive income if the Group continues adopting above accounting policies

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative instruments undertaken during the reporting periods: None.
- J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Counterparties' information are disclosed based on the financial statements that are not reviewed by the independent accountants. However, the information on investments between companies was eliminated when preparing the consolidated financial statements. The following disclosures are for reference only.

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

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

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

Name of company	Counterparty	Accounts	Amount in the first quarter of 2018	Percentage representing the account of the company (%)	Note
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Purchases	\$ 140,759	64	Note 1
PROCASE & MOREX Corporation	Dongguan Procace Electronic Co., Ltd.	Accounts payable	50,460	39	Note 1
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Purchases	165,025	32	
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Accounts payable	97,555	22	
Chenbro Micom Co., Ltd.	Dongguan Procace Electronic Co., Ltd.	Other receivables	28,886	18	Note 2
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	238,258	46	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	137,191	30	

Note 1: The Company purchased raw materials of iron pieces from the Company's fourth-tier subsidiary in Mainland China, Dongguan Procace Electronic Co., Ltd. through the third-tier subsidiary, PROCASE & MOREX Corporation (Procace) for manufacturing computer cases.

Note 2: The Company provided development technology to Dongguan Procace Electronic Co.,

Ltd., and charged the related royalties.

14. OPERATING SEGMENT INFORMATION

(1) General information

Because each plant possesses similar economic characteristics, produces similar products under similar production process, uses the same machinery equipment, as well as the selling methods and customer categories are alike, the Company's and subsidiaries' chief operating decision-maker has assessed that the 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

Three months ended March 31, 2018

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

Table 1

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three months ended	Balance at	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		Limit on loans granted to a single party	Ceiling on total loans granted	Footnote
					March 31, 2018	March 31, 2018							Item	Value			
(Note 1)					(Note 2)	(Note 3)											
0	CHENBRO MICOM CO., LTD.	Chenbro GmbH	Other receivables due from related parties	Yes	\$ 35,870	\$ 35,870	\$ -	Based on market interest rate	Short-term financing	\$ -	Operating Capital	\$ -	None	\$ -	\$ 300,405	\$ 600,810	Note 4
0	CHENBRO MICOM CO., LTD.	ADEPT International Company	Other receivables due from related parties	Yes	87,330	87,330	-	Based on market interest rate	Short-term financing	-	Operating Capital	-	None	-	300,405	600,810	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.'s loan to Chenbro GmbH and ADEPT International Company during the three months ended March 31, 2018 was EUR 1 million and USD 3 million, respectively.

Note 3: The ending balance of Chenbro Micom Co., Ltd. loan to Chenbro GmbH and ADEPT International Company during the three months ended March 31, 2018 was EUR 1 million and USD 3 million, respectively.

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

Three months ended March 31, 2018

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

Table 2

Party being endorsed/guaranteed														
Number (Note 1)	Endorser/ guarantor	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 March 31, 2018 (Note 5)	Outstanding endorsement/ guarantee amount at March 31, 2018 (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	\$ 600,810	\$ 116,440	\$ 116,440	\$ -	\$ -	4	\$ 1,802,429	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	1	600,810	163,016	163,016	134,166	-	5	1,802,429	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	PROCASE & MOREX Corporation	2	600,810	203,770	203,770	-	-	7	1,802,429	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 three months ended March 31, 2018, 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 three months ended March 31, 2018, respectively.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Holding of marketable securities at the end of the period
March 31, 2018
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 3

		As of March 31, 2018						Footnote
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	
CHENBRO MICOM CO., LTD.	Diamond Creative Holding Limited	None	Financial assets at fair value through other comprehensive income	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

Three months ended March 31, 2018

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

Table 4

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
			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	\$ 370, 621	52	T/T 120 days	Note 1	Note 1	\$ 324,154	52	Note 2
PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	Parent-subsiary company	Sales	165, 025	75	60 days after monthly billing	Note 1	Note 1	97,555	47	Note 2
Dongguan Procace Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	Parent-subsiary company	Sales	140, 759	29	Based on agreement	Note 1	Note 1	50,460	7	Note 2
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	323, 363	68	Based on agreement	Note 1	Note 1	637,961	91	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsiary company	Sales	238, 258	51	60 days after monthly billing	Note 1	Note 1	137,191	33	Note 2

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

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

March 31, 2018

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

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as at March 31, 2018 (Note 3)	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts (Note 2)
					Amount	Action taken		
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Accounts receivable \$ 324, 154	5.23	\$ 63		- \$ 104,256	\$ -
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Other receivables \$ 6, 366	None	-		- 1,019	-
Procace & Morex Corporation	Dongguan Procace Electronic Co., Ltd.	Parent-subsidiary company	Accounts receivable \$ 105, 561	1.86	27,138	Be offset by accounts payable subsequently	-	-
Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable \$ 637, 961	2.41	256,223	Subsequent collection	131,517	
Chembro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable \$ 137, 191	7.86	-		-	-

Note 1: Subsequent collections as of May 8, 2018.

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
Significant inter-company transactions during the reporting periods
Three months ended March 31, 2018
Expressed in thousands of New Taiwan dollars, except as otherwise indicated

Table 6

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction			Percentage of consolidated total operating revenues or total assets (Note 5)
				General ledger account	Amount (Notes 3, 6 and 7)	Transaction terms	
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Sales	\$ 370,621	Note 4	27
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	324,154	Note 4	6
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	238,258	Note 4	17
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	137,191	Note 4	3
2	Dongguan Procace Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	3	Sales	140,759	Note 4	10
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	323,363	Note 4	23
2	Dongguan Procace Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Accounts receivable	637,961	Note 4	12
3	PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	2	Sales	165,025	Note 4	12
3	PROCASE & MOREX CORPORATION	Dongguan Procace Electronic Co., Ltd.	3	Accounts receivable	105,561	Note 4	2

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 three months ended March 31, 2018 is translated using the quarterly average exchange rate in 2018, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at March 31, 2018.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investees (not including inestees in Mainland China)

Three months ended March 31, 2018

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

Table 7

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at March 31, 2018			Net profit (loss) of the investee for the year three months ended March 31, 2018 (Note 5)	Investment income (loss) recognised by the Company for the three months ended March 31, 2018 (Note 5 and 6)	Footnote
				Balance as at March 31, 2018 (Note 5)	Balance as at December 31, 2017 (Note 5)	Number of shares	Ownership (%)	Book value (Note 5)			
CHENBRO MICOM CO., LTD.	Micom Source Holding Company	Cayman Islands	Holding company	\$ 663,518	\$ 663,518	20,449,890	100	\$ 2,306,386	\$ 7,025	\$ 1,753	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	USA	General trading company	32,408	32,408	10,000,000	100	111,654	11,945	4,630	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro Europe B.V.	Netherlands	General trading company	2,837	2,837	20,000	100	67,547	19	19	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	110,114	372	372	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	4,192 (	4,482) (	4,530)	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro UK Limited	UK	Marketing services	1,882	1,882	20,000	100	2,030	35	35	Notes 4 and 5
Micom Source Holding Company	Cloud International Company Limited	Samoa	Holding company	16,011	16,011	550,000	100	25,975	1,805	-	Notes 3, 4 and 5
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	187,847	187,847	6,452,738	100	64,115	897	-	Notes 3, 4 and 5
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	239,866	239,866	8,239,890	100	1,739,496	4,744	-	Notes 3, 4 and 5
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	459,938	459,938	31,600	100	499,645 (	542)	-	Notes 3, 4 and 5
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Trading/ order taking company	247,435	247,435	35,502	100	534,717 (	2,214)	-	Notes 2, 4 and 5

Note 1: Investment income (loss) recognised for the three months ended March 31, 2018 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: The transactions were eliminated when preparing the consolidated financial statements.

Note 5: Except for current profit (loss) for the three months ended March 31, 2018 which is translated using the quarterly average exchange rate in 2018, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at March 31, 2018.

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Three months ended March 31, 2018

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	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the three months ended March 31, 2018			Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	Net income of investee for the three months ended March 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the three months ended March 31, 2018 (Note 2)	Book value of investments in Mainland China as of March 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of March 31, 2018	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Remitted to Mainland China	Remitted back to Taiwan							
CHENBRO MICOM (ShenZhen) Co., Ltd.	Trading and order taking	\$ 14,555	2	\$ 14,555	\$ -	\$ -	\$ 14,555	\$ 1,842	100	\$ 1,842	\$ 24,655	\$ -	Notes 1, 8 and 9
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	291,100	2	291,100	-	-	291,100	(16,221)	100	(16,221)	1,660,250	302,406	Notes 3, 6, 8 and 9
CHENBRO MICOM (BEIJING) CO., LTD	Rendering technical service	27,900	2	-	-	-	-	(34)	100	(34)	498	-	Notes 5, 8 and 9
Dongguan Procace Electronic Co., Ltd.	Manufacturing and processing of computer cases	365,098	2	87,214	-	-	87,214	7,495	100	7,495	533,349	-	Notes 4, 8 and 9
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	61,131	2	-	-	-	-	21,380	100	21,380	98,936	-	Notes 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: Except for ChenPower Information Technology (Shanghai) Co., Ltd, Chenbro Micom (ShenZhen) Co., Ltd and Chenbro Micom (Beijing) Co., Ltd were assessed and disclosed based on the financial statements that were reviewed by the independent accountants, remaining companies were recognised based on the financial statements that were reviewed by the Company’s independent accountants.

Note 3: The Company reinvested through Amber International Company.

Note 4: The Company reinvested through Procace & 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 three months ended March 31, 2018 translated using the quarterly average exchange rate in 2018, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at March 31, 2018.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of March 31, 2018	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.	\$ 392,869	\$ 347,432	\$ -

Note 10: Pursuant to the Gong-Zhi-Zi Order No. 10620430600, certificate for qualified operational headquarters, issued by Industrial Development Bureau, Ministry of Economic Affairs on November 20, 2017, there is no ceiling on accumulated investments in Mainland China for the period from November 15, 2017 to November 14, 2020.