CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2019 AND 2018

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.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(19)PWCR 19003852
To the Board of Directors and Shareholders of Chenbro Micom Co., Ltd.

Opinion

We have audited the accompanying consolidated balance sheets of Chenbro Micom Co., Ltd. and subsidiaries (the "Group") as at December 31, 2019 and 2018, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, as described in the Other matters section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants", "Rule No. Financial-Supervisory-Securities-Auditing-1090360805 issued by the Financial Supervisory Commission on February 25, 2020" and generally accepted auditing standards in the Republic of China (ROC GAAS); and in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS) for our audit of the consolidated financial statements as of and for the year ended December 31, 2018. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters for the Group's consolidated financial statements of the current period are stated as follows:

Valuation of inventories

Description

Refer to Note 4(12) for accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(6) for description of allowance for inventory valuation losses. As of December 31, 2019, the Group's inventory cost and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$1,123,053 thousand and NT$148,541 thousand, respectively.

The Group is primarily engaged in manufacturing and sales of computer peripheral equipment. As technology changes rapidly and the life cycle of electronic products is short, inventories may become obsolete within a short period. The Group measures inventories at the lower of cost and net realisable value, and assesses whether the value of inventories has declined. Any losses incurred due to obsolescence based on inventory aging and closeout inventory are examined by management periodically.As the value of inventory is significant, the inventory items are numerous, and the accounting estimates are subject to management's judgement, we consider valuation of inventories a key audit matter.

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

1. Obtaining the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses are consistent for all periods. Assessing the estimation determined by the management and relevant assumptions of allowance for inventory loss.

2. Matching information obtained in physical counts of disposed and obsolete inventory list prepared by management and interviewing management and employees to examine the obsolete, slow-moving or damaged inventories that were included in the list.

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

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

Reasonableness of revenue recognition

Description

The Group is primarily engaged in manufacturing and sales of computer peripheral equipment. The Group's trading counterparties are mostly world-renowned companies, with whom the Group has long-term business partnership. As the global demand for servers continues to increase, the Group is committed to increasing sales revenue. When comparing with the lists of the Group's top 10 trading counterparties for the years ended December 31, 2019 and 2018, there were changes in the sales revenue breakdown which resulted to some trading counterparties being newly included in the top 10 list.

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

How our audit addressed the matter

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

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

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

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

Other matter – Scope of the Audit

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets amounting to NT$242,084 thousand and NT$253,276 thousand, both representing 4% of the consolidated total assets as of December 31, 2019 and 2018, respectively, and total operating revenue both amounting to NT$0, representing 0% of the consolidated total operating revenue for the years then ended, respectively. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in these financial statements, is based solely on the reports of other auditors.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion with other matter paragraph on the parent company only financial statements of Chenbro Micom Co., Ltd. as at and for the years ended December 31, 2019 and 2018.

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

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

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

Those charged with governance, including the supervisors, are responsible for overseeing the Group’s financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Penny Pan　　　　　　　　　　Audrey Tseng

For and on behalf of PricewaterhouseCoopers, Taiwan
March 17, 2020

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 988,565	15	$ 1,261,727	22
1136	Current financial assets at amortised cost, net	6(3)	672,955	11	156,450	3
1150	Notes receivable, net	6(4)	1,026	-	-	-
1170	Accounts receivable, net	6(4) and 7	1,636,213	26	1,649,735	28
1200	Other receivables	6(5) and 7	69,123	1	47,187	1
1220	Current income tax assets		611	-	5,116	-
130X	Inventories	6(6)	974,512	15	568,435	10
1410	Prepayments		21,837	-	25,785	-
1470	Other current assets	8	4,511	-	2,876	-
11XX	**Total current assets**		4,369,353	68	3,717,311	64
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	28,458	1	25,389	-
1535	Non-current financial assets at amortised cost	6(3)	215,500	3	223,500	4
1600	Property, plant and equipment	6(7) and 8	1,558,811	24	1,721,274	30
1755	Right-of-use assets	6(8)	58,422	1	-	-
1780	Intangible assets	6(9)	10,335	-	11,700	-
1840	Deferred income tax assets	6(23)	66,660	1	38,548	1
1900	Other non-current assets	6(7)(10) and 8	97,916	2	88,197	1
15XX	**Total non-current assets**		2,036,102	32	2,108,608	36
1XXX	**Total assets**		$ 6,405,455	100	$ 5,825,919	100

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11)	$ 59,960	1	$ 276,102	5
2130	Current contract liabilities	6(19)	6,624	-	7,379	-
2170	Accounts payable		1,751,374	27	1,412,759	24
2180	Accounts payable - related parties	7	4,612	-	6,008	-
2200	Other payables	6(13) and 7	665,487	11	639,544	11
2230	Current income tax liabilities		197,511	3	105,678	2
2280	Current lease liabilities		3,698	-	-	-
2300	Other current liabilities	6(12)	10,282	-	11,252	-
21XX	**Total current liabilities**		2,699,548	42	2,458,722	42
	Non-current liabilities					
2540	Long-term borrowings	6(12)	119,253	2	129,460	2
2570	Deferred income tax liabilities	6(23)	36,926	1	45,232	1
2580	Non-current lease liabilities		1,068	-	-	-
2600	Other non-current liabilities	6(14)	28,653	-	27,525	1
25XX	**Total non-current liabilities**		185,900	3	202,217	4
2XXX	**Total liabilities**		2,885,448	45	2,660,939	46
	Equity					
	Share capital	6(15)				
3110	Share capital - common stock		1,197,260	19	1,197,260	20
	Capital surplus	6(16)				
3200	Capital surplus		48,209	1	48,209	1
	Retained earnings	6(17)				
3310	Legal reserve		628,686	10	564,451	10
3320	Special reserve		213,156	3	175,154	3
3350	Unappropriated retained earnings		1,657,248	26	1,327,489	23
	Other equity interest	6(18)				
3400	Other equity interest		(224,552)	(4)	(147,583)	(3)
3XXX	**Total equity**		3,520,007	55	3,164,980	54
	Significant contingent liabilities and unrecorded contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 6,405,455	100	$ 5,825,919	100

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(19) and 7	$ 6,835,443	100	$ 6,520,514	100
5000	**Operating costs**	6(6)(22) and 7	(4,739,317)	(69)	(4,805,766)	(74)
5950	**Net operating margin**		2,096,126	31	1,714,748	26
	Operating expenses	6(22) and 7				
6100	Selling expenses		(339,399)	(5)	(347,943)	(5)
6200	General and administrative expenses		(400,788)	(6)	(340,878)	(5)
6300	Research and development expenses		(227,302)	(3)	(201,732)	(3)
6450	Expected credit impairment gain	12(2)	286	-	7,204	-
6000	**Total operating expenses**		(967,203)	(14)	(883,349)	(13)
6900	**Operating profit**		1,128,923	17	831,399	13
	Non-operating income and expenses					
7010	Other income	6(3)(20)	61,708	1	35,573	-
7020	Other gains and losses	6(21)	(28,458)	(1)	13,183	-
7050	Finance costs		(8,767)	-	(9,423)	-
7000	**Total non-operating income and expenses**		24,483	-	39,333	-
7900	**Profit before income tax**		1,153,406	17	870,732	13
7950	Income tax expense	6(23)	(241,455)	(4)	(228,382)	(3)
8200	**Profit for the year**		$ 911,951	13	$ 642,350	10

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2019 AMOUNT	2019 %	2018 AMOUNT	2018 %
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	(Loss) gain on remeasurement of defined benefit plan	6(14)	($ 1,314)	-	$ 571	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(18)	-	-	(6,236)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	263	-	(114)	-
8310	**Other comprehensive loss that will not be reclassified to profir or loss**		(1,051)	-	(5,779)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(18)	(95,597)	(1)	(46,044)	(1)
8399	Income tax relating to the components of other comprehensive income	6(18)(23)	18,628	-	14,278	-
8360	**Other comprehensive loss that will be reclassified to profit or loss**		(76,969)	(1)	(31,766)	(1)
8300	**Total other comprehensive loss for the year**		($ 78,020)	(1)	($ 37,545)	(1)
8500	**Total comprehensive income for the year**		$ 833,931	12	$ 604,805	9
	Profit attributable to:					
8610	Owners of the parent		$ 911,951	13	$ 642,350	10
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 833,931	12	$ 604,805	9
	Earnings per share (in dollars)	6(24)				
9750	**Basic earnings per share**		$ 7.62		$ 5.37	
9850	**Diluted earnings per share**		$ 7.54		$ 5.29	

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent								
			Capital Reserves		Retained Earnings			Other equity interest		
	Notes	Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
2018										
Balance at January 1, 2018		$1,197,260	$ 41,987	$ 6,222	$ 518,907	$ 142,624	$1,121,934	($ 109,581)	$ -	$2,919,353
Profit for the year		-	-	-	-	-	642,350	-	-	642,350
Other comprehensive income (loss) for the year	6(18)	-	-	-	-	-	457	(31,766)	(6,236)	(37,545)
Total comprehensive income (loss)		-	-	-	-	-	642,807	(31,766)	(6,236)	604,805
Distribution of 2017 earnings	6(17)									
Legal reserve		-	-	-	45,544	-	(45,544)	-	-	-
Special reserve		-	-	-	-	32,530	(32,530)	-	-	-
Cash dividends	6(18)	-	-	-	-	-	(359,178)	-	-	(359,178)
Balance at December 31, 2018		$1,197,260	$ 41,987	$ 6,222	$ 564,451	$ 175,154	$1,327,489	($ 141,347)	($ 6,236)	$3,164,980
2019										
Balance at January 1, 2019		$1,197,260	$ 41,987	$ 6,222	$ 564,451	$ 175,154	$1,327,489	($ 141,347)	($ 6,236)	$3,164,980
Profit for the year		-	-	-	-	-	911,951	-	-	911,951
Other comprehensive loss for the year	6(18)	-	-	-	-	-	(1,051)	(76,969)	-	(78,020)
Total comprehensive income (loss)		-	-	-	-	-	910,900	(76,969)	-	833,931
Distribution of 2018 earnings	6(17)									
Legal reserve		-	-	-	64,235	-	(64,235)	-	-	-
Special reserve		-	-	-	-	38,002	(38,002)	-	-	-
Cash dividends		-	-	-	-	-	(478,904)	-	-	(478,904)
Balance at December 31, 2019		$1,197,260	$ 41,987	$ 6,222	$ 628,686	$ 213,156	$1,657,248	($ 218,316)	($ 6,236)	$3,520,007

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 1,153,406	$ 870,732
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment gain	12(2)	(286)	(7,204)
Depreciation	6(7)(8)(22)	196,504	185,652
Amortization	6(9)(22)	4,995	5,774
Interest expense		8,767	9,423
Interest income	6(20)	(31,502)	(17,437)
(Gain) loss on disposal of property, plant and equipment	6(21)	(1,527)	1,899
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		(1,026)	-
Accounts receivable		14,000	(169,989)
Other receivables		(11,776)	6,784
Inventories		(400,121)	68,985
Prepayments		3,948	27,106
Other current assets		365	8,675
Changes in operating liabilities			
Current contract lialibities		(755)	(2,431)
Accounts payable		338,615	170,528
Accounts payable - related parties		(1,396)	(2,771)
Other payables		23,936	49,139
Other current liabilities		(1,045)	(1,743)
Other non-current liabilities		(179)	(17)
Cash inflow generated from operations		1,294,923	1,203,105
Interest received		21,342	16,462
Interest paid		(8,794)	(9,122)
Income tax paid		(162,643)	(175,574)
Net cash flows from operating activities		1,144,828	1,034,871

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CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

	Notes	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other current assets		($ 2,000)	$ -
Acquisition of non-current financial assets at fair value through other compresensive income	12(3)	(3,069)	-
Acquisition of property, plant and equipment	6(7)(26)	(131,538)	(247,430)
Proceeds from disposal of property, plant and equipment		2,805	952
Acquisition of intangible assets	6(9)	(3,894)	(8,693)
Acquisition of financial assets at amortised cost		(3,142,885)	(379,950)
Proceeds from disposal of financial assets at amortised cost		2,611,849	144,097
(Increase) decrease in other non-current assets		(4,631)	18
Net cash flows used in investing activities		(673,363)	(491,006)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in short-term borrowings	6(27)	(215,989)	(27,002)
Decrease in guarantee deposits received		(22)	(13)
Repayment of long-term borrowings (including current portion)	6(27)	(6,273)	(6,124)
Payment of the principal of lease lialibities	6(8)	(4,334)	-
Payment of cash dividends	6(17)	(478,904)	(359,178)
Net cash flows used in financing activities		(705,522)	(392,317)
Effect on foreign exchange difference		(39,105)	(17,174)
Net (decrease) increase in cash and cash equivalents		(273,162)	134,374
Cash and cash equivalents at beginning of year	6(1)	1,261,727	1,127,353
Cash and cash equivalents at end of year	6(1)	$ 988,565	$ 1,261,727

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

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

1. HISTORY AND ORGANISATION

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

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

These consolidated financial statements were authorised for issuance by the Board of Directors on March 17, 2020.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

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

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

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

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ and ‘lease liability’ by $65,033 and $8,413, respectively, and decreased other non-current assets by $56,620 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $1,523 was recognised for the year ended December 31, 2019.

D. The Group calculated the present value of lease liabilities by using incremental borrowing interest rate ranging from 2.62% to 6.00%.

E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	11,320
Less: Short-term leases	(	2,488)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019		8,832
Incremental borrowing interest rate at the date of initial application		2.62%~6.00%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	8,413

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

New standards, interpretations and amendments issued by IASB and included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2019	Ownership (%) December 31, 2018	Description
Chenbro Micom Co., Ltd.	Micom Source Holding Company	Holding company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Micom (USA) Incorporation	General trading company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Europe B.V.	General trading company	-	100	Note 3
Chenbro Micom Co., Ltd.	CLOUDWELL HOLDINGS, LLC.	Real estate leasing company	100	100	Note 1
Chenbro Micom Co., Ltd.	Chenbro GmbH	General trading company	100	100	
Chenbro Micom Co., Ltd.	Chenbro UK Limited	Marketing services	100	100	Note 4
Chenbro Micom Co., Ltd.	Edge International Company Limited	Trading/Order taking company	-	-	Note 6
Micom Source Holding Company	Cloud International Company Limited	Holding company	100	100	Note 5
Micom Source Holding Company	AMAC International Company	Holding company	100	100	
Micom Source Holding Company	AMBER International Company	Holding company	100	100	
Micom Source Holding Company	ADEPT International Company	Holding company	100	100	
Cloud International Company Limited	Chenbro Micom (Shenzhen) Co., Ltd.	General trading company	-	100	Notes 2
AMBER International Company	Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing of computer cases	100	100	
AMBER International Company	ChenPower Information Technology (Shanghai) Co., Ltd.	General trading company	100	100	
Chenbro Technology (Kunshan) Co., Ltd.	Chenbro Micom (Beijing) Co., Ltd.	Research and development of technical skills	-	100	Notes 2
ADEPT International Company	PROCASE & MOREX Corporation	Trading / Order taking company	100	100	
PROCASE & MOREX Corporation	Dongguan Procase Electronic Co., Ltd.	Manufacturing of computer cases	88	88	
AMAC International Company	Dongguan Procase Electronic Co., Ltd.	Manufacturing of computer cases	12	12	

Note 1: The financial statements of the subsidiary which reflect total assets of $242,084 and $253,276, both constituting 4% of the consolidated total assets as of December 31, 2019 and 2018, respectively, and net operating revenues of $0, constituting 0% of the consolidated total net operating revenue for both years then ended, were audited by the subsidiary's appointed independent accountants.

Note 2: As resolved by the Board of Directors on January 19, 2017, Chenbro Micom (Shenzhen) Co., Ltd. and Chenbro Micom (Beijing) Co. are under liquidation. The liquidation of Chenbro Micom (Shenzhen) Co., Ltd. and Chenbro Micom (Beijing) Co., Ltd. were completed in August and December 2019, respectively.

Note 3: On May 9, 2017, Chenbro Europe B. V. was dissolved under the resolution of the Board of Directors, and the liquidation was completed in March 2019.

Note 4: The Board of Directors of Chenbro UK Limited resolved to reduce the capital in the amount of GBP 19,999 on August 7, 2018. The reduction in capital was registered in October, 2018 and Chenbro UK Limited has remitted back the share capital of $1,178 in July 2019. The liquidation was completed in January 2020.

Note 5: On June 25, 2019, Cloud International Company Limited was dissolved under the resolution of the Board of Directors.

Note 6: Edge International Company Limited was established on December 31, 2019, and the funds were in place in February 2020.

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

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

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

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

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

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

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

(8) Financial assets at amortised cost

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

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

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

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

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

(9) Accounts and notes receivable

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

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

(10) Impairment of financial assets

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

(11) Derecognition of financial assets

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

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

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

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

(12) Inventories

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

(13) Property, plant and equipment

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

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

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

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

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

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

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable; and

(b) Variable lease payments that depend on an index or a rate.

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

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

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date; and

(c) Any initial direct costs incurred by the lessee.

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

(15) Operating leases

Prior to 2019

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) Intangible assets

A. Trademarks

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

B. Computer software

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

(17) Impairment of non-financial assets

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

(18) 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.

(19) 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.

(20) 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.

(21) 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.

(22) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(23) <u>Income tax</u>

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

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

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

D. Deferred tax assets are recognised only to the extent that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(24) 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.

(25) 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.

(26) Revenue recognition

A. The Group manufactures and sells computer cases and related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

B. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated sales discounts and allowances. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term after the transfer of controls in 45 to 60 days, which is consistent with market practice.

C. A receivable is recognised when the control of products is transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(27) Operating segments

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

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

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

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

As of December 31, 2019, the carrying amount of inventories was $974,512.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Petty cash and cash on hand	$ 350	$ 398
Demand deposits	23,247	112,672
Checking account deposits	85,845	189,884
Time deposits (including foreign currencies)	114,650	90,351
Foreign currency deposits	764,473	868,422
	$ 988,565	$ 1,261,727

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

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

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Unlisted stocks	$ 28,458	$ 25,389

A. The Group has elected to classify stock investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $28,458 and $25,389 as at December 31, 2019 and 2018, respectively.

B. For the years ended December 31, 2019 and 2018, the amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income was $0 and ($6,236), respectively.

C. As at December 31, 2019 and 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 $28,458 and $25,389, respectively.

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

(3) Financial assets at amortised cost

Items	December 31, 2019	December 31, 2018
Current items:		
Capital guaranteed financial products	$ 672,955	$ 156,450
Non-current items:		
Time deposits	$ 215,500	$ 223,500

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

	Years ended December 31,	
	2019	2018
Interest income	$ 21,819	$ 3,977

B. As at December 31, 2019 and 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was $888,455 and $379,950, respectively.

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

(4) Accounts and notes receivable

	December 31, 2019	December 31, 2018
Notes receivable	$ 1,026	$ -
Accounts receivable	$ 1,638,114	$ 1,651,951
Less: Allowance for uncollectible accounts	(1,901)	(2,216)
	$ 1,636,213	$ 1,649,735

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

	December 31, 2019		December 31, 2018	
	Accounts receivable	Notes receivable	Accounts receivable	Notes receivable
Not past due	$ 1,408,356	$ 1,026	$ 1,336,113	$ -
Up to 30 days	194,522	-	236,572	-
31 to 90 days	24,011	-	78,968	-
91 to 180 days	11,225	-	226	-
Over 180 days	-	-	72	-
	$ 1,638,114	$ 1,026	$ 1,651,951	$ -

The above ageing analysis was based on past due date.

B. As of December 31, 2019, December 31, 2018 and January 1, 2018, the balances of receivables (including notes receivable) from contracts with customers amounted to $1,639,140 $1,651,951 and $1,496,293, respectively.

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

D. As at December 31, 2019 and 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 Group’s notes receivable was $1,026 and $0 and accounts receivable was $1,636,213 and $1,649,735, respectively.

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

(5) Transfer of financial assets

A. The Group entered into a factoring agreement with banks to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute. The Group does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Group decreased the estimated amount of business dispute and derecognised the transferred accounts receivable. As of December 31, 2019 and 2018, the related information is as follows:

December 31, 2019							
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 10,106	$ 10,106	$ 20,000	$ -	$ -	$ -	-

December 31, 2018							
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Amount available for advance	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 15,880	$ 15,880	$ 20,000	$ -	$ -	$ -	-

Note: Shown as 'other receivables'.

B. The finance costs of the Company for the years ended December 31, 2019 and 2018 were $107 and $109, respectively.

(6) Inventories

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

	December 31, 2018		
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	$ 151,050	($ 27,406)	$ 123,644
Semi-finished goods	110,309	(13,836)	96,473
Work in process	47,659	(25)	47,634
Finished goods	347,669	(46,985)	300,684
	$ 656,687	($ 88,252)	$ 568,435

The cost of inventories recognised as expense for the year:

	Years ended December 31, 2019	Years ended December 31, 2018
Cost of goods sold	$ 4,691,451	$ 4,790,517
Sale of scraps	(10,872)	(13,550)
Loss on decline in market value	59,078	28,857
Gain on physical inventory	(340)	(58)
	$ 4,739,317	$ 4,805,766

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
At January 1, 2019												
Cost	$ 212,401	$ 1,590,398	$ 599,216	$ 446,988	$ 27,731	$ 28,517	$ 27,003	$ 62,341	$ 44,433	$ 49,186	$ 3,088,214	$ 18,474
Accumulated depreciation and impairment	-	(563,388)	(367,886)	(308,033)	(23,914)	(17,572)	(15,208)	(42,686)	(28,253)	-	(1,366,940)	-
	$ 212,401	$ 1,027,010	$ 231,330	$ 138,955	$ 3,817	$ 10,945	$ 11,795	$ 19,655	$ 16,180	$ 49,186	$ 1,721,274	$ 18,474
2019												
Opening net book amount	$ 212,401	$ 1,027,010	$ 231,330	$ 138,955	$ 3,817	$ 10,945	$ 11,795	$ 19,655	$ 16,180	$ 49,186	$ 1,721,274	$ 18,474
Additions	-	15,897	8,438	6,480	1,247	1,165	358	4,702	7,825	5,337	51,449	82,123
Disposals	-	-	(627)	-	-	(149)	-	(58)	(444)	-	(1,278)	-
Transfers (Note)	-	30,545	9,011	30,292	-	1,390	141	-	-	(46,155)	25,224	(19,268)
Effects of foreign	(1,727)	(30,627)	(7,538)	(4,786)	(55)	(164)	(252)	(575)	(603)	(299)	(46,626)	(1,147)
exchange	-	(80,624)	(33,842)	(58,957)	(1,856)	(3,120)	(2,282)	(6,554)	(3,997)	-	(191,232)	-
Depreciation charges	$ 210,674	$ 962,201	$ 206,772	$ 111,984	$ 3,153	$ 10,067	$ 9,760	$ 17,170	$ 18,961	$ 8,069	$ 1,558,811	$ 80,182
Closing net book amount												
At December 31, 2019												
Cost	$ 210,674	$ 1,570,573	$ 527,210	$ 437,021	$ 26,956	$ 29,672	$ 26,688	$ 59,083	$ 41,670	$ 8,069	$ 2,937,616	$ 80,182
Accumulated depreciation and	-	(608,372)	(320,438)	(325,037)	(23,803)	(19,605)	(16,928)	(41,913)	(22,709)	-	(1,378,805)	-
impairment	$ 210,674	$ 962,201	$ 206,772	$ 111,984	$ 3,153	$ 10,067	$ 9,760	$ 17,170	$ 18,961	$ 8,069	$ 1,558,811	$ 80,182

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

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 of the transfers for this period resulted from transferring mold equipment made for customers to inventories amounting to $5,956.

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note)
At January 1, 2018												
Cost	$ 210,161	$ 1,549,720	$ 597,673	$ 309,436	$ 26,943	$ 23,799	$ 22,064	$ 55,015	$ 41,631	$ 51,431	$ 2,887,873	$ 30,162
Accumulated depreciation and impairment	-	(486,138)	(353,814)	(259,333)	(20,234)	(15,415)	(13,695)	(38,109)	(25,444)	-	(1,212,182)	-
	$ 210,161	$ 1,063,582	$ 243,859	$ 50,103	$ 6,709	$ 8,384	$ 8,369	$ 16,906	$ 16,187	$ 51,431	$ 1,675,691	$ 30,162
2018												
Opening net book amount	$ 210,161	$ 1,063,582	$ 243,859	$ 50,103	$ 6,709	$ 8,384	$ 8,369	$ 16,906	$ 16,187	$ 51,431	$ 1,675,691	$ 30,162
Additions	-	21,335	22,337	141,196	441	4,970	5,175	5,861	4,307	18,338	223,960	18,834
Disposals	-	(25)	(2,253)	-	-	(17)	(363)	(121)	(73)	-	(2,852)	-
Transfers	-	39,793	4,965	-	-	-	586	3,005	-	(19,479)	28,870	(30,096)
Effects of foreign exchange	2,240	(11,552)	(5,036)	(2,625)	101	(116)	(145)	(159)	(347)	(1,104)	(18,743)	(426)
Depreciation charges	-	(86,123)	(32,542)	(49,719)	(3,434)	(2,276)	(1,827)	(5,837)	(3,894)	-	(185,652)	-
Closing net book amount	$ 212,401	$ 1,027,010	$ 231,330	$ 138,955	$ 3,817	$ 10,945	$ 11,795	$ 19,655	$ 16,180	$ 49,186	$ 1,721,274	$ 18,474
At December 31, 2018												
Cost	$ 212,401	$ 1,590,398	$ 599,216	$ 446,988	$ 27,731	$ 28,517	$ 27,003	$ 62,341	$ 44,433	$ 49,186	$ 3,088,214	$ 18,474
Accumulated depreciation and impairment	-	(563,388)	(367,886)	(308,033)	(23,914)	(17,572)	(15,208)	(42,686)	(28,253)	-	(1,366,940)	-
	$ 212,401	$ 1,027,010	$ 231,330	$ 138,955	$ 3,817	$ 10,945	$ 11,795	$ 19,655	$ 16,180	$ 49,186	$ 1,721,274	$ 18,474

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

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

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

C. The net difference from the transfers for this period resulted from the intangible assets of $1,226.

(8) Leasing arrangements - lessee

Effective 2019

A. The Group leases various assets including land, office, warehouse, business vehicles, parking spaces, printers and landscaping, etc. Rental contracts are typically made for periods of 3 months to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

B. Short-term leases with a lease term of 12 months or less pertain to parking spaces. Low-value assets pertain to printers and landscaping.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2019	Year ended December 31, 2019
	Carrying amount	Depreciation charge
Land	$ 53,655	$ 978
Buildings	2,007	2,518
Transportation equipment	2,760	1,776
	$ 58,422	$ 5,272

D. For the year ended December 31, 2019, the additions to right-of-use assets was $722.

E. Information on profit or loss in relation to lease contracts is as follows:

	Year ended December 31, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 295
Expense on short-term lease contracts	6,415
Expense on leases of low-value assets	392
Expense on variable lease payments	2,902

F. For the year ended December 31, 2019, the Group's total cash outflow for leases was $14,338 (of which $4,334 represents payments of the principal of lease liabilities).

G. Variable lease payments

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

H. Extension and termination options

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

(9) Intangible assets

	Trademarks	Computer software	Others	Total
At January 1, 2019				
Cost	$ 576	$ 39,673	$ 600	$ 40,849
Accumulated amortisation	(331)	(28,331)	(487)	(29,149)
	$ 245	$ 11,342	$ 113	$ 11,700
2019				
At January 1	$ 245	$ 11,342	$ 113	$ 11,700
Additions	-	3,610	284	3,894
Amortisation charge	(46)	(4,889)	(60)	(4,995)
Effects of foreign exchange	-	(264)	-	(264)
At December 31	$ 199	$ 9,799	$ 337	$ 10,335
At December 31, 2019				
Cost	$ 576	$ 41,868	$ 884	$ 43,328
Accumulated amortisation	(377)	(32,069)	(547)	(32,993)
	$ 199	$ 9,799	$ 337	$ 10,335

	Trademarks	Computer software	Others	Total
At January 1, 2018				
Cost	$ 561	$ 37,254	$ 600	$ 38,415
Accumulated amortisation	(284)	(29,987)	(412)	(30,683)
	$ 277	$ 7,267	$ 188	$ 7,732
2018				
At January 1	$ 277	$ 7,267	$ 188	$ 7,732
Additions	15	8,678	-	8,693
Transfer (Note)	-	1,226	-	1,226
Amortisation charge	(47)	(5,652)	(75)	(5,774)
Effects of foreign exchange	-	(177)	-	(177)
At December 31	$ 245	$ 11,342	$ 113	$ 11,700
At December 31, 2018				
Cost	$ 576	$ 39,673	$ 600	$ 40,849
Accumulated amortisation	(331)	(28,331)	(487)	(29,149)
	$ 245	$ 11,342	$ 113	$ 11,700

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

Details of amortisation on intangible assets are as follows:

	Years ended December 31, 2019	Years ended December 31, 2018
Manufacturing cost	$ 2,403	$ 2,155
Selling expenses	25	191
Administrative expenses	1,057	1,152
Research and development expenses	1,510	2,276
	$ 4,995	$ 5,774

(10) Other non-current assets

	December 31, 2019	December 31, 2018
Long-term prepaid rent - land use right (Note)	$ -	$ 56,620
Prepayment for buildings	49,280	-
Prepayments for business facilities	30,902	18,474
Others	17,734	13,103
	$ 97,916	$ 88,197

Note: On December 23, 1997, the Group's subsidiary, Dongguan Procase Electronic Co., Ltd., signed a land use right contract with the People's Republic of China for industrial use of the land in Hungyeh Industrial Zone, Tanghsia Town, Dongguan City, Guangdong Province with a term of 50 years; and in June 2004 and November 2006, the subsidiary, Chenbro Technology (Kunshan) Co., Ltd., signed a land use right contract with the People's Republic of China for use of the land in Yushan Town, Kunshan City with a term of 50 years for both contracts. The Group has elected to apply IFRS 16 using modified retrospective approach. Accordingly, the contracts were recognised as right-of-use assets on January 1, 2019. Details are provided in Note 6(8).

(11) Short-term borrowings

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

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Short-term borrowings	$ 276,102	3.00%~4.38%	A promissory note of the same amount was issued as collateral.

(12) Long-term borrowings

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

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral	December 31, 2018
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in the USA	$ 136,528
Less: Current portion (shown as 'other current liabilities')				(7,068)
				$ 129,460

The secured borrowing contract of the subsidiary, CLOUDWELL HOLDINGS, LLC., requires that the interest coverage ratio for each year should not be lower than 1.2. If the requirement is not met, the subsidiary shall repay the outstanding borrowing or provide bank deposits as collateral. As of December 31, 2019, the subsidiary, CLOUDWELL HOLDINGS, LLC., has not violated the requirements of the abovementioned secured borrowing contract.

(13) Other payables

	December 31, 2019	December 31, 2018
Wages and bonus payable	$ 277,096	$ 218,434
Remuneration due to supervisors and employee compensation	106,996	74,557
Payables for investment	-	80,640
Payables for mold	61,516	65,297
Payables for export freight and customs clearance charges	39,814	34,693
Payables for service fees	42,894	20,472
Payables for consumable goods	18,931	16,609
Payables for machinery and equipment	4,132	2,098
Others	114,108	126,744
	$ 665,487	$ 639,544

(14) Pensions

A. Defined benefit plan

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

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	$ 46,043	$ 43,438
Fair value of plan assets	(17,562)	(16,092)
Net liability recognised in the balance sheet (shown as 'other non-current liabilities')	$ 28,481	$ 27,346

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	$ 43,438	($ 16,092)	$ 27,346
Current service cost	116	-	116
Interest expense (income)	391	(145)	246
	43,945	(16,237)	27,708
Remeasurements:			
Return on plan assets	-	(784)	(784)
Change in financial assumptions	716	-	716
Experience adjustments	1,382	-	1,382
	2,098	(784)	1,314
Pension fund contribution	-	(541)	(541)
Benefits paid	-	-	-
Balance at December 31	$ 46,043	($ 17,562)	$ 28,481

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2018			
Balance at January 1	$ 49,425	($ 21,495)	$ 27,930
Current service cost	281	-	281
Interest expense (income)	494	(215)	279
	50,200	(21,710)	28,490
Remeasurements:			
Return on plan assets	-	(680)	(680)
Change in financial assumptions	362	-	362
Experience adjustments	(253)	-	(253)
	109	(680)	(571)
Pension fund contribution	-	(573)	(573)
Benefits paid	(6,871)	6,871	-
Balance at December 31	$ 43,438	($ 16,092)	$ 27,346

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2019 and 2018 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

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

	Years ended December 31,	
	2019	2018
Discount rate	0.70%	0.90%
Future salary increases	3.00%	3.00%

Assumptions regarding future mortality experience for the years ended December 31, 2019 and 2018 are set based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

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

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
December 31, 2019				
Effect on present value of defined benefit obligation	($ 892)	$ 923	$ 786	($ 765)
December 31, 2018				
Effect on present value of defined benefit obligation	($ 894)	$ 926	$ 798	($ 775)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis and the method of calculating net pension liability did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Group for the year ending December 31, 2020 amount to $561.

B. Defined contribution plan

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

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

(c) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2019 and 2018 were $8,749 and $8,680, respectively.

(d) Chenbro Europe B.V., CLOUDWELL HOLDINGS, LLC., Chenbro GmbH, Cloud International Company Limited, AMAC International Company, AMBER International Company, ADEPT International Company, CHENBRO MICOM (ShenZhen) Co., Ltd., Chenbro Micom (Beijing) Co., Ltd. and PROCASE & MOREX Corporation did not establish their pension plans or had no employees. In addition, the pension costs under the defined contribution pension plans of Micom Source Holding Company, CHENBRO MICOM (USA) INCORPORATION, Chenbro UK Limited, Chenbro Technology (Kunshan) Co., Ltd., ChenPower Information Technology (Shanghai) Co., Ltd. and Dongguan Procase Electronic Co., Ltd. for the years ended December 31, 2019 and 2018 were $40,912 and $40,168, respectively.

(15) Ordinary shares

As of December 31, 2019, 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.

(16) Capital surplus

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

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital. The remaining shall take into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.

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

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

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

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

E. On June 25, 2019 and June 20, 2018, the shareholders resolved the appropriation of 2018 and 2017 earnings, respectively, as follows:

	Year ended December 31, 2018		Year ended December 31, 2017	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	$ 64,235	$ -	$ 45,544	$ -
Special reserve	38,002	-	32,530	-
Cash dividends to shareholders	478,904	4.00	359,178	3.00
	$ 581,141	$ 4.00	$ 437,252	$ 3.00

F. On March 17, 2020, the Board of Directors has proposed the appropriation of 2019 earnings as follows:

	Year ended December 31, 2018	
	Amount	Dividend per share (in dollars)
Legal reserve	$ 91,195	$ -
Special reserve	11,396	-
Cash dividends to shareholders	550,739	4.60
	$ 653,330	4.60

As of March 17, 2020, the abovementioned appropriation of 2019 earnings has not yet been resolved by the shareholders.

G. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(22).

(18) Other equity items

	2019		
	Currency translation	Unrealised losses on valuation	Total
At January 1	($ 141,347)	($ 6,236)	($ 147,583)
Currency translation differences:			
- Group	(95,597)	-	(95,597)
- Tax on Group	18,628	-	18,628
At December 31	($ 218,316)	($ 6,236)	($ 224,552)

	2018		
	Currency translation	Unrealised losses on valuation	Total
At January 1	($ 109,581)	$ -	($ 109,581)
Valuation adjustment	-	(6,236)	(6,236)
Currency translation differences:			
- Group	(46,044)	-	(46,044)
- Tax on Group	14,278	-	14,278
At December 31	($ 141,347)	($ 6,236)	($ 147,583)

(19) Operating revenue

A. Disaggregation of revenue from contracts with customers

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

(a) Information on products

	Years ended December 31, 2019	Years ended December 31, 2018
Server cases	$ 3,531,628	$ 4,038,899
Peripheral products and components	2,992,605	2,235,376
Personal computer cases	311,210	246,239
	$ 6,835,443	$ 6,520,514

(b) Geographical information

	Years ended December 31, 2019	Years ended December 31, 2018
US	$ 2,921,910	$ 2,443,186
China	2,214,660	2,740,916
Taiwan	876,797	461,779
Others	822,076	874,633
	$ 6,835,443	$ 6,520,514

B. Contract assets and liabilities

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

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities -sale of products	$ 6,624	$ 7,379	$ 9,810

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

	Years ended December 31, 2019	Years ended December 31, 2018
Contract liabilities-sale of products	$ 1,424	$ 3,693

(20) Other income

	Years ended December 31, 2019	2018
Interest income		
Interest income from bank deposits	$ 9,683	$ 13,460
Interest income from financial assets measured at amortised cost	21,819	3,977
Total interest income	31,502	17,437
Other income	30,206	18,136
	$ 61,708	$ 35,573

(21) Other gains and losses

	Years ended December 31, 2019	2018
Gain (loss) on disposal of property, plant and equipment	$ 1,527	($ 1,899)
Loss on disposal of investment	(8,179)	-
Net currency exchange (loss) gain	(18,901)	16,822
Miscellaneous disbursements	(2,905)	(1,740)
	($ 28,458)	$ 13,183

(22) Employee benefit, depreciation and amortisation expenses

	Years ended December 31, 2019	2018
Wages and salaries	$ 1,022,084	$ 931,053
Labour and health insurance fees	38,638	40,023
Pension costs	50,023	49,408
Other personnel expenses	77,474	65,270
Employee benefit expense	$ 1,188,219	$ 1,085,754
Depreciation charges	$ 196,504	$ 185,652
Amortisation charges	$ 4,995	$ 5,774

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

B. For the years ended December 31, 2019 and 2018, employees' compensation was accrued at $82,679 and $57,612, respectively; while directors' and supervisors' remuneration was accrued at $24,317 and $16,945, respectively. The aforementioned amounts were recognised in salary expenses.

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

For the year ended December 31, 2018, employees' compensation and directors' and supervisors' remuneration amounted to $56,274 and $16,551 as resolved by the Board of Directors on March 19, 2019, respectively, and the differences with the amounts recognised in the current year's financial statements amounted to $1,338 and $394, respectively. The differences had been accounted for as changes in estimates in profit or loss for 2019.

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

(23) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31,	
	2019	2018
Current tax:		
Current tax on profits for the year	$ 258,677	$ 205,002
Tax on undistributed surplus earnings	3,083	1,701
Prior year income tax (over) underestimation	(2,778)	2,905
Total current tax	258,982	209,608
Deferred tax:		
Origination and reversal of temporary differences	(17,527)	20,379
Impact of change in tax rate	-	(1,605)
Total deferred tax	(17,527)	18,774
Income tax expense	$ 241,455	$ 228,382

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

	Years ended December 31, 2019	Years ended December 31, 2018
Currency translation differences	($ 18,628)	($ 10,792)
Impact of change in tax rate	-	(3,486)
	($ 18,628)	($ 14,278)
Remeasurement of defined benefit obligations	($ 263)	$ 114

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2019	Years ended December 31, 2018
Tax calculated based on profit before tax and statutory tax rate (Note)	$ 277,910	$ 255,568
Tax on undistributed earnings	3,083	1,701
Prior year income tax (over) underestimation	(2,778)	2,905
Effect from changes in tax regulation	-	(1,605)
Temporary differences not recognised as deferred tax liabilities	(23,493)	(50,798)
Others	(13,267)	20,611
Income tax expense	$ 241,455	$ 228,382

Note: The basis for computing the applicable tax rate are the rates applicable in the respective countries where the Group entities operate.

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

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	$ 10,087	$ 7,795	$ -	$ 17,882
Unrealised gain on inter-affiliate accounts	11,042	11,682	-	22,724
Allowance for bad debts	2,865	(210)	-	2,655
Unused compensated absences	3,748	(309)	-	3,439
Pension expense payable	5,930	113	263	6,306
Pension expense that exceeds the limit for tax purpose	1,761	27	-	1,788
Unrealised exchange loss	61	2,259	-	2,320
Unrealised warranty provision (shown as Other payables)	2,034	(22)	-	2,012
Others	1,020	6,514	-	7,534
	$ 38,548	$ 27,849	$ 263	$ 66,660
-Deferred tax liabilities:				
Investment income	(43,107)	(10,342)	18,628	(34,821)
Book-tax difference of depreciation charges on fixed assets	(2,003)	48	-	(1,955)
Others	(122)	(28)	-	(150)
	($ 45,232)	($ 10,322)	$ 18,628	($ 36,926)

	2018			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	$ 23,018	($ 12,931)	$ -	$ 10,087
Unrealised gain on inter-affiliate accounts	20,072	(9,030)	-	11,042
Allowance for bad debts	1,648	1,217	-	2,865
Unused compensated absences	1,467	2,281	-	3,748
Pension expense payable	5,137	907	(114)	5,930
Pension expense that exceeds the limit for tax purpose	1,499	262	-	1,761
Unrealised exchange loss	661	(600)	-	61
Unrealised warranty provision (shown as Other payables)	2,135	(101)	-	2,034
Others	1,056	(36)	-	1,020
	$ 56,693	($ 18,031)	($ 114)	$ 38,548
-Deferred tax liabilities:				
Investment income	(55,877)	(1,508)	14,278	(43,107)
Book-tax difference of depreciation charges on fixed assets	(2,804)	801	-	(2,003)
Others	(86)	(36)	-	(122)
	($ 58,767)	($ 743)	$ 14,278	($ 45,232)

D. The Company has not recognised taxable temporary differences associated with investment in subsidiaries as deferred tax liabilities. As of December 31, 2019 and 2018, the temporary differences unrecognised as deferred tax liabilities were $387,094 and $362,634, respectively.

E. The Company’s income tax returns through 2017 have been assessed and approved by the Tax Authority.

(24) Earnings per share

	Year ended December 31, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 911,951	119,726	$ 7.62
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 911,951		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,199	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 911,951	120,925	$ 7.54

	Year ended December 31, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 642,350	119,726	$ 5.37
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 642,350		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,625	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 642,350	121,351	$ 5.29

(25) Operating leases

Prior to 2019

The Group leases office, warehouse and business vehicles under operating lease agreements. The lease terms are between 2 and 5 years. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018
Not later than one year	$ 6,902
Later than one year but not later than five years	4,206
Later than five years	212
	$ 11,320

(26) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$ 133,572	$ 242,794
Add: Opening balance of payable on equipment	2,098	6,734
Less: Ending balance of payable on equipment	(4,132)	(2,098)
Cash paid during the year	$ 131,538	$ 247,430

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

	Year ended December 31, 2019
Cash returned	$ 65,130
Carrying amounts of the assets and liabilities of Chenbro Europe B.V.	
Cash	$ 65,130
Other receivables	1,629
Other payables	(2,830)
Total net assets	$ 63,929

C. The subsidiary-Chenbro Micom (Shenzhen) Co., Ltd. was liquidated in August 2019 and accordingly, the Group lost control over the subsidiary. The information on cash returned and relevant assets and liabilities is as follows:

	Year ended December 31, 2019
Cash returned	$ 23,408
Carrying amounts of the assets and liabilities of Chenbro Micom (Shenzhen) Co., Ltd.	
Cash	$ 23,408
Other payables	(1,004)
Total net assets	$ 22,404

(27) Changes in liabilities from financing activities

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2019	$ 276,102	$ 136,528	$ 412,630
Changes in cash flow from financing activities	(215,989)	(6,273)	(222,262)
Impact of changes in foreign exchange rate	(153)	(3,844)	(3,997)
At December 31, 2019	$ 59,960	$ 126,411	$ 186,371

	Short-term borrowings	Long-term borrowings	Liabilities from financing activities-gross
At January 1, 2018	$ 296,883	$ 138,788	$ 435,671
Changes in cash flow from financing activities	(27,002)	(6,124)	(33,126)
Impact of changes in foreign exchange rate	6,221	3,864	10,085
At December 31, 2018	$ 276,102	$ 136,528	$ 412,630

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Name of related party and relationship

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

(3) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2019	2018
Sales:		
Other related parties	$ 1,273	$ 1,316

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

B. Purchases and other expenses

	Years ended December 31,	
	2019	2018
Purchases:		
Other related parties	$ 18,915	$ 48,350
Other expenses:		
Other related parties	3,179	2,057
	$ 22,094	$ 50,407

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

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

C. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable:		
(shown as ‘accounts receivable’)		
Other related parties	$ 459	$ 622
Other receivables-payment on behalf of others:		
(shown as ‘other receivables’)		
Other related parties	8	234
	$ 467	$ 856

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

D. Payables to related parties

	December 31, 2019		December 31, 2018	
Accounts payable:				
Other related parties	$	4,612	$	6,008
Other payables-other expenses:				
(shown as 'other payables')				
Other related parties		590		669
	$	5,202	$	6,677

Accounts payable bear no interest.

(4) Key management compensation

	Years ended December 31,			
	2019		2018	
Short-term employee benefits	$	64,071	$	53,977
Post-employment benefits		320		346
	$	64,391	$	54,323

8. PLEDGED ASSETS

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

	Book value				
Pledged asset	December 31, 2019		December 31, 2018		Purpose
Time deposits (shown as 'other current assets')	$	3,000	$	1,000	Customs duty guarantee
Cash in banks (shown as 'other non-current assets')	$	3,090	$	3,134	Long-term borrowings (Note)
Land and buildings	$	211,467	$	220,994	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

Please refer to Note 6(25) for the details of operating lease arrangements.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

A. Please refer to Note 6(17) F for the distribution of retained earnings.

B. Please refer to Note 6(22) B for the resolution of employees' compensation and directors' and supervisors' remuneration for the year ended December 31, 2019.

C. For the consideration of cash flows and needs of local operations, the Company's Board of Directors proposed to remit back NTD$550 million by way of cash dividend from Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company and MICOM Source Holding Company.

D. On March 17, 2020, for long-term development and planning, the Company's Board of Directors has approved the purchase of land and factory building, and authorize the Chairman of the Board to fully represent the Company to negotiate the transaction details with the vendor within the authorized limit and to sign the relevant documents.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Financial instruments by category

	December 31, 2019	December 31, 2018
Financial assets		
Financial assets at fair value through other comprehensive income		
Designation of equity instrument	$ 28,458	$ 25,389
Financial assets at amortised cost		
Cash and cash equivalents	988,565	1,261,727
Financial assets at amortised cost	888,455	379,950
Notes receivable	1,026	-
Accounts receivable	1,636,213	1,649,735
Other receivables	69,123	47,187
Other current assets	3,000	1,000
Guarantee deposits paid	2,931	2,613
Other non-current assets	3,090	3,134
	$ 3,620,861	$ 3,370,735

		December 31, 2019		December 31, 2018
Financial liabilities				
Financial liabilities at amortised cost				
Short-term borrowings	$	59,960	$	276,102
Accounts payable (including related parties)		1,755,986		1,418,767
Other payables		665,487		639,544
Other current liabilities		2,710		3,756
Long-term borrowings (including current portion)		126,411		136,528
Guarantee deposits received		586		608
	$	2,611,140	$	2,475,305
Lease liabilities	$	4,766	$	-

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

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

	December 31, 2019			
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$	66,433	29.98	$ 1,991,661
USD:RMB		28,496	6.98	856,802
Non-monetary items				
USD:NTD		8,458	29.98	253,559
EUR:NTD		284	33.59	9,540
RMB:NTD		580,384	4.31	2,501,453
Financial liabilities				
Monetary items				
USD:NTD	$	38,381	29.98	$ 1,150,662
USD:RMB		9,039	6.98	271,779

	December 31, 2018			
	Foreign currency amount (in thousands)		Exchange rate	Book value (NTD)
(Foreign currency: functional currency)				
Financial assets				
Monetary items				
USD:NTD	$	51,235	30.72	$ 1,573,939
USD:RMB		22,774	6.87	699,364
Non-monetary items				
USD:NTD		8,936	30.72	274,515
EUR:NTD		2,034	35.20	71,598
GBP:NTD		32	38.88	1,242
RMB:NTD		544,511	4.47	2,433,965
Financial liabilities				
Monetary items				
USD:NTD	$	37,898	30.72	$ 1,164,227
USD:RMB		10,512	6.87	322,812

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

	Year ended December 31, 2019		
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	29.98	($ 31,198)
USD:RMB	(1,158)	6.98	(8,080)
Financial liabilities			
Monetary items			
USD:NTD	$ -	29.98	$ 13,101
USD:RMB	215	6.98	1,499

	Year ended December 31, 2018		
	Exchange gain (loss)		
	Foreign currency amount (in thousands)	Exchange rate	Book value
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ -	30.72	($ 3,735)
USD:RMB	1,230	6.87	(5,498)
Financial liabilities			
Monetary items			
USD:NTD	$ -	30.72	$ 8,055
USD:RMB	1,185	6.87	5,299

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

	Year ended December 31, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 19,917	$ -
USD:RMB	1%	8,568	-
Financial liabilities			
Monetary items			
USD:NTD	1%	11,507	-
USD:RMB	1%	2,718	-

	Year ended December 31, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 15,739	$ -
USD:RMB	1%	6,994	-
Financial liabilities			
Monetary items			
USD:NTD	1%	11,642	-
USD:RMB	1%	3,228	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through other comprehensive income.

ii. Shares issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, other comprehensive income for the years ended December 31, 2019 and 2018 would have increased/decreased by $285 and $254 as a result of gains or losses on equity investment at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from short-term borrowings and long-term borrowings (including current portion). Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings are issued at fixed rates. During the years ended December 31, 2019 and 2018, the Group's borrowings were denominated in the USD.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows stated financial assets at amortised cost.

ii. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

iii. Individual risk limits are set based on internal or external factors in accordance with limits set by the supervisors of credit control. The utilisation of credit limits is regularly monitored.

iv. If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

vi. The Group classifies customer's accounts receivable in accordance with credit risk on trade. The Group applies the simplified approach using provision matrix and loss rate methodology to estimate expected credit loss under the provision matrix basis.

vii. The Group used the forecastability of The New Basel Capital Accord to adjust historical and timely information to assess the default possibility of accounts receivable. In 2019 and 2018, the loss allowance is as follows:

	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
December 31, 2019				
Expected loss rate	0.03%	0.03%-0.15%	0.03%-2.61%	0.03%-8.42%
Total book value	$ 1,408,356	$ 218,533	$ 11,225	$ -
Loss allowance	$ -	$ 785	$ 1,116	$ -

	271 to 360 days past due	Over 360 days past due	Total
December 31, 2019			
Expected loss rate	0.03%-100%	100%	
Total book value	$ -	$ -	$ 1,638,114
Loss allowance	$ -	$ -	$ 1,901

	Not past due	Up to 90 days past due	91 to 180 days past due	181 to 270 days past due
December 31, 2018				
Expected loss rate	0.00%-0.13%	0.00%-0.56%	0.00%-6.31%	0.05%-23.98%
Total book value	$ 1,336,113	$ 315,540	$ 226	$ -
Loss allowance	$ -	$ 2,172	$ 36	$ -

	271 to 360 days past due	Over 360 days past due	Total
December 31, 2018			
Expected loss rate	74.51%-100%	100.00%	
Total book value	$ 72	$ -	$ 1,651,329
Loss allowance	$ 8	$ -	$ 2,216

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

	2019	2018
	Accounts receivable	Accounts receivable
At January 1	$ 2,216	$ 23,751
Reversal of impairment loss	(286)	(7,204)
Write-offs	-	(14,294)
Effect of exchange rate changes	(29)	(37)
At December 31	$ 1,901	$ 2,216

For the years ended December 31, 2019 and 2018, reversal of impairment of accounts receivable arising from customer contracts amounted to $286 and $7,204, respectively.

(c) Liquidity risk

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

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

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 277,238	$ -	$ -	$ -
Accounts payable	1,412,759	-	-	-
Accounts payable - related party	6,008	-	-	-
Other payables (including related party)	639,544	-	-	-
Other current liabilities	3,756	-	-	-
Long-term borrowings (including current portion)	12,067	24,133	24,133	117,649
Guarantee deposits received	429	179	-	-

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

(3) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

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

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

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 28,458	$ 28,458

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
Equity securities	$ -	$ -	$ 25,389	$ 25,389

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

i. The fair value of the Group’s financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

ii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group’s financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group’s management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. The following chart is the movement of Level 3 for the year ended December 31, 2019 and 2018:

	2019		2018	
	Equity securities		Equity securities	
January 1	$	25,389	$	-
IFRS 9 transfer adjustments		-		31,625
Recorded as unrealised losses on valuation of investments in equity instruments measured at fair value through other comprehensive income		-	(	6,236)
Acquired in the period		3,069		-
At December 31	$	28,458	$	25,389

E. For the years ended December 31, 2019 and 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, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	Fair value at December 31, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 28,458	Market comparable companies	Price to book ratio multiple	1.37-4.41 (1.68)	The higher the multiple, the higher the fair value
			Discount for lack of marketability	20% (20%)	The higher the discount for lack of marketability, the lower the fair value

	Fair value at December 31, 2018		Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:						
Unlisted shares	$	25,389	Market comparable companies	Price to book ratio multiple	1.34-3.33 (1.50)	The higher the multiple, the higher the fair value
				Discount for lack of marketability	20% (20%)	The higher the discount for lack of marketability, the lower the fair value

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

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

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	±1%	$ -	$ -	$ 254	$ 254
	Discount for lack of marketability	±1%	-	-	(64)	(64)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: Please refer to table 1.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

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

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

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

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 3.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 4.

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

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

(2) Information on investees

Counterparties' information are disclosed based on subsidiaries' audited financial statements. However, the information on investments between companies was eliminated when preparing the consolidated financial statements. The following disclosures are for reference only. Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

Name of company	Counterparty	Accounts	Amount 2019	Percentage representing the account of the company (%)	Note
PROCASE & MOREX Corporation	Dongguan Procase Electronic Co., Ltd.	Purchases	$ 467,266	60	Note 1
PROCASE & MOREX Corporation	Dongguan Procase Electronic Co., Ltd.	Accounts payable	52,749	42	Note 1
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Purchases	651,432	20	
Chenbro Micom Co., Ltd.	PROCASE & MOREX Corporation	Accounts payable	131,169	12	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Purchases	2,239,443	67	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Accounts payable	709,110	66	
Chenbro Micom Co., Ltd.	Chenbro Technology (Kunshan) Co., Ltd.	Other receivables	74,297	61	Note 2

Note 1: The Company purchased raw materials of iron pieces from Dongguan Procase Electronic Co., Ltd., through PROCASE & MOREX Corporation (Procase) for manufacturing computer cases.

Note 2: The Company purchased raw materials for the third-tier subsidiary, Chenbro Technology (Kunshan) Co., Ltd.

14. OPERATING SEGMENT INFORMATION

(1) General information

Because each plant possesses similar economic characteristics, produces similar products under similar production process, uses the same machinery equipment, as well as the selling methods and customer categories are alike, the Company's and subsidiaries' chief operating decision-maker has assessed that the Company and its subsidiaries only has one reportable operating segment. Furthermore, the measurement basis for the Company is in agreement with the basis stated in the reports reviewed by the chief operating decision-maker.

(2) Measurement of segment information

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

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

The Group has only one reportable operating segment, thus, the reportable information is in agreement with those in the consolidated financial statements.

(4) Reconciliation for segment income (loss)

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

(5) Information on product

Details of revenue balance is as follows:

	Years ended December 31,	
	2019	2018
Computer server cases	$ 3,531,628	$ 4,038,899
Peripheral products and components	2,992,605	2,235,376
Personal computer cases	311,210	246,239
	$ 6,835,443	$ 6,520,514

(6) Geographical information

Geographical information for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Sales revenue	Non-current assets	Sales revenue	Non-current assets
China	$ 2,214,660	$ 1,149,913	$ 2,740,916	$ 1,315,518
US	2,921,910	277,081	2,443,186	260,701
Taiwan	876,797	291,809	461,779	242,096
Others	822,076	660	874,633	243
	$ 6,835,443	$ 1,719,463	$ 6,520,514	$ 1,818,558

(7) Major customer information

Major customer information of the Group for the years ended December 31, 2019 and 2018 is as follows:

	Years ended December 31,			
	2019		2018	
	Sales revenue	Percentage of consolidated net operating income	Sales revenue	Percentage of consolidated net operating income
Company A	$ 1,094,317	16%	$ 54,643	1%
Company B	969,788	14%	1,428,979	21%
Company C	919,096	13%	1,337,581	21%
Company D	720,405	11%	579,800	9%
Company E	559,306	8%	701,425	11%

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Provision of endorsements and guarantees to others

Year ended December 31, 2019

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

Table 1

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of December 31, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at December 31, 2019 (Note 5)	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary (Note 6)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 6)	Provision of endorsements/ guarantees to the party in Mainland China (Note 6)	Footnote
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Inc.	2	$ 704,001	$ 123,600	$ 59,960	$ -	$ -	2	$ 2,112,004	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	CLOUDWELL HOLDINGS, LLC.	2	704,001	176,960	167,888	126,411	-	5	2,112,004	Y	N	N	Note 3
0	CHENBRO MICOM CO., LTD.	PROCASE & MOREX Corporation	3	704,001	216,300	119,920	-	-	3	2,112,004	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 company with which the Company does business

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

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

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

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

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

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

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

Note 4: The maximum endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US$4,000, $5,600 and $7,000 thousand for the year ended December 31, 2019, respectively.

Note 5: The outstanding endorsement/guarantee provided by Chenbro Micom Co., Ltd. to Chenbro Micom (USA) Inc., CLOUDWELL HOLDINGS, LLC. and PROCASE & MOREX Corporation was US$2,000 thousand, $5,600 thousand and $4,000 thousand for the year ended December 31, 2019, respectively.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Holding of marketable securities at the end of the period

December 31, 2019

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

Table 2

				As of December 31, 2019				
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares	Book value	Ownership (%)	Fair value	Footnote
CHENBRO MICOM CO., LTD.	Diamond Creative Holding Limited	None	Non-current financial assets at fair value through other comprehensive income	1,100,000	$28,458	14.29%	$28,458	

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

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

Year ended December 31, 2019

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

Table 3

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	The Company's subsidiary	Sales	$ 3,076,480	64	OA 120 days	Note 1	Note 1	$ 937,272	71	Note 2
CHENBRO MICOM CO., LTD.	Chenbro GmbH	The Company's subsidiary	Sales	118,464	2	90 days after monthly billing	Note 1	Note 1	63,786	5	Note 2
PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	651,432	78	60 days after monthly billing	Note 1	Note 1	131,169	76	Note 2
Procase & Morex Corporation	Dongguan Procase Electronic Co., Ltd.	Parent-subsidiary company	Sales	163,609	20	Based on agreement	Note 1	Note 1	40,908	24	Note 2
Dongguan Procase Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	Parent-subsidiary company	Sales	467,266	27	Based on agreement	Note 1	Note 1	52,749	9	Note 2
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Sales	2,239,443	77	60 days after monthly billing	Note 1	Note 1	709,110	77	Note 2
Dongguan Procase Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Sales	1,227,771	72	Based on agreement	Note 1	Note 1	507,986	90	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

December 31, 2019

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

Table 4

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2019 (Note 3)	Turnover rate	Overdue receivables Amount	Overdue receivables Action taken	Amount collected subsequent to the balance sheet date (Note 1)	Allowance for doubtful accounts (Note 2)
CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	Parent-subsidiary company	Accounts receivable $ 937,272	3.63	-		$ 443,982	$ -
Procase & Morex Corporation	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable $ 131,169	5.18	-		99,480	-
Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	Parent-subsidiary company	Accounts receivable $ 709,110	3.90	$ 13,236	Subsequent collection	287,348	-
Dongguan Procase Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	Affiliate	Accounts receivable $ 507,986	2.24	-		229,546	-

Note 1: Subsequent collections as of March 17, 2020.

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Significant inter-company transactions during the reporting period

Year ended December 31, 2019

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

Table 5

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount (Notes 3, 6 and 7)	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 5)
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Sales	$ 3,076,480	Note 4	45
0	CHENBRO MICOM CO., LTD.	Chenbro Micom (USA) Incorporation	1	Accounts receivable	937,272	Note 4	15
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Sales	2,239,443	Note 4	33
1	Chenbro Technology (Kunshan) Co., Ltd.	CHENBRO MICOM CO., LTD.	2	Accounts receivable	709,110	Note 4	11
2	Dongguan Procase Electronic Co., Ltd.	PROCASE & MOREX CORPORATION	3	Sales	467,266	Note 4	7
2	Dongguan Procase Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Sales	1,227,771	Note 4	18
2	Dongguan Procase Electronic Co., Ltd.	ChenPower Information Technology (Shanghai) Co., Ltd.	3	Accounts receivable	507,986	Note 4	8
3	PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	2	Sales	651,432	Note 4	10
3	PROCASE & MOREX CORPORATION	CHENBRO MICOM CO., LTD.	2	Accounts receivable	131,169	Note 4	2
3	PROCASE & MOREX CORPORATION	Dongguan Procase Electronic Co., Ltd.	3	Sales	163,609	Note 4	2
3	CHENBRO MICOM CO., LTD.	Chenbro GmbH	1	Sales	118,464	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: Except for current profit (loss) for the year ended December 31, 2019 is translated using the quarterly average exchange rate in 2019, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2019.

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investees (not including investees in Mainland China)

Year ended December 31, 2019

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

Table 6

				Initial investment amount		Shares held as at December 31, 2019					
Investor	Investee	Location	Main business activities	Balance as at December 31, 2019 (Note 5)	Balance as at December 31, 2018 (Note 5)	Number of shares	Ownership (%)	Book value (Note 5)	Net profit (loss) of the investee for the year ended December 31, 2019 (Note 5)	Investment income (loss) recognised by the Company for the year ended December 31, 2019 (Notes 5 and 6)	Footnote
CHENBRO MICOM CO., LTD.	Micom Source Holding Company	Cayman Islands	Holding company	$ 720,264	$ 663,518	20,449,890	100	$ 2,479,365	$ 193,606	$ 92,379	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	137,047	46,543	50,654	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro Europe B.V.	Netherlands	General trading company	-	2,837	-	-	-	-	-	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Cloudwell Holdings, LLC.	USA	Real estate leasing company	109,365	109,365	3,600,000	100	116,512	1,909	1,909	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro GmbH	Germany	General trading company	9,019	9,019	250,000	100	9,540	3,707	3,721	Notes 1, 4 and 5
CHENBRO MICOM CO., LTD.	Chenbro UK Limited	UK	Marketing services	-	-	1	100	-	(47)	(47)	Notes 4 and 5
CHENBRO MICOM CO., LTD.	Edge International Company Limited	Seychelles	Trading/ order taking company	-	-	-	-	-	-	-	Note 7
Micom Source Holding Company	Cloud International Company Limited	Samoa	Holding company	-	16,896	-	-	-	(3,425)	-	Notes 3, 4 and 5
Micom Source Holding Company	AMAC International Company	Cayman Islands	Holding company	193,461	193,461	6,452,738	100	68,079	329	-	Notes 3, 4 and 5
Micom Source Holding Company	AMBER International Company	Cayman Islands	Holding company	247,035	247,035	8,239,890	100	1,906,993	179,963	-	Notes 3, 4 and 5
Micom Source Holding Company	ADEPT International Company	British Virgin Islands	Holding company	529,840	473,684	35,346	100	600,700	17,373	-	Notes 3, 4 and 5
ADEPT International Company	PROCASE & MOREX Corporation	British Virgin Islands	Trading/ order taking company	254,830	254,830	35,502	100	568,963	(941)	-	Notes 2, 4 and 5

Note 1: Investment income (loss) recognised for the year ended December 31, 2019 includes recognition and elimination of realised and unrealised gain (loss) on upstream transactions.
Note 2: The third-tier subsidiary of the Company and it’s investment income / loss recognised by ADEPT International Company.
Note 3: The second-tier subsidiary of the Company and it’s investment income / loss recognised by Micom Source Holding Company.
Note 4: The transactions were eliminated when preparing the consolidated financial statements.
Note 5: Except for current profit (loss) for the year ended December 31, 2019 which is translated using the quarterly average exchange rate in 2019, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2019.
Note 6: Investment income / loss recognised by the Company includes only that of the subsidiaries in which the Company directly invested and that of investees accounted for using equity method.
Note 7: Edge International Company Limited was established on December 31, 2019 and funds were in place in February 2020.

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

Information on investments in Mainland China

Year ended December 31, 2019

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

Table 7

Investee in Mainland China	Main business activities	Paid-in capital	Investment method	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	Net income of investee for the year ended December 31, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended Deember 31, 2019 （Note 2）	Book value of investments in Mainland China as of December 31, 2019	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
CHENBRO MICOM (ShenZhen) Co., Ltd.	Trading and order taking	$ 14,990	$ 2	$ 14,990	$ -	$ -	$ 14,990	($ 1,224)	$ 100	($ 1,224)	$ -	$ -	Notes 1, 8, 9and 10
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	299,800	2	299,800	-	-	299,800	170,428	100	170,428	1,812,880	302,406	Notes 3, 6, 8 and 10
CHENBRO MICOM (BEIJING) CO., LTD.	Rendering technical service	25,860	2	-	-	-	-	(3)	100	(3)	225	-	Notes 5, 8 and 10
Dongguan Procase Electronic Co., Ltd.	Manufacturing and processing of computer cases	376,009	2	89,820	-	-	89,820	2,762	100	2,762	566,351	-	Notes 4, 8 and 10
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	62,958	2	-	-	-	-	13,830	100	13,830	122,222		Notes 3, 7, 8 and 10

Investment method:

1.Directly invest in a company in Mainland China.

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

3.Others.

Note 1: The Company reinvested through Cloud International Company Limited with earnings of Micom Source Holding Company.

Note 2: The investments income/loss of current period were audited by independent accountants of the Company.

Note 3: The Company reinvested through Amber International Company.

Note 4: The Company reinvested through Procase & Morex Corporation and AMAC International Company.

Note 5: The investee was established on June 6, 2014 and received RMB 6 million as capital which was remitted from the earnings of Chenbro Technology (Kunshan) Co., Ltd. on August 4, 2014.

Note 6: The Company distributed cash dividends of $302,406 (net of taxation on earnings remitted from Mainland China) to the Company through the holding companies, Amber International Company and Micom Source Holding Company on October 17, 2014.

Note 7: The Company incorporated on October 8, 2016 and was reinvested by Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company at amount of USD$ 2.1 million as capital of the Company on December 23, 2016.

Note 8: Except for current profit (loss) for the year ended December 31, 2019 translated using the quarterly average exchange rate in 2019, amounts in currencies other than NTD disclosed by investees are translated using the spot rate at December 31, 2019.

Note 9: The liquidation of Chenbro Micom (Shenzhen) Co. was completed in August 2019.

Note 10: The transactions were eliminated when preparing the consolidated financial statements.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2019	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 (Note11)
CHENBRO MICOM CO., LTD.	$ 404,610	$ 413,971	$ -

Note 11: 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.