CHENBRO MICOM CO., LTD.

PARENT COMPANY ONLY 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

(19) PWCR19003465

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

Opinion

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

In our opinion, based on our audits and the reports of the other auditors, as described in the Other Matters section of our report, the accompanying parent company only financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its 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 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 ROC GAAS for our audit of the 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 Financial Statements section of our report. We are independent of the Company 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 the 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters of the Company's parent company only financial statements of the current period are stated as follows:

Valuation of inventories

Description

Refer to Note 4(10) for accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance for inventory valuation losses. As of December 31, 2019, the Group's cost of inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$244,392 thousand and NT$51,549 thousand, respectively.

The Company is 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 Company 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 count of disposed and obsolete inventory against the 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 Company is primarily engaged in manufacturing and sales of computer peripheral equipment. The Company's trading counterparties are mostly world-renowned companies with which the Company has long-term business partnership. As the global demand for servers continues to increase, the Company is committed to increasing sales revenue. When comparing the lists of the Company'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 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 whether the Company'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 top 10 trading counterparties.

Other matter – Scope of the Audit

As stated in Note 6(6), we did not audit the financial statements of certain investees accounted for using equity method. The balance of these long-term equity investments amounted to NT$116,512 thousand and NT$117,491 thousand, constituting 2% and 3% of total assets as of December 31, 2019 and 2018, respectively, and comprehensive (loss) income was (NT$979) thousand and NT$2,830 thousand, constituting (0%) and 0% of total comprehensive income for the years then ended, respectively. Those financial 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 relative to these investees, is based solely on the audit reports of the other auitors.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only 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 Company'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 Company'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 parent company only 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 Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only 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 Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the 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 parent company only 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

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

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY 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)	$ 370,085	7	$ 246,049	5
1170	Accounts receivable, net	6(3)	323,238	6	253,966	6
1180	Accounts receivable - related parties	7	1,001,058	20	785,049	17
1200	Other receivables	6(4)	14,678	-	26,813	1
1210	Other receivables - related parties	7	106,815	2	79,734	2
130X	Inventories	6(5)	192,843	4	104,234	2
1410	Prepayments		9,055	-	2,542	-
1470	Other current assets	8	3,555	-	2,217	-
11XX	**Total current assets**		2,021,327	39	1,500,604	33
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	6(2)	28,458	1	25,389	1
1550	Investments accounted for using equity method	6(6)(16)	2,742,464	53	2,770,347	61
1600	Property, plant and equipment	6(7)	234,659	5	234,576	5
1780	Intangible assets	6(8)	3,214	-	3,199	-
1840	Deferred income tax assets	6(21)	47,732	1	23,521	-
1900	Other non-current assets	6(9)	54,485	1	4,854	-
15XX	**Total non-current assets**		3,111,012	61	3,061,886	67
1XXX	**Total assets**		$ 5,132,339	100	$ 4,562,490	100

(Continued)

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY 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(10)	$ 59,960	1	$ 245,381	5
2130	Current contract liabilities	6(17)	957	-	1,959	-
2170	Accounts payable		231,916	5	191,013	4
2180	Accounts payable - related parties	7	844,891	17	565,704	13
2200	Other payables	6(11)	268,222	5	221,520	5
2220	Other payables - related parties	7	590	-	29,059	1
2230	Current income tax liabilities		171,187	3	97,923	2
2300	Other current liabilities		684	-	60	-
21XX	**Total current liabilities**		1,578,407	31	1,352,619	30
	Non-current liabilities					
2570	Deferred income tax liabilities	6(21)	5,147	-	17,545	-
2600	Other non-current liabilities	6(12)	28,778	-	27,346	1
25XX	**Total non-current liabilities**		33,925	-	44,891	1
2XXX	**Total liabilities**		1,612,332	31	1,397,510	31
	Equity					
	Share capital	6(13)				
3110	Share capital - common stock		1,197,260	24	1,197,260	26
	Capital surplus	6(14)				
3200	Capital surplus		48,209	1	48,209	1
	Retained earnings	6(15)				
3310	Legal reserve		628,686	12	564,451	12
3320	Special reserve		213,156	4	175,154	4
3350	Unappropriated retained earnings		1,657,248	32	1,327,489	29
	Other equity interest	6(16)				
3400	Other equity interest		(224,552)	(4)	(147,583)	(3)
3XXX	**Total equity**		3,520,007	69	3,164,980	69
	Significant contingent liabilities and unrecorded contract commitments	9				
	Significant events after the balance sheet date	6(15) and 11				
3X2X	**Total liabilities and equity**		$ 5,132,339	100	$ 4,562,490	100

The accompanying notes are an integral part of these parent company only financial statements.

CHENBRO MICOM CO., LTD
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	**Operating revenue**	6(17) and 7	$ 4,798,463	100	$ 3,581,542	100
5000	**Operating costs**	6(5)(20) and 7	(3,344,123)	(70)	(2,715,125)	(76)
5900	**Net operating margin**		1,454,340	30	866,417	24
5910	Unrealised profit from sales		(87,668)	(2)	(22,359)	(1)
5920	Realised profit on from sales		22,746	1	32,929	1
	Net realised profit from sales	6(6)	(64,922)	(1)	10,570	-
5950	**Net operating margin**		1,389,418	29	876,987	24
	Operating expenses	6(20) and 7				
6100	Selling expenses		(82,182)	(2)	(111,990)	(3)
6200	General and administrative expenses		(170,535)	(4)	(137,140)	(4)
6300	Research and development expenses		(168,852)	(3)	(144,633)	(4)
6450	Expected credit impairment gain	12(2)	320	-	202	-
6000	**Total operating expenses**		(421,249)	(9)	(393,561)	(11)
6900	**Operating profit**		968,169	20	483,426	13
	Non-operating income and expenses					
7010	Other income	6(18) and 7	7,751	-	20,289	1
7020	Other gains and losses	6(19)	(26,212)	-	13,662	-
7050	Finance costs		(2,348)	-	(3,651)	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	6(6)	148,616	3	239,275	7
7000	**Total non-operating income and expenses**		127,807	3	269,575	8
7900	**Profit before income tax**		1,095,976	23	753,001	21
7950	Income tax expense	6(21)	(184,025)	(4)	(110,651)	(3)
8200	**Profit for the year**		$ 911,951	19	$ 642,350	18
	Other comprehensive income					
	Components of other comprehensive income (loss) that will not be reclassified to profit or loss					
8311	(Loss) gain on remeasurement of defined benefit plan	6(12)	($ 1,314)	-	$ 571	-
8316	Unrealised losses from investments in equity instruments measured at fair value through other comprehensive income	6(2)(16)	-	-	(6,236)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	263	-	(114)	-
8310	**Other comprehensive loss that will not be reclassified to profit or loss**		(1,051)	-	(5,779)	-
	Components of other comprehensive income (loss) that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(16)	(95,597)	(2)	(46,044)	(1)
8399	Income tax relating to the components of other comprehensive income	6(16)(21)	18,628	-	14,278	-
8360	**Other comprehensive loss that will be reclassified to profit or loss**		(76,969)	(2)	(31,766)	(1)
8300	**Other comprehensive loss for the year**		($ 78,020)	(2)	($ 37,545)	(1)
8500	**Total comprehensive income for the year**		$ 833,931	17	$ 604,805	17
	Earnings per share (in dollars)	6(22)				
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 parent company only financial statements.

CHENBRO MICOM CO., LTD
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars)

			Capital Surplus		Retained Earnings			Other Equity Interest		
	Notes	Share capital - common stock	Additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised 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(16)	-	-	-	-	-	457	(31,766)	(6,236)	(37,545)
Total comprehensive income (loss)		-	-	-	-	-	642,807	(31,766)	(6,236)	604,805
Distribution of 2017 earnings	6(15)									
Legal reserve		-	-	-	45,544	-	(45,544)	-	-	-
Special reserve		-	-	-	-	32,530	(32,530)	-	-	-
Cash dividends		-	-	-	-	-	(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(16)	-	-	-	-	-	(1,051)	(76,969)	-	(78,020)
Total comprehensive income (loss)		-	-	-	-	-	910,900	(76,969)	-	833,931
Distribution of 2018 earnings	6(15)									
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 parent company only financial statements.

CHENBRO MICOM CO., LTD

PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS

FOR THE 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		$ 1,095,976	$ 753,001
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit impairment gain	12(2)	(320)	(201)
Depreciation	6(7)(20)	11,062	17,220
Amortisation	6(8)(20)	1,520	2,496
Interest expense		2,348	3,651
Interest income	6(18)	(2,152)	(707)
Loss on disposal of property, plant and equipment	6(19)	289	315
Loss on disposal of investments accounted for using equity method	6(19)	6,418	-
Share of profit of subsidiaries, associates and joint ventures	6(6)	(148,616)	(239,275)
Net realised loss (profit) from sales	6(6)	64,922	(10,570)
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(68,952)	34,758
Accounts receivable - related parties		(216,009)	(494,679)
Other receivables		12,146	3,431
Other receivables - related parties		(27,081)	47,585
Inventories		(88,609)	28,180
Prepayments		(6,513)	(325)
Other current assets		662	2,862
Changes in operating liabilities			
Current contract liabilities		(1,002)	1,959
Accounts payable		40,903	(49,364)
Accounts payable - related parties		279,187	311,920
Other payables (including related parties)		15,055	72,083
Other current liabilities		624	(2,203)
Other non-current liabilities		(179)	(13)
Cash inflow generated from operations		971,679	482,124
Interest received		2,141	707
Interest paid		(2,397)	(3,311)
Income tax paid		(128,479)	(46,699)
Net cash flows from operating activities		842,944	432,821
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in other current assets		(2,000)	-
Acquisition of investments accounted for using equity method	6(6)	(56,746)	-
Acquisition of property, plant and equipment	6(24)	(56,684)	(8,846)
Proceeds from disposal of property, plant and equipment		-	47
Acquisition of non-current financial assets at fair value through other comprehensive income	12(3)	(3,069)	-
Proceeds from disposal of investments accounted for using equity method	6(24)	65,130	-
Repatriation of subsidiary funds	6(6)	1,178	-
Acquisition of intangible assets	6(8)	(1,535)	(616)
(Increase) decrease in other non-current assets		(16)	250
Net cash flows used in investing activities		(53,742)	(9,165)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings		(185,421)	8,018
Repayment of principal portion of lease liabilities		(841)	-
Payments of cash dividends	6(15)	(478,904)	(359,178)
Net cash flows used in financing activities		(665,166)	(351,160)
Net increase in cash and cash equivalents		124,036	72,496
Cash and cash equivalents at beginning of year	6(1)	246,049	173,553
Cash and cash equivalents at end of year	6(1)	$ 370,085	$ 246,049

The accompanying notes are an integral part of these parent company only financial statements.

CHENBRO MICOM CO., LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018
(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 is 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 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 the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IFRS 16, 'Leases'

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 Company 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 Company increased 'right-of-use asset' and 'lease liability' by $1,761 and $1,761, respectively with respect to the lease contracts of lessees on January 1, 2019.

C. The Company 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.

D. The Company calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 2.62%.

E. The Company 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	$	3,377
Less: Short-term leases	(	1,469)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019		1,908
Incremental borrowing interest rate at the date of initial application		2.62%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	1,761

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

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	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 amendments to IFRS 7, ' Interest rate benchmark reform'	January 1, 2020

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the 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 IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) <u>Foreign currency translation</u>

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

(4) <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.

(5) 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.

(6) 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 Company 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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company and the amount of the dividend can be measured reliably.

(7) Accounts receivable

A. Accounts receivable entitle the Company 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.

(8) 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 Company 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 Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

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

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

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

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

(10) 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.

(11) Investments accounted for using equity method / subsidiaries

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company 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.

B. Unrealised gains or losses on transactions between the Company and its subsidiaries have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company’s share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the consolidated financial statements. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the consolidated financial statements.

E. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(12) Property, plant and equipment

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

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company 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	6～12 years
Mold equipment	2～ 4 years
Computer communication equipment	3～ 4 years
Testing equipment	3～10 years
Transportation equipment	5 years
Office equipment	3～12 years
Other equipment	2～ 12 years

(13) Intangible assets

A. Trademarks

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

B. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 4 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 Company. 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 Company 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 2018

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

(16) Impairment of non-financial assets

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

(17) Borrowings

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

(18) Accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services.

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

(19) Derecognition of financial liabilities

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

(20) Offsetting financial instruments

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

(21) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company 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.

(22) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. 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 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 Company 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.

(23) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(24) Dividends

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

(25) Revenue recognition

A. The Company 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 Company 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 are transferred as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

The preparation of these financial statements does not require management to make critical judgements in applying the Company'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:

As 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 on 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 $192,843.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Petty cash and cash on hand	$ 160	$ 242
Demand deposits	23,247	112,672
Checking account deposits	91	744
Foreign currency deposits	296,587	132,391
Time deposits	50,000	-
	$ 370,085	$ 246,049

A. The Company transacts 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 Company has reclassified cash and cash equivalents pledged to 'other 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 Company 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. Amount recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income for the years ended December 31, 2019 and 2018 amounted to 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 Company was $28,458 and $25,389, respectively.

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

(3) Accounts receivable

	December 31, 2019	December 31, 2018
Accounts receivable	$ 323,564	$ 254,612
Less: Allowance for bad debts	(326)	(646)
	$ 323,238	$ 253,966

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

	December 31, 2019	December 31, 2018
Not past due	$ 291,775	$ 179,943
Up to 30 days	21,490	53,840
31 to 90 days	10,035	20,541
91 to 180 days	264	263
Over 180 days	-	25
	$ 323,564	$ 254,612

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 from contracts with customers amounted to $323,564, $254,612 and $303,664, respectively.

C. The Company 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 Company's accounts receivable were $323,238 and $253,966, respectively.

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

(4) Transfer of financial assets

1. The Company entered into a factoring agreement with banks to sell its accounts receivable. Under the agreement, the Company 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 Company does not have any continuing involvement in the transferred accounts receivable. The financial assets meet the condition of derecognition. The Company 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, 2017

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'.

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

(5) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	$ 83,683	($ 46,628)	$ 37,055
Work in process	1,930	-	1,930
Finished goods	158,779	(4,921)	153,858
	$ 244,392	($ 51,549)	$ 192,843

	December 31, 2018		
	Cost	Allowance for valuation loss and obsolete and slow-moving inventories	Book value
Raw materials	$ 30,355	($ 10,261)	$ 20,094
Work in process	674	-	674
Finished goods	92,060	(8,594)	83,466
	$ 123,089	($ 18,855)	$ 104,234

A. The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2019	2018
Cost of goods sold	$ 3,311,427	$ 2,718,362
Loss on (gain on reversal of) decline in market value	32,694	(3,243)
Loss on physical inventory	2	6
	$ 3,344,123	$ 2,715,125

The Company reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because the inventories were subsequently sold for the year ended December 31, 2018.

B. The Company has no inventories pledged to others.

(6) Investments accounted for using equity method

	2019	2018
At January 1	$ 2,770,347	$ 2,567,334
Addition of investments accounted for using equity method	56,746	-
Share of profit or loss of investments accounted for using equity method	148,616	239,275
Disposal of investments accounted for using equity method	(71,526)	-
Net unrealised (loss) profit of inter-company transactions	(64,922)	10,570
Shares returned from reduction in subsidiaries	(1,200)	(788)
Changes in other equity items (Note 6(16))	(95,597)	(46,044)
At December 31	$ 2,742,464	$ 2,770,347

	December 31, 2019	December 31, 2018
Micom Source Holding Company	$ 2,479,365	$ 2,422,992
Chenbro Micom (USA) Incorporation	137,047	157,024
CLOUDWELL HOLDINGS, LLC.	116,512	117,491
Chenbro GmbH	9,540	6,577
Chenbro Europe B.V.	-	65,021
Chenbro UK Limited	-	1,242
	$ 2,742,464	$ 2,770,347

A. The financial statements of investee accounted for using equity method, CLOUDWELL HOLDINGS, LLC., were audited by their appointed auditors. The Company recognised comprehensive (loss) income of ($979) and $2,830 on investees accounted for using equity method based on such financial statements for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019 and 2018, the balance of the related investment accounted for using equity method was $116,512 and $117,491, respectively.

B. 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.

C. 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.

D. Details of the Company's subsidiaries are provided in Note 4(3) of the Company's consolidated financial statements as of and for the year ended December 31, 2019.

E. Edge International Company Limited was set up in December 31, 2019, and funds were in place in February 2020.

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Total	Prepayments for business facilities (Note)
At January 1, 2019											
Cost	$ 140,737	$ 126,628	$ 4,766	$ 253,882	$ 13,427	$ 18,943	$ 4,140	$ 11,754	$ 7,535	$ 581,812	$ 596
Accumulated depreciation	-	(48,245)	(2,499)	(251,592)	(12,307)	(13,133)	(744)	(11,754)	(6,962)	(347,236)	-
	$ 140,737	$ 78,383	$ 2,267	$ 2,290	$ 1,120	$ 5,810	$ 3,396	$ -	$ 573	$ 234,576	$ 596
2019											
Opening net book amount	$ 140,737	$ 78,383	$ 2,267	$ 2,290	$ 1,120	$ 5,810	$ 3,396	$ -	$ 573	$ 234,576	$ 596
Additions	-	-	1,271	3,695	293	594	-	628	2,722	9,203	50,074
Disposals	-	-	-	-	-	-	-	-	(289)	(289)	-
Transfers	-	-	-	-	-	1,390	-	-	-	1,390	(1,390)
Depreciation charges	-	(3,322)	(563)	(2,534)	(567)	(2,140)	(690)	(104)	(301)	(10,221)	-
Closing net book amount	$ 140,737	$ 75,061	$ 2,975	$ 3,451	$ 846	$ 5,654	$ 2,706	$ 524	$ 2,705	$ 234,659	$ 49,280
At December 31, 2019											
Cost	$ 140,737	$ 126,628	$ 6,037	$ 257,577	$ 13,720	$ 20,927	$ 4,140	$ 12,382	$ 9,816	$ 591,964	$ 49,280
Accumulated depreciation	-	(51,567)	(3,062)	(254,126)	(12,874)	(15,273)	(1,434)	(11,858)	(7,111)	(357,305)	-
	$ 140,737	$ 75,061	$ 2,975	$ 3,451	$ 846	$ 5,654	$ 2,706	$ 524	$ 2,705	$ 234,659	$ 49,280

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

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.

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Transportation equipment	Office equipment	Others	Total	Prepayments for business facilities (Note)
At January 1, 2018											
Cost	$ 140,737	$ 126,628	$ 4,766	$ 253,745	$ 13,427	$ 14,006	$ 3,148	$ 11,754	$ 7,535	$ 575,746	$ -
Accumulated depreciation	-	(44,922)	(1,996)	(242,291)	(10,660)	(11,909)	(196)	(11,690)	(6,398)	(330,062)	-
	$ 140,737	$ 81,706	$ 2,770	$ 11,454	$ 2,767	$ 2,097	$ 2,952	$ 64	$ 1,137	$ 245,684	$ -
2018											
Opening net book amount	$ 140,737	$ 81,706	$ 2,770	$ 11,454	$ 2,767	$ 2,097	$ 2,952	$ 64	$ 1,137	$ 245,684	$ -
Additions	-	-	-	137	-	4,937	1,400	-	-	6,474	596
Disposals	-	-	-	-	-	-	(362)	-	-	(362)	-
Depreciation charges	-	(3,323)	(503)	(9,301)	(1,647)	(1,224)	(594)	(64)	(564)	(17,220)	-
Closing net book amount	$ 140,737	$ 78,383	$ 2,267	$ 2,290	$ 1,120	$ 5,810	$ 3,396	$ -	$ 573	$ 234,576	$ 596
At December 31, 2018											
Cost	$ 140,737	$ 126,628	$ 4,766	$ 253,882	$ 13,427	$ 18,943	$ 4,140	$ 11,754	$ 7,535	$ 581,812	$ 596
Accumulated depreciation	-	(48,245)	(2,499)	(251,592)	(12,307)	(13,133)	(744)	(11,754)	(6,962)	(347,236)	-
	$ 140,737	$ 78,383	$ 2,267	$ 2,290	$ 1,120	$ 5,810	$ 3,396	$ -	$ 573	$ 234,576	$ 596

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

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

(8) Intangible assets

	Trademarks	Computer software	Others	Total
At January 1, 2019				
Cost	$ 577	$ 26,547	$ 600	$ 27,724
Accumulated amortisation	(332)	(23,706)	(487)	(24,525)
	$ 245	$ 2,841	$ 113	$ 3,199
2019				
At January 1	$ 245	$ 2,841	$ 113	$ 3,199
Additions	-	1,251	284	1,535
Amortisation charge	(46)	(1,414)	(60)	(1,520)
At December 31	$ 199	$ 2,678	$ 337	$ 3,214
At December 31, 2019				
Cost	$ 577	$ 27,798	$ 884	$ 29,259
Accumulated amortisation	(378)	(25,120)	(547)	(26,045)
	$ 199	$ 2,678	$ 337	$ 3,214

	Trademarks	Computer software	Others	Total
At January 1, 2018				
Cost	$ 562	$ 26,400	$ 600	$ 27,562
Accumulated amortisation	(285)	(21,786)	(412)	(22,483)
	$ 277	$ 4,614	$ 188	$ 5,079
2018				
At January 1	$ 277	$ 4,614	$ 188	$ 5,079
Additions	15	601	-	616
Amortisation charge	(47)	(2,374)	(75)	(2,496)
At December 31	$ 245	$ 2,841	$ 113	$ 3,199
At December 31, 2018				
Cost	$ 577	$ 26,547	$ 600	$ 27,724
Accumulated amortisation	(332)	(23,706)	(487)	(24,525)
	$ 245	$ 2,841	$ 113	$ 3,199

Details of amortisation on intangible assets are as follows:

	Years ended December 31, 2019	Years ended December 31, 2018
Selling expenses	$ -	$ 92
Administrative expenses	617	1,026
Research and development expenses	903	1,378
	$ 1,520	$ 2,496

(9) Other non-current assets

	December 31, 2019	December 31, 2018
Guarantee deposits paid	$ 549	$ 533
Prepayments for buildings	49,280	-
Prepayments for business facilities	-	596
Right-of-use assets	931	-
Others	3,725	3,725
	$ 54,485	$ 4,854

A. For the year ended December 31, 2019, the depreciation charges of right-of-use assets were $841.

B. For the year ended December 31, 2019, the Company's total cash outflow for leases was $4,999 (including $841 as the principal of lease liabilities).

(10) 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	$ 245,381	3.00%~3.30%	A promissory note of the same amount was issued as collateral.

(11) Other payables

	December 31, 2019	December 31, 2018
Remuneration due to directors and supervisors and employee bonus payable	$ 106,996	$ 74,557
Wages and bonus payable	93,885	63,246
Payables for export freight and customs clearance charges	10,365	18,928
Payables for service fees	20,350	17,643
Payables for machinery and equipment	2,735	142
Payables for mold	631	7,135
Others	33,260	39,869
	$ 268,222	$ 221,520

(12) Pensions

A. Defined benefit plan

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

	Present value of defined benefit obligation	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 obligation	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 authorised by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 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:

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

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

B. Defined contribution plan

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. 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.

(13) 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.

(14) Capital surplus

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

(15) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital. The remaining shall 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. (a) On June 25, 2019 and June 20, 2018, the shareholders resolved the appropriations of 2018 and 2017 earnings 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

(b) On March 17, 2020, the Board of Directors has proposed the appropriation of 2019 earnings as follows:

	Year ended December 31, 2019	
	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.

F. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(20).

(16) Other equity items

	Year ended December 31, 2019		
	Currency translation	Unrealised gains (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)

	Year ended December 31, 2018		
	Currency translation	Unrealised gains (losses) on valuation	Total
At January 1	($ 109,581)	$ -	($ 109,581)
Valuation adjustments	-	(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)

(17) Operating revenue:

A. Disaggregation of revenue from contracts with customers

The Company 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	$ 2,273,545	$ 1,975,001
Peripheral products and components	2,248,716	1,378,458
Personal computer cases	276,202	228,083
	$ 4,798,463	$ 3,581,542

(b) Geographical information

	Years ended December 31, 2019	Years ended December 31, 2018
US	$ 3,138,200	$ 2,136,176
China	518,279	474,850
Taiwan	564,945	455,250
Others	577,039	515,266
	$ 4,798,463	$ 3,581,542

B. Contract assets and liabilities

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

	December 31, 2019	December 31, 2018	January 1, 2018
Contract liabilities-sale of products	$ 957	$ 1,959	$ 2,196

(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	$ 1,503

(18) Other income

	Years ended December 31, 2019	Years ended December 31, 2018
Royalty revenue	$ 2,635	$ 13,262
Interest income from bank deposits	2,152	707
Other income	2,964	6,320
	$ 7,751	$ 20,289

(19) Other gains and losses

	Years ended December 31, 2019	Years ended December 31, 2018
Net currency exchange (loss) gain	($ 17,898)	$ 14,486
Loss on disposal of investment	(6,418)	-
Loss on disposal of property, plant and equipment	(289)	(315)
Other expenses	(1,607)	(509)
	($ 26,212)	$ 13,662

(20) Employee benefit, depreciation and amortisation expenses

	Years ended December 31, 2019	Years ended December 31, 2018
Wages and salaries	$ 298,872	$ 234,995
Labour and health insurance fees	13,757	13,288
Pension costs	9,111	9,240
Other personnel expenses	15,595	13,690
Employee benefit expense	$ 337,335	$ 271,213
Depreciation charges on property, plant and equipment	$ 11,062	$ 17,220
Amortisation charges on intangible assets	$ 1,520	$ 2,496

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, 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.

(21) 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	$ 202,436	$ 109,622
Tax on undistributed surplus earnings	3,083	1,701
Prior year income tax (over) underestimation	(3,776)	1,800
Total current tax	201,743	113,123
Deferred tax:		
Origination and reversal of temporary differences	(17,718)	(867)
Impact of change in tax rate	-	(1,605)
Total deferred tax	(17,718)	(2,472)
Income tax expense	$ 184,025	$ 110,651

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

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

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2019	2018
Tax calculated based on profit before tax and statutory tax rate	$ 219,195	$ 150,600
Tax on undistributed surplus earnings	3,083	1,701
Prior year income tax (over) underestimation	(3,776)	1,800
Effect from changes in tax regulation	-	(1,605)
Temporary difference not recognised as deferred tax liabilities	(23,493)	(50,798)
Effect from expenses disallowed by tax regulations	(10,984)	8,953
Income tax expense	$ 184,025	$ 110,651

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	$ 2,328	$ 7,982	$ -	$ 10,310
Unrealised gain on inter-affiliate accounts	7,672	10,583	-	17,534
Allowance for bad debts	2,859	(210)	-	2,649
Unused compensated absences	1,715	(259)	-	1,456
Pension expense payable	5,930	113	263	6,306
Pension expense that exceeds the limit for tax purpose	1,761	27	-	1,788
Unrealised warranty provision (show as other payable)	1,138	-	-	1,138
Unrealised exchange loss	61	2,259	-	2,320
Others	57	3,453	-	4,231
	$ 23,521	$ 23,948	$ 263	$ 47,732
-Deferred tax liabilities:				
Investment income	($ 17,545)	($ 6,230)	$ 18,628	($ 5,147)

	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	$ 4,639	($ 2,311)	$ -	$ 2,328
Unrealised gain on inter-affiliate accounts	8,882	(1,210)	-	7,672
Allowance for bad debts	1,543	1,316	-	2,859
Unused compensated absences	675	1,040	-	1,715
Pension expense payable	5,137	907	(114)	5,930
Pension expense that exceeds the limit for tax purpose	1,499	262	-	1,761
Unrealised warranty provision (show as other payable)	1,020	118	-	1,138
Unrealised exchange loss	661	(600)	-	61
Others	50	7	-	57
	$ 24,106	($ 471)	($ 114)	$ 23,521
-Deferred tax liabilities:				
Investment income	($ 34,766)	$ 2,943	$ 14,278	($ 17,545)

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 amounts of 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.

(22) 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 Company	$ 911,951	119,726	$ 7.62
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 911,951		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,199	
Profit attributable to ordinary shareholders of the Company 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 Company	$ 642,350	119,726	$ 5.37
Diluted earnings per share			
Profit attributable to ordinary shareholders of the Company	$ 642,350		
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	1,625	
Profit attributable to ordinary shareholders of the Company plus assumed conversion of all dilutive potential ordinary shares	$ 642,350	121,351	$ 5.29

(23) Operating leases

Prior to 2018

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	$ 2,409
Later than one year but not later than five years	648
Later than five years	320
	$ 3,377

(24) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31,	
	2019	2018
Purchase of property, plant and equipment	$ 10,593	$ 6,474
Add: Opening balance of payable on equipment	142	1,918
Ending balance of prepayments for business facilities	49,280	596
Less: Opening balance of prepayments for business facilities	(596)	-
Ending balance of payable on equipment	(2,735)	(142)
Cash paid during the year	$ 56,684	$ 8,846

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

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

Names of related parties	Relationship with the Company
Micom Source Holding Company (MICOM)	First-tier subsidiary
CLOUDWELL HOLDINGS, LLC. (CLOUDWELL)	First-tier subsidiary
Chenbro Europe B.V.	First-tier subsidiary (Note 1)
Chenbro GmbH (GmbH)	First-tier subsidiary
Chenbro Micom (USA) Incorporation (CMI)	First-tier subsidiary
Chenbro UK Limited (UK)	First-tier subsidiary
ChenPower Information Technology (Shanghai) Co., Ltd. (CPT)	Third-tier subsidiary (Note 3)
Chenbro Micom (Shenzhen) Co., Ltd. (CCS)	Third-tier subsidiary (Note 2 and Note 3)
Chenbro Technology (Kunshan) Co., Ltd. (CSH)	Third-tier subsidiary (Note 3)
Procase & Morex Corp. (PROCASE)	Third-tier subsidiary (Note 3)
Dongguan Procase Electronic Co., Ltd. (DGP)	Fourth-tier subsidiary (Note 3)
Chen-Source Inc.	Other related party

Note 1: 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 2: On January 19, 2017, Chenbro Micom (Shenzhen) Co. was dissolved under the resolution of the Board of Directors, and the liquidation was completed in August 2019.

Note 3: Shown as ‘subsidiary’ in Note 7(3).

(3) Significant related party transactions

A. Operating revenue and other income

	Years ended December 31,			
	2019		2018	
Sales of goods:				
Subsidiaries				
- CMI	$	3,076,480	$	2,090,728
- Other subsidiaries		118,464		117,841
Other income - royalty revenue:				
Subsidiaries				
- CPT		2,635		13,262
Other income - management revenue:				
Subsidiaries		20,697		19,204
Other related parties		32		32
	$	3,218,308	$	2,241,067

(a) Sales of goods: Goods are sold based on normal prices and terms. Payment collection is 60~90 days and OA 120 days after monthly billings.

(b) Royalty revenue: Royalties received from subsidiaries for using the Company’s resources.

(c) Management revenue: Revenue arises from managing administrative affairs on behalf of subsidiaries and other related parties and is shown as a deduction to 'selling expenses', 'management fees' and 'operating costs'. Management revenue is determined based on agreed upon terms and payment collection is 60~90 days after monthly billings.

B. <u>Purchases and other expenses</u>

	Years ended December 31, 2019	Years ended December 31, 2018
Purchases of goods:		
Subsidiaries		
- CSH	$ 2,239,443	$ 1,462,730
- PROCASE	651,432	679,145
- Other subsidiaries	542	2,725
Other related parties	18,915	48,350
Other expenses:		
Subsidiaries (service expense)	-	2,877
Other related parties (management service expense)	3,179	2,057
	$ 2,913,511	$ 2,197,884

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

(b) Service expense: Service expenses paid by the Company to subsidiaries.

(c) Management service expense: 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 payment term is 60 days after monthly billings.

C. Receivables from related parties

	December 31, 2019	December 31, 2018
Accounts receivable:		
Subsidiaries		
- CMI	$ 937,272	$ 755,690
- Other subsidiaries	63,786	29,359
	1,001,058	785,049
Other receivables		
Subsidiaries		
- PROCASE	26,079	26,362
- CSH	74,297	33,741
- CPT	2,621	13,262
- Other subsidiaries	3,810	6,135
Other related parties	8	234
	106,815	79,734
	$ 1,107,873	$ 864,783

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

(b) Other receivables are amounts paid for purchase of materials and collection of royalties on behalf of subsidiaries and other related parties.

D. Payables to related parties

	December 31, 2019	December 31, 2017
Accounts payable:		
Subsidiaries		
- CSH	$ 709,110	$ 439,395
- PROCASE	131,169	120,301
Other related parties	4,612	6,008
	844,891	565,704
Other payables:		
Subsidiaries	-	28,390
Other related parties	590	669
	590	29,059
	$ 845,481	$ 594,763

(a) Accounts payable bear no interest.

(b) Other payables: The payables are service expenses paid by subsidiaries and mold fee.

E. Endorsements and guarantees provided to related parties

	December 31, 2019	December 31, 2018
Subsidiaries (Note)		
- PROCASE	$ 4,000	$ 7,000
- CLOUDWELL	5,600	5,600
- CMI	2,000	4,000
	$ 11,600	$ 16,600

Note: unit in thousands of USD.

(4) Key management compensation

	Years ended December 31, 2019	Years ended December 31, 2018
Short-term employee benefits	$ 56,770	$ 52,279
Post-employment benefits	156	346
	$ 56,926	$ 52,625

8. PLEDGED ASSETS

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

Pledged asset	Book value December 31, 2019	Book value December 31, 2018	Purpose
Time deposits (shown as 'other current assets')	$ 3,000	$ 1,000	Customs duty guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

Please refer to Note 6(23) for the details of operating lease arrangements.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

1. Please refer to Note 6(15) E(b) for the appropriation of earnings.
2. Please refer to Note 6(20) B for the resolution of employees' compensation and directors' and supervisors' remuneration for the year ended December 31, 2019.
3. For the consideration of cash flows and needs of local operations, the Company's Board of Directors is proposed to remit back NT$550 million by way of cash dividend from Chenbro Technology (Kunshan) Co., Ltd. through AMBER International Company and MICOM Source Holding Company.

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

(2) Financial instruments

A. Financial instruments by category

	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		370,085		246,049
Accounts receivable (including related parties)		1,324,296		1,039,015
Other receivables (including related		121,493		106,547
Other current assets		3,000		1,000
Guarantee deposits paid		549		533
	$	1,847,881	$	1,418,533

	December 31, 2019		December 31, 2018	
Financial liabilities				
Financial liabilities at amortised cost				
Short-term borrowings	$	59,960	$	245,381
Accounts payable (including related		1,076,807		756,717
Other accounts payable (including related parties)		268,812		250,579
	$	1,405,579	$	1,252,677
Lease liability (shown as current liabilities and non-current liabilities)	$	931	$	-

B. Financial risk management policies

(a) The Company'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 Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial position and financial performance.

(b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close cooperation with the Company'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 Company 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 Company is required to hedge its entire foreign exchange risk exposure with the Company treasury, and primarily hedge using natural hedge.

iii. The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD. 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	$ 57,384	29.98	$ 1,720,372
Non-monetary items			
USD:NTD	8,458	29.98	253,559
EUR:NTD	284	33.59	9,540
Financial liabilities			
Monetary items			
USD:NTD	$ 30,539	29.98	$ 915,559

	December 31, 2018				
		Foreign currency amount (in thousands)	Exchange rate		Book value (NTD)
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	40,867	30.72	$	1,255,434
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
Financial liabilities					
Monetary items					
USD:NTD	$	28,486	30.72	$	875,090
HKD:RMB		383	3.92		1,501
RMB:NTD		1,264	4.47		5,650

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 Company:

	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	($	26,099)
Financial liabilities					
Monetary items					
USD:NTD	$	-	29.98	$	14,574

	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	($ 2,727)
Financial liabilities			
Monetary items			
USD:NTD	$ -	30.72	$ 7,943

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%	$ 17,204	-
Financial liabilities			
Monetary items			
USD:NTD	1%	9,156	-

	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%	$ 12,554	-
Financial liabilities			
Monetary items			
USD:NTD	1%	8,751	-
HKD:RMB	1%	15	-
RMB:NTD	1%	57	-

Price risk

i. The Company’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, respectively, 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 Company’s interest rate risk arises from short-term borrowings. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company’s borrowings are primarily at fixed rates. During the years ended December 31, 2019 and 2018, the Company’s borrowings at variable rate were denominated in the USD.

(b) Credit risk

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

ii. According to the Company’s credit policy, each local entity in the Company 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 Company adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

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

vii. The Company 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	1 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%	0.15%	2.61%	8.42%
Total book value	$ 291,775	$ 31,525	$ 264	$ -
Loss allowance	$ -	$ 299	$ 27	$ -

	271 to 360 days past due	Over 360 days past due	Total
December 31, 2019			
Expected loss rate	37.28%	100.00%	
Total book value	$ -	$ -	$ 323,564
Loss allowance	$ -	$ -	$ 326

	Not past due	1 to 90 days past due	91 to 180 days past due	181 to 270 days past due
December 31, 2018				
Expected loss rate	0.13%	0.56%	6.31%	23.98%
Total book value	$ 179,943	$ 74,381	$ 263	$ -
Loss allowance	$ -	$ 617	$ 26	$ -

	271 to 360 days past due	Over 360 days past due	Total
December 31, 2018			
Expected loss rate	74.51%	100.00%	
Total book value	$ 25	$ -	$ 254,612
Loss allowance	$ 3	$ -	$ 646

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

	2019
	Accounts receivable
At January 1	$ 646
Reversal of impairment loss	(320)
Derecognised	-
At December 31	$ 326

	2018
	Accounts receivable
At January 1_IAS 39	$ 15,141
Adjustments under new standards	-
At January 1_IFRS 9	15,141
Reversal of impairment loss	(201)
Derecognised	(14,294)
At December 31	$ 646

For the years ended December 31, 2019 and 2018, reversal of impairment of accounts receivable that arise from customer contracts is $320 and $201, respectively.

(c) Liquidity risk

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

ii. The table below analyses the Company'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	231,916	-	-	-
Accounts payable - related party	844,891	-	-	-
Other payables	268,222	-	-	-
Other payables - related party	590	-	-	-
Other current liabilities	684	-	-	-
Other non-current liabilities	-	317	-	-

December 31, 2018	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 246,076	$ -	$ -	$ -
Accounts payable	191,013	-	-	-
Accounts payable - related party	565,704	-	-	-
Other payables	221,520	-	-	-
Other payables - related party	29,059	-	-	-
Other current liabilities	60	-	-	-

iii. The Company 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 Company's financial assets not measured at fair value, which are including cash and cash equivalents, accounts receivable (including related parties), other receivables (including related parties), other current assets, guarantee deposits paid, short-term borrowings, contract liabilities, accounts payable (including related parties) and other payables (including related parties), 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 Company used to measure fair value are as follows:

i. The fair value of the Company'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 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 Company'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 Company'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 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 years ended December 31, 2019 and 2018:

	2019	2018
	Equity securities	Equity securities
January 1	$ 25,389	$ -
IFRS 9 transfer adjustments	-	31,625
Acquired in the year	3,069	-
Recorded as unrealised gains (losses) on valuation of investments in equity instruments measured at fair value through other comprehensive income	-	(6,236)
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 calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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

	Fair value at 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 Company 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

For investees' disclosures, the financial statements of CLOUDWELL HOLDINGS., LLC. were audited by the investees' appointed auditors. 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 for 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 the Dongguan Procase Electronic Co., Ltd., through the 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

Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” Article 22, a company is not required to present operating segment information within the scope of IFRS 8, in the parent company only financial statements.

CHENBRO MICOM CO., LTD.

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

		Party being endorsed/guaranteed												
Number (Note 1)	Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party	Maximum outstanding endorsement/ guarantee amount as of 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.

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.

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

CHENBRO MICOM CO., LTD.

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.

CHENBRO MICOM CO., LTD.

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 and 6)	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.

CHENBRO MICOM CO., LTD.

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

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2019 (Note 5)	Initial investment amount: Balance as at December 31, 2018 (Note 5)	Shares held as at December 31, 2019: Number of shares	Shares held as at December 31, 2019: Ownership (%)	Shares held as at December 31, 2019: 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	589,964	(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 set up completed in December 31, 2019, and funds in place in February 2020.

CHENBRO MICOM CO., LTD.

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 December 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 and 9
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 and 8
CHENBRO MICOM (BEIJING) CO., LTD.	Rendering technical service	25,860	2	-	-	-	-	(3)	100	(3)	225	-	Notes 5 and 8
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 and 8
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	62,958	2	-	-	-	-	13,830	100	13,830	122,222		Notes 3, 7 and 8

Investment method:

1.Directly invest in a company in Mainland China.

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

3.Others.

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

Note 2: The investment income / loss of current period were audited by independent accounts 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.

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
CHENBRO MICOM CO., LTD.	$ 404,610	$ 413,971	$ -

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