CHENBRO MICOM CO., LTD.

2016 Annual Report

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Stock Code: 8210

Chenbro Micom Co., Ltd
2016 Annual Report

Disclaimer:

Chenbro's Annual Report have been translated into English from the original Chinese version prepared and used in Taiwan, the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language shall prevail.

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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VI、Corporate Website

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One. Report to Shareholders

The 2016 operating results and 2017 operating outlook are reported as follows:

2016 was a year of many breakthroughs for Chenbro Micom; the most significant of which was that, for the very first time, business performance in the Greater China Region has grown to a level comparable to the U.S. market. This result is a testament to how the Company is able to capture the right opportunities at the right timing, and apply effective diversification and hedging strategies to realize its plans. While we celebrate our milestone achievement, we have also devised new roadmaps and visions for the future.

The global political and economic outlook in 2017 presents investors with uncertainties as well as opportunities. In the United States, Trump's new policies seem to be introducing protectionism at the expense of free trade; in UK, exit from the European Union will inevitably be met with repercussions such as lower growth and rising price level; in China, the continual slowdown of economic growth has made crisis management and stability the new priority in the upcoming year; meanwhile, India has emerged to become the new growth driver, leading ASEAN countries (e.g., Myanmar, Laos, Cambodia, Vietnam, and Philippines) to their growth; Latin America has ended the period of negative growth and is now marching towards recovery; lastly, the lifting of sanctions against Iran has made the country a new emerging economy given its abundant natural resources and demographic dividend.

In the future, the Company will continue to expand its existing product lines and develop new products that meet the market's needs by fully utilizing its core technology. The Company will also adopt a "concise management approach" as a means to raise productivity, reduce inventory, and improve overall competitiveness. Maximize the scope of mass production to achieve market share, and enhance business performance in ways that maximize profits for the Company.

I. The 2016 business report

1. Business plan execution and achievement

Consolidated revenues totaled NT$5,209,967 thousand in 2016, increased NT$770,738 thousand or 17% from NT$4,439,229 thousand in 2015. Net income amounted to NT$600,188 thousand, increased NT$95,354 thousand or 19% from NT$504,834 thousand in 2015.

2. Budget implementation

The Company has not prepared the 2016 financial forecast according to the current law and regulations.

3. Financial income and expense and profitability analysis

(1) Financial income and expense

Unit: NT$ Thousand

Item	2016	2015	Increase (decrease) amount	Increase (decrease) %
Net operating revenue	5,209,967	4,439,229	770,738	17
Gross profit	1,550,182	1,290,795	259,387	20
Operating profit	778,456	593,209	185,247	31
Profit before income tax	816,275	664,907	151,368	23
Net income	600,188	504,834	95,354	19

Consolidated operating revenues in 2016 grew by 17% compared to 2015, while operating profit and net income had also increased by 31% and 19%, respectively, as compared to 2015.

(2) Profitability analysis

Item	2016	2015
Ratio of return on assets (%)	12.62	11.00
Ratio of return on shareholders' equity (%)	21.57	19.00
Ratio of operating income to paid-in capital (%)	65.02	49.38
Ratio of net income before tax to paid-in capital (%)	68.18	55.35
Net margin (%)	11.52	11.37
Earnings per share (NT$) – after tax	5.01	4.22

According to profit indicators, the Company's 2016 performance surpassed 2015 in terms

4. R&D status

(1) The 2016 R&D achievements：

New products

Product Model No.	Produce description
OEM Server	OEM products
RM14300	1U small form factor modularized rackmount server chassis
RM14512	1U high dense tool-free modularized rackmount server chassis
RM14604/08	1U modularized rackmount server chassis
RM14524	1U high dense tool-free modularized rackmount server chassis
RM13304/10	1U modularized storage rackmount server chassis
RM13804/10	1U large form factor modularized rackmount server chassis
RM23708/12/24	2U large form factor modularized rackmount server chassis
RM23808/12/24	2U modularized storage rackmount server chassis
RM24512/24	2U small form factor modularized storage rackmount server chassis
RM24712/24	2U large form factor modularized 4-node storage rackmount server chassis
RM43596	4U ultra high dense modularized JBOD chassis
RM43599	4U ultra high dense modularized server chassis
RM19901	1U modularized rackmount blade-type server chassis
RM49901	4U ultra high dense modularized blade-type JBOD chassis
RM19704	1U modularized rackmount server chassis for data center
RM19308	1.5U modularized rackmount server chassis for data center

Product Model No.	Produce description
RM19302	1.5U modularized rackmount server chassis for data center
RM41915	4U modularized rackmount blade-type server chassis
RM21933	2U modularized storage rackmount server chassis
RM41924	4U ultra high dense modularized blade-type server chassis
SR105/SR107/SR209/SR301	Upgrade of all server chassis series
EASILY RAIL	Development of easy sliding rail
New-generation HDD tray	Development of screw-less module for 2.5"/3.5" hard disk
New-generation server panel	Development of 1U/2U/4U new-generation panel

New patents

Application date	Country	Category	Patent name	Product scope
2016/1/27	USA	Invention	High-dense storage module	HDD module
2016/1/27	USA	Invention	Tray design for access device	HDD module
2016/3/28	Taiwan	Design	Hard disk enclosure panel	HDD module
2016/3/28	Taiwan	Design	Hard disk enclosure panel	HDD module
2016/3/28	Taiwan	Design	Computer casing panel	Chassis
2016/3/29	Taiwan	Utility model	Interior storage device bracing	HDD module
2016/3/29	Taiwan	Utility model	Interface card bracing	PCB Holder
2016/4/1	Taiwan	Utility model	Storage module socket	HDD module
2016/4/22	Taiwan	Design	Hard disk enclosure panel	HDD module
2016/4/22	Taiwan	Design	Computer casing panel	Chassis
2016/4/22	Taiwan	Design	Hard disk enclosure panel	HDD module
2016/4/22	Taiwan	Design	Hard disk enclosure panel	HDD module
2016/4/22	Taiwan	Design	Computer casing panel	Chassis
2016/4/25	Taiwan	Utility model	Electronic device chassis panel	EE
2016/5/16	China	Utility model	Interior storage device bracing	HDD module
2016/5/16	China	Utility model	Interface card bracing	PCB Holder
2016/5/18	China	Utility model	Electronic device chassis panel	EE
2016/5/25	China	Utility model	Storage module socket	HDD module
2016/5/31	Taiwan	Invention	Hot swapping design for interior access device	HDD module
2016/5/31	Taiwan	Design	Computer casing panel	Chassis
2016/5/31	Taiwan	Design	Computer casing panel	Chassis
2016/5/31	Taiwan	Design	Computer casing panel	Chassis
2016/5/31	Taiwan	Design	Computer casing panel	Chassis
2016/6/2	Taiwan	Utility model	Fan module	Fan module
2016/7/19	China	Invention	Hot swapping design for interior access device	HDD module
2016/7/15	Taiwan	Utility model	Interior back flow blocker design	Fan module
2016/8/1	China	Utility model	Fan module	Fan module
2016/9/5	China	Utility model	Interior back flow blocker design	Fan module
2016/9/13	Taiwan	Design	Computer casing panel	HDD module
2016/10/14	China	Design	Hard disk enclosure panel	HDD module
2016/10/14	China	Design	Hard disk enclosure panel	HDD module
2016/10/14	China	Design	Hard disk enclosure panel	HDD module

(2) Future R&D direction

The Company will continue its server product strategies from the previous year and aim to take advantage of users' upgrade to INTEL's new platform (PURLEY) scheduled to be released in 2017. With China and North America exhibiting consistent growth in demand, the Company will leverage on its highly flexible and modularized designs to promote products into broader variety of applications, and thereby maximize common components for higher production efficiency. Due to the increasing popularity of SDS (Software Define Storage), flash memories (NVMe and SSD) are changing the ways data centers are structured. Furthermore, users' increasing demand for virtual servers and enterprise-grade applications are giving rise to more sophisticated demands for system performance. As a result, designs for customized data center are shifting towards features such as high-density and high-capacity flash memories, online maintenance, and PCIe expansions. With respect to high performance applications, the Company will continue developing multi-node server series, while at the same time optimize GPU layout in new chassis and aim to reach potential customers through the JDM approach. In the mass storage segment, the Company will be focusing on the development of ultra high dense servers and JBOD products to give high-end customers more selections on applications such as cloud database and backup. In the PC segment, the Company will be introducing a compatible chassis for the new-generation mini-STX form factor, targeting both the DIY market and existing customers. This new form factor may also be adopted for IPC applications, in which different materials can be incorporated to build small, fan-less systems.

II. The 2017 business plan outline

1. Operation strategies

In the future, the Company will continue to expand its existing product lines and develop new products that meet the market's needs by fully utilizing its core technology. The Company will also adopt a "lean management" as a means to raise productivity, reduce inventory, and improve overall competitiveness. Maximize the scope of mass production to achieve market share, and enhance business performance in ways that maximize profits for the Company.

(1) Enhance the quality of human resources, substantiate the implementation of hierarchical management, robust corporate operation and financial management, operate stably, and root the business operation in Taiwan and then go global.

(2) Continue the process of business operation simplification and e-commerce in order to improve internal and external feedback and response speed and efficiency, and to robust corporate operation.

(3) Strengthen corporate governance, the board of directors and auditors shall actively perform supervision and management in order to actively maximize shareholders' interests and actively feedback to the community.

(4) Creation of corporate value - diligence, pragmatism, specialization, integrity, and heartful service.

2 Expected sales volume and the related reference

The Company's 2017 expected sales is as follows:

Main products	Sales volume (thousand units)
PC chassis	400
Server Chassis	1,400
Components and others	7,300

The expected sales volume in the preceding paragraph, according to the industrial environment and market demand and supply, is estimated by the salespersons in accordance with the actual business contact with the customers, the industrial environment, and market supply and demand; also, it is estimated by the sales manager by taking into account the overall industrial economy and regional differences.

3. Important production and sales policies

(I) Sales strategies:

The Group is mainly engaged in export business. In order to establish overseas marketing offices and construct a globalized sale network with comprehensive and prompt service provided to the customers in Europe, the America, and Asia, the Group has subsidiaries setup by way of reinvestment in Europe and the United States in order to enhance market competitiveness.

(1) Focus on managing network operation and system integration for customers, establish a long-term cooperation model and actively participate in the exhibitions worldwide to build up “Chenbro” brand image in market and increase international visibility.

(2) Extend the “network is everything, partner is everything” sales strategy for a strategic alliance and to establish the Ecosystem for product application in order to deepen product marketing strength.

(3) Integrate the sales strategies for European and USA market, simplify the configuration of products, adjust dealer management mode, and cooperate with the marketing strategy to enhance the market awareness of the Company and products.

(4) Focus on the business operation and develop storage server and industrial PC market, and provide customized services - Actively integrate and provide customers with a Total Solution in order to expand the market vertical penetration.

(5) Integrate sales, R&D, production, and logistical support capabilities, and establish a long-term cooperation relationship with the suppliers in order to provide customers with a satisfactory value chain.

(6) Substantiate the coordination of production and sales, the check mechanism of inventory management, reduce inventory risk, and prudently practice good credit management.

(II) Production strategies:

In response to the intensive competition of the global market, the Company will be offering flexible services combined with high quality production procedures to meet customer demands and improve satisfaction. The group adopts a work specialization strategy and has deployed its production lines in Dongguan and Kunshan, China. Positive prospects of the cloud industry have led the group towards phase 3 construction of the Kunshan Plant, which is scheduled to be completed by 2017. Once completed, the additional capacity will be used to produce cloud-related servers and chassis to meet the market’s future demands.

(1) Coordinate the engineering team to streamline the production cycle from R&D, trial run to mass production, and thereby satisfy customer demands in a faster and more responsive manner.

(2) Establish a mold production center where the Company is able to develop and enhance its molding capability for greater competitiveness.

(3) Adopt a flexible manufacturing model that enhances the timeliness and versatility of customized productions. Doing so would enable the Company to satisfy customers’ diverse needs to the broadest extent possible.

(4) By investing in phase 3 expansion of the existing plan, the Company will be able to achieve vertical integration of production and logistics, and shorten transportation routes for effective cost reduction.

(5) Improve and integrate existing procedures and operations by introducing automation at key junctures/processes. In doing so, the Company hopes to standardize and rationalize production activities, and ultimately enhance efficiency, quality and competitiveness of its products.

(6) Launch the CPS (Chenbro Production System) program; optimize process from customer request to product sales, and thereby achieve optimal inventory, delivery and costs.

(III) R&D strategies:

(1) The Group has obtained various product patents in the world and value the importance of patent protection and new product development. Therefore, the Group will continue to refine products mechanical and electrical integration and system verification capabilities in order to improve the added-value of products and help products stay competitive.

(2) Design product lines based on the new standards and promote to customers of different needs and applications. Coordinate with strategic partners to maximize the use of shared components and

improve flexibility in manufacturing. Expand scope of research beyond chassis design to incorporate other fields of expertise, such as assembly of barebone systems, in order to meet the needs of more small and medium-size customers.

(3) Continually invest into development of high-density storage, in order to satisfy the market's demands for hyperscale data center. Coordinate with SI customers to provide system optimization/customization service.

(4) Design fan-less systems and standard modules for IPC applications based on the mini-STX form factor, and target strategic customers and markets.

III. Future development strategies

In the prospect of 2017, Chenbro will continue upholding the business philosophy of "diligence, simplicity, and sincerity" and basing on the benevolent spirit inwardly and strategic alliances outwardly to integrate the resources of industrial partners and to jointly develop the market. Provide customers with simpler and better integrated products and services, and work with customers to create a win-win future. The changes and transformations of PC industry have caused the rise in server industry. The Company under the precondition of insisting on a prudent operation will continue to run on an innovative business model and provide competitive products to focus on cloud computing and the demand of small and medium enterprises, large enterprises, Internet of Things (IoT) and datacenter to actively explore emerging markets to strengthen outsourcing operation, management ability, and cost reduction in order to expand the Company's market share in server, storage and desktop PC, and to reach the objectives through the efforts of the Company's domestic and overseas employees taking as a whole.

IV. Impacts of the external competitive environment, regulatory environment, and the overall business environment

The Company has faced external competition all the time since its incorporation; therefore, the key is to upgrade R&D competition competence in order to minimize the influence from the external competitive environment. The Company has responded to the impact of laws and regulations and the revised government decree by adopting appropriate measures and having the Company's design specifications and related law and regulations amended and enacted. In terms of the macro-business environment, due to the cost structure affected by the increasing international raw materials cost and labor cost in Mainland China and energy price in recent years, the key is to establish the Company's goodwill and strictly control cost in order to obtain the best competition advantage in market with a reasonable price. Therefore, it is important for the Company to adjust production and sales structure flexibly, to control cost strictly, and to control accounts receivable accordingly. The Company's sales are affected by external market price pressure, the new regulations promulgated by the securities authorities, the foreign environmental law and regulations, and the constantly changing global business environment. In response to the environmental changes referred to above, the Company, in addition to preparing financial reports in conformity with the new law and regulations published by the securities competent authorities and requesting the suppliers and products to comply with foreign environmental law and regulation, improving manufacturing process, and expanding production capacity to reduce production cost, has immediately grasped the customer order demand to plan raw materials procurement in order to improve the Company's overall competitiveness.

Today, I am very pleased to have this opportunity to report our 2016 business operation and 2017 operating prospect of the Company to our shareholders. I would like to thank every shareholder of the Company for your support and attention. My colleagues and I will work even harder to create greater achievements to share with all of our shareholders.

Sincerely yours, wish you good health and happiness!

Chairman: CHEN MEI CHI　　President: CHEN MEI CHI　　Chief Accountant: CHIH CHIA LIN

Two. Company Profile

I. Date of establishment

II. Corporate history

Two. Company Profile

Chenbro Micom Co., Ltd (Hereinafter referred to as “the Company”) was incorporated in the Republic of China in December 1983 with the approval of the Ministry of Economic Affairs. The main business operation of the Company and its subsidiaries (Hereinafter referred to as “the Group”) includes computer application software design engineering, import/export trading of computer instruments and peripheral equipment, and R&D, production, processing, and trade of computer peripheral equipment, supplies, and consumable goods of the main system.

I. Date of establishment

December 5, 1983

II. Corporate history

1983	The Company was established in Taipei City with a capital stock of NT$500,000.
1984	A cash capitalization for NT$1.5 million was arranged to reach a grand total stock capital of NT$2 million.
	Started the sale of Disk Puncher (the Company’s first product).
	Completed the sliding XT computer chassis R&D and advertised in the exports magazine (first computer chassis manufacturer to advertise).
1985	Full AT chassis (the first PC Tower chassis in the world) market launched.
1986	A cash capitalization for NT$5 million was arranged to reach a grand total stock capital of NT$7 million.
	Invested NT$16 million to purchase the office on Hangzhou N. Road.
1987	Completed Middle Tower and Slim All-in-One PC chassis R&D and market launched.
1989	A cash capitalization for NT$18 million was arranged to reach a grand total stock capital of NT$25 million.
	Invested NT$20 million to purchase the office in Chunghe.
1990	A cash capitalization for NT$50 million was arranged to reach a grand total stock capital of NT$75 million.
	Invested NT$40 million to purchase the factories in Chunghe with the computer chassis assembly and production lines setup.
	Market launched the first generation Server and Lan Station chassis.
1994	Invested NT$60 million to purchase plastic injection factory in Taoyuan and plastic panels and computer peripheral equipment for production.
	Market launched AT case with Slide in-Out Mechanism.
1996	Obtained ISO 9002 certification for Taoyuan factory.
	Market launched a full range of ATX and Server chassis.
1997	Market launched Net PC and NLX chassis.
1998	Established Chenbro Europe as the marketing center in Europe.
	Arranged capitalization from earnings and cash for an amount of NT$30 million, respectively, to reach a total capital stock of NT$135 million.
1999	Arranged cash capitalization for NT$25 million and capitalization from earnings for NT$142.3 million with a public offering arranged afterwards to reach a total capital stock of NT$302.3 million.
	Invested NT$160 million to purchase the new office in Chunghe.

	Awarded with the Top-38 Best Business Performance of the year in 1998 by the Commonwealth Magazine.
2000	Arranged capitalization from earnings for an amount of NT$161 million to reach a total capital stock of NT$463.3 million.
	Established Cayman Chenbro Holdings to invest in offshore companies and individual enterprises in Mainland China as the Company's manufacturing center.
	Established Chenbro USA as the American Marketing Center.
2001	Arranged capitalization from additional paid-in capital for an amount of NT$37.06 million to reach a total capital stock of NT$500.37 million.
	Taoyuan Plant operation did not have sufficient economic synergy; therefore, the production was ceased and the idling plant and equipment was leased.
2002	Arranged capitalization from earnings for an amount of NT$40.03 million to reach a total capital stock of NT$540.4 million.
2003	Invested in China Chin-Qin Science and Technology (Kunshan) Co., Ltd. through the Offshore Holdings as the manufacturing center in East China.
	Applied for OTC listing.
2004	Arranged capitalization from earnings and additional paid-in capital for an amount of NT$63.19 million to reach a total capital stock of NT$603.59 million.
2005	Stock listed and traded at Gre Tai Securities Market.
	Arranged capitalization from earnings and employee bonus for an amount of NT$100.66 million to reach a total capital stock of NT$704.25 million.
2006	Arranged capitalization from earnings and employee bonus for an amount of NT$115.46 million to reach a total capital stock of NT$819.71 million.
2007	Arranged capitalization from earnings and employee bonus for an amount of NT$135.66 million to reach a total capital stock of NT$955.37 million.
	Invested in Dongguan Zhangheju Electronics Ltd. through the Offshore Holdings as the manufacturing center in South China.
2008	Arranged capitalization from earnings and employee bonus for an amount of NT$159.74 million to reach a total capital stock of NT$1.11511 billion.
2011	Arranged capitalization from earnings for an amount of NT$39.95 million to reach a total capital stock of NT$1.15506 billion.
	OTC listing transferred to stock listing on December 1.
2012	Arranged capitalization from earnings for an amount of NT$46.2 million to reach a total capital stock of NT$1.20126 billion.
	Invested in Chenbro Micom Co., Ltd. (Shenzhen) through the Offshore Holdings to be responsible for the marketing and sales in China.
2013	Invested NT$82.09 million to purchase the new office in Chunghe.
	US subsidiary invested US$7.94 million to purchase new plant and office for the expansion of offshore business.
	Invested RMB 18.73 million to purchase the office in Beijing for providing services to customers in a timely manner.
2014	Invested in Chenbro Micom Co., Ltd. (Beijing) through Chenbro Technology (Kunshan) Co., Ltd. as the Technology R&D Center.
2015	Invested in the subsidiary, Chenbro GmbH, in Germany. Awarded with the 24th National Award of Outstanding SMEs.
2016	Established ChenPower Information Technology (Shanghai) Co., Ltd through Offshore Holdings to be in charge of the marketing and sales in China.

Three. Corporate Governance Report

I. Company organization system

II. Background information of Directors, Supervisors, General Manager, Vice Presidents, Assistant Managers, and the heads of various departments and branches

III. Remuneration paid to Directors, Supervisors, the General Manager, and the Vice President in the most recent year

IV. Corporate governance

V. Disclosure of CPAs' remuneration

VI. Change of CPA

VII. Any of the Company's Chairman, General Manager, or managers involved in financial or accounting affairs being employed by the auditor's firm or any of its affiliated company within the recent year

VIII. Shareholding transfers and share collateralization within the latest year, up till the publication date of this annual report, initiated by directors, supervisors, managers and shareholders with more than 10% ownership interest

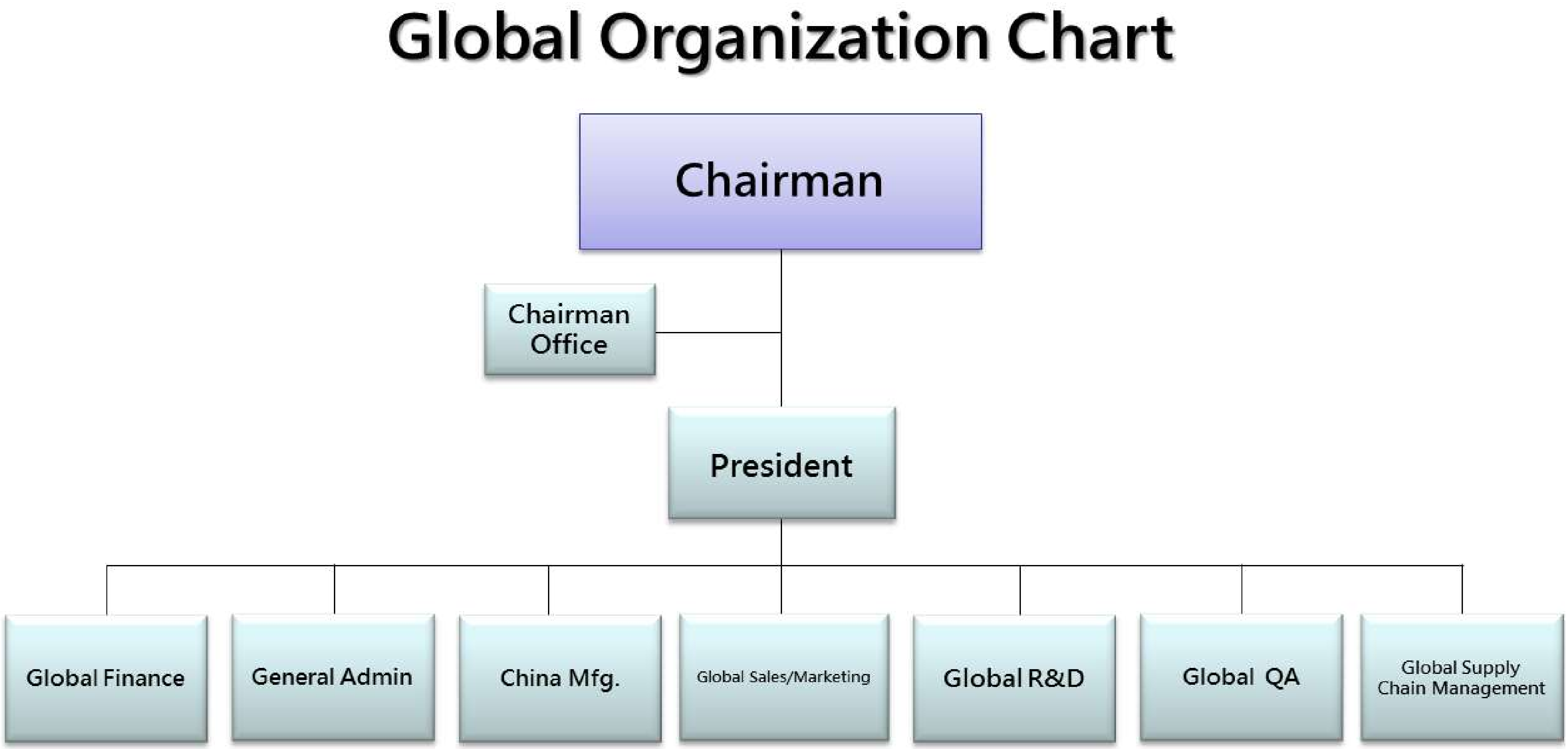
IX. Relationships among The Company's top 10 shareholders including spouses, second degree relatives or closer

X. Investments jointly held by The Company, The Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by The Company. Calculate shareholding in aggregate of the above parties

Three. Corporate Governance Report

I. Company organization system

(I) Organizational structure



(II) The responsibilities of various divisions

Department	Main responsibilities
Chairman Office	Handle the Company's overall business operation, business concept shaping, and business vision planning.
Global Sales and Marketing Department	The Company and product image visual convey, market intelligence gathering and analysis, website management and marketing, exhibition planning and management, and the Company's product roadmap planning. Market/customer development and management, product sales planning, and the coordination and contact of production and sale. Product margin control, order processing, shipping operation, global inventory management and receivables management. Provide customers with pre-sale and after-sales services. Continue to deepen relationships with existing customers and develop new customers.
Global R&D Department	Be responsible for product research and development and manufacturing technology improvement. Strengthen the customer-oriented concept and modular design capability. New product components acceptance and tooling inspection and acceptance. Resolve production line problems and provide related technical support. Assist with the plant production and conduct the electronic materials and parts test operation. Product functions and reliability verification. Provide product technical support and electronic components acceptance operation. Be responsible for product software and firmware development. Solve the software and firmware problems related to the system integration. Thermal design and simulation analysis and verification. Structure simulation analysis and verification. Be responsible for the development and promotion of high-end storage and system products. Designated VIP customer management and service. Cooperate with the Hardware and Software R&D Department to plan the related electronic parts development, management, and ordering services. New product development and design specifications (PRD) requirements and contract confirmation. Plan the project design and development schedule, enact pilot run schedule, and implement the cost and material control of new project development.
China Manufacturing Department	Computer chassis and server manufacturing
Global Quality Assurance Department	Establish and manage global quality system Inspect the quality of incoming and current products Manage the products of global clients Supply chain management Provide solutions and clients services (FAE/RMA)
Global Supply Chain Management	Production scheduling and progress control of purchase orders, procurement of raw materials and outsourced processing, procurement of services, raw materials, and semi-finished products, and finished products warehousing and shipping operation to achieve the lowest cost structure
Global Finance Department	The implementation of accounting operations, including the enactment of general accounting operating procedures, obtaining accounting evidences, taxation, and bookkeeping. The implementation of return on investment and cost financial analysis, and credit rating of accounts receivable. The Company's financial flow management, the establishment of bank quota, and exchange rate hedging operations. Annual budget operation planning, composition, and control and management. Operating procedure improvement and project promotion. Product development cost input, P&L estimation, and ROI analysis. Provide and analyze the management information needed for management decision-making. Periodic business analysis reports and competitor's business analysis. Independently and objectively assess the reasonableness, effectiveness, and implementation of the internal control system in accordance with the operation and management needs of the Board of Directors and the management. Also, implement the Company's and subsidiaries' periodic and occasional audit, project review, and improvement follow-up.
General Admin Department	The Company's computer information systems and hardware, and software maintenance and management. Human resources development, the establishment and implementation of personnel management system, employee salary and benefits planning, education and training services, and the establishment and implementation of the General Affair System. Contract preparation and review, process and negotiation of legal affairs cases, and the establishment of contracts and intellectual property (IP) database. Patent proposal review, intellectual property right education and training, competitors' and industry chain manufacturers' patent analysis, and utilization of intellectual property to enhance the growth scale of innovation. General affairs/administration, basic necessities of employees planning and management, employees' benefits/activities planning Environment-friendly, factory safety production planning and management Factory construction, renovation planning and management

II. Background information of Directors, Supervisors, General Manager, Vice Presidents, Assistant Managers, and the heads of various departments and branches

(I) Director and supervisor profile

(1) Name, main experience (education), current job position with the Company and other companies, elected (incumbent) date, tenure, first-time elected date, shareholding of the employee, spouse, and minor children, and the shares held in the name of others:

Date: April 24, 2017

Title	Nationality and Registry	Name	Gender	Date elected	Term	Date first elected	Shareholding as of elected date		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
Chairman	Republic of China	CHEN MEI CHI	Female	2014.06.20	3 years	2009.07.06	9,656,009	8.07	9,656,009	8.07	1,908,000	1.59	0	0	Department of Finance, National Chengchi University EMBA, National Taiwan University	The Company's Chairman Director of Peng Wei Investment and Development Co., Ltd. Chairman of Lian-Mei Investment Ltd. Director of Chen-Source Inc.	Assistant Manager of Chairman Office	LEE TSUN YEN	Sister-in-law
Director	Republic of China	WU CHUNG PAO	Male	2014.06.20	3 years	2009.06.26	0	0	0	0	0	0	0	0	Institute of International Business – Master Degree, National Taiwan University Chairman of Protech Information Co., Ltd.	Chairman of Protech Information Co., Ltd. Independent Director of Marketech International Corp. Independent Director of Trade-Van Information Co., Ltd.	None	None	None

Title	Nationality and Registry	Name	Gender	Date elected	Term	Date first elected	Shareholding as of elected date		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
Director	Republic of China	LEE TSUN YEN	Female	2014.06.20	3 years	2009.06.26	5,296,029	4.42	5,296,029	4.42	13,614,433	11.37	0	0	Integrated Business Department, Taipei Shilin High School of Commerce, Chairman of Ming-Kwong Investment Co., Ltd.	Assistant Manager of the Company's Chairman Office Chairman of Ming-Kwong Investment Co., Ltd. Chairman of Chong-Chaio Asset Management Co., Ltd Director of Chen-Source Inc. Chairman of Chin-Yeh Technology Co., Ltd. Independent Director of HIM International Music Inc.	Chairman	CHEN MEI CHI	Sister-in-law
Director	Republic of China	HSU SHEN KUO	Male	2014.06.20	3 years	2014.06.20	294,112	0.25	515,112	0.43	0	0	0	0	Master of Public Administration, Kennedy School of Government, Harvard University, Master of Law School, George Washington University PH.D of Law, University of San Francisco	Part-time Professor of China Economic Center of Beijing University and School of Civil Servants Advanced Training of Continuing Education College of Tsinghua University Professor of Law School, Beijing University	None	None	None
Independent Director	Republic of China	TSAO AN PANG	Male	2014.06.20	3 years	2014.06.20	0	0	0	0	0	0	0	0	MBA, Illinois Institute of Technology U.S.A	Independent Director of AVerMedia Global Channel Resource Inc. (GCR) Chairman	None	None	None

Title	Nationality and Registry	Name	Gender	Date elected	Term	Date first elected	Shareholding as of elected date		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
Independent Director	Republic of China	HSU KUEI YING	Female	2014.06.20	3 years	2004.06.29	0	0	0	0	0	0	0	0	Department of Accounting, Soochow University Finance Director of Liteon Group (resigned on June 17, 2000)	None	None	None	None
Independent Director	Republic of China	HUANG WEN CHENG	Male	2014.06.20	3 years	2011.05.27	0	0	0	0	0	0	0	0	Master of Business Administration (MBA), National Chengchi University Department of Mechanical Engineering, National Cheng Kung University President of CHINA-MOTOR Corp. Chairman of Automotive Research & Testing Center (ARTC)	Chairman of Kuo-Fu Management Consulting Co., Ltd. Chairman of eLand Information Co., Ltd. Independent Director of YFY Investment Holding Co. Ltd. Director of Tungthih Electronics Co., Ltd. Independent Director of E-CMOS Corporation Representative Director of Tungthih Co., Ltd Hung Ching International Investment Co., Ltd Independent Director of Enterex International Co., Ltd. Supervisor of SNSPlus Inc.	None	None	None
Supervisor	Republic of China	HUANG LI LONG	Female	2014.06.20	3 years	2002.06.27	818,946	0.68	826,946	0.69	0	0	0	0	Soochow University Officer of Schering-Plough Co., Ltd.	None	None	None	None

Title	Nationality and Registry	Name	Gender	Date elected	Term	Date first elected	Shareholding as of elected date		Current shareholding		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current duties in The Company and in other companies	Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads		
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
Supervisor	Republic of China	LEE YA MI	Female	2014.06.20	3 years	1999.10.20	181,334	0.15	181,334	0.15	0	0	0	0	University graduated ACRON INTERNATIONAL LTD. General Manager	ESIM Technology Co., Ltd. Director	None	None	None
Supervisor	Republic of China	CHEN JEN SHYANG	Male	2014.06.20	3 years	2002.06.27	126,224	0.11	126,224	0.11	0	0	0	0	Doctoral of Taiwan University Vice Professor of Ming Chuan University Associate	Director of Corporate Representative of ANJIA International Co., Ltd.	None	None	None

Note 1: Corporate shareholders should have the name of corporate shareholders and representative illustrated separately (the name of the corporate shareholders should be noted).

Note 2: Indicate the date of the first-time elected director or supervisor; also, the period of interruption should be noted.

Note 3: For the job experience related to the current job position held, if a job position had been held with the auditing and attestation CPA Firm or an affiliated company in the aforementioned time period, the job tile and responsibilities should be noted. (See the table above)

(2) Directors and supervisors who are the representatives of corporate shareholders: None

(3) Major shareholders who are corporate shareholders as stated in Paragraph (2) above: None

(4) The professional knowledge and independence of directors and supervisors

Date: April 24, 2017

Qualification / Name	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 1)										Number of positions as an Independent Director in other public listed companies
	Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company’s operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification and technicians relevant to the company’s operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
CHEN MEI CHI			✓							✓		✓	✓	None
LEE TSUN YEN			✓							✓		✓	✓	1
WU CHUNG PAO			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
HSU SHEN KUO	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
HUANG WEN CHENG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
TSAO AN PANG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
HSU KUEI YING			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
HUANG LI LONG			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
LEE YA MI			✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	None
CHEN JEN SHYANG	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None

Note 1：place a "✓" in the box below if the Director or Supervisor met the following conditions during the time of active duty and two years prior to the elected date.

(1) Not employed by the company or any of its affiliated companies.

(2) Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Does not hold more than 1% of the company’s outstanding shares in his/her own name or under the name of spouse, underage children, or any other person; nor is any party listed herein one of the ten largest natural person shareholders of the company.

(4) Not a spouse, relative of second degree, or direct kin of third degree or closer to persons not qualified for criteria 1~3.

(5) Not a director, supervisor, or employee of the company's corporate shareholder holding more than 5% of the company's outstanding capital; nor a director, supervisor, or employee to any of the top 5 corporate shareholders.

(6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the company.

(7) Not a professional, business owner, partner, director, supervisor, or manager of any sole-proprietorship, partnership, company, or institution providing commercial, legal, financial, or accounting services or consultations to the company or any of its affiliated companies; nor a spouse to anyone listed herein. Except the members of the Remuneration Committee performing their duties pursuant to Article 7 of the Regulation Governing the Establishment of Remuneration Committee and the Performance of Authority of Companies trading their stocks in TWSE/GTSM”.

(8) Not a spouse or relative of second degree or closer to any other directors.

(9) Does not meet any descriptions stated in Article 30 of The Company Act.

(10) Not elected as a government or corporate representative according to Article 27 of The Company Act.

(II) Background information of the General Manager, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches

Date: April 24, 2017

Title	Nationality	Name	Gender	Date elected	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers		
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
Chairman and President	Republic of China	CHEN MEI CHI	Female	2013.10.31	9,656,009	8.07	1,908,000	1.59	0	0.00	National Taiwan University / EMBA Chengchi University / Department of Banking	The Company's Chairman Director of Peng Wei Investment and Development Co., Ltd. Chairman of Lian-Mei Investment Ltd. Director of Chen-Source Inc.	Assistant Manager of Chairman Office	LEE TSUN YEN	Sister-in-law
Vice President of Finance and Accounting Department	Republic of China	CHIH CHIA LIN	Female	2008.09.30	51,999	0.04	0	0.00	0	0.00	National Taiwan University EMBA / Accounting Department of Soochow University Motorola Taiwan	None	None	None	None
Vice President of R&D Department	Republic of China	KUO SHANG TI	Male	2013.10.08	0	0.00	0	0.00	0	0.00	National Chiao Tung University / Telecommunications Graduate School Intel Corporation NetApp Taiwan TYAN Computer Corporation Mentor Graphics	None	None	None	None
Vice President of Global Operation Department	Republic of China	CHEN YA NAN	Female	2015.10.06	214	0.00	0	0.00	0	0.00	National Taiwan University / Department of Foreign Languages Intel Corporation LSI Logic Asia, Inc. NetApp Taiwan	None	None	None	None

Title	Nationality	Name	Gender	Date elected	Shares held		Shareholdings of spouse and underage children		Shares held in the names of others		Major career (academic) achievements	Current positions in the company and other companies	Spouse or relatives of second degree or closer acting as managers		
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
Junior Vice President of the Material Planning Department	Republic of China	CHU YUNG HSIANG (Note 3)	Male	2014.06.01	75,269	0.06	2,978	0.00	0	0.00	National Taiwan University of Science and Technology / EMBA Taipei Institute / Department of Mechanical Engineering Dongguan Procase Electronic Co., Ltd Chaio-Son-Hong Plastic Electronics Company Ltd.	None	None	None	None
Marketing Department Assistant Manager	Republic of China	LIN TSUNG MIN	Male	2015.01.01	314,266	0.26	0	0.00	0	0.00	National Taiwan University of Science and Technology Institute / Mechanical Engineering Graduate School Chenbro USA Chenbro Europe Advantech Corporate	None	None	None	None
Mechanical Design Department Assistant Manager	Republic of China	HUANG YU TZU	Male	2015.01.01	55,833	0.05	52	0.00	0	0.00	Longhua University of Science and Technology / Department of Foreign Languages National Kaohsiung Junior College / Mechanical Engineering Department Tranbon Electronics Industrial Co., Ltd.	None	None	None	None
Global Chief Financial Officer	Republic of China	TSOU KE TI (Note 4)	Male	2016.10.13	0	0.00	0	0.00	0	0.00	EMBA, Guanghua School of Management, Peking University China Chief Financial Officer, Li Shin International Enterprise, LiteOn Group Chief Financial Officer, EverRich Energy Corporation, UMC Group	None	None	None	None

Note 1: Background information of the President, Vice Presidents, Assistant Vice Presidents, Heads of various departments and Branches; anyone of equivalent authority to the above, regardless of their job titles, shall be disclosed.

Note 2: Previous work experiences relating to their current roles; if the person works in the auditor's firm or in an affiliated company during the aforementioned time period, the job title and responsibilities must be provided.

Note 3: CHU YUNG HSIANG, Junior Vice President of the Material Planning Department, was dismissed on August 19, 2016.

Note 4: TSOU KE TI, Global Chief Financial Officer, incumbent on October 13, 2016.

III. Remuneration paid to Directors, Supervisors, the General Manager, and the Vice President in the most recent year

(1) Directors' remuneration (including Independent Directors)

December 31, 2016 unit: thousand

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Directors' remuneration</th><th colspan="2" rowspan="2">The sum of A, B, C and D as a percentage of after-tax profit (Note 10)</th><th colspan="8">Remuneration as an employee</th><th colspan="2" rowspan="2">NTD thousand The sum of A, B, C, D, E, F and G as a percentage of after-tax net profit (Note 10)</th><th rowspan="4">Remuneration from invested businesses other than the subsidiaries (Note 11)</th></tr>
<tr><th colspan="2">Remuneration (A) (Note 2)</th><th colspan="2">Pension (B)</th><th colspan="2">Remuneration to directors (C) (Note 3)</th><th colspan="2">Fees for services rendered (D) (Note 4)</th><th colspan="2">Salaries, bonuses, special allowances etc (E) (Note 5)</th><th colspan="2">Pension (F)</th><th colspan="4">Remuneration to employees (G) (Note 6)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies contained in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies contained in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies contained in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies contained in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies contained in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies contained in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies contained in the financial report (Note 7)</th><th colspan="2">The Company</th><th colspan="2">All companies contained in the financial report (Note 7)</th><th rowspan="2">The Company</th><th rowspan="2">All companies contained in the financial report (Note 7)</th></tr>
<tr><th>Cash Amount</th><th>Stock amount</th><th>Cash amount</th><th>Stock amount</th></tr>
<tr><td>Director</td><td>CHEN MEI CHI</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">0</td><td rowspan="7">10,700</td><td rowspan="7">10,700</td><td rowspan="7">108</td><td rowspan="7">108</td><td rowspan="7">1.8</td><td rowspan="7">1.8</td><td rowspan="7">3,330</td><td rowspan="7">3,330</td><td rowspan="7">12</td><td rowspan="7">12</td><td rowspan="7">220</td><td rowspan="7">0</td><td rowspan="7">220</td><td rowspan="7">0</td><td rowspan="7">2.39</td><td rowspan="7">2.39</td><td rowspan="7">0</td></tr>
<tr><td>Director</td><td>WU CHUNG PAO</td></tr>
<tr><td>Director</td><td>LEE TSUN YEN</td></tr>
<tr><td>Director</td><td>HSU SHEN KUO</td></tr>
<tr><td>Independent Director</td><td>HUANG WEN CHENG</td></tr>
<tr><td>Independent Director</td><td>TSAO AN PANG</td></tr>
<tr><td>Independent Director</td><td>HSU KUEI YING</td></tr>
<tr><td colspan="23">* In addition to the above remuneration, director remuneration shall be disclosed as follows when received from companies included in the consolidated financial statements in the most recent year to compensate directors for their services, such as being independent contractors.: None</td></tr>
</table>

Table of salaries scale

Remunerations to individual directors in respective brackets along the salaries scale	Name of director			
	The total of the aforementioned 4 items (A+B+C+D)		The total of the aforementioned 7 items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies contained in the financial report (Note 9) H	The Company (Note 8)	All companies contained in the financial report (Note 9) I
<NT$2,000,000	HSU KUEI YING / CHEN MEI CHI / WU CHUNG PAO / LEE TSUN YEN / HUANG WEN CHENG / HSU SHEN KUO / TSAO AN PANG	HSU KUEI YING / CHEN MEI CHI / WU CHUNG PAO / LEE TSUN YEN / HUANG WEN CHENG / HSU SHEN KUO / TSAO AN PANG	HSU KUEI YING / WU CHUNG PAO / HUANG WEN CHENG / HSU SHEN KUO / TSAO AN PANG	HSU KUEI YING / WU CHUNG PAO / HUANG WEN CHENG / HSU SHEN KUO / TSAO AN PANG
NT$2,000,000 (inclusive) ~ NT$5,000,000 (exclusive)			CHEN MEI CHI / LEE TSUN YEN	CHEN MEI CHI / LEE TSUN YEN
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)				
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)				
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)				
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)				
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)				
> NT$100,000,000				
Total	7 persons	7 persons	7 persons	7 persons

Note 1: Directors' names should be presented separately (for corporate shareholders, state separately the name of the corporate shareholder and its representatives); the amount of benefits and allowances can be presented in aggregate sums. If the board director is also the President or Vice President of the Company, please fill in this table and table (3) Remuneration paid to General Manager and Vice President Scale Table.

Note 2: The 2016 remuneration to directors (including salary, job-related allowance, severance pay, various bonuses, incentive payments, etc.)

Note 3: The 2016 remuneration distribution amount to Directors was resolved in the 2017 Board meeting.

Note 4: The 2016 business operation expenses of the Board Directors (including traveling expenses, special disbursement, allowances, dormitories, transportation vehicles, etc.) For the housing, vehicle, and other transportation vehicle provided or personal expenses, the nature and cost of the assets, actual rent or computed rent according to fair market value, gasoline, and other payment should be disclosed; also, it amounted to NT$904 thousand, excluding remuneration paid to drivers.

Note 5: The salary, job-related allowance, severance pay, various bonuses, incentives, traveling expenses, special disbursement, various allowances, dormitory, and transportation vehicle granted to the directors who are also an employee (including President, Vice President, and other managers and employees) in 2016 If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. In addition, if a driver is assigned to serve, it amounted to NT$904 thousand, excluding the remuneration paid to the driver. Besides, the salaries expenses based on share-based payment of IFRS 2, including employee stock option certificates, employee restricted stocks, and cash capital increase granted to the quantity of share should be considered as employees compensation.

Note 6: The 2016 remuneration to employees for an amount of NT$51,972 thousand was resolved in the 2017 Board meeting. However, the distribution proposal has not yet been reported in the 2017 shareholders' meeting; therefore, the remuneration paid to the directors who are also an employee (including President, Vice President, and other managers and employees) in the preceding paragraph is an amount estimated proportionally to the actual distribution amount of last year.

Note 7: The total remunerations paid to the Company's directors by all companies (including the Company) in the consolidated financial statements should be disclosed.

Note 8: The amount of remuneration made by The Company to each Director is disclosed separately in amount ranges.

Note 9: For the total remunerations paid to the Company's each director by all companies (including the Company) in the consolidated financial statements, the name of the director should be disclosed in the respective remuneration level.

Note 10: The "Net Income" refers to the net income in the 2016 individual financial statements on IFRS for an amount of NT$600,188 thousand.

Note 11: a. This field must state any form of remuneration the Director has received from The Company's invested businesses other than subsidiaries.

b. For Directors who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column I of the Remuneration brackets table. Change the name of column to "All invested businesses".

c. Remuneration refers to any returns, compensation(including remuneration serving as employees, directors, and supervisors) etc which The Company's Directors have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.

* The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

(2) Supervisors' remuneration

December 31, 2016 unit: thousand

Title	Name	Supervisors' remuneration						The sum of A, B, and C as a percentage of after-tax net profit (Note 8)		Remuneration from invested businesses other than the subsidiaries (Note 9)
		Remuneration (A) (Note 2)		Remuneration (B) (Note 3)		Fees for services rendered (C) (Note 4)				
		The Company	All companies contained in the financial report (Note 5)	The Company	All companies contained in the financial report (Note 5)	The Company	All companies contained in the financial report (Note 5)	The Company	All companies contained in the financial report (Note 5)	
Supervisor	HUANG LI LONG									
Supervisor	LEE YA MI	0	0	4,586	4,586	42	42	0.77	0.77	0
Supervisor	CHEN JEN SHYANG									

Table of salaries scale

Remunerations to individual supervisors in respective brackets along the salaries scale	Name of supervisors	
	The total of the aforementioned 3 items (A+B+C)	
	The Company (Note 6)	All companies shown in the financial report (Note 7) D
<NT$2,000,000	HUANG LI LONG / LEE YA MI / CHEN JEN SHYANG	HUANG LI LONG / LEE YA MI / CHEN JEN SHYANG
NT$2,000,000 (inclusive) ~ NT$5,000,000 (exclusive)		
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)		
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)		
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)		
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)		
> NT$100,000,000		
Total	3 persons	3 persons

Note 1: The name of each supervisor is illustrated respectively. The payment amount is disclosed in a lump sum.

Note 2: Refers to the remuneration (including salary, job-related allowance, severance pay, various bonuses, incentives, etc.) paid to the supervisors in 2016.

Note 3: The remuneration paid to the supervisors in 2016 was for an amount resolved in the 2017 Board meeting.

Note 4: Refer to the related business execution expenses of the supervisors (including traveling expenses, special disbursement, various allowances, dormitories, and transportation vehicles, etc.) in 2016. If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these driver, but do not count them as part of the beneficiaries' remuneration.

Note 5: The total remunerations paid to the Company’s supervisors by all companies (including the Company) in the consolidated financial statements.

Note 6: The amount of remuneration made by the Company to each Supervisor is with his/her name disclosed separately in amount ranges.

Note 7: The amount of remuneration made by the consolidated entity as a whole (including The Company) to each Supervisor should be with his/her name disclosed separately in amount ranges.

Note 8: The “Net Income” refers to the net income in the Company’s 2016 individual financial statements on IFRS for an amount of NT$600,188 thousand.

Note 9: a. This field must state any form of remuneration the Supervisor has received from The Company’s invested businesses other than subsidiaries.

b. For Supervisors who receive remuneration from invested businesses other than subsidiaries, the amount of remuneration from these invested businesses should be added to column D of the Remuneration brackets table. Change the name of column to “All invested businesses”.

c. Remuneration refers to any returns, compensation (including remuneration serving as employees, directors, and supervisors) etc which The Company's Supervisors have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.

* The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

(3) Remuneration paid to the President and Vice President

December 31, 2016 Amount: NT$ Thousand

Title	Name	Salary (A) (Note 2)		Pension (B)		Bonuses and allowances etc (C) (Note 3)		Remuneration to employees (D) (Note 4)				The sum of A, B, C and D as a percentage of after-tax profit (%) (Note 8)		Remuneration from invested businesses other than the subsidiaries (Note 9)
		The Company	All companies contained in the financial report (Note 5)	The Company	All companies contained in the financial report (Note 5)	The Company	All companies contained in the financial report (Note 5)	The Company		All companies shown in the financial report (Note 5)		The Company	All companies contained in the financial report (Note 5)	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	CHEN MEI CHI	11,380	11,380	333	333	1,864	1,864	9,773	0	9,773	0	3.89	3.89	0
Vice President	CHIH CHIA LIN													
Vice President	KUO SHANG TI													
Vice President	CHEN YA NAN													
Global Chief Financial Officer (Note 1)	TSOU KE TI													

Note 1: TSOU KE TI, Global Chief Financial Officer, incumbent on October 13, 2016.

* Regardless of the title, where the position equivalent to the President or Vice President (for example, Controller, CEO, Director, etc.) should be disclosed.

Table of salaries scale

The brackets of remunerations to all Presidents and Vice Presidents of the Company	Names of the Presidents and the Vice Presidents	
	The Company (Note 6)	All companies shown in the financial report (Note 7)
<NT$2,000,000	TSOU KE TI	TSOU KE TI
NT$2,000,000 (inclusive) ~ NT$5,000,000 (exclusive)	CHEN MEI CHI, CHIH CHIA LIN	CHEN MEI CHI, CHIH CHIA LIN
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)	KUO SHANG TI, CHEN YA NAN	KUO SHANG TI, CHEN YA NAN
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)		
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)		
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)		
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)		
> NT$100,000,000		
Total	5 persons	5 persons

Note 1: The names of the General Manager and Vice Presidents should be presented separately; the amount of benefits and allowances can be presented in aggregate sums. If a director is also the President or Vice President, this Form and Form (1) Remuneration paid to Directors (including Independent Directors) Scale Table should be filled out.

Note 2: The 2016 salary, job-related allowance, and severance pay of the President and Vice President should be filled out.

Note 3: The 2016 various bonuses, incentives, traveling expenses, special disbursement, various allowances, dormitories, and transportation vehicles, and other remuneration amount paid to the President and Vice President should be filled out. If houses, cars or other vehicles, or personal allowances were granted, please describe the nature and cost of assets, their rental rates calculated based on actual or fair value, and details on petrol and other subsidies. If personal drivers were allocated, please make a footnote disclosure of the salaries made to these drivers, but do not count them as part of the beneficiaries' remuneration. Besides, the salaries expenses based on share-based payment of IFRS 2, including employee stock option certificates, employee restricted stocks, and cash capital increase granted to the quantity of share should be considered as employees compensation.

Note 4: Refers to the 2016 remuneration to employees for an amount of NT$51,972 thousand that was resolved in the 2017 Board meeting. However, the distribution proposal has not yet been reported in the 2017 shareholders' meeting; therefore, the current remuneration (including stock and cash) to the President and Vice President in the preceding paragraph is an amount estimated proportionally to the actual distribution amount of last year. The "Net Income" refers to the net income in the 2016 individual financial statements on IFRS for an amount of NT$600,188 thousand.

Note 5: The disclosure should cover all companies included in the consolidated financial statements (including The Company); present the total amount of remuneration paid by all companies above to The Company's General Manager/Vice Presidents.

Note 6: The amount of remuneration made by The Company to its General Manager/Vice Presidents is with his/her name disclosed separately in amount ranges.

Note 7: The amount of remuneration made by all companies (including the Company) in the consolidated financial statements to its President/Vice President is with his/her name disclosed separately in amount ranges.

Note 8: The "Net Income" refers to the net income in the 2016 individual financial statements on IFRS

Note 9: a. this field must state any form of remuneration the General Manager and Vice President have received from The Company's invested businesses other than subsidiaries.

b. If the President and Vice President collects remuneration from the invested companies other than the subsidiaries, such remuneration from the invested company rather than from the subsidiaries should be included in Column E in the Remuneration Bracket Report; also, the column should be renamed as "All invested companies."

c. Remuneration refers to any returns, compensation, employees' bonus, professional fees etc which The Company's General Manager/Vice Presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.

* The basis of remuneration disclosed above is different to the basis required by the income tax law; hence the above table has been prepared solely for information disclosure, and not for tax purposes.

(4) Name of the managers received employee remuneration and the distribution of remuneration

December 31, 2016 unit: thousand

	Title (Note 1)	Name (Note 1)	Stock amount	Cash amount	Total	As a percentage of net profit after tax (%)
Manager	Chairman and President	CHEN MEI CHI	0	11,233	11,233	1.87
	Vice President of Finance and Accounting Division	CHIH CHIA LIN				
	Vice President of Global R&D Department	KUO SHANG TI				
	Vice President of Global Sales and Marketing Division	CHEN YA NAN				
	Junior VP of the Material Planning Department (dismissed on 2016.08.19)	CHU YUNG HSIANG				
	Junior VP of the Mechanical Design Department	HUANG YU TZU				
	Junior VP of the Marketing Department	LIN TSUNG MIN				
	Global Chief Financial Officer (incumbent on 2016.10.13)	TSOU KE TI				

Note 1: The Company has the name and job title disclosed individually; however, has the earnings distribution disclosed in a lump sum.

Note 2: According to Tai.Chai.Jen.III.Zi No. 0920001301 Letter of the Securities and Futures Institute dated March 27, 2003, the scope of application to the management is as follows:

(1) General Manager or equivalent

(2) Vice President or equivalent

(3) Assistant Manager or equivalent

(4) Head of Finance

(5) Head of Accounting

(6) Any other authorized signatories involved in The Company's administrative affairs

Note 3: If the Director, President, and Vice President collect employee bonus (including stock dividend and cash dividend), Form 1-2 and this Form must be filled out.

Note 4: Refers to the 2016 remuneration to employees for an amount of NT$51,972 thousand that was resolved in the 2017 Board meeting. However, the distribution proposal has not yet been reported in the 2017 shareholders’ meeting; therefore, the current remuneration (including stock and cash) to the management in the preceding paragraph is an amount estimated proportionally to the actual distribution amount of last year.

Note 5: The “Net Income Ratio” is based on the net income in the 2016 individual financial statements on IFRS for an amount of NT$600,188 thousand.

(5) The analysis of the ratio of total amount paid to the Company's directors, supervisors, president, and vice president by the Company and by all the companies included in the consolidated financial statements within the last two years to the net income in the individual financial statements; also, the description of the correlation among the remuneration policy, standard, and combination, the procedures for determining remuneration, and the operating performance and future risks

1. Ratio of total remuneration to net income:

Title	Ratio of total remuneration to net income			
	2015		2016	
	The Company	Consolidated financial statements	The Company	Consolidated financial statements
Director	2.71	2.71	2.39	2.39
Supervisor	0.78	0.78	0.77	0.77
President and Vice President	3.16	3.16	3.89	3.89

Note 1: The 2016 employee bonus to the management and remuneration to directors and supervisors was an amount estimated proportionally to the actual distribution amount of last year.

Note 2: The "Net Income" refers to the Company's 2015 net income of NT$504,834 thousand on IFRS and the 2016 net income of NT$600,188 thousand based on IFRS.

2. The correlation of remuneration payment policy, standard, and combination, procedures for determining remuneration, the operating performance, and future risks:

(1) Directors and supervisors

A. Traveling expense:

It is by referring to the payment standard of the industry and depending on the meeting attendance of the directors and supervisors

B. Remuneration to directors and supervisors:

It is handled in accordance with Article 24 of the Company's Articles of Association. If the Company is with profit generated, an amount less than 3% of the profit should be appropriated as remuneration to directors and supervisors. The remuneration to directors and supervisors should be reported in the shareholders' meeting. If the Company is with cumulative losses, an equivalent amount should be reserved in advance to make up the losses, and then the remuneration to directors and supervisors should be appropriated according to the distribution ratio referred to in the preceding paragraph. The proposal for the remuneration to directors and supervisors is to be drafted up by the Board of Directors and reported in the shareholders' meeting. Then, the remuneration to directors and supervisors is to be distributed in average according to the respective seats and tenure of the directors and supervisors. Allowance for traveling expense with an amount of NT$3,000 is distributed to each attending director and supervisor. Remuneration to directors and supervisors is distributed only when the Company has earnings available for distribution; therefore, it will not pose a risk on the Company's future business operation.

(2) President and Vice President

The Company's remuneration policy is based on the average salary level for the said job position in the industry, the scope of the job responsibility in the Company, and the contribution to the Company. The procedures for determining remuneration, in addition to considering the Company's overall operating performance, a reasonable remuneration is granted by referring to personal performance and contribution to the Company's business operation. Remuneration is distributed by referring to the current business performance; therefore, it will not pose a risk on the Company's future business operation.

IV. Corporate governance

(I) The operation of the Board of Directors

A total of six (6) Board meetings were convened in 2016 with the attendance of the directors and supervisors as follows:

Title	Name	Actual Attendance (presence) B	Proxy Attendance	Actual attendance (presence) rate (%) [B/A] (Note 1)	Remarks
Chairman	CHEN MEI CHI	6	0	100	Reelected on 2014.06.20
Director	LEE TSUN YEN	6	0	100	Reelected on 2014.06.20
Director	WU CHUNG PAO	6	0	100	Reelected on 2014.06.20
Director	HSU SHEN KUO	6	0	100	Incumbent on 2014.06.20
Independent Director	HSU KUEI YING	6	0	100	Reelected on 2014.06.20
Independent Director	TSAO AN PANG	5	1	83.33	Incumbent on 2014.06.20
Independent Director	HUANG WEN CHENG	6	0	100	Reelected on 2014.06.20
Supervisor	CHEN JEN SHYANG	4	0	66.67	Reelected on 2014.06.20
Supervisor	HUANG LI LONG	4	0	66.67	Reelected on 2014.06.20
Supervisor	LEE YA MI	6	0	100	Reelected on 2014.06.20

Other remarks:

I. The matters listed in Article 14-3 of the Securities Exchange Act and the resolutions of the Board of Directors with the objection or reservations of independent directors documented or in writing: None, please refer to P. 30-32

II. The implementation of avoiding the proposal with conflict of interest: Directors avoid involving in remuneration discussion and voting.

III. The objective of enhancing the occupational function of the Board of Directors in current year and the most recent year, and assessing its implementation:

Chenbro believes that a Board of Directors with sound governance system and effective supervisory function is the foundation of corporate governance. The Company bases on this principle to have the Remuneration Committee formed in order to assist the Board of Directors carrying out its duties and strengthening its management mechanism.

IV. The formation and duties of supervisors:

(I) Supervisors' communication with the Company's employees and shareholders: Supervisors may make direct contact or communication with employees or shareholders, when necessary.

(II) Supervisors' communication with Internal Audit Officer and CPAs (for example, the matters, methods, and results of communication regarding the Company's finance, business operation, etc.)

1. Audit Officer had an audit report presented to the supervisors in the following month upon the completion of the audit, and the supervisors did not raise any objection against it.
2. Audit Officer had attended the regular Board meeting to report the audit performed, and the supervisors did not raise any objection against it.
3. Supervisors and CPAs had occasionally conducted a face-to-face communication or communicated in writing regarding financial status.

V. If supervisors had attended the Board meeting to express their opinions, the Board meeting date, term, content of motion, resolution, and the response to the supervisor's statement should be detailed: None, please refer to P. 30-32

Note 1:

* For any supervisor resigned before the end of the fiscal year, the resignation date and actual attendance rate (%) that is calculated according to the actual number of Board meeting convened and the said supervisor's actual attendance frequency should be detailed in the Remark column.
* For any director and supervisor reelected before the end of the fiscal year, the name of the dismissed and the incumbent directors and supervisors should be filled in the form. The directors and supervisors should be indicated as dismissed, incumbent, or reelected, and the reelection date should be detailed in the Remark column. The percentage of actual attendance (%) is calculated based on the number of Board of Directors meetings held during active duty and the actual attendance.

Independent directors' opinions on or resolutions of major motions

Board of Directors	The contents of the motion and follow-up	Matters stated in Article 14-3 of the Securities and Exchange Act	Independent directors' objection or qualified opinion	Independent supervisors' objection or qualified opinion
2016.01.21	1. The adjustment to the appropriation ratio of the remuneration to the employees and directors and supervisors of the Company was resolved in the Remuneration Committee meeting on January 8, 2016.	V	None	None
	Independent directors' opinion: None			
	The Company's response to the independent directors' opinion: None			
	Resolutions: Resolved and passed by all the directors attended			
2016.03.22	1. The "Internal Control System Statement" of the Company.	V	None	None
	2. Amendments to the "Internal Control System" and the "Internal Audit Enforcement Rules" of the Company.	V	None	None
	3. The replacement of the independent auditor by the Company according to the law and regulations.	V	None	None
	4. The distribution of remuneration to employees and to directors and supervisors in 2015.	V	None	None
	5. Extended foreign exchange derivatives of Far Eastern International Bank for US$1 million.	V	None	None
	6. PROCASE & MOREX CORP extended the foreign exchange derivatives of Far Eastern International Bank for US$500,000.	V	None	None
	Independent directors' opinion: None			
	The Company's response to the independent directors' opinion: None			
	Resolutions: Resolved and passed by all the directors attended			
2016.05.10	1. The Company had the original loan bank for the endorsement/guarantee of CloudWell Holdings, LLC. change from Fubon Bank Los Angeles Branch to Bank SinoPac Los Angeles Branch.	V	None	None
	2. Cancelled the endorsement/guarantee made for Chenbro Micom (USA) INC. at Fubon Bank Los Angeles Branch.	V	None	None
	Independent directors' opinion: None			
	The Company's response to the independent directors' opinion: None			
	Resolutions: Resolved and passed by all the directors attended			
2016.06.23	1. The Company held the Remuneration Committee meeting on June 8, 2016.	V	None	None
	2. The Company intended to distribute cash dividend from Chenbro Technology (Kunshan) Co., Ltd.	V	None	None
	3. It was resolved in the board meeting of the Company on March 22, 2016 to have Shanghai Trading Company that was indirectly invested by Amber International Company that was invested by Micom Source Holding Company with a capital of US$1 million to be changed as being directly invested by Amber International Company with a capital of US$2.5 million.	V	None	None
	4. The Company had added the foreign exchange derivatives of Bank SinoPac for US$1 million.	V	None	None

Board of Directors	The contents of the motion and follow-up	Matters stated in Article 14-3 of the Securities and Exchange Act	Independent directors' objection or qualified opinion	Independent supervisors' objection or qualified opinion
	5. For a more flexible use of funds by the Company, Chenbro Micom (USA) INC. intended to add a loan amount of US$2 million with the endorsement/ guarantee made by the parent company.	V	None	None
	Independent directors' opinion: None			
	The Company's response to the independent directors' opinion: None			
	Resolutions: Resolved and passed by all the directors attended			
2016.07.26	1. The second Treasury stock repurchased by the Company had not been transferred to the employees within three years; therefore, it shall be written off and the decapitalization date was scheduled lawfully.	V	None	None
	2. Chenbro Micom (USA) INC. had the loan amount for US$2 million extended with the endorsement/guarantee made by the parent company.	V	None	None
	3. PROCASE & MOREX CORP had the loan amount extended for US$3 million with the endorsement/guarantee made by the parent company.	V	None	None
	4. Cancelled the endorsement/guarantee made for PROCASE & MOREX CORP with Far Eastern International Bank and Mega International Commercial Bank for a total amount of US$3.5 million.	V	None	None
	5. The Company intended to extend the foreign exchange derivatives of Fubon Bank for an amount of US$500,000.	V	None	None
	Independent directors' opinion: None			
	The Company's response to the independent directors' opinion: None			
	Resolutions: Resolved and passed by all the directors attended			
2016.11.08	1. The Company's 2017 audit plan.	V	None	None
	2. Recognized retroactively the promotion of TSOU KE TI as the Global Finance Officer of the Company.	V	None	None
	3. The endorsement/guarantee of PROCASE & MOREX CORP for US$3.5 million was extended.	V	None	None
	4. PROCASE & MOREX CORP had extended the foreign exchange derivatives for US$500,000 with Bank of Taiwan Zhonghe Branch.	V	None	None
	Independent directors' opinion: None			
	The Company's response to the independent directors' opinion: None			
	Resolutions: Resolved and passed by all the directors attended			

Board of Directors	The contents of the motion and follow-up	Matters stated in Article 14-3 of the Securities and Exchange Act	Independent directors' objection or qualified opinion	Independent supervisors' objection or qualified opinion
2017.01.19	1. The amendments to the Company's "Articles of Incorporation."	V	None	None
	2. The amendments to the Company's "Procedures for Loaning of Funds."	V	None	None
	3. The amendments to the Company's "Rules Governing the Election of Directors and Supervisors".	V	None	None
	4. The Company had adjusted its investment structure in China with Beijing Branch and Shanghai Branch setup by ChenPower Information Technology (Shanghai) Co., Ltd.; also, had Chenbro (Shenzhen) Co., Ltd. and Chenbro (Beijing) Co., Ltd. closed.	V	None	None
	Independent directors' opinion: None			
	The Company's response to the independent directors' opinion: None			
	Resolutions: Resolved and passed by all the directors attended			
2017.02.23	1. The Company's 2016 remuneration to employees and to directors and supervisors.	V	None	None
	2. The Company intended to extend the exporting L/C amount for US$500,000 with Bank of Taiwan Zhonghe Branch.	V	None	None
	3. The Company intended to extend the foreign exchange derivatives for US$500,000 with Bank of Taiwan Zhonghe Branch.	V	None	None
	Independent directors' opinion: None			
	The Company's response to the independent directors' opinion: None			
	Resolutions: Resolved and passed by all the directors attended			

(II) Implementation of the Audit Committee or supervisors' participating in the operation of the Board of Directors.

(1) Implementation of the Audit Committee: The Company has not yet had the Audit Committee established; therefore, it is not applicable.

(2) Supervisor's participating in the operation of the Board of Directors: Please refer to Page29 for details.

(III) The Company's implementation of corporate governance different from "The Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies and the reasons

Assessment items	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has enacted the "Corporate Governance Best-Practice Principles" to regulate the protection of shareholders' equity, strengthen the functions of the Board of Directors, respect the stakeholders' equity, and enhance information transparency. Please visit the Company's website at www.chenbro.com for the Company's "Corporate Governance Best-Practice Principles;" also, it is disclosed in the MOPS website at: https: //sii.twse.com.tw/	No significant difference
2. Shareholding structure and shareholders' equity (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	 V V V V		(1) In addition to commissioning a professional shareholder service agency to handle stock affairs, a spokesman is designated to handle the suggestions of shareholders or disputes and other issues. In addition, the shareholder section is setup on the Company's website to receive or respond to shareholders' opinions. (2) The Company fully grasps and understands the major shareholder structure through professional shareholder service agency and periodically reports changes in the equity of the directors, supervisors, and managers. (3) The finance, business, and management of the affiliated companies are operated independently. Transactions are conducted between the affiliated companies in accordance with the principle of fairness and reasonableness. It is processed in accordance with the related operating regulations. (4) The Company enacted the Procedures for Handling Material Inside Information on December 29, 2009. In addition, the first amendment was made on November 10, 2014 to prohibit the Company's insiders from utilizing undisclosed information to trade marketable securities.	No significant difference
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	 V		(1) According to Article 20 of the Company's Corporate Governance Best-Practice Principles, the Company's Board Directors is diversified in accordance with the Company's operation, the operation patterns, and the development needs; also, the Board members are with equal number of	No significant difference

Assessment items	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the company establish a standard to measure the performance of the Board, and implement it annually? (4) Does the company regularly evaluate the independence of CPAs?	 V	V V	male and female elected with professional background of accounting, industry, finance, marketing, law, science, etc. Please refer to on Page 38 (2) The Finance & Accounting Officer and supervisors are to have the overall evaluation assessed and then forwarded it to the Board of Directors for resolution. (3) The Company did not enact the "Rules Governing the Performance Evaluation of the Board of Directors." However, the Company's Remuneration Committee will regularly assess the director and manager performance and remuneration policy and standard structure in accordance with Article 28-1 of the "Corporate Governance Best-Practice Principles." (4) 1. The Company will assess the independence of the commissioned CPAs at least once a year in accordance with Article 29 of the Company's "Corporate Governance Best-Practice Principles." 2. The Company had enacted the "Guidelines for Election of Auditing and Attestation CPAs" on November 10, 2014. 3. PricewaterhouseCoopers Taiwan (PwC Taiwan) has issued the "Communication with the corporate governance unit letter" with the role, responsibilities, and independence of the attestation CPAs declared, please refer to Page39 4. The Board of Directors has assessment performed in accordance with the "Communication with the corporate governance unit letter" provided by the attestation CPAs and the independence evaluation questionnaires, please refer to Page 40-42. 5. The Company had the independence of the attestation CPAs assessed in accordance with the operating procedures in the preceding paragraph in the Board meeting on February 23, 2017.	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform	V		The Company appointed personnel in Finance and Accounting Division to be in charge of corporate governance affairs, which is supervised by the Vice President of Finance and Accounting Division with responsibilities as below.	No significant difference

Assessment items	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?			1. Consult with Directors before the Board Meetings to plan the agenda and notify all Directors the related information of the Board Meeting at least 7 days ahead with sufficient meeting materials. If a director or a juristic person that the director represents is an interested party in relation to an agenda item, it should be notified ahead of the Board Meeting. The meeting minutes shall be distributed to all Directors within the regulatory requirement 2. Register the date of annual general shareholders' meeting by the deadline required by the regulations every year and prepare/release the meeting notice, annual general shareholders' meeting handbook, meeting minutes and annual report by the deadline. 3. Complete the amendments of registration post amendments to the Articles of Incorporation, re-election of directors and supervisors during annual general shareholders' meeting. 4. Furnishing information required for business execution by directors and supervisors, and updating them on developments of laws and regulations relating to the operation of the company in order to assist them with legal compliance	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company's Website is with the "Stakeholders" section setup. The Company's website is at www.chenbro.com The Company has a spokesman, deputy spokesman and investor relations manager appointed and with the contact information published on the Market Observation Post System (MOPS) and the Company's website in response to the important corporate social issues concerned by the stakeholders.	No significant difference
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company's stock affairs agency is the Shareholder Service Department of Fubon Securities Co., Ltd. and its website is at: http://www.fubon.com	No significant difference
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing	 V V		 (1) The annual financial information and corporate governance information are published on the Company's Website at www.chenbro.com (2) In addition to designating personnel responsible for information collection and maintenance, substantiate the spokesman system and disclose the Company's participation	No significant difference

Assessment items	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
	Yes	No	Summary description	
designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?			in public offering on the Company's website.	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		Please see Page 55~65.	No significant difference

9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.

Implementation of improvement stated as below:

3rd Corporate Governance Evaluation, Year of Evaluation:2016

Number	Indicator	Implementation of Improvement and Measures
2.8	Did the Company upload the annual report in English 7 days ahead of annual general shareholders' meeting?	Has compiled the annual report in English and uploaded it by the deadline of regulations
3.30	Did the Board of Directors assess the independence of the Certified Public Accounts on a regular basis (at least once a year) and disclose the evaluation processes in annual report?	The Company has disclosed the evaluation processes of the independence of the CPA done by the Board of Directors but still need to provide supplementary explanations for the standards of the assessment. The Company has disclosed the specific evaluation processes in 2016's annual report, please refer to page 39-42.
4.13	Does the Company's annual report and website disclose the key shareholders' list, including the names/shareholding of the shareholders with shareholding	The Company only discloses the key shareholders' list in annual report but not yet in the corporate website. Therefore, the Company will disclose the information on the corporate website.

Assessment items		Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TSEC/GTSM Listed Companies
		Yes	No	Summary description	

	more than 5% and top 10 shareholders?	
4.22	Does the Company disclose the specific dividend policy?	The Company does not provide a complete explanations regarding the earnings distribution disclosed in the annual report, such as distribution how much percentage (may be a certain amount, certain ratio or a reasonable range) and thus we will enhance this part in 2016 annual report. Please refer to page 80.
5.10	Does the Company's annual report or website disclose the protection measures for the e employees' working environment and personal safety?	The Company only discloses the information in annual report but not yet in the corporate website. Therefore, the Company will disclose the information on the corporate website.
5.12	Does the Company establish and disclose channels for internal and external whistleblowers on Company's website?	The whistleblowing mechanism and channels have been disclosed specifically on the corporate governance section of the Company' website.

Note 1: Whether the company selects "Yes" or "No" in the operation condition, it should explain the situation in the summary space.

Note 2: The Corporate Governance self-assessment report mentioned here refer to the evaluation of corporate governance measures performed and commented by the Company itself and a report on the Company's performance and operations with regards to these corporate governance measures.

Note 3: Disclosing the implementation of the diversified board members policy

Article 20 of the Company's Corporate Governance Best-Practice Principles:
The board of directors of the Company is responsible to the shareholders' meeting. The operation and arrangement of the corporate governance system must be following the orders of the board of directors, the provisions of the Articles of Incorporation, or the resolutions of the shareholders' meeting.
The structure of the board of directors of the Company shall be with more than five directors determined in accordance with the Company's business development scale, the holding of its major shareholders, and the actual business practice.
The composition of the board of directors shall be diversified and shall be with a diversification policy drafted up in accordance with the business operation, business model, and development, including but not limited to the following two aspects:
I. Basic conditions and values: Gender, age, nationality, and culture.

II. Professional knowledge and skills: Professional background (such as, law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.

Board members shall generally have the knowledge, skills, and literacy needed for carrying out their duties. In order to achieve the ideal goal of corporate governance, the board of directors as a whole shall be with the following capabilities:

(I) Operational judgment;

(II) Accounting and financial analysis;

(III) Business management ability;

(IV) Crisis handling capacity;

(V) Industry knowledge;

(VI) International market view;

(VII) Leadership;

(VIII) Decision-making ability;

Diversified core items / Director	Gender	Operational judgment	Accounting and financial analysis	Business management ability	Crisis handling capacity	Industry knowledge	International market view	Leadership	Decision-making ability	Law
CHEN MEI CHI	Female	V		V	V	V	V	V	V	
LEE TSUN YEN	Female		V	V			V	V	V	
WU CHUNG PAO	Male	V		V	V	V	V	V	V	V
HSU SHEN KUO	Male	V		V	V		V	V	V	V
HUANG WEN CHENG	Male	V	V	V	V	V	V	V	V	V
TSAO AN PANG	Male	V		V	V	V	V	V	V	
HSU KUEI YING	Female		V	V			V		V	

Note 4:

The Role, Responsibility and Independence of the Auditors

I. The certified public accountants of this office commissioned to conduct financial audits must be objective, fair, honest and cautious in performing their duties and duly observe the code for providing quality services to your business group. This will be vital for assuring timely and good quality professional auditing services to the expectation of your business group and the social public.

II. The responsibility of the certified public accountants in the audit is to obtain reasonable assurance about whether the consolidated financial statements and separate financial statements of your business group are free from material misstatements and fairly present the financial position, results of operation and cash flows, and to issue an auditor’s report that includes our opinion. The management of your business group is responsible for the preparation and fair presentation of the consolidated and separate financial statements. They must present all related information, including records on financial control and accounting. The management of your business group shall assume the ultimate responsibility of the consolidated and separate financial statements in fair presentation and free from material misstatement irrespective of the conduct of audits by certified public accountants.

III. We communicate with those charged with governance in accordance with the Statement of Auditing Standard No. 39 – “Communications with Those Charged with Governance.” From the matters with those charged with governance, we determine those matters that were most significant in the audit of the consolidated and separate financial statements in internal control and disclosure. The aforementioned audit does not require the certified public accountants to design an audit procedure solely for the assurance of governance matters of significance. This audit shall not be anticipated to assure all matters of governance.

IV. As part of our responsibility in the audit, we and the professional team will exercise our professional judgment and maintain professional skepticism throughout the audit with proper planning to assure the best quality of the work. We conduct a final review of our findings and issue our report on the basis of our findings by affixing our signatures to demonstrate our acceptance of responsibility.

V. From the date of the last declaration to the day this declaration is issued, we did not identify any commercial relations or other matters between this office, other PwC associates (if applicable) and Chenbro Micom Co., Ltd. that may reasonably be determined as adverse to the independence of the certified public accountants.

VI. In our opinion, this office and the team commissioned by Chenbro Micom Co. Ltd. (and other members of this office and other PwC associates, if applicable) will continue our independence with Chentro Micom Co., Ltd. as of the date when this declaration is issued and beyond in accordance with The Ethic Code of Conduct For Certified Public Accountants of the Republic of China No. 10.

Note 5: **Independent auditor independence assessment questionnaire**

ChenbroMicom INC.

Independent Auditor Review Checklist

Review date: February 23, 2017

Reviewees: ■ Incumbent □ Candidate CPA: PwC Taiwan - Certified Public Accountants Audrey Tseng and Chih Ping Chiun

I. Essential requirements of independence review (Please give further explanations to the question with an answer "No" ticked)					
No.	Contents of Evaluation	Please tick			Remarks
		Yes	No	N/A	
01	The independent auditors or their spouses and minor children do not have a relationship of investing in the Company or sharing financial interests established with the Company.	✓			
02	The independent auditors or their spouses and minor children do not have a relationship of making of loans established with the Company, unless the principal is a financial institution in the course of business operation.	✓			
03	The CPA firm does not issue a satisfactory service report on the effective operation of the Financial Information System designed or implemented with the help of the CPA firm.	✓			
04	The independent auditors or the audit service team are not directors or managers of the Company or have a significant impact on the audit cases currently or within the last two years.	✓			
05	The non-audit services provided to the Company do not directly affect the important matters of the audit cases.	✓			
06	The independent auditors or the audit service team do not promote or brokerage the stock shares or other securities issued by the Company.	✓			
07	The independent auditors or the audit service team do not, except for the businesses permitted by the law, represent the Company to defense against any third party in a legal case or other dispute.	✓			
08	The independent auditors or the audit service team do not have any relationship with the directors, managers, or persons who have a significant impact on the audit cases, such as, spouse, immediate relatives by blood or marriage, or relatives in the 2nd degree.	✓			
09	The independent auditors that were dismissed for less than one year are not directors or managers of the Company or have a significant impact on the audit cases.	✓			

No.	Contents of Evaluation	Please tick			Remarks
		Yes	No	N/A	
10	The independent auditors or audit service team do not accept gifts or special offers of significant value from the directors, managers, or major shareholders of the Company.	✓			
11	The independent auditors are not currently employed by the principal or the audited company as employees with routine job responsibilities and fixed pay, or as supervisors or supervisors.	✓			
12	Listed (OTC) company: The independent auditors did not provide audit service to the Company for seven consecutive years. Unlisted (Non-OTC) company: The independent auditors did not provide audit service to the Company for ten consecutive years.	✓			

II. Independent operation review (Please give further explanations to the questions with an answer “No” ticked)

No.	Contents of Evaluation	Please tick			Remark
		Yes	No	N/A	
01	The independent auditors already have themselves excused from undertaking the audit assignment when they have a direct or significant indirect interest in the consignment that may jeopardize their impartiality and independence.			✓	
02	In addition to maintaining substantial independence, the independent auditors shall also maintain the formal independence when performing an audit, verification, review, or project review of the financial statements with an opinion issued.	✓			
03	Members of the audit services team, other joint practice accountants or shareholders of corporate accounting firm, CPA firm, affiliates of CPA firms, and syndicate CPA firm shall maintain independence towards the Company.	✓			
04	Independent auditors shall provide professional services with a just and rigorous attitude.	✓			
05	The independent auditors shall uphold a just and objective attitude while performing professional services; also, shall avoid affecting professional judgment by prejudice, conflict of interest, or partiality.	✓			
06	The integrity, fairness, and objective attitude of the independent auditors are not affected due to lack or loss of independence.	✓			

III. Competence review(Please give further explanations to the questions with an answer “No” ticked)					
No.	Contents of Evaluation	Please tick			Remark
		Yes	No	N/A	
01	The independent auditors did not have a disciplinary record in the last two years; also, the CPA Firm was not involved in any litigation event in the last two years.	✓			
02	The CPA firm is with sufficient business scale, resources, and regional coverage to perform audit services.	✓			
03	The CPA firm has a clear quality control process that covers the level and key points of the audit process, the manner of handling audit issues and judgments, the quality control of the independence, and the risk management.	✓			
04	The CPA firm has the Audit Committee informed with any conspicuous issues and developments related to risk management, corporate governance, financial accounting, and related risk control.	✓			

(IV) Remuneration Committee

1. Profiles of the members of the Remuneration Committee

By identity (Note 1)	Qualification / Name	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company’s operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holders of professional qualification and technicians relevant to the company’s operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	HUANG WEN CHENG			V	V	V	V	V	V	V	V	V	3	V
Independent Director	HSU KUEI YING			V	V	V	V	V	V	V	V	V	None	V
Independent Director	TSAO AN PANG			V	V	V	V	V	V	V	V	V	1	V

Note 1: Identity is known as director, independent director or others.

Note 2: place a "✓" in the box below if the member met the following conditions during the time of active duty and two years prior to the elected date.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.

(3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

(5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings

(6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.

(7) Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.

(8) Not a person of any conditions defined in Article 30 of the Company Law.

2. The duties of the Remuneration Committee

   The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation. There are 3 members in the Remuneration Committee, all of whom are independent directors as of end-April, 2017.

3. Information on the operation of the Remuneration Committee

   (1) The Remuneration Committee of the Company is consisted of 3 persons.

   (2) The term of the incumbent members: June 20, 2014 ~ June 19, 2017.

The Remuneration Committee had five meetings (A) convened in 2016 and up to the printing date of the annual report with the attendance of the members as follows:

Title	Name	Actual attendance (B)	Proxy Attendance	Actual attendance (%) (B/A) (Note)	Remarks
Convener	HSU KUEI YING	5	0	100%	None
Members	HUANG WEN CHENG	5	0	100%	None
Members	TSAO AN PANG	4	0	80%	None

Other remarks:

I. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

II. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

Note:

* For any independent director resigned before the end of the fiscal year, the resignation date and actual attendance rate (%) that is calculated according to the actual number of Remuneration Committee meeting convened and the said independent director's actual attendance frequency should be detailed in the Remark column.

* Before the end of the year, if there was an election of independent directors, the names of new and former independent directors and supervisors should be filled in and the company should remark in the remarks section whether the independent directors are former, newly elected, or reelected, as well as the day of the reelection. The actual attendance rate to committee meetings (%) basing on the actual attendance to committee meetings during his or her term of office in proportion to the total number of committee meetings held in the same period.

(V) Corporate Social Responsibility

Assessment items	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summarized explanation (Note 2)	
I. **Corporate Governance Implementation**				No significant difference
(1) Does the company declare its corporate social responsibility policy and examine the results of the implementation?	V		(1) The Company had enacted the “Corporate Social Responsibility Best-Practice principles” on April 29, 2015 with the contents of implementing corporate governance, developing sustainable environment, maintaining social welfare, strengthening corporate social responsibility information disclosure, etc., as well as complying with the international human rights conventions, providing employees with safe and healthy working environment, preventing environmental pollution in the manufacturing process, and committing to social welfare activities for the benefit of the society in order to fulfill corporate social responsibility.	
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(2) 1. The Company had enacted the “Code of Ethical Conduct” and “Ethical Management Best-Practice Principles” on March 24, 2014. 2. The Company has the following trainings arranged in the orientation for the new recruits: Code of Ethical Conduct, management system, and corporate ethics and moral training. 3. The Company regularly arranges corporate ethics and moral education and training for all employees.	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		(3) The operation is currently handled by the Chairman Office.	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	V		(4) The Company has based on market salary P-value to determine salary standard in accordance with the principles of fairness and reasonableness; also, take into consideration of the employee duties, nature of work, and professional competence in order to motivate employees and to achieve the purpose of determining reasonable salary. In order to evaluate the job performance and inspire the potentials of the colleagues for an effective use of human resources and to provide objective and fair evaluation and feedback on the employees’ performance for helping the organization and employees to grow and progress, the Company plans to formulate the performance evaluation system for implementation and regularly organize employee corporate ethics and moral education and training	

Assessment items	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summarized explanation (Note 2)	
			for employees and the advocacy matters.	
2. Sustainable Environment Development				No significant difference
(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(1) Environmental Policy: Chenbro follows environmental regulations in order to comply with the international situation and customer needs and to pursue sustainable development. We recognize that the Company's activities, products, and services may have an impact on the environment; therefore, we are committed not to use any of the banned or restricted substances. The production and use of the materials impacting the environment, and the selection of green products (GP) and services in compliance with the environmental requirements to achieve the objectives, reduce the use of packaging materials, use recycled materials to improve energy efficiency, and reduce the impact and burden on the environment	
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		(2) The ISO 14001 Environmental Management System is established. Identify the potential impact of the Company's operating activities and products or services on the environment, and assess the likely significant impacts with the measurable objectives established, regularly review the sustainability and relevance of the objectives and management programs that must be consistent with the environmental policy.	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	V		(3) The Company pays attention to the impact of climate change on the operating activities. The Company has the energy-saving, carbon reduction, and greenhouse gas reduction activity implemented as follows: 1. Reduce the number of light tubes in office and use LED energy-saving light bulbs entirely according to the principle of maintaining sufficient illumination in the office area during daytime. 2. Promote environmental office, turning off lights, unplugging power plugs, maintaining air-conditioned room temperature at certain level, and turning off light at lunchtime. 3. The use of e-form and reducing the consumption of papers.	

Assessment items	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summarized explanation (Note 2)	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) The Company's complying with labor laws and regulations, respecting internationally recognized labor human rights principle and its implementation is as follows: 1. The Company has enacted the "Rules Governing Personnel Management" and "Code of Ethical Conduct." 2. Provide employees with comprehensive education and training programs and excellent welfare system, such as: annual employee health checks, marriage subsidy, maternity subsidy, etc. 3. The Company is a member of AAEON Foundation and has setup the Corridor of Arts and provided employees with a comfortable working environment.	No significant difference
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	V		(2) Employees may file a complaint with the Company's department head, Human Resources Department, and the Audit Department; also, it is to be implemented by the Human Resources Department. In general, the employee grievance mechanism is to be handled by the Human Resources Department. The Human Resources Department will conduct an investigation and convene the grievance investigation meeting.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) Comply with the safety inspection of each governmental agency and regularly organize the related education and training programs as follows: 1. Regularly assign general affairs personnel to participate in the Labor Safety and Health training courses. 2. Perform a fire safety inspection annually. 3. Perform a construction public safety inspection every two-year. 4. A cleaning company has service personnel assigned to station at each designated area to clean up the work environment. 5. Regularly arrange health checks for employees and advanced health checks for the executives. 6. Occupational health and safety policy: Committed to establish occupational health and safety (OH&S) management system and to ensure that employees work in a healthy and injury-free environment. We are fully aware of those hazards and risks that may endanger the wellbeing of the employees under the corporate governance.	

Assessment items	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summarized explanation (Note 2)	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(4) Labor relations requirements and measures are implemented in accordance with the relevant labor provisions. The Company's departments have meetings convened regularly for a two-way communication with the employees and a synchronized convey so that colleagues can clearly understand the changes in the Company's operations.	
(5) Does the company provide its employees with career development and training sessions?	V		(5) The Company values the importance of personnel training and development. For fulfilling the commitment of having the employees grown along with the Company, we have constructed a systematic learning and development blueprint and provided the management team and all employees with a comprehensive learning environment, including the courses of leadership and management knowledge and ability, personal occupational ability development, etc. Also, provide external training subsidies to encourage employees continuing to grow and pursue their dreams. At the same time, in order to broaden the horizons of employees, the Company frequently invites experts or celebrities from various fields to share their professional knowledge, work experience, life experience, and art and culture, so that every employee can absorb innovative thinking and humanity and culture experience at any time.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		(6) Although the Company has little direct contact with the end users, the Company does value the voice of customers and the interests of consumers. Provide a transparent and efficient grievance procedure and channel for the Company's products and services. The Company has the Customer Service unit setup to be responsible for product services, solving customer problems, and related product warranty and repair policy in accordance with the requirements announced on the official website of Chenbro.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7) The Company follows international regulations and policies with the relevant performance policies published on the Company's official website, including the quality, green environment, corporate social responsibility, occupational health and safety, the environment, and conflict minerals; also, in term of products, complies with the requirements of ROHS, REACH, and other international environmental regulations. The identification and labeling of plastic products complies with ISO11469 and fulfills the obligations	

Assessment items	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summarized explanation (Note 2)	
			and service of green environmental protection policies.	
(8) Does the company evaluate the records of suppliers' impact on the environment and society before taking on business partnerships?	V		(8) The Company for ensuring the production process of suppliers in compliance with the standards and regulations has requested suppliers to provide international quality system certification (ISO9001, TSO16949 ...) and the data needed for the Company's approval sheet, including drawings, environmental management substance test reports (RoHS, other regulatory requirements, etc.), MSDS, DATA SHEET, reliability verification, safety verification, etc. at the time of evaluation. The raw materials supplied comply with the requirements of green products in order to fulfill corporate social responsibility.	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		(9) According to the contracts signed with the major suppliers, the Company may demand compensation for damages if the suppliers have committed a violation against the corporate social responsibility policies that is with a significant impact on the environment and society.	
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	V		(1) 1. The Company currently has the implementation of corporate social responsibility disclosed in the Company's annual report and on the website. 2. The Company had enacted the "Code of Ethical Conducts" and "Ethical Management Best-Practice Principles" on March 24, 2014; also, they were implemented in accordance with the spirit of fulfilling the corporate social responsibility. 3. The Company had enacted the "Corporate Social Responsibility Best-Practice Principles" on April 29, 2015. 4. The Company has the contents of the Principles disclosed on the MOPS, and the information of corporate social responsibility disclosed on the Company's website (www.chenbro.com).	No significant difference

Assessment items	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies
	Yes	No	Summarized explanation (Note 2)	
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the Principles and their implementation: The Company had enacted the "Code of Ethical Conducts" and "Ethical Management Best-Practice Principles" on March 24, 2014; also, had enacted the "Corporate Social Responsibility Best-Practice Principles" on April 29, 2015 that were implemented in accordance with the spirit of fulfilling the corporate social responsibility. According to the "Corporate Social Responsibilities Best-Practice Principles for TWSE/GTSM-Listed Companies," the Company is without any significant difference.				
6. Other important information to facilitate better understanding of the company' s corporate social responsibility practices： (Such as, the Company's systems and measures adopted for environmental protection, community involvement, social contribution, social services, social welfare, consumers' interests, human rights, security and health, and other social responsibility activities, and its performance): Please refer to Page 63 ~ 65.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company's products are with UL certification and OHSAS 18001, ISO 9001: 2008, and ISO 14001: 2004 Management System Verification, but the Corporate Social Responsibility Report has not been verified by a third-party certification institution.				

Note:

1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.
2. Companies who have compiled CSR reports may cite the source from specific pages of their CSR reports instead.

(VI) Ethical Corporate Management

Assessment items	Actual governance (Note 1)			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
1. 1.Establishment of ethical corporate management policies and programs				No significant difference
(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?	V		(1) 1. The Company had enacted the "Code of Ethical Conduct" and "Ethical Management Best-Practice Principles" on March 24, 2014 with the establishment of excellent corporate governance, risk control mechanism, and comprehensive internal control to prevent unethical conduct from occurring, and to create a business environment for the Company's sustainable development in order to substantiate the Company's work rules and ethical conduct standards. 2. Announce the governing regulations and systems and code of ethical conduct for the reference of the employees. 3. The Company has specified in the Employees Work Rules and Code of Ethical Conduct to prevent unethical conducts from occurring, including not to obtain illegal gains and hospitality by taking advantage of the job positions, gifts, kickbacks, embezzlement, be opportunistic in operation, conceal and lie or seek illegal gains, or take advantage of the job position to accept gifts or commission, or other illegal gains. 4. The Company has also stipulated that the Company's employees shall not conduct any act on behalf of themselves or any third party that has major conflict against the Company's best interests, including loaning of funds, major asset transactions, offering guarantees, or other dealings and acts. In addition, at the time of performing job duties may not demand, contract, and deliver or accept gifts, hospitality, kickbacks, bribery in any form or any other improper gains for personal gains or the gains of the Company and any third party.	
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(2) 1. The Company has enacted the Code of Ethical Conduct and Ethical Management Best-Practice Principles, including the regulations and operating procedures, guidelines for conduct, disciplinary act, and complaints system.	

Assessment items	Actual governance (Note 1)			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			2. The Company has it stipulated in the internal regulations that new recruits are subject to the integrity investigation; also, the unqualified employees will not be hired. The Company has designated the Human Resources Department to take charge of the employee disciplinary act and incentive program; also, has the relevant disciplinary act and rewards announced to the colleagues in writing.	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V		(3) 1. The Company's each transaction and amount of donation and sponsorship must be reported to the respective authority for approval in compliance with the internal operating procedures. 2. Advise and educate the related regulations and specifications to the internal staff occasionally.	
2. Fulfill operations integrity policy				No significant difference
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(1) 1. The Company has procurement processed in accordance with the Company's "Direction for Requisition, Purchase, and Verification." 2. The Company stated in the contract that the suppliers shall comply with the Company's code of ethical conduct.	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	V		(2) The Company's ethical management is to be promoted or implemented by the Audit Department, Legal Affairs Department, Human Resources Department, Accounting Department, and Chairman Office; also, the Chairman Office is responsible for summarizing the implementation results.	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3) 1. Employees can communicate to the management and Human Resources Department through whistleblowing mailbox on the Company's website. 2. The Company's Human Resources Department will regularly review the employee disciplinary act and incentive program with the relevant disciplinary act and rewards announced to the colleagues in writing.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		(4) The Company has the Compliance self-assessment operation conducted annually; also, requested all units to truly comply with the Company Law, the Securities Exchange Act, Business Entity Accounting Act, other related laws and regulations, and internal regulations of audit and internal	

Assessment items	Actual governance (Note 1)			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
			control for the compliance of the staff, and has the ethical management implemented in accordance with the "Ethical Management Best-Practice Principles for TWSE/GTSM-Listed Companies." Internal auditors have the implementation of ethical management audited occasionally and specially.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5) The Company's Code of Ethical Conduct has included the spirit of Ethical Management Best-Practice Principles. In addition, the Company for advocating and advertising the code of ethical conduct has provided education and training to the employees taking as a whole in every meeting; also, the Code of Ethical Conduct is placed in the Company's intranet for the reference of the employees at any time.	
3. Operation of the integrity channel				No significant difference
(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(1) It was clearly stipulated in the Company's Work Rules that all violations would be punished with a disciplinary act or termination of employment rendered depending on the severity of the offense committed and whistleblower protection mechanisms in place. Employees may file a complaint with the Company's department head, Human Resources Department, and the Audit Department; also, it is to be implemented by the Human Resources Department. Human Resources Department provides a reporting channel for employees to report any violation discovered. If the authenticity of the reported matter has been investigated and verified to be qualifying for rewards in accordance with the Work Rules, incentives will be granted accordingly.	
(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?	V		(2) 1. The Company has whistleblowing protection mechanisms in place. For the matters reported by the employees to the Company's department head, Human Resources Department, and Audit Department, the Human Resources Department shall investigate the authenticity of the reported matters. 2. The Human Resources Department while conducting an investigation on the reported matters shall keep the investigation private in accordance with the principle of confidentiality, and interview all relevant personnel, and try to collect all kinds of factual evidence in order to meet the principle of fairness, just, and	

Assessment items	Actual governance (Note 1)			Variation from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies and the reasons
	Yes	No	Summary description	
(3) Does the company provide proper whistleblower protection?	V		confidentiality. (3) The Company shall keep the informants and the reported matters in confidence and it may not be disclosed throughout the investigation process. The informants should be protected at the time of verifying the authenticity of the reported matters; also, the informants will not be mistreated after identifying the authenticity of the reported matters. The Company has whistleblowing protection mechanisms in place to protect the whistleblowers and to ensure the personal safety, assets safety, right of work, and economic power.	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		The contents of the Ethical Management Best-Practice Principles are published on the MOPS and the Company's website; also, it is available on the annual report related website.	No significant difference
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. The Company had enacted the Code of Ethical Conduct and Ethical Management Best-Practice Principles on March 24, 2014; also, its operation was no different from the Principles enacted.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). The Company had enacted the Ethical Management Best-Practice Principles on March 24, 2014; also, it was amended on April 29, 2015.				

Note 1: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

(VII) The disclosure and inquiry methods of the Corporate Governance Best-Practice Principles and the related regulations

Important regulations	Disclosure and inquiry methods
Corporate Governance Best-Practice Principles Shareholders Meeting Rules Rules of Procedure for Board of Directors Meetings Rules Governing the Responsibilities of the Independent Directors Codes of Ethical Conduct Ethical Management Best Practice Principles Remuneration Committee Charter Corporate Social Responsibilities Best-Practice Principles Articles of Incorporation Procedures for Handling Material Inside Information	Market Observation Post System (MOPS): Inquire in the "Corporate Governance" section at the http://mops.twse.com.tw The Company's Website: http://www.chenbro.com

(VIII) Other important information that will help understand the implementation of the Company's corporate governance

1. Employee interests and employee care

Chenbro bases on the humane management and labor prosperity and sharing philosophy to implement the Human Resources Management System with incentives (distinct reward practice and adequate placement practice), growth (comprehensive training resources and opportunities), and achievement (space for professional and occupational performance and appropriate career planning). The fundamental principle for the enactment and establishment of systems is to comply with the law and regulations.

- Free of discrimination
  - (1) Do not hire temporary helps:

    Provide a stable working environment so that employees can go for a long-term career development with a peace of mind, except for the part-time students hired in summer vacation and winter break, current employees are full-time staff. Do not hire temporary helps.
  - (2) Hire employees with mental or physical disability:

    Offer unlimited job opportunities to the personnel with mental or physical disability; also, assign the personnel with disability to the proper job positions matching their expertise and competence. Two employees with mental or physical disability are hired monthly.
  - (3) Equality Management System:

    All employees, regardless of gender, race, age, birthplace, and religion, are subject to the same management system, for example – same salary standard for the same job performed either by male or female worker. Encourage employees to pursue diversified learning and growth. Provide equal opportunities of development. Cultivate management or professional ability of employees through a comprehensive and sustainable training and promotional system by the classification of occupational ability; also, further assign a more challenging job to employees.
  - (4) Hire new graduates:

    The Company offers job opportunities to new graduates with a complete training program established, including professional training, training at the factory site, and enhancing the soft strength.
- Incentive reward system
  - (1) The salary of all employees is based on the competence and performance. In addition to the basic wages that are not below the mandatory minimum pay, the Company also participates in the market salary survey to find out the market average salary and above.
  - (2) Regularly conduct employee performance evaluation in accordance with the principle of fairness and just, and the 360-degree feedback measure in order to reward the outstanding employees.
  - (3) Establish various incentive programs (year-end bonuses and dividends bonus) to inspire employees with substantive and positive incentives.
  - (4) Promote autonomous management with a positive and stimulating potentials management model.
- Welfare System

Chenbro pays attention to the health of employees, in addition to providing high coverage of employee group insurance, and offers a free medical examination every year. The Employee Welfare Committee has orchestrated various community activities, including badminton club, yoga club, swimming club, baseball and softball club, and cycling club to encourage employees to exercise and stay healthy.In 2016, Chenbro provided total amount of 3,070,000 NTD to the Welfare committee.

(1) Multiple employee welfare:

Such as employee restaurant, library, festival bonus for dragon boat, mid-autumn and Chinese new year, birthday bonus, wedding bonus, year-end bonus, free annual health check, employees travel and study subsidies, funeral consolations, maternity benefits and other staff benefits.

Offering employee sphygmomanometers, and play light music at 3 pm to release employees' body and mind pressure.

(2) Group insurance:

Chenbro provides employees group insurance, including life insurance, accident insurance, hospital insurance, medical insurance, cancer, insurance of occupational disaster.

(3) Establish Employee Stock Ownership Trust (ESOT):

Chenbro had the Employee Stock Ownership Trust (ESOT) plan initiated in March 2015 to allow employees participating in the Company's growth and to embrace profits and optimized benefits.

(4) Spiritual art seminars:

For the mental and physical health of employees, the Company occasionally arranges telepathic communication seminar and musical and artistic performances for employees to enrich soul, to learn knowledge, and to relieve stress.

(5) Employees profit sharing system:

Besides, the Company initiated Employee Stock Ownership Trust (ESOT) to encourage the employees in Mar-15.

Our employees can enjoy the sharing profits, their performance and reward will be fully integrated, implementing business philosophy of "employees are the owners of company ".

2. Investor Relations

Chenbro has a spokesman and deputy spokesman. Also, we've hired an IR(investor relations) appointed to express opinions to the public or to respond to the questions raised by the investors, either by phone or by E-mail.((Tel: 02-82265500 ext. 225; Email: ir@chenbro.com)

The Company regularly discloses the Company's significant operating information and arranges at least two investor conferences annually in order to continue to enhance information transparency for the benefit of investors in grasping the Company's operation and development plan.

3. Supplier Relations

Establish good communication channels and extend responsibility upward and downward. Also, the company established materials tracking systems, request that the product quality of suppliers meet the green environment regulations and relevant international specifications.

4. Stakeholders' rights

The Company has enacted the "Procedures for Handling Material Inside Information." The Company's directors, supervisors, managers, and employees, or the individuals who have learned about the Company's material inside information because of the identity, occupation, or control relationship must exercise due diligence to fulfill the obligation of faith and attention, based on self-discipline and prudent attitude to perform job in accordance with the principle of honesty and creditability, strictly comply with the material information handling, disclosure, and confidentiality requirements of the competent authorities, and substantiate the spokesman system and designate the department or personnel to take charge of handling material inside information in order to improve the relationship with the stakeholders. Shareholders have priority rights to express an opinion on the Company's operational performance; also, must respect and satisfy the demands of all stakeholders (shareholders, employees, customers, suppliers, and communities). Stakeholders can contact us through email, phone and website to protect their own rights.

5. Continuing education of directors and supervisors

The Company's directors and supervisors are to take their continuing education in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE/GTSM-Listed Companies" as follows:

Continuing education of directors and supervisors (2016)

Title	Name	Training date	Organizer	Course name	Training hours	Total continuing education hours of the year
Independent Director	TSAO AN PANG	2017.01.19	Taiwan Institute of Directors	New challenges of global taxation governance 2.0	3	3
		2016.11.08	Taiwan Institute of Directors	How to create competitive values through corporate governance-the transformation and challenges of the IoT era	3	6
		2016.10.20	Financial Supervisory Commission R.O.C. (Taiwan)	11rd Taipei Corporate Governance Forum	3	
Independent Director	HSU KUEI YING	2017.01.19	Taiwan Institute of Directors	New challenges of global taxation governance 2.0	3	3
		2016.11.08	Taiwan Institute of Directors	How to create competitive values through corporate governance-the transformation and challenges of the IoT era	3	6
		2016.01.21	Accounting Research and Development Foundation	A game for transforming Taiwan companies	3	
Independent Director	HUANG WEN CHENG	2016.08.11~ 2016.08.12	Taiwan Corporate Governance Association	How companies prevent from corruptions-case study	6	9
		2016.01.21	Accounting Research and Development Foundation	A game for transforming Taiwan companies	3	
Director	HSU SHEN KUO	2017.01.19	Taiwan Institute of Directors	New challenges of global taxation governance 2.0	3	3
		2016.11.08	Taiwan Institute of Directors	How to create competitive values through corporate governance-the transformation and challenges of the IoT era	3	6
		2016.01.21	Accounting Research and Development Foundation	A game for transforming Taiwan companies	3	
Director	LEE TSUN YEN	2017.01.19	Taiwan Institute of Directors	New challenges of global taxation governance 2.0	3	3
		2016.11.08	Taiwan Institute of Directors	How to create competitive values through corporate governance-the transformation and challenges of the IoT era	3	6
		2016.01.21	Accounting Research and Development Foundation	A game for transforming Taiwan companies	3	
Director	WU CHUNG PAO	2016.12.06	Taiwan Corporate Governance Association	Compliance and risk management of anti-money laundering and fight against terrorism	6	9
		2016.11.08	Taiwan Institute of Directors	How to create competitive values through	3	

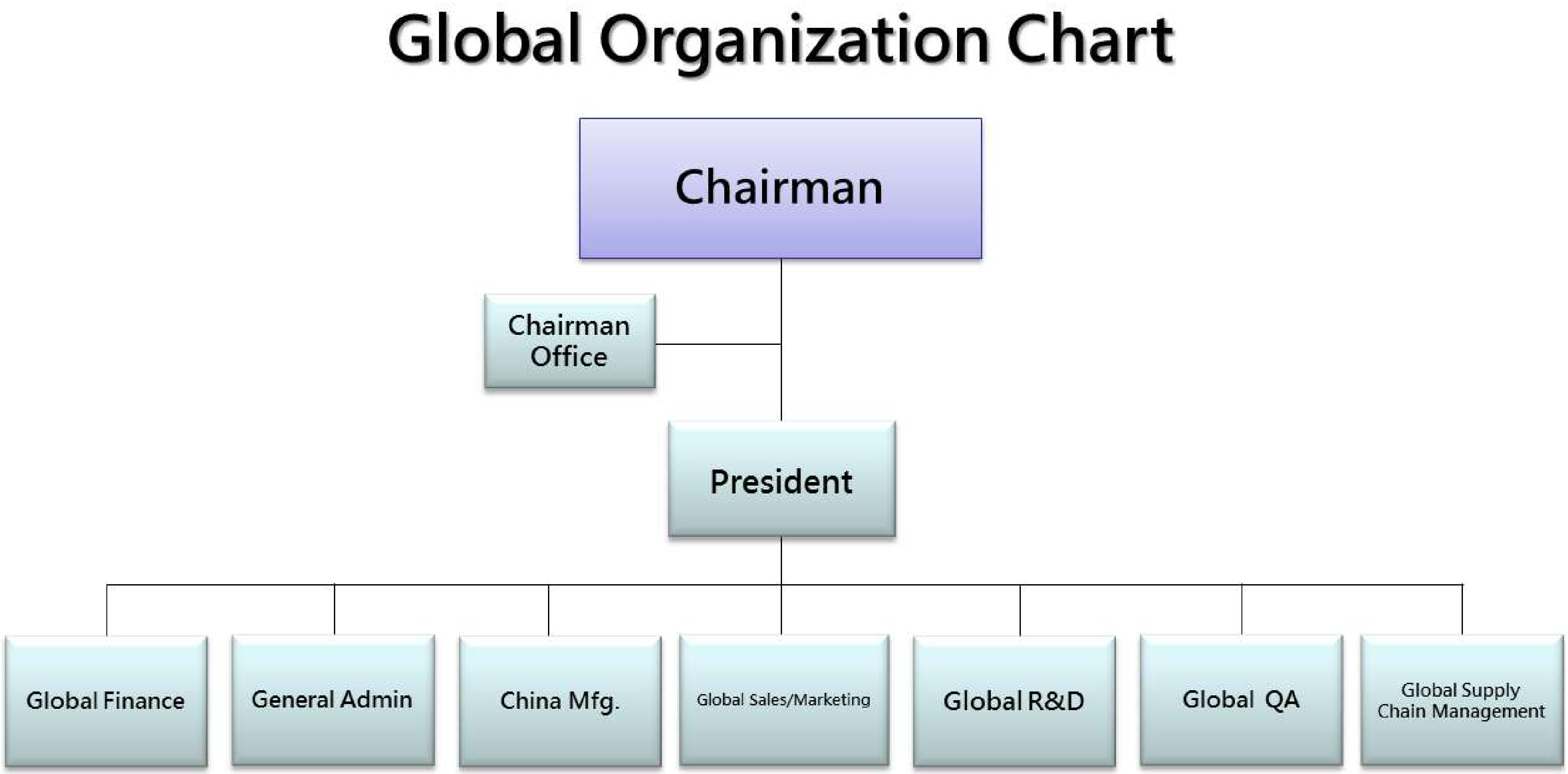
Title	Name	Training date	Organizer	Course name	Training hours	Total continuing education hours of the year
				corporate governance-the transformation and challenges of the IoT era		
Director	CHEN MEI CHI	2017.01.19	Taiwan Institute of Directors	New challenges of global taxation governance 2.0	3	3
		2016.11.08	Taiwan Institute of Directors	How to create competitive values through corporate governance-the transformation and challenges of the IoT era	3	6
		2016.01.21	Accounting Research and Development Foundation	A game for transforming Taiwan companies	3	
Supervisor	LEE YA MI	2017.01.19	Taiwan Institute of Directors	New challenges of global taxation governance 2.0	3	3
		2016.11.08	Taiwan Institute of Directors	How to create competitive values through corporate governance-the transformation and challenges of the IoT era	3	6
		2016.01.21	Accounting Research and Development Foundation	A game for transforming Taiwan companies	3	
Supervisor	HUANG LI LONG	2017.01.19	Taiwan Institute of Directors	New challenges of global taxation governance 2.0	3	3
		2016.11.08	Taiwan Institute of Directors	How to create competitive values through corporate governance-the transformation and challenges of the IoT era	3	6
		2016.01.21	Accounting Research and Development Foundation	A game for transforming Taiwan companies	3	
Supervisor	CHEN JEN SHYANG	2017.01.19	Taiwan Institute of Directors	New challenges of global taxation governance 2.0	3	3
		2016.11.08	Taiwan Institute of Directors	How to create competitive values through corporate governance-the transformation and challenges of the IoT era	3	6
		2016.01.21	Accounting Research and Development Foundation	A game for transforming Taiwan companies	3	

6. Implementation of risk management policies and risk measurement standards

(1) Risk Management Policies

Base on professional technique and concept of domestic and foreign risk assessment to actively implement risk prevention and loss control and to continue improving with effective risk management system and full participation of all employees in education and training in order to achieve the ultimate goal of zero risk.

(2) Organizational structure of risk management



Risk management organization table

Important risk assessment matters	Risk control direct unit (Business Organizer)	Risk review and control	Board of Directors and Audit Office
	(1st mechanism)	(2nd mechanism)	(3rd mechanism)
1. Interest rates, exchange rates, and financial risk 2. High risk and high leverage investment, loaning of funds, derivatives transaction, and financial investment 3. Investment, reinvestment, and merger and acquisition synergy	Finance Department	Financial Investment Review Unit (Members: Global Finance Department and Chairman Office)	Board of Directors and Supervisors: (Risk assessment and control policy and ultimate control) Audit Office :(risks check, evaluation, supervision, improvement, tracking, and reporting)
4. R&D plans	System Verification Department, Thermal/Structure R&D Department, Hardware R&D Department, Software R&D Department, and FAE	R&D Review Unit (Members: Global R&D Department and Chairman Office)	
5. Changes in policy and law 6. Litigation and non-litigation matters 7. Contract preparation and review 8. Patent Proposal Review	Legal Affairs Intellectual property	Legal Affairs Review Unit (Members: General Admin Department, Chairman Office)	
9. Changes in technology and industry 10. Changes in product and corporate image	Marketing Department	Marketing Review Unit (Members: Global Sales and Marketing Department, President Office and Chairman Office)	
11. Production and sale coordination 12. Plant expansion or production 13. Collective purchase or sales	Zhangheju Plant, Chin-Qin Plant, outsourcing mold, Production Planning Division, Procurement Division, Warehousing & Delivery Division, Business Department, US Branch, Europe Branch, Greater China area, and Chin-Qin business operation	Production and Sale Review Unit (Members: Global Supply Chain Management Department, China Manufacturing, Global Sales and Marketing Department, and Chairman Office)	
14. Changes in the shareholding of directors, supervisors, and major shareholders 15. Changes in management power	Accounting Department and the Board of Directors	Operation Review Unit (Members: Global Finance Department, Chairman Office, and the Board of Directors)	

7. Implementation of customer policies

Maintain a stable and good relationship with customers, host QBR meeting on a regular basis to understand customers' pain points and propose the solutions to adjust the related operating standards, and satisfy customer needs in accordance with the customer's continuing audit and improvement in order to create profits for the Company and achieve a win-win goal.

8. The liability insurance obtained for directors and supervisors by the Company

Insured objects	Insurance company	Insurance Amount (NT$)	Insurance policy starting and ending time
All directors and supervisors	Fubon Insurance Co., Ltd.	330,100,000	Starting time: September 7, 2015 Ending time: September 7, 2016
All directors and supervisors	Fubon Insurance Co., Ltd.	319,900,000	Starting time: September 7, 2016 Ending time: September 7, 2017

9. Manager's participating in corporate governance related continuing education and training (2016):

Title	Name	Training date	Organizer	Course name	Training hours	Total continuing education hours of the year
Chairman	CHEN MEI CHI	2017.01.19	Taiwan Institute of Directors	New challenges of global taxation governance 2.0	3	3
		2016.11.08	Taiwan Institute of Directors	How to create competitive values through corporate governance-the transformation and challenges of the IoT era	3	6
		2016.01.21	Accounting Research and Development Foundation	A game for transforming Taiwan companies	3	
Vice President of Finance and Accounting Department	CHIH CHIA LIN	2016.10.26~2016.10.27	Accounting Research and Development Foundation	Advanced training courses for Chief of Accounting Department	12	15
		2016.01.21	Accounting Research and Development Foundation	A game for transforming Taiwan companies	3	
Junior Vice President of Mechanical Design Department	HUANG YU TZU	2016.01.21	Accounting Research and Development Foundation	A game for transforming Taiwan companies	3	3

10. Strengthen auditing and self-inspection operation

The Company has a complete internal control system enacted and implemented effectively. In daily operations, in addition to requesting each unit to fulfill management responsibilities and handling self-inspection operation, shall also prepare for cross-auditing, effective monitoring, and debugging and self-correcting in a timely manner. The Board of Directors and the management will regularly review the self-inspection result of each unit and the audit reports of the Audit Office in order to substantiate the effectiveness and efficiency of the Company's operations, to enhance the Company's competitiveness, to ensure the accuracy of financial reports, and to confirm the compliance of all relevant laws and regulations.

11.Procedures for handling material inside information

The Company's Board of Directors had the "Procedures for Handling Material Inside Information" resolved on December 29, 2009. And initiated the advocacy of the following:

(1) Provide the "Procedures for Handling Material Inside Information" to directors and supervisors at least once a year.

(2) Provide the "Procedures for Handling Material Inside Information" to the newly appointed management.

(3) In addition to advocating the "Procedures for Handling Material Inside Information" to the management periodically, also advocate the insider trading related information on the website of Taiwan Stock Exchange Corporation.

(4) Advocate the "Procedures for Handling Material Inside Information" to employees.

12. The Company's implementing corporate social responsibility

(1) Energy-saving and carbon reduction and environmental protection action

The Company actively responds to global environmental protection activities and take advantage of the Company's core profession by designating the Company's administration department to plan, supervise, audit, and improve the Company's energy-saving policy; also, to advocate and convey correct energy-saving concept periodically. Setup recycling bins in the workplace, help employees build-up recycling habit, let Chunghe Development Center of The First Children's Development Center recycle resources, and launch a full range of energy conservation advocacy, initiate comprehensive energy-saving advocacy, invite Plastics Industry Development Center voluntarily to arrange energy-saving and carbon reduction and energy management courses in the Company to strengthen advocacy and education to employees in order to cooperate with the government to implement the energy-saving and environmental protection policy.

(2) Charity

1. Environmental Sustainability

1-1 Plant trees for loving the Earth

"Society Feedback" is the true belief of Chenbro. In view of the ecological crisis and extreme climate resulted from global warming, the Company is deeply aware of the urgency of caring for the land and environmental protection. The Chairman, CHEN MEI CHI, urged over one hundred employees and their families to plant trees on March 22, 2014 to love the earth with action. This piece of woodland is around 6,000 pings and located at the side of Liyutan Dam in Miaoli with over 18,000 betel nut trees planted initially and the neighboring farmers sprayed pesticides to grow fruit trees. For the protection of the water source and soil conservation, all betel nut trees had been cut off with calocedrus formosana and stout camphor planted instead that will grow up in 50-100 years. Complete the goal of green earth.

1-2 Promote organic vegetation

In recent years, Taiwan is deep in the food safety crisis. The health of Taiwanese is threaten by the heavily used agricultural and chemical fertilizers throughout the agricultural production; also, jeopardizing the land. The Company has worked with Huei-Shiang Organic Life Farm for the third year since 2013 to promote the concept of organic healthy vegetation diet, to sponsor Huei-Shiang Organic Life Farm in Miaoli, to gift customers and the staff with organic pomelos and oranges, to support organic farmers, and to promote the channels and visibility of organic produces. The Company had arranged the spring break outing in 2015 to visit Huei-Shiang Organic Life Farm for experiencing the hard work and importance of organic farming. It is desirable to start from within the Company to awaken the attention and care of the public for organic vegetation diet.

2. Arts and culture promotion

2-1 Yunlin Art Light-up Project

The Company has promoted the "Yunlin Art Light-up Project" for four consecutive years since 2013 that is organized by AAEON Foundation and sponsored by Chenbro and Chensource with NT$6 hundred thousand donated in 2016. The two companies have also urged employees and their families with more than two hundred volunteers to join the good cause, donating money and volunteering manpower. There were more than 70 participating schools with 6,62 teaching activities held starting from the first year, with a grand total of over 300,000 teachers and students involved.

Yunlin Art Light-up Project was with four themes, namely "World Picture Book and Illustration Tour," "e-School Picture Book Creative Digital Teaching Material," "Good Fun Arts Theater Tour," and "Taipei Art Exploration Journey." First of all, the "World Picture Book and Illustration Tour"

"Taipei Art Exploration Journey" is the highlight of "Yunlin Art Light-up Project." Visiting the tourism spots, including Taipei 101, Lin Liu-Hsin Puppet Theatre Museum, Ximenting, Yingge Ceramics Museum, The Li Mei-shu Memorial Gallery, National Palace Museum and Zhishan Garden, The National Chiang Kai-shek Memorial Hall and two musical halls, Taipei Fine Arts Museum, and Taipei MRT, as well as the fun body movement activity curriculum. After the art exploration tour in Taipei, Yunlin children returned home to be tour volunteers sharing the tourism spots they visited and their thoughts with the lower grade students. Children are like the eyes of travelers, through their eyes and their mouths to write down and speak out their feelings and appreciation. Let them know that all their dreams can come true as long as they are determined to observe, set, and fulfill their goals full-heartedly. It is the most important purpose of going on a teaching tour.

2-2 The Joint Arts plan and Artistic Taiwan

To continue "Yunlin Art Light-up Project," The Company plans to invest NT$1.35 million in 2016 to support the "Joint Arts Plan" with more artistic resources donated to the top-ten to fifteen schools of the "Yunlin Art Light-up Project." The "Artistic Taiwan" program is to let kids paint their love and care for their hometown through exhibiting the works of outstanding artists in Taiwan and organizing the "paint my hometown" painting contest.

2-3 Support Taiwan's traditional puppetry culture

Chenbro had donated NT$1 million every year since 2012 to support Taiyuan Puppetry Museum (Taiyuan Foundation). Taiyuan Puppetry Museum was founded in the year of 2000 by the founder Dr. Jingfu Lin who had donated over 5,000 pieces of puppetry collection and committed to the inheritance and promotion of traditional puppetry. The curator of the Puppetry Museum Dr. Robin Ruizendaal is a Dutch who can also speak Taiwanese. Dr. Robin Ruizendaal is a Doctoral of Chinese Language from the Netherlands and has studied puppetry for twenty years in Taiwan. He has created puppetry scripts, designed stages, and led a delegation to perform more than 200 shows a year in over 40 countries that were very popular and well recognized. In addition to financial sponsorship, the Company also held several dinner banquets and performances to vigorously promote the group to the business world for amplifying the corporate support. Take actions to help the development of cultural and creative arts in order to fulfill the corporate social responsibility.

2-4 Support Taiwan's traditional Opera culture

Chenbro understands that it takes rich soil and nutrient to root culture and to promote arts. Therefore, get acquaintance with Teacher Hsing-Kuo Wu and Teacher Hsiu-wei Lin of the Contemporary Legend Theatre through the introduction of Chairman Stan Shih of The National Culture and Arts Foundation. In 2016, Chenbro donated NT$1 million to support the young members of Contemporary Legend Theatre. Also, Chenbro has arranged several opera seminars and promotions. Therefore, the Company's staff will be able to understand that arts and culture are indeed closely related to the creative thinking at work through watching the constant breakthrough performance of the Contemporary Legend Theatre. Also, strive to revive Taiwan's dying opera culture and to carry on the spiritual heritage.

3. Social Care

3-1 Assembling computers for charitable activities

Chenbro responded to the "Assembling computers for charitable activities" of GIGABYTE Education Foundation" cooperating with the loving enterprises of Be Quiet, GeIL, and WD. The Company donated chassis to replace the 31 computers of the Development Center for the Spinal Cord Injured; also, donated 19 computers to Libertas Foundation and 32 under-privilege students for a fast and convenient learning quality and for shortening digital divide.

3-2 Visitation of under-privilege families in New Taipei City and Yunlin County

In addition to donating to Social Affairs Bureau of New Taipei City and Yunlin County annually, Chenbro will grant the "volunteer leaves" to employees for a three-day under-privilege families care tour every three months in New Taipei City and Yunlin County. The employees will learn how to be humble and to give and share; also, to help those under privilege family feel the warmth of the society through resources distribution and knowing that there are many more families need helps through accompanying them.

3-3 Yunlin Yi-Xin Orphanage

Due to lack of Children and Youth Welfare Institutes in Yunlin, many orphans in Yunlin are forced to be settled in other cities, which caused difficulty for tracing and visiting by institution and relatives. Chenbro not only donated 40pcs computer monitors to found computer classroom, but also linked lots of social resources which boost the open of Yi-Xin orphanage in Jan.14, 2017. We hope to collect all social strength to encourage those little angles who were hidden in dark corner could escape and toward to brightness soon.

3-4 Step30 International Ministries Donation

In many countries of East Africa, millions of feet are infected with a bug called jiggers, this bug burrows under the skin and toenails laying eggs and leaving painful soars. Some have even died from being overly affected by this bug. Therefore, Chenbro started a campaign to collect over 80 second-hand shoes from employees and sent them to Step30 International Ministrie. Hope these shoes can be reused in providing protection for those who are suffering from the infection of jiggers.

4. Talent cultivation

Sponsorship for The Alliance Cultural Foundation

For helping the home coming aboriginal youth cultivate the ability for a sustainable operation and helping aboriginal elites return home to work, Chenbro has donated NT$2 million annually since the year of 2012 to sponsor The Alliance Cultural Foundation. In response to the "Junyi Academy Plan" of Mr. Chang-Shou Yen with the theme of and focus on "Rural home coming talents employment and entrepreneurship plan" and "Rural home coming cultivation plan," also, the four action plans and directions of "Tourism Promotion," "Industry Counseling," "Arts and Culture Development," and "Education Plan" in order to provide the students in Hualien and Taitung with a good learning environment and bright future.

5. "Maggi Love Share" network platform - to share the power of love

The "Maggi Love Share" network platform is for sharing beautiful things and for the synergy of kindness. The Company had the "Maggi Love Share" website setup in December 2013 with the website setup at www.maggiloveshare.com The Company has the chartable activity information and corporate volunteers' insights collected by texts, photos, and films photos through the "Maggi Love Share." Share with good friends and work partners in life through the infinite power of Internet. Let more people know and even join the charitable activities through the words of mouth. Regardless money donation or volunteer work, we expect this website to exercise the positive power of "sharing" in order to achieve the goal of more fun and happiness!

The "Maggi Love Share" website has been setup for 4 years with three newsletter articles published monthly. There are more than 140,000 visitors with their feedback to share constantly. Apparently, the "Maggi Love Share" is demonstrating positive effect as a public platform. The Company would like to see the spread of good knowledge in the future. Although the writing is not perfect, the intention is to generate resonation through sincere sharing and writing in order to do more for the good of the world.

(3) Protect the human rights of employees and substantiate the safety and health measures

It has been detailed in the "Labor Relations" section. Please refer to Page 99~104 of the Annual Report.

(IX) Internal control

1. Internal Control Declaration: **Please refer to Page 136 [Appendix I] for details.**
2. For the CPAs specifically commissioned to review the internal control system, the Independent Auditor's Report should be disclosed: None

(X) The punishment rendered to the Company and its internal staff lawfully, the disciplinary action brought against the internal personnel who had violated the internal control system, and the major nonconformities and the corrective action in the most recent year and up to the printing date of the annual report: None

(XI) The important resolutions reached in the shareholders' meeting and Board meeting in the most recent year and up to the printing date of the annual report

1. The important resolutions reached in the 2016 shareholders' meeting and their implementation

Chenbro's 2016 shareholders' meeting was held in Chunghe of New Taipei City on June 23, 2016. The matters resolved in the shareholders' meeting for implementation are as follows:

Convening date	The 2016 General Shareholders' Meeting
2016.06.23	1. Acknowledged the 2015 business report and financial statements (including individual and consolidated financial statements). Implementation: The attending shareholders were consulted by the Chairman to have the motion passed as proposed. 2. Acknowledged the 2015 earnings distribution proposal. Implementation: For the 2015 earnings distribution, shareholders' dividend was for NT$2.6/share based on the 119,725,950 outstanding shares, for a grand total dividend amount of NT$311,287,470. In addition, remuneration to directors and supervisors in cash was for an amount of NT$13,009,004; also, a bonus amount of NT$44,230,614 to employees in cash. The ex-dividend base date scheduled on July 16, 2016 was resolved in the Board meeting on June 23, 2016; also, cash dividend was distributed on July 29, 2016. 3. Discussed having some clauses of the "Articles of Incorporation" amended. Implementation: It was resolved in the meeting with the amended Procedures published on the Market Observation Post System (MOPS) on June 23.

2. The important resolutions reached in the 2016 Board meeting and the implementation

Important Resolutions Date	Important resolution contents
01.21.2016	1. The remuneration of managers and the distribution of annual bonus were resolved and passed in the Remuneration Committee meeting of the Company on January 8, 2016. 2. The amendments to the "Articles of Incorporation" were resolved and passed. 3. The adjustment to the appropriation of remuneration to employees and to the directors and supervisors were resolved and passed in the Remuneration Committee meeting of the Company on January 8, 2016.
03.22.2016	1. The "Internal Control System Statement" of the Company was resolved and passed. 2. The amendments to the "Internal Control System" and "Internal Audit Implementation Rules" of the Company were resolved and passed. 3. The lawful replacement of the independent auditors by the Company was resolved and passed. 4. The commission and the independence evaluation of the independent auditor were resolved and passed. 5. The distribution of remuneration to employees and the directors and supervisors of the Company in 2015 was resolved and passed. 6. The 2015 financial statements of the Company and the 2015 business report composed by the Company were resolved and passed. 7. The distribution of the 2015 earnings of the Company was resolved and passed. 8. The "Shareholders' Proposal Process" related matters of the 2016 general shareholders' meeting were resolved and passed. 9. The motions discussed in the 2016 general shareholders' meeting convened by the Company were resolved and passed. 10. The extension of the financial derivatives of the Bank with Far Eastern International Bank for an amount of US$1 million was resolved and passed. 11. The extension of the financial derivatives of PROCASE & MOREX CORP with Far Eastern International Bank for an amount of US$500,000 was resolved and passed.
05.10.2016	1. The 2016Q1 financial statements of the Company was resolved and passed. 2. The reasons why the motions were not included in the shareholders' meeting for discussion explained in the "Shareholders' Proposal Process" of the 2016 general shareholders' meeting were resolved and passed. 3. The change of the original loan bank for the endorsement/guarantee of CloudWell Holdings, LLC. from Fubon Bank Los Angeles Branch to Bank SinoPac Los Angeles Branch was resolved and passed. 4. The revocation of the endorsement/guarantee of Chenbro Micom (USA) INC. with Fubon Bank Los Angeles Branch was resolved and passed. 5. The extension of the loan amount for US$3 million with Mega International Commercial Bank Yonghe Branch was resolved and passed.
06.23.2016	1. The base date for the distribution of 2015 cash dividend was resolved and passed. 2. The motions resolved in the Remuneration Committee meeting that was convened on June 8, 2016 was resolved and passed. 3. The distribution of cash dividend of the Company from Chenbro Technology (Kunshan) Co., Ltd. was resolved and passed. 4. It was resolved in the board meeting of the Company on March 22, 2016 to have Shanghai Trading Company that was indirectly invested by Amber International Company that was invested by Micom Source Holding Company with a capital of US$1 million to be changed as being directly invested by Amber International Company with a capital of US$2.5 million. 5. For a more flexible use of funds by the Company, the additional loan for an amount of US$2 million by ChenbroMicom (USA) INC. with the endorsement/guarantee made by the parent company was resolved and passed. 6. The additional foreign exchange derivatives made for US$1 million by the Company with Bank SinoPac was resolve and passed.

Important Resolutions Date	Important resolution contents
07.26.2016	1. The consolidated financial statements of the first half of 2016 of the Company were resolved and passed. 2. The second Treasury stock repurchased by the Company had not been transferred to the employees within three years; therefore, the motion of having it written off with the decapitalization date scheduled lawfully was resolved and passed. 3. The additional loan for an amount of US$2 million by ChenbroMicom (USA) INC. with the endorsement/guarantee made by the parent company was resolved and passed. 4. The extension of the loan for an amount of US$3 million by PROCASE & MOREX CORP with the endorsement/guarantee made by the parent company was resolved and passed. 5. The revocation of the endorsement/guarantee for PROCASE & MOREX CORP with Far East International Commercial Bank and Mega International Bank for an amount of US $ 3.5 million was resolved and passed. 6. The extension of the foreign exchange derivatives of the Company with Fubon Bank for US$500,000 was resolved and passed.
11.08.2016	1. The Company's 2017 audit plan was resolved and passed. 2. The consolidated financial statements of the third quarter of 2016 of the Company were resolved and passed. 3. The retroactive recognition of Tsou Ke Ti's promotion as the Global Financial Officer of the Company was resolved and passed. 4. The extension of the endorsement/guarantee for US$3.5 million of PROCASE & MOREX CORP was resolved and passed. 5. The extension of the financial exchange derivatives for US$500,000 of PROCASE & MOREX CORP with the Bank of Taiwan Zhonghe Branch was resolved and passed.
01.19.2017	1. The remuneration of managers and the distribution of annual bonus discussed in the Remuneration Committee meeting of the Company on January 9, 2017 were resolved and passed. 2. The amendments to the Company's "Articles of Incorporation" were resolved and passed. 3. The amendments to the Company's"Procedures for Financing and Endorsement" were resolved and passed. 4. The amendments to the Company's "Corporate Governance Best-Practice Principles" were resolved and passed. 5. The amendments to the Company's "Corporate Social Responsibility Best-Practice Principles" were resolved and passed. 6. The amendments to the Company's "Rules Governing the Election of Directors and Supervisors" were resolved and passed. 7. The motion of having the Company's investment structure in China adjusted with Beijing Branch and Shanghai Branch setup by ChenPower Information Technology (Shanghai) Co., Ltd.; also, with Chenbro (Shenzhen) Co., Ltd. and Chenbro (Beijing) Co., Ltd. closed was resolved and passed.
02.23.2017	1. The "Internal Control System Statement" of the Company was resolved and passed. 2. The distribution of remuneration to employees and the directors and supervisors of the Company in 2016 was resolved and passed. 3. The 2016 financial statements of the Company were resolved and passed. 4. The distribution of the 2016 earnings of the Company was resolved and passed. 5. The "Shareholders' Proposal Process" related matters of the 2017 general shareholders' meeting were resolved and passed. 6. The "Independent Director Nomination Process" of the 2017 general shareholders' meeting were resolved and passed. 7. The motions discussed in the 2017 general shareholders' meeting convened by the

Important Resolutions Date	Important resolution contents
	Company were resolved and passed. 8. The amendments to the "Rules of Procedure of the Shareholders' Meeting" of the Company were resolved and passed. 9. The Company's intention of extending the exporting L/C amount for US$500,000 with Bank of Taiwan Zhonghe Branch was resolved and passed. 10. The Company's extending the foreign exchange derivatives for US$500,000 with Bank of Taiwan Zhonghe Branch was resolved and passed.

Please visit the website of "MOPS" at http://mops.twse.com.tw for information in details.

(XII) If the directors or supervisors have different opinions on the resolutions reached by the Board of Directors with a record or written statement made in the most recent year and up to the printing date of the annual report, please state the content of the opinion: None

(XIII) The summary of the resignation or dismissal of the Company's Chairman, President, Accounting Officer, Finance Officer, Internal Audit Officer, and R&D Director in the most recent year and up to the printing date of the annual report: None

V. Disclosure of CPAs' remuneration

CPA fee table

Monetary Unit: NT$ Thousand

Auditor's firm	Name of CPA	Audit remuneration	Non-audit remuneration					CPA auditing period	Remarks
			Policy design	License registration	Human resource	Others (Note 2)	Subtotal		
PwC Taiwan	Audrey Tseng and CHIH PING CHUN	4,144	0	0	0	1,961	1,961	2016.01.01~ 2016.12.31	1. Transfer pricing report and risk assessment services totaled NT$1,961 thousand 2. The audit remuneration increased by NT$400 thousand mainly due to expenses from English version of annual report
BDO Taiwan	Shucheng Zhang	0	0	0	0	47	47		The 2016 Sideline business entity's business tax auditing and attestation with a direct withholding method adopted
Deloitte Taiwan	Yingying Hsu	0	0	0	0	600	600		The 2013 Transfer Pricing Report consulting fees

Note 1: If there is any CPA or CPA Firm being replaced in current year, the auditing period should be indicated separately and the reason for such replacement should be detailed in the remark column; also, the information regarding the audit and non-audit fee paid should be disclosed.

Note 2: non-audit remuneration should be listed separately by service category. If the "Other" category amounts to 25% of total non-audit remuneration, then services must be detailed in the remarks column.

Monetary Unit: NT$ Thousand

Amount bracket \ Service fee items		Audit remuneration	Non-audit remuneration	Total
1	Below NT$2,000 thousand	0	0	0
2	NT$2,000 thousand (inclusive) ~ NT$4,000 thousand	0	2,608	2,608
3	NT$4,000 thousand (inclusive) ~ NT$6,000 thousand	4,144	0	4,144
4	NT$6,000 thousand (inclusive) ~ NT$8,000 thousand	0	0	0
5	NT$8,000 thousand (inclusive) ~ NT$10,000 thousand	0	0	0
6	Over NT$10,000 thousand (inclusive)	0	0	0

CPA fee information:

(1) If the non-auditing fee paid to the attestation CPAs, attestation CPA Firm, and the affiliated enterprises is for an amount more than one fourth of the auditing fee, the auditing amount, non-auditing amount, and the contents of the non-auditing service must be disclosed:

1.Transfer pricing report and risk assessment services totaled NT$1,961 thousand

2.The audit remuneration increased by NT$400 thousand mainly due to expenses from English version of annual report

(2) If the commissioned CPAs Firm is replaced and the auditing fee paid in the year of replacement is less than the auditing-fee paid in the prior year, the auditing fee before and after the replacement and the root cause should be disclosed: None

(3) If the auditing fee of the current year is more than 15% less than the year before, the reduced fee amount, ratio, and the root cause should be disclosed: None

VI. Change of CPA

I. The former CPAs

Date of reappointment	It was resolved in the Board meeting on March 22, 2016			
Reason for reappointment	To have the attestation CPAs changed from PAN HUI LING and CHIH PING CHUN to Audrey Tseng and CHIH PING CHUN since the year of 2016 in accordance with Article 68 of the Auditing Standard No. 46 "CPA Firm Quality Control" and the internal organization adjustment of PwC Taiwan.			
Was the termination of audit services initiated by the principal or by the CPA	Situation \ Participants		CPA	Principal
	Service terminated by		Not applicable	Not applicable
	Service no longer accepted (continued) by		Not applicable	Not applicable
Reasons for issuing opinions other than unqualified opinions in the recent 2 years	None			
Disagreements with the issuer	Yes		Accounting policy or practice	
			Financial statement disclosure	
			Audit coverage or procedures	
			Others	
	None	V		
	Description			
Other disclosures (Disclosures deemed necessary under Article 10.6.1.4&10.6.1.7 of The Guidelines)	Not applicable			

II. The successor CPAs

Name of firm	PwC Taiwan
Name of CPA	Audrey Tseng and CHIH PING CHUN
Date of reappointment	It was resolved in the Board meeting on March 22, 2016
The inquiries on the accounting process or accounting principle for specific transactions and the possible opinions to be issued on the financial statements and its results before the commission of the successor CPAs.	None
Written disagreements from the succeeding auditor against the opinions made by the former CPA	None

III. The reply of the former CPAs on the matters stated in Article 10 Paragraph 6 Section 1, Section 2, and Section 3 of the Auditing Standards:

It is classified as an internal job rotation of the CPAs Firm; therefore, it is not applicable.

VII. If the Company's Chairman, President, and Finance or Accounting Officer had taken a job position with the attestation CPA Firm or its affiliated enterprises within one year, the name, job position, and the employment period with the attestation CPA Firm or its affiliated enterprises should be disclosed

None.

VIII. Shareholding transfers and share collateralization within the latest year, up till the publication date of this annual report, initiated by directors, supervisors, managers and shareholders with more than 10% ownership interest

(I) Shareholding changes of directors, supervisors, managers, and major shareholders

Unit: shares

Title	Name	2016		As of April 24, 2017	
		Increase (decrease) in shares held	Increase (decrease) in shares collateralized	Increase (decrease) in shares held	Increase (decrease) in shares collateralized
Chairman	CHEN MEI CHI	0	0	0	0
Director	LEE TSUN YEN	0	0	0	0
Director	WU CHUNG PAO	0	0	0	0
Director	HSU SHEN KUO	10,000	0	0	0
Independent Director	HSU KUEI YING	0	0	0	0
Independent Director	HUANG WEN CHENG	0	0	0	0
Independent Director	TSAO AN PANG	0	0	0	0
Supervisor	HUANG LI LONG	0	0	0	0
Supervisor	LEE YA MI	0	0	0	0
Supervisor	CHEN JEN SHYANG	0	0	0	0
Vice President of Global Sales and Marketing Department	CHEN YA NAN	0	0	0	0
Vice President of Finance and Accounting Department	CHIH CHIA LIN	0	0	0	0
Vice President of Global R&D Department	KUO SHANG TI	0	0	0	0
Junior Vice President of the Material Planning Department	CHU YUNG HSIANG (Note 1)	0	0	0	0
Junior Vice President of Marketing Department	LIN TSUNG MIN	0	0	0	0
Junior Vice President of Mechanical Design Department	HUANG YU TZU	0	0	0	0
Global Chief Financial Officer	TSOU KE TI (Note 2)	0	0	0	0
Shareholders with over 10% shareholding	CHEN FENG MING (Note 3)	0	0	0	0

Note 1: CHU YUNG HSIANG , Junior Vice President of the Material Planning Department , dismissed on August 19, 2016.
Note 2: TSOU KE TI , Global Chief Financial Officer, incumbent on October 13, 2016
Note 3: Major shareholders with over 10% shareholding

(II) Changes in the pledged equity: None

(III) The counterparty of equity transfer is a related party: None

(IV) The counterparty of equity pledge is a related party: None

IX. Relationships among The Company's top ten shareholders including spouses, second degree relatives or closer

April 24, 2017 unit: shares

Name (Note 1)	Shareholding held by the principal		Shareholdings of spouse and underage children		Shares Held In The Names Of Others		Among the top 10 shareholders, there are related parties, spouse to each other, and kindred within the 2nd tier under the Civil Code, and the name and affiliation, if applicable.		Remarks
	Shares	Shareholder Ratio	Shares	Shareholding percentage	Shares	Shareholder Ratio	Name	Relationship	
CHEN FENG MING	13,614,433	11.37	5,296,029	4.42	0	0	LEE TSUN YEN CHEN MEI CHI CHEN LIAN CHUN	Spouse Sister Brother-in-law	None
Lian-Mei Investment Ltd. Representative : CHEN MEI CHI	11,784,000	9.84	0	0	0	0	CHEN LIAN CHUN CHEN FENG MING LEE TSUN YEN	Spouse Brother Sister-in-law	None
Cathay Life Insurance Co. Ltd. Representative : TSAI HONG TU	10,714,000	8.95	0	0	0	0	None	None	None
Peng Wei Investment and Development Co., Ltd. Representative : CHEN LIAN CHUN	9,820,000	8.20	0	0	0	0	CHEN MEI CHI CHEN FENG MING LEE TSUN YEN	Spouse Brother-in-law Sister-in-law	None
CHEN MEI CHI	9,656,009	8.07	1,908,000	1.59	0	0	CHEN LIAN CHUN CHEN FENG MING LEE TSUN YEN	Spouse Brother Sister-in-law	None
Ming-Kwong Investment Co., Ltd. Representative : LEE TSUN YEN	9,041,967	7.55	0	0	0	0	CHEN FENG MING CHEN MEI CHI CHEN LIAN CHEUN	Spouse Sister-in-law Brother-in-law	None
LEE TSUN YEN	5,296,029	4.42	13,614,433	11.37	0	0	CHEN FENG MING CHEN MEI CHI CHEN LIAN CHEUN	Spouse Sister-in-law Brother-in-law	None

Name (Note 1)	Shareholding held by the principal		Shareholdings of spouse and underage children		Shares Held In The Names Of Others		Among the top 10 shareholders, there are related parties, spouse to each other, and kindred within the 2nd tier under the Civil Code, and the name and affiliation, if applicable.		Remarks
	Shares	Shareholder Ratio	Shares	Shareholding percentage	Shares	Shareholder Ratio	Name	Relationship	
JP Morgan Depository Account	3,140,000	2.26	0	0	0	0	None	None	None
Cathay Greater China Account	2,309,000	1.93	0	0	0	0	None	None	None
Fiduciary trust property accounts of KGI Securities Co., Ltd.	2,000,000	1.67	0	0	0	0	None	None	None

Note 1: Illustrate the top-ten shareholders. The name of the corporate shareholders and the name of its representative should be illustrated separately.

Note 2: The calculation of shareholding ratio refers to the shareholding ratio calculated in accordance with the shareholding of the shareholders, spouse, minor children, and in the name of others.

Note 3: The relationship among the shareholders (including legal person and natural person) in the preceding paragraph should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. Investments jointly held by The Company, The Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by The Company. Calculate shareholding in aggregate of the above parties

December 31, 2016 unit: thousand shares

Transfer investment business (Note)	Invested by The Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
CHENBRO EUROPE B.V.	20	100%	0	0	20	100%
MICOM SOURCE HOLDING COMPANY	20,450	100%	0	0	20,450	100%
CHENBRO MICOM (USA) INCORPORATION	10,000	100%	0	0	10,000	100%
CLOUDWELL HOLDINGS, LLC.	3,600	100%	0	0	3,600	100%
CHENBRO GmbH	250	100%	0	0	250	100%

Note: The Company's long-term investments under the equity method

Four. Funding Status

I. The Company’s capital stock and stock shares

II. Disclosure relating to corporate bonds

III. Disclosure relating to preference shares

IV. Disclosure relating to global depository receipts

V. Employee stock warrants

VI. Disclosure regarding the management of new restricted employee stock

VII. Disclosure on new shares issued for the acquisition or transfer of other shares

VIII. The implementation of the fund plan

Four. Funding Status

I. The Company's capital stock and stock shares

(I) Capital Sources

Year / month	Issue price (NT$)	Authorized capital		Paid-up capital		Remarks		
		Shares (Thousand Shares)	Amount (thousand dollars)	Shares (Thousand Shares)	Amount (thousand dollars)	Source of capital (thousand dollars)	Paid in properties other than cash	Others
1983/12	0	0	500	0	500	Incorporation capital 500	None	1983.12.05 Jian 1 Zi No. 106007
1984/05	0	0	2,000	0	2,000	Cash capitalization 1,500	None	1984.05.28 Jian 1 Zi No. 144359
1986/11	0	0	7,000	0	7,000	Cash capitalization 5,000	None	1986.11.12 Jian 1 Zi No. 169350
1989/12	0	0	25,000	0	25,000	Cash capitalization 18,000	None	1990.01.05 Jian 1 Zi No. 110347
1990/10	10	7,500	75,000	7,500	75,000	Cash capitalization 50,000	None	1991.01.07 Jin(80)Son.Zi No. 00117
1998/09	10	13,500	135,000	13,500	135,000	Capitalization from earnings 30,000 Cash capitalization 30,000	None	1998.10.06 Jin(87)Son.Zi No. 131175
1999/08	10	80,000	800,000	30,230	302,300	Cash capitalization 25,000 Capitalization from earnings 142,300	None	Securities & Futures Institute 1999.07.19 (88)Tai.Tsai.Jen (I) No. 63566
2000/08	10	80,000	800,000	46,331	463,308	Capitalization from earnings 161,008	None	Securities & Futures Institute 2000.08.24 (89)Tai.Tsai.Jen (I) No. 70667
2001/09	10	80,000	800,000	50,037	500,373	Capitalization from additional paid-in capital 37,065	None	Securities & Futures Institute 2001.08.23 (90)Tai.Tsai.Jen (I) No. 153655
2002/09	10	80,000	800,000	54,040	540,402	Capitalization from earnings 40,030	None	Securities & Futures Institute 2002.08.16 (91)Tai.Tsai.Jen (I) No. 0910145672
2004/11	10	80,000	800,000	60,358	603,587	Capitalization from earnings 52,377 Capitalization from additional paid-in capital 10,808	None	Financial Supervisory Commission 2004.09.30 Jin.Kwong.Jen I No. 0930144328
2005/08	10	80,000	800,000	70,425	704,252	Capitalization from earnings 100,665	None	Financial Supervisory Commission 2005.07.19 Jin.Kwong.Jen I No. 0940129149
2006/08	10	90,000	900,000	81,971	819,712	Capitalization from earnings 115,460	None	Financial Supervisory Commission 2006.07.19 Jin.Kwong.Jen I No. 0950131442

Year / month	Issue price (NT$)	Authorized capital		Paid-up capital		Remarks		
		Shares (Thousand Shares)	Amount (thousand dollars)	Shares (Thousand Shares)	Amount (thousand dollars)	Source of capital (thousand dollars)	Paid in properties other than cash	Others
2007/07	10	120,000	1,200,000	95,537	955,369	Capitalization from earnings 135,657	None	Financial Supervisory Commission 2007.7.17 Jin.Kwong.Jen I No. 0960037071
2008/07	10	120,000	1,200,000	111,511	1,115,109	Capitalization from earnings 159,740	None	Financial Supervisory Commission 2008.7.25 Jin.Kwong.Jen I No. 0970037754
2011/06	10	120,000	1,200,000	115,506	1,155,057	Capitalization from earnings 39,948	None	Financial Supervisory Commission 2011.6.21 Jin.Kwong.Jen.Far.Zi No. 1000028489
2012/06	10	150,000	1,500,000	120,126	1,201,259	Capitalization from earnings 46,202	None	Financial Supervisory Commission 2012.6.19 Jin.Kwong.Jen.Far.Zi No. 1010027336
2016/10	10	(400)	(4,000)	119,726	1,197,259	Cancellation of repurchased stocks (4,000)	None	Ministry of Economic Affairs Authorized No. 10501246700

Share category	Authorized capital			Remarks
	Outstanding shares	Unissued shares	Total	
Registered common stock shares of the listed companies	119,725,950	30,274,050	150,000,000	

(II) Shareholders structure

April 24, 2017 unit: shares

Shareholders structure / Volume	Government institutions	Financial institutions	Other corporations	Individuals	Foreign institutions and foreigners	Total
Head count	0	0	44	4,880	37	4,961
Number of shares held	0	0	49,641,517	63,984,631	6,099,802	119,725,950
Shareholding percentage	0	0	41.46	53.44	5.10	100.00

(III) Ownership diversification

1. Ordinary shares

April 24, 2017 unit: shares

Shareholding range			Number of shareholders	Number of shares held	Shareholding percentage (%)
1	至	999	1,266	265,800	0.22
1,000	至	5,000	2,760	5,679,910	4.74
5,001	至	10,000	409	3,225,987	2.69
10,001	至	15,000	158	1,965,533	1.64
15,001	至	20,000	80	1,472,878	1.23
20,001	至	30,000	84	2,176,989	1.82
30,001	至	50,000	73	2,821,601	2.36
50,001	至	100,000	58	4,161,093	3.48
100,001	至	200,000	33	4,660,870	3.89
200,001	至	400,000	15	4,098,055	3.42
400,001	至	600,000	7	3,402,722	2.84
600,001	至	800,000	3	2,067,631	1.73
800,001	至	1,000,000	2	1,824,988	1.52
1,000,001 以上			13	81,901,893	68.42
Total			4,961	119,725,950	100.00

Note: NT$10 par value

2. Preferred stock shares: Not applicable

(IV) List of major shareholders

April 24, 2017 unit: shares

Shareholding / Name of major shareholder	Number of shares held	Shareholding percentage
CHEN FENG MING	13,614,433	11.37
Lian-Mei Investment Ltd.	11,784,000	9.84
Cathay Life Insurance Co. Ltd.	10,714,000	8.95
Peng Wei Investment and Development Co., Ltd.	9,820,000	8.20
CHEN MEI CHI	9,656,009	8.07
Ming-Kwong Investment Co., Ltd.	9,041,967	7.55
LEE TSUN YEN	5,296,029	4.42
JP Morgan Depository Account	3,140,000	2.62
Cathay Greater China Account	2,309,000	1.93
Fiduciary trust property accounts of KGI Securities Co., Ltd.	2,000,000	1.67

(V) Market price, net worth, earnings, and dividends per share, and other relevant information for the last two years

Unit: NTD/ shares

Year / Item		2015	2016	Up till March 31, 2017 (Note 8)
Market price per share (Note 1)	Highest	59.50	61.50	58.00
	Lowest	26.50	36.80	54.70
	Average	43.35	50.70	56.61
Net worth per share	Before dividend distribution	22.62	23.86	-
	After dividend distribution	20.01	-	-
Earnings per share	Weighted average outstanding shares	119,725,950	119,725,950	119,725,950
	Base earnings per share (Note 3)	4.22	5.01	1.04
Dividends per share	Cash dividend	2.60	Note 2	-
	From earnings	0	0	-
	From capital reserves	0	0	-
	Cumulative undistributed dividends (Note 4)	0	0	-
Analysis of investment returns	P/E ratio (Note 5)	10.27	10.12	-
	Price to dividends ratio (Note 6)	16.67	Note 9	-
	Cash dividend yield (Note 7)	6.00	Note 9	-

For the capitalization from earnings or additional paid-in capital, the market price and cash dividend adjusted retroactively according to the number of shares issued should be disclosed.

Note 1: List the highest and lowest share price in each year, and calculate the average market price by weighing transacted prices against transacted volumes.

Note 2: The 2016 cash dividend of NT$3.0 per share will be distributed upon the resolution reached in the shareholders' meeting.

Note 3: If stock dividends are issued, make retrospective adjustments while disclosing EPS before and after the adjustments.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the company makes profit, then the amount of cumulative undistributed dividends up till the current year must be disclosed separately.

Note 5: P/E ratio = Average closing price per share for the year / earnings per share.

Note 6: Price to dividend ratio = Average closing price per share for the year / cash dividends per share.

Note 7: Cash dividend yield = Cash dividend per share / average closing price per share for the current year.

Note 8: Net worth per share and earnings per share should be based on audited auditor (reviewed) data as at the latest quarter before the publishing date of this annual report. For all other fields, data should be provided as at the end of their respective years.

Note 9: The 2016 earnings distribution proposal has not yet been resolved in the shareholders' meeting.

(VI) The company's dividend policies and execution

1. Dividend Policy

The Company's annual earnings, if any, should be distributed according to the orders as below

(1) Paying the taxes;

(2) Making up loss for preceding years;

(3)Setting aside 10% for legal reserve but not limited if the legal reserve has reached the total capital amount.

(4) Setting aside or reserve special reserve(s) according to regulations or authorities' requirement;

(5) Any remaining earnings should be added to the accumulated retained earnings and current period's adjustments, and the board can propose to retain or distribute to the shareholders' meeting based on the capital requirement and development

The Company's dividend policy is based on the profit of the current year and the Company's future growth, capital budget planning, fund demands, as well as the interests of shareholders and the Company's long-term financial planning. Shareholder dividend is appropriated in accordance with the distributable earnings and it is paid in the form of cash dividend or stock dividend. However, the amount of cash dividend may not be less than 10% of the total dividend. If cash dividend per share is for less than NT$0.2, stock dividend will be paid instead.

2. Implementation: The distribution of dividend proposed in the current shareholders' meeting

   The Company intends to appropriate an amount of NT$359,177,850 from the 2016 distributable earnings. A cash dividend of NT$3.0 per share is proposed in the general shareholders' meeting for resolution and the Board of Directors will be authorized in the meeting to schedule the base date for dividend distribution.

3. Expected significant changes in dividend policy: The Company expects the dividend policy to be without any significant change and the shareholders' dividends will be distributed at least 60% of the distributable earnings.

(VII)The impact of the stock dividend resolved in the current shareholders' meeting on the Company's business performance and earnings per share

The Company has no stock dividend distribution; therefore, it is not applicable.

(VIII)Remuneration to employees, directors, and supervisors

1. The Company shall distribute no less than 6% of the current year's profit if any as remuneration to employees and no more than 3% of the current year's profit as remuneration to directors and supervisors and the Board could decide to distribute in stocks or in cash. The employees to receive remuneration may include certain qualified employees from affiliate companies based on the criteria set by the Board. The remuneration to employees, directors and supervisors should be reported during Shareholders' Meeting. However, when there are accumulated losses, the Company shall reserve certain amount to the accumulated losses and then distribute the profits to employees, directors and supervisors based on the abovementioned percentage.

2. The accounting treatment for the estimation base applied to estimate remuneration to directors and supervisors, the calculation base for the number of shares distributed as remuneration to employees, and the difference, if any, between the actual amounts distributed and the estimated amount:

   Remuneration to employees, directors, and supervisors is recognized as expense and liability when it is a legal and constructive obligation with the amount estimated reasonably. If the accrued amounts for employees' compensation and remuneration to directors and supervisors are different from the actual distributed amounts, the differences should be recognized based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of shareholders; meeting held in the year following the financial reporting year, after taking into account the effects of ex-rights and ex-dividends.

3. Distribution of remuneration to employees resolved by the Board of Directors:

- Distribution of remuneration to employees in the form of cash and stock, and remuneration to directors and supervisors: The Company's 2016 remuneration to employees was resolved in the Board meeting on February 23, 2017 for an amount of NT$51,972,059 and remuneration to directors and supervisors for an amount of NT$15,285,900. In addition, the estimation base is referred to the profit for the year then ended.
- The ratio of the proposed distribution of stock shares as remuneration to employees to the total net income and remuneration to employees on the individual financial statements: No stock is distributed to employees in current year; therefore, it is not applicable.
- The imputed earnings per share of NT$5.01 after distributing the remuneration to employees, directors, and supervisors is to be proposed for distribution.

4. The actual distribution of bonus to employees and remuneration to directors and supervisor in previous year

   The Company's actual earnings distribution as bonus to employees and remuneration to directors and supervisors in 2015 is as follows:

Unit: NTD thousand; thousand shares

	The actual distribution amount resolved in the shareholders' meeting	The proposed distribution amount resolved in the initial Board meeting	The amount of differences	The root cause of the difference
I. Distribution:				
1. Employees' cash bonus	44,231	44,231	0	None
2. Employees' stock bonus	0	0	0	None
(1) Shares	0	0	0	None
(2) Amount	0	0	0	None
(3) Ratio to the outstanding stock shares at yearend	0	0	0	None
3. Remuneration to directors and supervisors	13,009	13,009	0	None
II. Earnings per share information:				
1. Initial earnings per share	4.22	4.22	0	None

(IX) Shares repurchased by The Company:

December 31, 2016

Frequency of repurchase	1st time	2nd time
The Board resolution date	2008/11/27	2013/08/12
The predetermined repurchase period	2008/11/28~2009/01/27	2013/08/13~2013/10/12
The predetermined repurchase shares	2,000,000	1,000,000
The predetermined d repurchase price	6.20~14.00	22.00~49.80
The actual repurchase period	2008/11/28~2008/12/12	2013/08/20~2013/10/09
The actual repurchase shares	543,000	400,000
The actual repurchase amount	$4,737,028	$12,539,980
The average repurchase price per share	$8.72	$31.35
Ratio to the current capital stock	0.49%	0.33%
The purpose of repurchase	Transferred to staff	Transferred to staff
The reasons for the failure of completion	–	The current Treasury stock is not executed completely due to the consideration of global economy, the effective utilization of the Company's fund, and for the protection of shareholders' equity.
The number of shares transferred from the current repurchased stock shares	543,000	0 (Note 1)

Note 1: Based on Article 28-2 of Securities and Exchange Act, the repurchased shares shall be transferred within three years from the date of buyback. The shares not transferred within 3 years shall be cancelled. The registration date of the cancellation was 2016/10/11 and approved by the Minstry of Economic Affairs on 2016/10/21 with the notice 10501246700.

II. Disclosure relating to corporate bonds

None.

III. Disclosure relating to preference shares

None.

IV. Disclosure relating to global depository receipts

None.

V. Employee stock warrants

None.

VI. Disclosure regarding the management of new restricted employee stock

None.

VII. Disclosure on new shares issued for the acquisition or transfer of other shares

None.

VIII. The implementation of the fund plan

The prior issuances or private placements of marketable securities not yet completed or completed within three years without any effect up to the quarter prior to the printing date of the annual report.

The Company has no plan for the issuance or private placement of marketable securities for the execution of fund utilization in the most recent year; therefore, it is not applicable.

Five. Business Performance

I. Content of business

II. Market and sales overview

III. The employee information within the last two years and up to the printing date of the annual report

IV. Contribution to Environmental Protection

V. Employer and employee relationships

VI. Major contracts

Five. Business performance

I. Content of business

(I) Business scope

(1) The main contents of the business service:

Computer application software design engineering.

Import and export of computer products and peripheral equipment.

The research and development, manufacturing, processing, and trading of computer peripheral equipment and its supplies, consumables, and main system.

(2) Business ratio of main products (2016)

Unit: NTD thousand

Main products	Operating revenues	Business ratio (%)
Server Chassis	3,480,444	67%
Peripheral products and components	1,427,091	27%
PC chassis	302,432	6%
Total	5,209,967	100%

(3) The Company's current products

- Desktop PC chassis and components
- Industrial computer chassis and components
- Server chassis and components
- Computer peripheral equipment

(4) New products planned for development

Cloud products:

Server Series:

- 1U/2U/4U Tri-mode NVNe blackplane)
- 2U/4U short storage-server chassis
- 1U All-Flash-Array storage server
- 2U/4U High Performance and ultra high density storage with Multi Node Server Chassis
- Ultra-High Density Storage Server and JBOD chassis
- NVMe Backplane and PCIe Switch

Personal computer (PC) series

- mini-STX
- New fanless IPC series

(II) Industry overview

(1) Industrial status and development

① Global desktop computer market development

According to the research of the Institute for Information Industry, a total of 103,533 thousand desktop computers were shipped worldwide in 2016 that was a decline by 4.3% over the year of 2015, of which, 12,110 thousand units of AIO (All in One PC) were shipped that was a decline by 4.8%, a decline for three consecutive years, in fact, the main supplier, TNITEK, had decided to withdraw from this market. The desktop computer market can be roughly divided into two categories, including commercial PC and personal PC. Personal computer has been significantly affected or replaced by mobile phones, template computer, and 2-in-1 notebook with a severe decline and a budget cut resulted. Commercial desktop computers are the main profit-seeking tool since many companies still have budget appropriated for purchasing and replacing them. Different from the Notebook computer, the initial investment in the peripheral products, such as large-size screen, can be used continuously. The advanced commercial desktop computer is cheaper in price than the equivalent notebook; therefore, the sales decline is minor and it is also the niche market targeted by the competitors in this industry.

② The development of global server market

According to the research of the Institute for Information Industry, a total of 11,104 thousand servers were shipped worldwide in 2016 that was a growth by 4.8% over the year of 2015.

The global server market had experienced changes in 2016. According to the IDC report, HP (20.2%) was no longer the leader in the competition of market share and it was second to Dell (21%). The American brand and Chinese brand of server had taken up 62.9% of the global market. The growth of global server market in 2016 was made possible by the contribution of “White box” brand and Huawei, Inspur, and Sugong in China. The growth momentum of White box brand was from the data centers constructed by the major network servers in the United States and China as well as the local brands encouraged by the autonomous R&D policy of the respective government. The growth of Chinese brands is benefited from the internet business for massive data processing of the mobile IoT (Internet of Things) as well as the construction and policy support of the government.

(2) Correlation of upstream, midstream, and downstream industry

Upstream	Midstream	Downstream
Steel industry	Computer chassis	Personal computer
Copper industry		
Chemicals industry	Motherboards	Industrial Computer
IC industry		
Printed circuit board industry	Power Supply	Server computer
Mold industry		
Computer software industry	Other computer parts	System assembly

(3) Product development trend and competition

① Desktop PC

Many manufacturers have been attracted to engage in the R&D for gaming desktop computer. In terms of products, the price and specifications of such computer is high with specific customer group targeted; however, the market is small and does not have any significant effect on the growth of the overall tabletop computer.

In terms of AIO (All in One PC),since it is a consumer product in market and with the appropriation of budget affected by mobile phones, template computer, E-sports computer and coupled with the less competitive hardware and application, there is lack of growth momentum in the future and the shipments is expected to be flat. The Mini-PC is the only desktop computer with growth, from the NUC developed by Intel and the mini-STX motherboard specifications newly developed in 2016; also, the main motherboard manufacturers have introduced the corresponding products; therefore, it is obvious that Intel attempts to extend the market growth momentum by extending from the mini-PC to the desktop computer.

Intel Kabylake and AMD RYZEN new PC platform will be launched in 2017. Also, Microsoft's strategy of supporting Intel Kabylake with Windows 10 system only will change the enterprise's product selection at the time of replacing computers. The new hardware and software platform will come mainstream and the willingness of replacing computers will be activated sooner than expected.

② Servers

The demand for "White Box" server is growing continuously along with the community cloud provided by cloud service manufacturers. The hardware specifications and demand time for such servers are based on the specifications and schedule of each manufacturer without a significant distinction of high season and low season. Enterprises have been changing their investment in IT to software along with the emerging of various cloud services in order to enhance operational efficiency and to combine the cloud applications and mobile networks.

The purchase of hardware is towards high-efficiency computation with appropriate storage space 2-way (2 CPUs) rack-mounted servers coupled with virtualized software to meet the demand for flexible configuration of enterprises.

Intel Purley and AMD Naples new server platform will be launched in 2017 with different challenges in hardware design and that will affect the existing market segment. The Nvidia's GPU is introduced due to the emerging of new applications, such as Artificial Intelligence, Virtual Reality, and Augmented Reality, that has become a new choice of computation. Due to the demand for GPU cards, a new category of server has appeared that is significantly different from the traditional server used by enterprises in the sense of computation and storage density. Therefore, in terms of competition in the new platform among the server manufacturers, in addition to the traditional competition on the features of cooling, shock-proof, and high density, there are also the challenges in the management of unclear and occasional demands, inventory, and capital demand.

China is undoubtedly the fastest growing server market in the world; also, the importance of Chinese market is only second to the North American market. Additionally, the Chinese government has been actively supporting the operation of the computation industrial chain and encouraging local companies to use domestic brands, such as Huawei, Inspur, Sugon, and Lenovo that accounted for more than 70% of the server market in China. The support of the domestic market and funds as well as the technical support of Taiwan manufacturers have helped Chinese server brands gradually go global; also, this will indirectly affect the OEM business of Taiwanese manufacturers with more advantages in price negotiation, but it has also forced Taiwanese server supply chain manufacturers to invest more resources in value-added products and industry transformation to strengthen competitiveness.

(III) Technological research and development

(1) R&D expense invested in the most recent year and up to the printing date of the annual report

Unit: NTD thousand；%

Item \ Year	2016 (Note 1)	Up till March 31, 2017 (Note 1 and 2)
R&D expense	177,815	45,802
Operating revenues	5,209,967	1,234,802
Ratio of R&D expenses to operating income (%)	3.41	3.71

Note 1: Data is referred from the consolidated financial statements that were prepared in accordance with International Financial Accounting Standards.

Note 2: The 2017 Q1 financial statements were reviewed by the CPAs.

(2) Successful developed technologies or products

Important R&D achievements in 2016:

New products

Product Model No.	Produce description
OEM Server	OEM products
RM14300	1U small form factor modularized rackmount server chassis
RM14512	1U high dense tool-free modularized rackmount server chassis
RM14604/08	1U modularized rackmount server chassis
RM14524	1U high dense tool-free modularized rackmount server chassis
RM13304/10	1U modularized storage rackmount server chassis
RM13804/10	1U large form factor modularized rackmount server chassis
RM23708/12/24	2U large form factor modularized rackmount server chassis
RM23808/12/24	2U modularized storage rackmount server chassis
RM24512/24	2U small form factor modularized storage rackmount server chassis
RM24712/24	2U large form factor modularized 4-node storage rackmount server chassis
RM43596	4U ultra high dense modularized JBOD chassis
RM43599	4U ultra high dense modularized server chassis
RM19901	1U modularized rackmount blade-type server chassis
RM49901	4U ultra high dense modularized blade-type JBOD chassis
RM19704	1U modularized rackmount server chassis for data center
RM19308	1.5U modularized rackmount server chassis for data center
RM19302	1.5U modularized rackmount server chassis for data center
RM41915	4U modularized rackmount blade-type server chassis
RM21933	2U modularized storage rackmount server chassis
RM41924	4U ultra high dense modularized blade-type server chassis
SR105/SR107/SR209/SR301	Upgrade of all server chassis series
EASILY RAIL	Development of easy sliding rail
New-generation HDD tray	Development of screw-less module for 2.5"/3.5" hard disk
New-generation server panel	Development of 1U/2U/4U new-generation panel

New patents

Application date	Country	Category	Patent name	Product scope
2016/1/27	USA	Invention	High-dense storage module	HDD module
2016/1/27	USA	Invention	Tray design for access device	HDD module
2016/3/28	Taiwan	Design	Hard disk enclosure panel	HDD module
2016/3/28	Taiwan	Design	Hard disk enclosure panel	HDD module
2016/3/28	Taiwan	Design	Computer casing panel	Chassis
2016/3/29	Taiwan	Utility model	Interior storage device bracing	HDD module
2016/3/29	Taiwan	Utility model	Interface card bracing	PCB Holder
2016/4/1	Taiwan	Utility model	Storage module socket	HDD module
2016/4/22	Taiwan	Design	Hard disk enclosure panel	HDD module
2016/4/22	Taiwan	Design	Computer casing panel	Chassis
2016/4/22	Taiwan	Design	Hard disk enclosure panel	HDD module
2016/4/22	Taiwan	Design	Hard disk enclosure panel	HDD module
2016/4/22	Taiwan	Design	Computer casing panel	Chassis
2016/4/25	Taiwan	Utility model	Electronic device chassis panel	EE
2016/5/16	China	Utility model	Interior storage device bracing	HDD module
2016/5/16	China	Utility model	Interface card bracing	PCB Holder
2016/5/18	China	Utility model	Electronic device chassis panel	EE
2016/5/25	China	Utility model	Storage module socket	HDD module
2016/5/31	Taiwan	Invention	Hot swapping design for interior access device	HDD module
2016/5/31	Taiwan	Design	Computer casing panel	Chassis
2016/5/31	Taiwan	Design	Computer casing panel	Chassis
2016/5/31	Taiwan	Design	Computer casing panel	Chassis
2016/5/31	Taiwan	Design	Computer casing panel	Chassis
2016/6/2	Taiwan	Utility model	Fan module	Fan module
2016/7/19	China	Invention	Hot swapping design for interior access device	HDD module
2016/7/15	Taiwan	Utility model	Interior back flow blocker design	Fan module
2016/8/1	China	Utility model	Fan module	Fan module
2016/9/5	China	Utility model	Interior back flow blocker design	Fan module
2016/9/13	Taiwan	Design	Computer casing panel	HDD module
2016/10/14	China	Design	Hard disk enclosure panel	HDD module
2016/10/14	China	Design	Hard disk enclosure panel	HDD module
2016/10/14	China	Design	Hard disk enclosure panel	HDD module

(IV) Short-term and long-term business development plans

(1) Short-term plan

A. Focus on the Company’s business operation with top priority to develop customers for the related applications.

B. Utilize niche product to target on vertical market customers and avoid price competition.

C. Utilize industrial design capabilities to help customers develop differentiated products and enhance value.

D. Utilize a complete storage application product line to develop customers in this field.

E. Promote solution-oriented and consulting-style marketing and increase product portfolio sales.

F. Focus on tender businesses with special specifications for green products and process solutions.

(2) Long-term plan

A. Start to develop Indian, Asian, ASEAN, Latin American market in-depth and increase market share with a collaborative development strategy.

B. Continue to improve manufacturing capacity and international certification, maintain the purchase orders from major customers, and develop new OEM/ODM customers.

C. Implement lean management to enhance the production efficiency of production center in China and reduce inventories

D. Increase R&D and market planning personnel; develop OEM business and brand name in-depth.

E. Establish a complete information network to provide customers with rapid service.

F. Continue to research and develop high-density server and mass storage products in responsive to the industry trend in cloud datacenter

G. Continue to develop modularized off-the-shelf products to save clients' investment cost and speed up the development cycle of customization

H. Pioneering financial planning to help reduce operational risk and stabilize operating scale.

I. Develop thermal, noise, and precision injection technologies.

J. Cloud computing and storage electromechanical modules.

K. Develop a global distribution network.

Construct a comprehensive global production and sales network gradually with the overall input of R&D, production, marketing, and finance resources. The Company's long-term goal is to become a globally renowned leading manufacturer with the excellent R&D and marketing team and the most efficient manufacturing center.

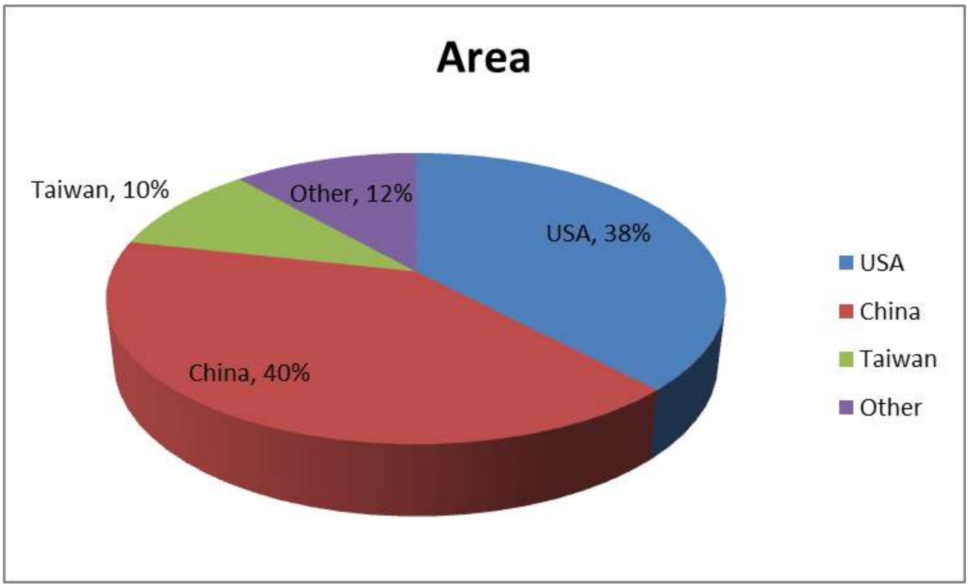
II. Market and sales overview

(I) Market analysis

(1) Main products (services) sales (providing) area

Unit: NTD thousand

Area	Sales Revenues	%
US	1,981,137	38%
China	2,107,549	40%
Taiwan	521,372	10%
Other	599,909	12%
Total	5,209,967	100%



(2) Market share

According to the statistics of the Institute for Information Industry, a total of 103,533 thousand desktop computers were shipped in 2016 worldwide. The Company's desktop computer chassis was estimated with 0.4% market share. In terms of server chassis, 11,104 thousand servers were shipped by Chenbro in 2016 that was estimated accounting for 9.4% (own brand and ODM together) worldwide.

(3) Future market supply and demand and the growth

① Prospects of global desktop computers industry development in 2017

According to the statistics of the Institute for Information Industry, a total of 99,050 thousand desktop computers will be shipped in 2017 that is 1.01% decline from the year of 2016.

The demand for commercial desktop computers is expected to be mainstream in the world in 2017. Intel and AMD will launch a new platform. In addition, in terms of gaming market for new VR applications, the advanced gaming tabletop computer will be the expected market growth momentum. In terms of AIO, since there is no new application experience developed in hardware and software, the market growth is expected to stay flat. Microsoft's Windows 10 for the cross-hardware platform plan will remain unchanged, coupled with the promotion of mini-STX specifications by Intel; therefore, the small (1.2L~2.5L) mini-PC with the computing effect equivalent to a desktop computer has become another option to office users and embedded applications.

In terms of the economy, the performance of the major economies in the second half of 2016 were better than expected; also, the international oil price and raw material prices were stabilizing; therefore, the IMF, IHS Global Insight, and other major international forecasting institutions all have the GDP growth rate of major economies adjusted up in 2017, especially in the United States (1.9%) and China (6.5%). However, due to the unclear policy of the United States, the Brexit, the weak domestic demand of Japan, and the impact of advocating having the manufacturing industry relocated to the United States and trade protectionism, uncertainty remains high in 2017. Compared to the major economies, the IMF predicts that the GDP growth rate of emerging and developing economies, especially in Asia, is more than 4.5%, so the IT budgets that support the growth of enterprises can be expected to drive PC market demand favorably.

② Prospects of global server industry development in 2017

According to the forecast of the Institute for information industry, a total of 11,636 thousand units of server will be shipped in 2017 worldwide with a growth of 4.5%. Artificial intelligence, big data, Internet of things (IoT), virtual reality, community media, e-commerce, and 5G networks are the driving force for the growth of server and storage equipment. Among them, the world's major network service industry that is to meet the increasing demand for terminal, new services, and the competition among manufacturers and the autonomous research and development policies of the respective governments has caused the expansion of the large-scale data centers around the world that will drive the server industry to grow.

(4) Competitive niche

① Complete product line

The Company has the product line of desktop PC chassis, industrial computer chassis, server chassis, storage server chassis, and SAS Expander Card, as well as customized services available to provide customers with a total solution program. The Company's offering a complete product line has inspired brand manufacturers to directly select the chassis of the Company or make partial modification for quick market launch in order to achieve market expansion and revenue growth.

② Value the importance of product technology research and development and continue to introduce new products.

The Company has a complete technology R&D team, equipment, and experience available to rapidly respond to market demand and to continue improving product technologies, particularly in the field of industrial computer and storage server chassis. The Company has accumulated a number of product design patents over the years, and will continue to develop the technologies of thermostat, low noise, and electromagnetic protection for high-end server in order to strengthen the competitiveness of products.

③ Complete global deployment

In addition to Taipei Headquarters, the Company has overseas operation bases setup in North America and Europe to serve local customers and collect market demand information for reference in decision-making regarding product development, production, and logistics management. In addition, in response to the growing market demand of China, a subsidiary was setup in Shenzhen in 2012, in Beijing in 2014, in Germany in 2015, in Shanghai in 2016 to stay close to the market with localized services provided. The Company builds a synchronized information network to immediately reflect market information, customer demand, product information, and production progress in order to provide the highest quality of product development.

(5) Advantages and disadvantages of future development and the countermeasures

① Opportunities for future development

The demand for server has gone up due to the development of cloud computing and mobile computing; moreover, the specifications are different from the traditional rack servers; therefore, various specifications are offered in market. The Company has dedicated to server business for many years with experience in OEM production for branded server chassis, added with the years of experience in customized service; therefore, the Company is capable of fulfilling the needs of cloud computing leaders in design and production.

Driven by the stable development of market demand, the continuing technology upgrade, and the overall industrial development environment, the Company's strategic deployment and resource capacity structure are beneficial to the subsequent business growth and development.

② Disadvantages of future development and the countermeasures

A. SEVERE PRODUCT MARKET COMPETITION

Some low-level technology providers offer imitated or modified products with price competition strategy adopted that has sabotaged the overall market order severely and affected the overall market competition directly. However, such a phenomenon has been gradually minimized due to the increase of material and labor cost, the growing demand for product functions, and the technology upgrade. In addition, the Company continues to invest in the equipment and software related to the research and development, such as, heat flow analysis, signal analysis, and sheet metal forming analysis in order to improve product technology threshold and compatibility. The idea is to prevent price competition in low-price models by offering the high cost-effective products. The Company will gradually plan and setup the functions of overseas distribution centers to provide fast and convenient logistic services, to enhance the Company's operating level and management capacity, and to improve operational added value.

B. CHALLENGES OF A COMPREHENSIVE MANUFACTURING SERVICE

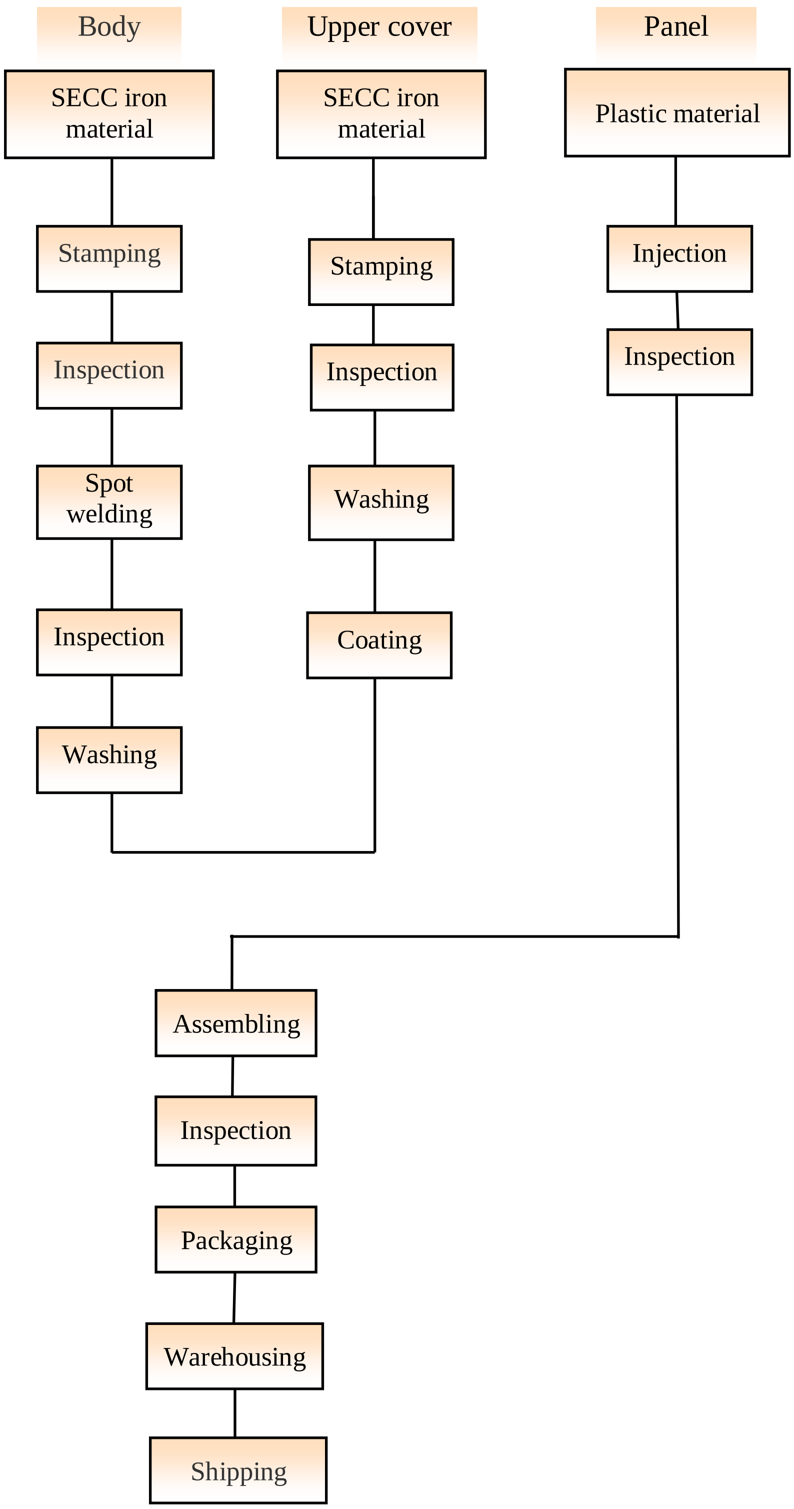
Computer products known-brand manufacturers continue to demand faster and more accurate delivery services that has casted a major challenge to the Company's business operation. Since it is the industrial development trend, the Company has already constructed the integrated information system with various logistics, supply chain management, and customer service management system provided continuously to strengthen the Company's overall operation elasticity and flexibility in order to enhance the manufacturing services quality provided to customers.

(II) Intended use and production processes of the main products

(1) Intended use of the main products

Computer mainframe chassis is the necessary main component for assembling various types of computers (PC, workstation, server, etc.).

(2) The production process of the main products



(III) The supply of main raw materials

Main products	Main raw materials	Main suppliers
Computer chassis	Stamping products	The Fortune Industrial Co., Ltd.
		HSIUNG YE INDUSTRIAL CO., LTD.
		Everything is Easy Laser Seiki Co., Ltd.
		HSIN CHAIO YANG TECHNOLOGY CO., LTD.
	Power Supply	Zippy Technology Corp.
		FSP Technology Inc.
		AcBel Polytech Inc. (HO-GA COMPUTER CO., LTD.)
	Cooling fan	SUNON
		SANYO DENKI
		DELTA
		NMB
	Slide	King Slide Works Co., Ltd.
		Repon Group
	PCBA	Tailyn Technologies, Inc.
		Innoflux Group
		Li-Ker-Fu Electronics Co., Ltd./Jin Mao Electronic Co., Ltd
		Orient Semiconductor Electronics, Ltd.
	Cable	Jian Hong Co., Ltd
		MiraDeed Co., Ltd
		Jess-Link Products Co., Ltd
		UNIconn Corp.
		Amphenol Assemble Technology

(IV) The name of the customers with over 10% of the total purchase (sale) amount in one of the last two years, and their purchase (sale) amount and ratio

1. The name of the customers with over 10% of the total sale amount in one of the last two years, and their sale amount and ratio

The main customers for sales within the last two years

Unit: NTD thousand

Item	2015				2016				As of 2017 1Q			
	Name of customer	Amount	Ratio to the annual net sales amount [%]	Relationship with the issuer (Note 2)	Name of customer	Amount	Ratio to the annual net sales amount〔%〕	Relationship with the issuer	Name of customer	Amount	Ratio to the net sales amount up to the prior quarter of the year [%]	Relationship with the issuer
1	Customer A	1,254,169	28%	5	Customer A	1,486,109	29%	5	Customer A	476,526	39%	5
2	Customer B	859,652	19%	5	Customer B	898,885	17%	5	Customer B	152,760	12%	5
3	Customer C	359,808	8%	5	Customer C	675,400	13%	5	Customer C	152,473	12%	5
	Others	1,965,600	45%		Others	2,149,573	41%		Others	453,043	37%	
	Net sales amount	4,439,229	100%		Net sales amount	5,209,967	100%		Net sales amount	1,234,802	100%	

Note 1: State the name of the customers with over 10% of the total sale amount within the last two years, and their sale amount and ratio. However, since the name of the customers may not be disclosed due to the contract signed or the counterparty of the transaction is an individual and is not a related party, it can be identified with a code number.

Note 2: 1. Subsidiaries, 2. Other invested companies valued with the equity method, 3. Other real related party, 4. Major shareholders with more than 10% shareholding, 5. None

2. The name of the vendors with over 10% of the total purchase amount in one of the last two years, and their purchase amount and ratio

Unit: NTD thousand

Item	2015				2016				As of 2017 1Q			
	Name of customer	Amount	Ratio to the annual net purchases amount [%]	Relationship with the issuer (Note 2)	Name of customer	Amount	Ratio to the annual net purchases amount 〔%〕	Relationship with the issuer	Name of customer	Amount	Ratio to the net purchases amount up to the prior quarter of the year [%]	Relationship with the issuer
1	Vendor A	118,038	5%	5	Vendor A	182,533	6%	5	Vendor A	95,505	13%	5
	Others	2,341,657	95%		Others	2,893,050	94%		Others	635,560	87%	
	Net purchases amount	2,459,695	100%		Net purchases amount	3,075,583	100%		Net purchases amount	731,065	100%	

Note 1: State the name of the vendors with over 10% of the total purchases amount within the last two years, and their sale amount and ratio. However, since the name of the vendors may not be disclosed due to the contract signed or the counterparty of the transaction is an individual and is not a related party, it can be identified with a code number.

Note 2: 1. Subsidiaries, 2. Other invested companies valued with the equity method, 3. Other real related party, 4. Major shareholders with more than 10% shareholding, 5. None

(V) The production volume and value of the last two years

Unit: Amount: NT$ Thousand; Volume: unit

Year / Production value / Main Products	2016			2015		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
PC chassis	456,000	264,021	168,392	720,000	294,224	197,130
Server computer chassis	1,680,000	996,874	2,293,544	1,400,000	685,970	1,567,406
Peripheral products and components	–	18,260,642	944,623	–	10,574,844	1,004,610
Total	2,136,000	19,521,537	3,406,559	2,120,000	11,555,038	2,769,146

(VI) The sales volume and value of the last two years

Unit: Amount: NT$ Thousand; Volume: unit

Year / Sales Volume/Value	2016				2015			
	Domestic sales		Exports		Domestic sales		Exports	
Main Products	Volume	Value	Volume	Value	Volume	Value	Volume	Value
PC chassis	—	—	412,552	302,432	—	—	452,676	346,958
Server computer chassis	569	6,008	1,043,233	3,474,436	1,998	16,950	760,421	2,479,756
Peripheral products and components	445,274	14,254	18,876,650	1,412,837	357,868	29,298	11,583,735	1,566,267
Total	445,843	20,262	20,332,435	5,189,705	359,866	46,248	12,796,832	4,392,981

III. Employees

The information of employees within the last two years and up to the printing date of the annual report

March 31, 2017

Year		2015	2016	March 31, 2017
Number of employees	Direct labor	833	937	940
	Indirect labor	773	906	910
	Total	1,606	1,843	1,850
Average age		36.70	36.93	37.65
Average years of service		3.81	3.76	3.82
Academic qualification	Doctoral Degree	0	0	0
	Master's Degree	64	61	62
	Bachelor's Degree	152	194	184
	Associate's Degree	177	182	186
	High school	186	193	242
	Below high school	1,027	1,213	1,176

IV. Contribution to Environmental Protection

(I) The losses (including compensation) and punitive fine amount suffered due to environmental pollution in the most recent year and up to the printing date of the annual report: None

(II) Future countermeasures (including improvement measures) and potential future expenditure (including the potential losses due to failure in taking countermeasures and the estimated amount of punitive fine and compensation), if such amount cannot be reasonably estimated, please detail the reason why it cannot be reasonably estimated:

The Company is mainly engaged in the business operation of computer chassis design, production, and sales. Promote environmental protection, safety, and health operation throughout the production process; also, continue to improve the environment and health and safety hazards arising from the manufacturing process. In response to all potential emergencies and disasters, develop an overall contingency plan and comprehensive management system for loss prevention, emergency response, crisis management and post-disaster recovery. The operation of a contaminating business in the next three years is not expected.

In response to the Restriction of Hazardous Substances Directive (RoHS) management measures, including the appointment of personnel responsible for planning, response, and implementation, provide the related education and training, obtain the related supporting document, guide suppliers to establish a green supply chain, and regularly perform audits. The Company has gradually been qualified and certified by the clients. More manpower will be invested and countermeasures will be taken in the future to prevent losses and damages from occurring.

V. Employer and employee relationships

(I) The Company's employee welfare measures, continuing education and training, employee working environment, personal safety and protection measures, the retirement system and its implementation, and labor relation and negotiation

(1) Employee welfare measures

- Reasonable working hours system:

  Comply with the labor-related law and regulations with an 8-hour working day, two days off per week, and flexible working hours adopted so that employees can schedule their own working hours according to personal needs.

- Flexible leave system:

  A. Comply with the leave rules in the Labor Standards Law and the Act of Gender Equality in Employment. In addition to annual leave, personal leave, and sick leave, employees are also entitled to special leave, including marriage leave, maternity leave, paternity leave, bereavement leave, menstrual period leave, and family care leave.

  B. Respect employees' entitlement to asking for leave. Each leave is for minimum of 30 minutes, so that employees can take advantage of each category of leave flexibly.

  C. Employees in both sexes can apply for parental leave without pay in accordance with the Act of Gender Equality in Employment.

- Employee activity:

  The Employee Welfare Committee for the best interests of the employees has enthusiastically planned various activities and welfare facilities, such as, Badminton Club, Yoga Club, Swimming Club, Baseball and Softball Club, and Bicycling Club, to create a lively working atmosphere and to boost employee morale. The Employee Welfare Committee and the Company had spent NT$3.07 million together in 2016 for employee welfare related activities.

- Multiple benefit programs:

  Such as, employee cafeteria, library, three-festival gift money, birthday and marriage gift money, yearend banquet, free annual health checks, employee travel, art and culture, and continuing education subsidies bereavement condolences, and other employee benefits. Purchase blood pressure monitors for employees and play soft music at 3:00 in the afternoon to remind colleagues to exercise timely.

- Comprehensive employee group insurance:

Increase the protection measures for employees. The Company provides employees with various insurance coverage, including life insurance, accident insurance, hospitalization insurance, medical insurance, cancer insurance, and occupational hazard insurance.

- Employee Stock Ownership Trust (ESOP) system:

The Company had the "Employee Stock Ownership Trust (ESOT)" plan initiated in March 2015 to allow employees participating in the Company's growth and to embrace profits and optimized benefits.

- Arrange soul-art seminars:

For the mental and physical health of employees, the Company occasionally arranges telepathic communication seminar and musical and artistic performances for employees to enrich soul, to learn knowledge, and to relieve stress.

- Bonus system:

The Company's employees are entitled to bonus benefit. The employee's performance will be fully integrated with the reward policy to substantiate the business philosophy of "the company belongs to the employees." The Company implemented the Employee Stock Ownership Trust plan in March 2015 to bring positive encouragement value to the employees.

- Retirement System:

Appropriate full amount of pension reserve for the old pension system according to the Labor Pension Reserve Appropriation System and appropriate and deposit an amount equivalent to 6% of the monthly salary to personal account with the Bureau of Labor Insurance, Ministry of Labor according to the Labor Pension Act or for employees who are entitled to the new pension system. Such employees may have additional pension reserve appropriated for an amount equivalent to maximum 6% of the monthly salary depending on personal need and willingness.

(2) Employee working environment and personal safety protection measures

- In the "Rules of Work", the Company has set out the compensation of occupational Injury and related insurances and post it on the Company's internal website for Staffs' reference.
- **Work safety and protection measures**

The company has strict access control; employees need to use access card before entering the office, to protect the staffs' work safety.

The office environment is equipped with 24 hours monitoring system, emergency button, to maintain worl safety.

In order to maintain the safety and health of employees, the Company has a number of staffs in charge of labor safety and hygiene.

According to the company's work safety and health work code, the Company will do water dispenser maintenance every three month.

- **Indoor air quality and ventilation equipment**

Plan appropriate work space to minimize an overcrowded environment

Office no-smoking policy

Photocopier and fax machine are placed in a separate place.

Regularly inspect and clean ventilation systems every year, including ventilation ducts, air filter, etc.

Set the appropriate room temperature to strengthen the circulation of fresh air and air refreshing frequency.

- **Illumination**

Switch to LED lighting with cover added to filter lights in order to reduce eye discomfort.

Walls, floors, and furniture are made of non-reflective materials.

- **Reduce the factors that cause physical discomfort from the use of computer.**

Use ergonomic chairs and adjust to the most comfortable working position for each individual.

Regularly exercise every day to minimize any physical discomfort due to prolonged immobilization.

The Company has offered staffs monitors and monitor stand, making a better working environments.

- **Electrical safety**

Ask professionally qualified electricians to determine sufficient power outlets for use in order to avoid power overloading causing fire.

Occasionally inspect electrical equipment to ensure electrical safety.

Electrical appliances users shall immediately report any damages found.

- **Fire safety**

  According to the Regulations for inspecting and reporting buildings public security, the Company has commissioned external companies for inspection every two year.

  According to Fire Services Act, the Company has commissioned external companies for inspection each year.

  Provide the distribution of firefighting equipment and evacuation route map in the office with signs setup along the route clearly. Indicate the office evacuation route and install qualified extinguishers in the office that should be maintained and inspected occasionally to ensure their effectiveness. File a firefighting report with education and training provided to the new recruits, as well as fire seminar in order to identify the office firefighting equipment and evacuation information; also, setup the fire system lawfully to ensure fire safety in the workplace.

- **Stumble, slip, and fall**

  Make sure the work place and halls with sufficient lighting installed to avoid a collision or overcrowded. In addition, a good working place cleaning helps keep the working environment tidy and avoid tripping and falling accidents.

(3) Employee continuing education and training

- **Complete education and training system:**

  Chenbro values the human resources management system of "selecting, training, utilizing, retaining talents." Apply the "Annual Strategic Planning" to establish the annual demand and training plan with massive funds invested in cultivating talents and organizing the responsible education and training units. New recruits must undergo rigorous pre-job basic education and professional training. The current in-service employees must receive the job education and training that are provided according to the job responsibilities and career plan by the job and position classification so that employees can "make the best of their talents" and the organization's effective operation can be achieved and the quality of customer service can be enhanced. The Company spent a total of NT$3.90 million for employee education and training in 2016.

  The Company has enacted the "Rules Governing Employee Training and Continuing Education." In addition to the work guidance given to the employees, the Company encourages colleagues to participate in the diversified external training, including short-term study and long-term degree and credit hour courses; also, provides education grants to employees for the aforementioned courses in order to fulfill the Company's business operation and personal development needs.

Internal Training Curriculum

Class Date	Course content	Class Hours
2016.2.18	Enhance communication and management skill through personality analysis	1.5
2016.3.29	Reliability / verification units and laboratory introduction	1
2016.3.31	Chenbro products introduction	1
2016.4.1	Information system introduction	1
2016.4.7	Mechanical Design introduction	1
2016.4.8	ISO quality management system, DCC introduction, product coding principal	1
2016.4.18	ABC and LMN of HDD	1
2016.9.7	Introduction to Chassis Design for System	1
2016.9.9	Project management-PLC system inducing training	1
2016.10.5-2016.10.7	Strategies Conference	17
2016.11.29-2016.12.21	Basic of HW Design	6

External Training Curriculum

Class Date	Course content	Class Hours
2016.3.16	Corporate governance evaluation	3
2016.3.21-2016.3.25	ISO9001: 2015 quality management system auditor training	40
2016.5.30	New auditors 18hrs training	18
2016.7.12	Competency interview skill courses	6
2016.7.13	ISO9001: 2015 quality management system training	6
2016.7.27	Prevention of white collar workers from committing a crime- Auditing and Investgation	3
2016.8.13	China “recruiting, retirement, labor law” courses	8
2016.9.4	SEO search engine optimization marketing courses	3
2016.11.17	Occupational safety and health affairs	6
2016.11.17-2016.11.24	2016 Internal Control regulations COSO five main parts questionnaire template, Computer control key points auditing cases	14

Note: All aforementioned information includes internal and external training.

(4) Retirement System and its implementation

Pension system	Old pension system	New pension system
Governing law	Labor Standards Law	Labor Pension Act
How to appropriate pension fund?	Pension fund is appropriated for an amount equivalent to 2% of the monthly salary of employees and deposited in the Bank of Taiwan account (formerly known as Central Trust of China)	Appropriate an amount equivalent to 6% of the monthly salary according to the insurance coverage level and deposited in the personal account with the Bureau of Labor Insurance.
Amount appropriated	Labor Pension reserves accumulated amount of NT$23,060 thousand (Note)	Appropriated an amount of NT$7,852 thousand in 2016.

Note: The appropriated pensions reserve is net of the pension already paid to employees.

A. Defined benefit plan

1. The defined benefit plan assets of the Company is managed by the Bank of Taiwan in accordance with the ratio and amount of the discretionary management stated in the annual fund plan and Article VI of the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund (that is, deposited with domestic and international financial institutions, invested in the equity securities of the domestic and foreign listed, OTC, or private placement companies, and investment in domestic and foreign real property-backed securities); also, the operation is monitored by the Labor Pension Fund Supervisory Committee. For the use of the fund, the minimum income from the annual settlement shall not be less than the income generated and computed at a 2-year time deposit at the local bank; also, the insufficient fund, if any, shall be supplemented by the Treasury with the approval of the competent authorities. The Company has no right to participate in the operation and management of the Fund; therefore, the classification of the fair value of the plan assets cannot be disclosed in accordance with Paragraph 142 of Article 19 of the International Accounting Standards. Please refer to the annual labor pension fund report disclosed by the government for the fair value of the Fund assets on December 31, 2016 and 2015.
2. The Company's defined benefit plan fund assets are commissioned for operation in accordance with the items (deposited with domestic and foreign financial institutions, investment in domestic and foreign listed or privately placed equity securities, and investment in domestic and foreign real estate security-based instruments) defined in Article 6 of the "Regulations for Revenues, Expenditures, Safeguard, and Utilization of the Labor Retirement Fund" by the Bank of Taiwan according to the ratio and amount of the commissioned operating items defined in the fund investment plan. The Labor Pension Fund Committee is responsible for monitoring the implementation. For the use of this fund, the minimum earnings distribution every year shall not be for an amount less than the income calculated in accordance with the local bank's two-year time deposit rate; also, the insufficient fund, if any, should be made up by the National Treasury with the approval of the competent authorities. The Company is not entitled to participating in fund operation and management; therefore, the classification of the fair value of the plan assets cannot be disclosed in accordance with Article 19 Paragraph 142 of the International Accounting Standards. For the fair value of the total fund assets on December 31, 2016 and 2015, respectively, please refer to the Annual Labor Pension Fund Application Report published by the government.

B. Defined contribution plan

1. The Company has the defined contribution pension plan enacted in accordance with the "Labor Pension Act" since July 1, 2005 for the application of the employees with the ROC nationality. The Company for the labor pension system enacted for the employees who chose to be subject to the "Labor Pension Act" has an amount not less than 6% of the monthly salary appropriated and deposited in the personal account with the Bureau of Labor Insurance every month. Pension payment is made on a monthly basis or in a lump sum according to the cumulative amount in the personal account.
2. For the pension plan of the overseas companies according to the local regulations, except for regularly appropriating fund according to local regulations regarding salary appropriation for retirement insurance or retirement reserve, the Company has no other obligation.
3. The Company had recognized pension cost in accordance with the aforementioned pension rules for an amount of NT$7,582 and $6,937 in 2016 and 2015, respectively.
4. The total net pension cost recognized in accordance with the requirements of the local governments by CHENBRO MICOM (USA) INCORPORATION, CHENBRO EUROPE BV, Chenbro GmbH, Chenbro Technology (Kunshan) Co., Ltd., ChenPower Information Technology (Shanghai) Co., Ltd., Dongguan Procase Electronic Co., Ltd. and Chenbro Micom (ShenZhen) Co., Ltd. was NT$22,887 and NT$18,074 in 2016 and 2015, respectively.

C. Agreement between employees and employer

1. Arrange employer-employee meeting regularly to coordinate labor relations and to promote employer-employee cooperation.
2. Setup suggestion mailboxes for strengthening the employee grievance channels.
3. Adopt humane management for business operation in accordance with the Labor Standards Law.

(II) The Company's losses arising from labor disputes in the most recent year and up to the printing date of the annual report, the estimated current loss amount and future loss amount, and the countermeasures

The Company has good labor relations without any labor disputes or any losses arising from labor disputes occurred in the most recent year. In addition, there is no possibility of incurring any labor dispute currently; therefore, the possibility of labor dispute in the future is expected to be minimal.

VI. Major contracts

Code of Year	Contract title	Applying department	Covenant (Party A)	Covenant (Party B)	Contract signed / Date of revision
16002	Domestic Intellectual Property Right Agreement	Legal Affairs	Chenbro Micom Co., Ltd	Yun Cheng International Patent & Trademark Joint Office	2016.01.04
16003	Trading Agreement	R&D	Chenbro Micom Co., Ltd	PTC Inc.	2016.01.01
16004	Oracle Maintenance Authorization Agreement	MIS	Chenbro Micom Co., Ltd	Sysage Technology	2015.12.08
16012	Maintenance Agreement	MIS	Chenbro Micom Co., Ltd	NetPro Information Service	2016.01.25
16018	Product Guarantee Agreement	MIS	Chenbro Micom Co., Ltd	Smart eVision Information Technology	2016.01.15
16043	VoIP Project Trading Agreement	MIS	Chenbro Micom Co., Ltd	Shin Yuan Technology	2016.04.13
16051	Domestic Intellectual Property Right Agreement	Legal Affairs	Chenbro Micom Co., Ltd	Yun Cheng Attorneys	2016.05.25
16052	Domestic Intellectual Property Right Agreement	Legal Affairs	Chenbro Micom Co., Ltd	Yun Cheng International Patent & Trademark Joint Office	2016.05.25
16053	Domestic Intellectual Property Right Agreement	Legal Affairs	Chenbro Micom Co., Ltd	Yun Cheng Attorneys	2016.05.25
16054	Domestic Intellectual Property Right Agreement	Legal Affairs	Chenbro Micom Co., Ltd	Yun Cheng International Patent & Trademark Joint Office	2016.05.25
16055	Domestic Intellectual Property Right Agreement	Legal Affairs	Chenbro Micom Co., Ltd	Yun Cheng Attorneys	2016.05.25
16056	Domestic Intellectual Property Right Agreement	Legal Affairs	Chenbro Micom Co., Ltd	Yun Cheng International Patent & Trademark Joint Office	2016.05.25
16057	Domestic Intellectual Property Right Agreement	Legal Affairs	Chenbro Micom Co., Ltd	Yun Cheng Attorneys	2016.05.27
16058	Domestic Intellectual Property Right Agreement	Legal Affairs	Chenbro Micom Co., Ltd	Yun Cheng International Patent & Trademark Joint Office	2016.05.27
16062	HP Data Protector Backup Software Maintenance Agreement	MIS	Chenbro Micom Co., Ltd	Kinmax Technology	2016.05.09
16063	RHCS System Maintenance Agreement	MIS	Chenbro Micom Co., Ltd	Kinmax Technology	2016.05.09
16064	SPAMSQR Maintenance Agreement	MIS	Chenbro Micom Co., Ltd	NetPro Information Service	2016.05.18
16067	Oracle Applications Consultant Services Agreement	MIS	Chenbro Micom Co., Ltd	AdvancedTEK International Corp.	2016.06.02

Six. Financial status

I. Summarized financial information for the last 5 years

II. Financial analysis for the latest 5 years

III. Supervisor's report on the review of the latest financial reports

IV. Most recent annual financial statements including Independent Auditor's Report

V. The Company's individual financial statements audited and certified by a certified public accountant in the most recent fiscal year.

VI. If the company or any of its affiliated companies had, in the recent years up until the publishing of this annual report, experienced financial distress, the impacts to the company's financial status must be disclosed.

Six. Financial summary

I. Condensed balance sheet, comprehensive income statement, name of the CPAs, and their auditing opinions within the last five years

(I) Condensed balance sheet – The ROC Financial Accounting Standards (individual financial statements)

Unit: NTD thousand

Item / Year		Financial information for the latest 5 years (Note 1)				
		2012	2013	2014	2015	2016
Current assets		1,086,712	-	-	-	-
Funds and investments		1,808,674	-	-	-	-
Fixed assets (Note 2)		207,845	-	-	-	-
Intangible assets		6,004	-	-	-	-
Other assets		5,241	-	-	-	-
Total assets		3,114,476	-	-	-	-
Current liabilities	Before dividend distribution	882,559	-	-	-	-
	After dividend distribution	1,182,874	-	-	-	-
Long term liabilities		0	-	-	-	-
Other liabilities		35,796	-	-	-	-
Total liabilities	Before dividend distribution	918,355	-	-	-	-
	After dividend distribution	618,040	-	-	-	-
Share capital		1,201,260	-	-	-	-
Capital reserve		56,749	-	-	-	-
Retained earnings	Before dividend distribution	920,902	-	-	-	-
	After dividend distribution	620,587	-	-	-	-
Unrealized gain/loss on financial instrument		0	-	-	-	-
Cumulative translation adjustments		19,084	-	-	-	-
Net losses not recognized as pension costs		(1,874)	-	-	-	-
Total shareholders' equity (Note 3)	Before dividend distribution	2,196,121	-	-	-	-
	After dividend distribution	1,895,806	-	-	-	-

Note 1: The financial data within the last two years in the preceding paragraph were with the auditing and attestation performed by the CPAs (according to the ROC Financial Accounting Standards). The International Financial Reporting Standards has been adopted since the year of 2013; therefore, the condensed balance sheet after the year of 2013 are illustrated as follows:

Note 2: No assets revaluation had been performed within the last five years for the financial data in the preceding paragraph.

Note 3: The "amount after distribution" in the preceding paragraph refers to the amount resolved in the shareholders' meeting in the following year.

Note 4: For the financial data corrected or recomposed internally upon the notice of the competent authorities, the corrected or recomposed amount should be applied to prepare the financial report with the fact and reason for correction or re-composition noted.

Condensed Balance Sheet - International Financial Reporting Standards (individual financial statements)

Unit: NTD thousand

Item \ Year		Financial information for the last 5 years (Note 1) 2012	2013	2014	2015	2016	The financial data as of March 31, 2017 (Note 3)
Current assets		1,072,913	821,592	1,458,290	1,202,374	1,344,330	-
Property, plant, and equipment (Note 2)		207,665	273,093	269,341	273,907	263,378	-
Intangible assets		5,456	7,515	10,767	9,706	7,562	-
Other assets		1,843,895	2,097,950	2,026,077	2,238,211	2,434,364	-
Total assets		3,129,929	3,200,150	3,764,475	3,724,198	4,049,634	-
Current liabilities	Before dividend distribution	886,532	830,898	1,065,482	921,356	1,126,315	-
	After dividend distribution	1,186,847	1,130,213	1,424,660	1,232,643	Not yet appropriated	-
Non-current liabilities		41,740	61,878	100,041	94,827	66,525	-
Total liabilities	Before dividend distribution	928,272	892,776	1,165,523	1,016,183	1,192,840	-
	After dividend distribution	1,228,587	1,192,091	1,524,701	1,327,470	Not yet appropriated	-
Attributable to owners of the parent company		2,201,657	2,307,374	2,598,952	2,708,015	2,856,794	-
Share capital		1,201,260	1,201,260	1,201,260	1,201,260	1,197,260	-
Capital reserve		56,749	56,749	56,749	56,749	48,209	
Retained earnings	Before dividend distribution	983,106	1,022,678	1,264,701	1,407,689	1,688,376	-
	After dividend distribution	682,791	723,363	905,523	1,096,402	Not yet appropriated	-
Other equity		(39,458)	39,227	88,782	54,857	(77,051)	-
Treasury stock		-	(12,540)	(12,540)	(12,540)	0	-
non-controlling interests		-	0	0	0	0	-
Total equity	Before dividend distribution	2,201,657	2,307,374	2,598,952	2,708,015	2,856,794	-
	After dividend distribution	1,901,342	2,008,059	2,239,774	2,396,728	Not yet appropriated	-

Note 1: The financial data within the last five years in the preceding paragraph were with the auditing and attestation performed by the CPAs (using International Financial Reporting Standards).

Note 2: No assets revaluation had been performed within the last five years for the financial data in the preceding paragraph.

Note 3: The Company did not prepare individual financial statements on March 31, 2017; therefore, the data of this form is not applicable.

Note 4: The “amount after distribution” in the preceding paragraph refers to the amount resolved in the shareholders’ meeting in the following year.

Note 5: For the financial data corrected or recomposed internally upon the notice of the competent authorities, the corrected or recomposed amount should be applied to prepare the financial report with the fact and reason for correction or re-composition noted.

Condensed balance sheet – The ROC Financial Accounting Standards (consolidated financial statements)

Unit: NTD thousand

Item / Year		Financial information for the latest 5 years (Note 1)				
		2012	2013	2014	2015	2016
Current assets		2,839,177	-	-	-	-
Funds and investments		0	-	-	-	-
Fixed assets (Note 2)		774,916	-	-	-	-
Intangible assets		75,063	-	-	-	-
Other assets		48,048	-	-	-	-
Total assets		3,737,204	-	-	-	-
Current liabilities	Before dividend distribution	1,290,551	-	-	-	-
	After dividend distribution	1,590,866	-	-	-	-
Long term liabilities		183,751	-	-	-	-
Other liabilities		66,781	-	-	-	-
Total liabilities	Before dividend distribution	1,541,083	-	-	-	-
	After dividend distribution	1,841,398	-	-	-	-
Share capital		1,201,260	-	-	-	-
Capital reserve		56,749	-	-	-	-
Retained earnings	Before dividend distribution	920,902	-	-	-	-
	After dividend distribution	620,587	-	-	-	-
Unrealized gain/loss on financial instrument		0	-	-	-	-
Cumulative translation adjustments		19,084	-	-	-	-
Net losses not recognized as pension costs		(1,874)	-	-	-	-
Total shareholders' equity (Note 3)	Before dividend distribution	2,196,121	-	-	-	-
	After dividend distribution	1,895,806	-	-	-	-

Note 1: The financial data within the last two years in the preceding paragraph were with the auditing and attestation performed by the CPAs (according to the ROC Financial Accounting Standards). The International Financial Reporting Standards has been adopted since the year of 2013; therefore, the condensed balance sheet after the year of 2013 are illustrated as follows:

Note 2: No assets revaluation had been performed within the last five years for the financial data in the preceding paragraph.

Note 3: The “amount after distribution” in the preceding paragraph refers to the amount resolved in the shareholders’ meeting in the following year.

Note 4: For the financial data corrected or recomposed internally upon the notice of the competent authorities, the corrected or recomposed amount should be applied to prepare the financial report with the fact and reason for correction or re-composition noted.

Condensed Balance Sheet - International Financial Reporting Standards

(consolidated financial statements)

Unit: NTD thousand

Item		Year: Financial information for the last 5 years (Note 1) 2012	2013	2014	2015	2016	The financial data as of March 31, 2017 (Note 3)
Current assets		2,817,878	2,479,302	3,126,564	3,086,512	3,221,308	3,028,331
Property, plant, and equipment (Note 2)		805,337	1,107,108	1,243,760	1,209,024	1,569,099	1,546,728
Intangible assets		6,259	8,687	12,719	10,662	10,002	8,547
Other assets		125,705	262,557	194,266	320,390	187,737	183,406
Total assets		3,755,179	3,857,654	4,577,309	4,626,588	4,988,146	4,767,012
Current liabilities	Before dividend distribution	1,296,927	1,293,940	1,715,556	1,650,124	1,892,895	1,675,407
	After dividend distribution	1,597,242	1,593,255	2,074,734	1,961,411	Not yet appropriated	Not yet appropriated
Non-current liabilities		256,595	256,340	262,801	268,449	238,457	208,904
Total liabilities	Before dividend distribution	1,553,522	1,550,280	1,978,357	1,918,573	2,131,352	1,884,311
	After dividend distribution	1,853,837	1,849,595	2,337,535	2,229,860	Not yet appropriated	Not yet appropriated
Attributable to owners of the parent company		2,201,657	2,307,374	2,598,952	2,708,015	2,856,794	2,882,701
Share capital		1,201,260	1,201,260	1,201,260	1,201,260	1, 197,260	1,197,260
Capital reserve		56,749	56,749	56,749	56,749	48,209	48,209
Retained earnings	Before dividend distribution	983,106	1,022,678	1,264,701	1,407,689	1,688,376	1,813,294
	After dividend distribution	682,791	723,363	905,523	1,096,402	Not yet appropriated	Not yet appropriated
Other equity		(39,458)	39,227	88,782	54,857	(77,051)	(176,062)
Treasury stock		0	(12,540)	(12,540)	(12,540)	0	0
non-controlling interests		0	0	0	0	0	0
Total equity	Before dividend distribution	2,201,657	2,307,374	2,598,952	2,708,015	2,856,794	2,882,701
	After dividend distribution	1,901,342	2,008,059	2,239,774	2,396,728	Not yet appropriated	Not yet appropriated

Note 1: The financial data within the last five years in the preceding paragraph were with the auditing and attestation performed by the CPAs (using International Financial Reporting Standards).

Note 2: No assets revaluation had been performed within the last five years for the financial data in the preceding paragraph.

Note 3: The financial data of the most recent quarter has been reviewed by the CPAs. In addition, the said financial data complied with the International Financial Reporting Standards.

Note 4: The “amount after distribution” in the preceding paragraph refers to the amount resolved in the shareholders’ meeting in the following year.

Note 5: For the financial data corrected or recomposed internally upon the notice of the competent authorities, the corrected or recomposed amount should be applied to prepare the financial report with the fact and reason for correction or re-composition noted.

(II) Condensed income statement - The ROC Financial Accounting Standards (individual financial statements)

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Note 1)				
	2012	2013	2014	2015	2016
Operating revenues	3,010,191	-	-	-	-
Operating gross profit	588,602	-	-	-	-
Operating gains and losses	294,646	-	-	-	-
Non-operating revenues and gains	250,759	-	-	-	-
Non-operating expenses and losses	1,627	-	-	-	-
Net income (loss) before tax of the continuing business units	543,778	-	-	-	-
Net income (loss) after of the continuing business units	481,207	-	-	-	-
Gains and losses from discontinued operations	0	-	-	-	-
Extraordinary gains and losses	0	-	-	-	-
The effect of changes in accounting principles	0	-	-	-	-
Current period profit (loss)	481,207	-	-	-	-
Earnings per share	4.01	-	-	-	-

Note 1: The financial data within the last two years in the preceding paragraph were with the auditing and attestation performed by the CPAs (according to the ROC Financial Accounting Standards). The International Financial Reporting Standards has been adopted since the year of 2013; therefore, the condensed income statement after the year of 2013 are illustrated as follows:

Note 2: There was not any capitalized interest occurred within the last five years.

Note 3: The profit and loss of the discontinued department, extraordinary profit and loss, and the cumulative effect of changes in accounting principle are booked for an amount net of income tax.

Note 4: For the financial data corrected or recomposed internally upon the notice of the competent authorities, the corrected or recomposed amount should be applied to prepare the financial report with the fact and reason for correction or re-composition noted.

Condensed consolidated income statement – International Financial Reporting Standards (individual financial statements)

Unit: NTD thousand

Item \ Year	Financial information for the last 5 years (Note 1)					The financial data as of March 31, 2017 (Note 2)
	2012	2013	2014	2015	2016	
Operating revenues	3,010,191	3,191,006	3,641,492	3,038,008	3,250,976	-
Operating gross profit	588,602	595,921	799,057	668,238	749,940	-
Operating gains and losses	295,912	280,864	440,551	318,006	373,210	-
Non-operating revenues and expenses	242,177	124,031	221,565	273,273	323,520	-
Earnings before tax	538,089	404,895	662,116	591,279	696,730	-
Continuing business units Current period net profit	478,270	341,832	541,272	504,834	600,188	-
gain(loss) from discontinued operations	0	0	0	0	0	-
Current period net profit (loss)	478,270	341,832	541,272	504,834	600,188	-
Other comprehensive income for the period (post-tax profit or loss)	(39,889)	76,740	49,621	(36,593)	(140,122)	-

Item \ Year	Financial information for the last 5 years (Note 1)					The financial data as of March 31, 2017 (Note 2)
	2012	2013	2014	2015	2016	
Total comprehensive income for the period	438,381	418,572	590,893	468,241	460,066	-
Net income attributable to owners of the parent company	478,270	341,832	541,272	504,834	600,188	-
Net income attributable to non-controlling interests	0	0	0	0	0	-
Total comprehensive income attributable to owners of the parent company	438,831	418,572	590,893	468,241	460,066	-
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0	-
Earnings per share	3.98	2.85	4.52	4.22	5.01	-

Note 1: The financial data within the last five years in the preceding paragraph were with the auditing and attestation performed by the CPAs (according to the ROC Financial Accounting Standards).

Note 2: The Company did not prepare individual financial statements on March 31, 2017; therefore, the data of this form is not applicable.

Note 3: The profit and loss of the discontinued department is booked for an amount net of income tax.

Note 4: For the financial data corrected or recomposed internally upon the notice of the competent authorities, the corrected or recomposed amount should be applied to prepare the financial report with the fact and reason for correction or re-composition noted.

Condensed income statement – The ROC Financial Accounting Standards (consolidated financial statement)

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Note 1)				
	2011	2012	2013	2014	2015
Operating revenues	3,965,080	-	-	-	-
Operating gross profit	1,138,451	-	-	-	-
Operating gains and losses	571,409	-	-	-	-
Non-operating revenues and gains	39,926	-	-	-	-
Non-operating expenses and losses	11,855	-	-	-	-
Net income (loss) before tax of the continuing business units	599,480	-	-	-	-
Net income (loss) after of the continuing business units	481,207	-	-	-	-
Gains and losses from discontinued operations	0	-	-	-	-
Extraordinary gains and losses	0	-	-	-	-
The effect of changes in accounting principles	0	-	-	-	-
Current period profit (loss)	481,207	-	-	-	-
Earnings per share	4.01	-	-	-	-

Note 1: The financial data within the last two years in the preceding paragraph were with the auditing and attestation performed by the CPAs (according to the ROC Financial Accounting Standards). The International Financial Reporting Standards has been adopted since the year of 2013; therefore, the condensed income statement after the year of 2013 are illustrated as follows:

Note 2: There was not any capitalized interest occurred within the last three years.

Note 3: The profit and loss of the discontinued department, extraordinary profit and loss, and the cumulative effect of changes in accounting principle are booked for an amount net of income tax.

Note 4: For the financial data corrected or recomposed internally upon the notice of the competent authorities, the corrected or recomposed amount should be applied to prepare the financial report with the fact and reason for correction or re-composition noted.

Condensed comprehensive income statement - International Financial Reporting Standards (consolidated financial statements)

Unit: NTD thousand

Item \ Year	Financial information for the last 5 years (Note 1)					The financial data as of March 31, 2017 (Note 2)
	2012	2013	2014	2015	2016	
Operating revenues	3,965,809	3,723,563	4,472,988	4,439,229	5,209,967	1,234,802
Operating gross profit	1,140,100	1,048,474	1,363,180	1,290,795	1,550,182	392,101
Operating gains and losses	574,822	420,930	652,376	593,209	778,456	205,238
Non-operating revenues and expenses	19,002	34,006	57,518	71,698	37,819	(26,858)
Earnings before tax	593,824	454,936	709,894	664,907	816,275	178,380
Continuing business units Current period net profit	478,270	341,832	541,272	504,834	600,188	124,918
gain(loss) from discontinued operations	0	0	0	0	0	0
Current period net profit (loss)	478,270	341,832	541,272	504,834	600,188	124,918
Other comprehensive income for the period (post-tax profit or loss)	(39,889)	76,740	49,621	(36,593)	(140,122)	(99,011)
Total comprehensive income for the period	438,381	418,572	590,893	468,241	460,066	25,907
Net income attributable to owners of the parent company	478,270	341,832	541,272	504,834	600,188	124,918
Net income attributable to non-controlling interests	-	0	0	0	0	0
Total comprehensive income attributable to owners of the parent company	438,381	418,572	590,893	468,241	460,066	25,907
Total comprehensive income attributable to non-controlling interests	-	0	0	0	0	0
Earnings per share	3.98	2.85	4.52	4.22	5.01	1.04

Note 1: The financial data within the last five years in the preceding paragraph were with the auditing and attestation performed by the CPAs (using International Financial Reporting Standards).

Note 2: The financial data of the most recent quarter has been reviewed by the CPAs. In addition, the said financial data complied with the International Financial Reporting Standards.

Note 3: The loss of the discontinued department is booked for an amount net of income tax.

Note 4: For the financial data corrected or recomposed internally upon the notice of the competent authorities, the corrected or recomposed amount should be applied to prepare the financial report with the fact and reason for correction or re-composition noted.

(III)Names of financial statement auditors in the last 5 years, and their audit opinions

Year	Name of auditor	Name of firm	Audit opinion
2012	YEH KUAN WEN and PAN HUI LING	PwC Taiwan	Modified unqualified opinion
2013	YEH KUAN WEN and PAN HUI LING	PwC Taiwan	Modified unqualified opinion
2014	PAN HUI LING and CHIH PING CHUN	PwC Taiwan	Modified unqualified opinion
2015	PAN HUI LING and CHIH PING CHUN	PwC Taiwan	Modified unqualified opinion
2016	Audrey Tseng and CHIH PING CHUN	PwC Taiwan	unqualified opinion

II. Financial analysis for the latest 5 years

Financial analysis - The ROC Financial Accounting Standards s (individual financial statements)

Year (Note 1) / Analysis items (Note 2)		Financial analysis for the last 5 years				
		2012	2013	2014	2015	2016
Financial structure (%)	Debt to assets ratio	29.49	-	-	-	-
	Long term capital as a percentage of fixed assets	1056.61	-	-	-	-
Solvency (%)	Current ratio	123.13	-	-	-	-
	Liquid ratio	97.35	-	-	-	-
	Interest coverage ratio	N/A	-	-	-	-
Operating efficiency	Account receivable turnover (times)	12.89	-	-	-	-
	Days sales in account receivable	28.32	-	-	-	-
	Inventory turnover (times)	11.24	-	-	-	-
	Account payable turnover (times)	4.92	-	-	-	-
	Average days in sales	32.47	-	-	-	-
	Fixed assets turnover (times)	14.12	-	-	-	-
	Total assets turnover (times)	1.05	-	-	-	-
Profitability	Return on assets (%)	16.77	-	-	-	-
	Return on shareholders' equity (%)	22.62	-	-	-	-
	Ratio to issued capital stock (%) — Operating profit	24.53		-	-	-
	Ratio to issued capital stock (%) — Pre-tax net profit	45.27		-	-	-
	Net profit margin (%)	15.99	-	-	-	-
	Earnings per share ($)	4.01	-	-	-	-
Cash flow	Cash flow ratio (%)	33.80	-	-	-	-
	Cash flow adequacy ratio (%)	85.77	-	-	-	-
	Cash flow reinvestment ratio (%)	0.39	-	-	-	-
Leverage	Operating leverage	1.62	-	-	-	-
	Financial leverage	1.00	-	-	-	-
The International Financial Reporting Standards has been adopted since the year of 2013; therefore, the analysis of changes exceeding 20% is not applicable currently.						

Note 1: The 2012 financial analysis is illustrated as follows. The 2012 financial analysis were with the auditing and attestation performed by the CPAs.

Note 2: The financial analysis formulas are as follows:

1. Financial structure

   (1) The ratio of total liabilities to total assets = total liabilities / total assets

   (2) Long term capital to fixed assets ratio = (net shareholders' equity + long term liabilities) / net fixed assets.

2. Solvency

   (1) Current ratio = current assets / current liabilities.

   (2) Quick ratio = (current assets - inventories - prepaid expense) / current liabilities

   (3) Interest coverage ratio = net profit before interest and income tax / interest expenses for the current period.

3. Operating efficiency
   (1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = net sales / average receivable (including accounts receivable and notes receivable arising from business operation) balance.
   (2) Days sales in account receivable = 365 / account receivable turnover (times).
   (3) Inventory turnover (times) = cost of goods sold / average inventory amount.
   (4) Payable (including accounts payable and notes payable arising from business operation) Turnover = cost of goods sold / average payable (including accounts payable and notes payable arising from business operation) balance.
   (5) Average days in sales = 365 / inventory turnover (times).
   (6) Fixed assets turnover (times) = net sales / average net fixed assets.
   (7) Total assets turnover (times) = net sales / average total assets.
4. Profitability
   (1) Return on Assets = {net income (loss) + interest expense × (1- tax rate)} / average total assets.
   (2) Return on shareholders’ equity = net income (loss) / average shareholders' equity.
   (3) Profit ratio = net income (loss) /net sales.
   (4) Earnings per share = (net income (loss) - preferred stock dividends) / weighted average number of shares outstanding (Note 3).
5. Cash flow
   (1) Net cash flow ratio = net cash flow from operating activities / current liability.
   (2) Cash flow adequacy ratio = net cash flow from operating activities within five years / (capital expenditure + increase in inventory + cash dividend) within five years.
   (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividend) / (gross fixed assets + long-term investments + other assets + working capital) (Note 4).
6. Leverage
   (1) Operating leverage = (net operating income - changes in operating cost and expense) / operating profit (Note 5).
   (2) Financial leverage = operating profit / (operating profit - interest expense).

Note 3: The calculation of earnings per share in the preceding paragraph should be with the following matters taken into consideration for measurement:

1. It is based on the weighted average number of common stock shares outstanding instead of the yearend outstanding stock shares.
2. If there is cash capitalization or Treasury stock trade, the calculation of the weighted average stock share should be with the outstanding period included for consideration.
3. If there is capitalization from earnings or additional paid-in capital, for the calculation of earnings per share annually and semi-annually, retroactive adjustment should be performed proportionally to the capitalization amount without considering the issue period of the capitalization.
4. If the prefer stock is inconvertible cumulative preferred stock, the current stock divided (regardless distributed or not) should be deducted from the net income or added to the net loss. If the prefer stock is not cumulative, the current stock divided should be deducted from the net income, if any, but without the need of making any adjustment if there is net loss instead of net income.

Note 4: The cash flow analysis must take into account the following:

1. Net cash flow from operating activities refers to the net cash inflow from the operating activities in the Statement of Cash Flow.
2. Capital expenditure refers to the cash outflows from annual capital investment.
3. Increase in inventory will be counted only when the ending inventory amount exceeding the beginning inventory amount. The decrease in inventory at yearend will be treated as zero change.
4. Cash dividend includes the cash dividend of common stock and preferred stock.
5. Gross fixed assets refer to the total fixed assets before deducting the accumulated depreciation.

Note 5: The issuer should have the operating cost and operating expense classified as fixed and variable by the nature of operation. If it involves estimates or subjective judgments made, please pay attention to its rationality and consistency.

Financial Analysis - International Financial Reporting Standards (individual financial statements)

Analysis items (Note 2) \ Year		Financial analysis for the latest 5 years (Note 1)					As of March 31, 2017 (Note 1)
		2012	2013	2014	2015	2016	
Financial structure (%)	Debt to assets ratio	29.66	27.9	30.96	27.29	29.46	-
	Ratio of long-term capital to property, plant and equipment	1080.3	867.56	1002.07	1023.28	1109.93	-
Solvency %	Current ratio	121.02	98.88	136.87	130.50	119.36	-
	Liquid ratio	96.41	84.85	114.94	114.16	104.14	-
	Interest coverage ratio	-	1,294.59	251.60	447.59	763.29	-
Operating efficiency	Account receivable turnover (times)	12.89	7.2	6.43	4.66	4.35	-
	Days sales in account receivable	28.32	50.66	56.80	78.25	83.88	-
	Inventory turnover (times)	11.24	14.71	15.81	11.81	16.14	-
	Account payable turnover (times)	4.92	4.31	4.58	3.54	3.51	-
	Average days in sales	32.47	24.81	23.09	30.92	22.61	-
	property , plant, and equipment Turnover ratio (times)	14.18	13.27	13.43	11.18	12.10	-
	Total asset turnover (times)	1.04	1.01	1.05	0.81	0.84	-
Profitability	Return on assets (%)	16.59	10.81	15.60	13.51	15.46	-
	Return on equity (%)	22.49	15.16	22.06	19.03	21.57	-
	Ratio of net income before tax to paid-in capital (%) (Note 6)	44.79	33.71	53.72	49.22	58.19	-
	Net profit margin (%)	15.89	10.71	14.86	16.62	18.46	-
	Earnings per share ($)	3.98	2.85	4.52	4.22	5.01	-
Cash flow	Cash flow ratio (%)	34.04	11.78	70.96	14.46	27.69	-
	Cash flow adequacy ratio (%)	710.2	117.92	310.75	321.34	294.01	-
	Cash re-investment ratio (%)	12.49	3.8	26.13	4.30	9.71	-
Leverage	Operating leverage	1.61	1.88	1.64	1.71	1.75	-
	Financial leverage	1.00	1.00	1.01	1.01	1.00	-

Please explain the reasons for the changes in financial ratios within the last two years. (If such changes are less than 20%, it needs not be analyzed).)

1. Increase of times interest earned ratio: Mainly due to the decrease in loans and increase in current period’s profit
2. Decrease of inventory days: Mainly due to increases in sales revenues but the increase percentage is lower in COGS and inventory level
3. Increase of cash flow ratio and cash reinvestment ratio: Mainly due to increase in current period’s profit and higher cash flows from operating activities

Note 1: The financial data in the preceding paragraph were with the auditing and attestation performed by the CPAs.

Note 2: The Company did not prepare individual financial statements on March 31, 2017; therefore, the data of this form is not applicable.

Note 3: The formula is as follow:

1. Financial structure
   (1) The ratio of total liabilities to total assets = total liabilities/ total assets
   (2) Ratio of long-term capital to property, plant and equipment = (Total equities + noncurrent liabilities) /net property, plant, and equipment .
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets – inventories – prepaid expense) /current liabilities.
   (3) Interest coverage ratio = net profit before interest and income tax / interest expenses for the current period.
3. Operating efficiency
   (1) Receivable (including accounts receivable and notes receivable arising from business operation) Turnover = net sales / average receivable (including accounts receivable and notes receivable arising from business operation) balance.
   (2) Days sales in account receivable = 365 / account receivable turnover (times).
   (3) Inventory turnover (times) = cost of goods sold / average inventory amount.
   (4) Payable (including accounts payable and notes payable arising from business operation) Turnover = cost of goods sold / average payable (including accounts payable and notes payable arising from business operation) balance.
   (5) Average days in sales = 365 / inventory turnover (times).
   (6) Property, plant, and equipment turnover (times) = net sales / net average property, plant, and equipment.
   (7) Total assets turnover (times) = net sales / average total assets.
4. Profitability
   (1) Return on assets = [after tax net profit + interest expenses x (1- tax rate)] / average asset balance.
   (2) Return on shareholders' equity = after tax net profit/ total average equity.
   (3) Profit ratio = net income/net sales.
   (4) Earnings per share = (profits or loss attributable to owners of the parent company – preferred stock dividend) /weighted average stock shares issued (Note 3).
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flow from operating activities within five years/ (capital expenditure + inventory increase + cash dividend) within five years.
   (3) Cash re-investment ratio = (net cash flow from operating activity – cash dividend) /(gross property , plant, and equipment + long-term investment + other noncurrent assets + working capital) (Note 4).
6. Leverage:
   (1) Operating leverage = (net operating income – changes in operating cost and expense) / operating profit (Note 5).
   (2) Financial leverage = operating profit / (operating profit – interest expense).

Note 4: The calculation of earnings per share in the preceding paragraph should be with the following matters taken into consideration for measurement:
1. It is based on the weighted average number of common stock shares outstanding instead of the yearend outstanding stock shares.
2. If there is cash capitalization or Treasury stock trade, the calculation of the weighted average stock share should be with the outstanding period included for consideration.
3. If there is capitalization from earnings or additional paid-in capital, for the calculation of earnings per share annually and semi-annually, retroactive adjustment should be performed proportionally to the capitalization amount without considering the issue period of the capitalization.
4. If the prefer stock is inconvertible cumulative preferred stock, the current stock divided (regardless distributed or not) should be deducted from the net income or added to the net loss. If the prefer stock is not cumulative, the current stock divided should be deducted from the net income, if any, but without the need of making any adjustment if there is net loss instead of net income.

Note 5: The cash flow analysis must take into account the following:
1. Net cash flow from operating activities refers to the net cash inflow from the operating activities in the Statement of Cash Flow.
2. Capital expenditure refers to the cash outflows from annual capital investment.
3. Increase in inventory will be counted only when the ending inventory amount exceeding the beginning inventory amount. The decrease in inventory at yearend will be treated as zero change.
4. Cash dividend includes the cash dividend of common stock and preferred stock.

5. The gross property, plant, and equipment refer to the total amount of property, plant, and equipment before deducting the accumulated depreciation.

Note 6: The issuer should have the operating cost and operating expense classified as fixed and variable by the nature of operation. If it involves estimates or subjective judgments made, please pay attention to its rationality and consistency.

Note : If7 the Company's stock is without a face value or without a NT$10 par value, the ratio to paid-in capital in the preceding paragraph is then based on the shareholder's equity ratio of the parent company in the balance sheet instead.

Financial analysis - The ROC Financial Accounting Standards (consolidated financial statement)

Analysis items (Note 2)			Year (Note 1) Financial analysis for the latest 5 years (Note 1) 2012	2013	2014	2015	2016
Financial structure (%)	Debt to assets ratio		41.24	-	-	-	-
	Long term capital as a percentage of fixed assets		307.11	-	-	-	-
Solvency (%)	Current ratio		220.00	-	-	-	-
	Liquid ratio		186.68	-	-	-	-
	Interest coverage ratio		112.01	-	-	-	-
Operating efficiency	Account receivable turnover (times)		7.73	-	-	-	-
	Days sales in account receivable		47.21	-	-	-	-
	Inventory turnover (times)		5.85	-	-	-	-
	Account payable turnover (times)		3.75	-	-	-	-
	Average days in sales		62.39	-	-	-	-
	Fixed assets turnover (times)		4.81	-	-	-	-
	Total assets turnover (times)		1.08	-	-	-	-
Profitability	Return on assets (%)		13.24	-	-	-	-
	Return on shareholders' equity (%)		22.62	-	-	-	-
	Ratio to issued capital stock (%) (Note 6)	Operating profit	47.57	-	-	-	-
		Pre-tax net profit	49.90	-	-	-	-
	Net profit margin (%)		12.14	-	-	-	-
	Earnings per share ($)		4.01	-	-	-	-
Cash flow	Cash flow ratio (%)		60.03	-	-	-	-
	Cash flow adequacy ratio (%)		350.50	-	-	-	-
	Cash flow reinvestment ratio (%)		25.02	-	-	-	-
Leverage	Operating leverage		1.64	-	-	-	-
	Financial leverage		1.01	-	-	-	-
The International Financial Reporting Standards has been adopted since the year of 2013; therefore, the analysis of changes exceeding 20% is not applicable currently.							

Note 1: The financial data within the last five years in the preceding paragraph was with the auditing and attestation performed by the CPAs (The ROC Financial Accounting Standards).

Note 2: Please refer to the table above for the related formula.

Financial Analysis - International Financial Reporting Standards (consolidated financial statements)

Analysis items (Note 3) / Year (Note 1)		Financial analysis for the last 5 years					As of March 31, 2017 (Note 2)
		2012	2013	2014	2015	2016	
Financial structure (%)	Debt to assets ratio	41.37	40.19	43.22	41.47	42.73	39.53
	Ratio of long-term capital to property, plant and equipment	305.25	231.57	230.09	246.19	197.26	199.88
Solvency %	Current ratio	217.27	191.61	182.25	187.05	170.18	180.75
	Liquid ratio	185.4	159.25	144.21	151.37	132.12	134.69
	Interest coverage ratio	110.97	96.29	71.08	74.07	104.81	105.38
Operating efficiency	Account receivable turnover (times)	7.74	6.73	6.77	4.99	4.80	4.46
	Days sales in account receivable	47.17	54.27	53.94	73.14	76.01	81.93
	Inventory turnover (times)	5.85	6.00	5.14	5.63	6.27	5.06
	Account payable turnover (times)	3.79	3.67	3.98	3.38	3.49	3.20
	Average days in sales	62.41	60.79	71.07	64.83	58.21	72.16
	property , plant, and equipment Turnover ratio (times)	4.66	3.89	3.81	3.62	3.75	3.17
	Total asset turnover (times)	1.08	0.98	1.06	0.96	1.08	1.01
Profitability	Return on assets (%)	13.10	9.08	13.03	11.00	12.62	10.36
	Return on shareholders' equity (%)	22.49	15.16	22.06	19.00	21.57	17.41
	Ratio of net income before tax to paid-in capital Ratio (%) (Note 6)	49.43	37.87	59.10	55.35	68.18	59.60
	Net profit margin (%)	12.06	9.18	12.10	11.37	11.52	10.12
	Earnings per share ($)	3.98	2.85	4.52	4.22	5.01	1.04
Cash flow	Cash flow ratio (%)	56.69	22.30	37.80	28.68	38.31	1.35
	Cash flow adequacy ratio (%)	436.92	142.29	200.97	199.88	167.78	122.46
	Cash re-investment ratio (%)	23.9	9.14	17.81	11.64	17.28	0.54
Leverage	Operating leverage	1.63	1.94	1.67	1.77	1.59	1.59
	Financial leverage	1.01	1.01	1.02	1.02	1.01	1.01

Please explain the reasons for the changes in financial ratios within the last two years. (If such changes are less than 20%, it needs not be analyzed).)

1. Decrease of long-term capital to property, plant and equipment: Mainly due to increase in property, plant and equipment
2. Increase of interest coverage ratio: Mainly due to decrease in loans and increase in current period's profits
3. Increase of pretax income to paid-in capital: Mainly due to increase in current period's profits and higher cash inflows from operating activities
4. Increase of cash flow ratio and cash reinvestment ratio: Mainly due to increase in current period's profit and higher cash inflows from operating activities

Note 1: The financial data within the last five years in the preceding paragraph was with the auditing and attestation performed by the CPAs (according to the International Accounting Standards, IAS).

Note 2: The 2017 Q1 financial statements were reviewed by the CPAs.

Note 3: Please refer to the table above for the related formula.

III. Supervisor's report on the review of the latest financial reports

Please refer to [Appendix II] Page137

IV. Most recent annual financial statements including Independent Auditor's Report

Please refer to [Appendix III] Page 138

V. The Company's individual financial statements audited and certified by a certified public accountant in the most recent fiscal year

Please refer to [Appendix IV] Page 207

VI. If the company or any of its affiliated companies had, in the recent years up until the publishing of this annual report, experienced financial distress, the impacts to the company's financial status must be disclosed

None.

Seven. The review and analysis of financial position and financial performance, and the risk matters

I. Financial status

II. Financial Performance

III. Cash flow

IV. Material capital expenditures in the latest year and impacts on business performance

V. The major causes for profits or losses incurred by investments during the most recent year; rectifications and investment plans for the next year

VI. Risk analysis and assessment

VII. Key Performance Indicators (KPI)

VIII. Other Material Issues

Seven. Review of financial status, business performance, and risk management issues

I. Financial status

Consolidated Financial Statements

Unit: NTD thousand

Item \ Year	2016.12.31	2015.12.31	Difference		Remarks
			Amount	%	
Current assets	3,221,308	3,086,512	134,796	4.37	2
property, plant, and equipment	1,569,099	1,209,024	360,075	29.78	1
Other assets	197,739	331,052	(133,313)	(40.27)	1
Total assets	4,988,146	4,626,588	361,558	7.81	2
Current liabilities	1,892,895	1,650,124	242,771	14.71	2
Long term liabilities	238,457	268,449	(29,992)	(11.17)	2
Total liabilities	2,131,352	1,918,573	212,779	11.09	2
Share capital	1,197,260	1,201,260	(4,000)	(0.33)	2
Capital reserve	48,209	56,749	(8,540)	(15.05)	2
Retained earnings	1,688,376	1,407,689	280,687	19.94	2
Total shareholders' equity	2,856,794	2,708,015	148,779	5.49	2

Details:
1. Increase of property, plant, and equipment and decrease in other assets, mainly due to the completion of acceptance of work and reclassified the other assets to property, plant and equipment
2. If the increase or decrease ratio is less than 20% and it is for an amount less than NT$10 million, an analysis is not necessary.

II. Financial Performance

(I) Comparative analysis of operating results

Consolidated Financial Statements

Unit: NTD thousand

Item \ Year	2016	2015	Increase (decrease)	Variation
Net operating income	5,209,967	4,439,229	770,738	17.36
Operating cost	(3,659,785)	(3,148,434)	511,351	16.24
Operating gross profit	1,550,182	1,290,795	259,387	20.10
Operating expenses	(771,726)	(697,586)	74,140	10.63
Operating profit	778,456	593,209	185,247	31.23
Non-operating revenues and expenses	37,819	71,698	(33,879)	(47.25)
Earnings before tax	816,275	664,907	151,368	22.77
Income tax expense	(216,087)	(160,073)	56,014	34.99
Net profit after tax	600,188	504,834	95,354	18.89
Other comprehensive profit and loss (net)	(140,122)	(36,593)	103,529	282.92
Total comprehensive income for the period	460,066	468,241	(8,175)	(1.75)

Analysis and description of increase and decrease ratio change: (ratio change between two terms exceeds 20% and for an amount more than NT$10 million)

1. Increase in operating gross profit, operating profit and earnings before tax, mainly due to higher sales revenues from clients' demand
2. Decrease of non-operating income and expense, mainly due to the decrease of foreign exchange gains.
3. Increase of income tax expense, mainly due to better profit
4. Decrease of other comprehensive net profit or loss, mainly due to the increase of exchange spread resulted from the denominated financial statements of the foreign operating institution.

(II) Expected sales and the basis of estimation, the likely impacts on The Company's future financial position, and responsive plans

Main products	Sales volume (thousand units)
PC chassis	400
Server Chassis	1,400
Components and others	7,300

The expected sales volume in the preceding paragraph, according to the industrial environment and market demand and supply, is estimated by the salespersons in accordance with the actual business contact with the customers, the industrial environment, and market supply and demand; also, it is estimated by the sales manager by taking into account the overall industrial economy and regional differences.

III. Cash flow

(I) Changes of cash flow in recent years analysis (Consolidated Financial Statements)

Unit: NTD thousand

Opening cash balance	Annual net cash flow from operating activities	Annual cash outflow	Cash surplus (deficit)	Financing of cash deficits	
				Investment plans	Finance plans
1,434,077	725,170	861,029	1,298,218	0	0

1. Changes of cash flow in current year analysis:
   (1) Operating activities: NT$725,170, mainly arising from increase in profits
   (2) Investing activities: (NT$407,945), mainly due to the purchase of real estate and related equipment.
   (3) Financing activities: (NT$367,982), mainly due to the payment of cash dividends and bank loan.
   (4) Others: (NT$85,102), mainly due to foreign exchange impact
2. Responsive measures and liquidity analysis on cash flow deficits: Not applicable.

(II) Analysis of cash flow within one year (Consolidated Financial Statements)

Unit: NTD thousand

Opening cash balance	Annual net cash flow from operating activities	Annual cash outflow	Cash surplus (deficit)	Financing of cash deficits	
				Investment plans	Finance plans
1,298,218	878,674	730,000	1,446,892	0	0

1. Changes of cash flow in current year analysis:
   (1) Operating activities: NT$878,674, mainly arising from estimated higher sales revenues and higher cash inflows
   (2) Investing activities: (NT$370,000), mainly due to the purchase of real estate and related equipment.
   (3) Financing activities: (NT$360,000), mainly due to the payment of cash dividends and bank loan.
2. Responsive measures and liquidity analysis on cash flow deficits: Not applicable.

IV. Material capital expenditures in the latest year and impacts on business performance

(I) Significant capital expenditures and fund sources:(NT$ Thousands)

Plans	Actual or expected source of funds	Actual or expected date of completion	Total funds required	Actual or expected uses of funds				
				2015	2016	2017	2018	2019
Shanghai Office	Proprietary funds and bank loans	2017.05	298,862	140,341	0			
Plant expansion of Chenbro Technology (Kunshan) Co., Ltd.	Proprietary funds and bank loans	2017.05	350,000	207,621	111,308	0	0	0
Mold equipment	Proprietary funds and bank loans	2017.12	47,370	9,798	47,370	0	0	0
R&D and machinery equipment	Proprietary funds and bank loans	2017.12	161,068	30,569	161,068			

(II) Expected effects:

1. Shanghai Office is planned as the operational headquarters and creative R&D Center in China in order to facilitate the recruitment of personnel, market development, and operation in China.
2. The plant expansion of Chenbro Technology (Kunshan) Co., Ltd. is in response to the emerging of the cloud industry, the steady growth of purchase orders, and increasing production capacity to meet future market demand.
3. Additional purchase of mold equipment

   In response to business development and meeting consumer demand, the Company intends to increase new products related mold equipment. Allow the Company to develop new products continuously by retiring or replacing the production line so that the products will be more competitive with higher market share cornered.

4. Manufacturing equipment

   Current capacity is only able to fulfill 60% of the new products under development; besides, to fulfill the demand, increase auto production and flexibility, enhance the management performance and decrease labor cost to make our products more competitive and further gain market shares

5.R&D and machinery equipment

For product development, verification, and testing, purchase automation equipment and replace the old units with new ones in order to improve productivity and production efficiency.

6.IT equipment

In order to enhance the database flexibility, safety management, full control and enhance the resources utilization, we replace the aged server, networking equipment and backup equipment. Besides, we also updated the projector and video equipment of the video conferencing rooms for timely communication

V. The transfer investment policy and the main reason for the profit or loss in recent years, and the improvement plans and investment plan in the coming year

None.

VI. Risk analysis and assessment

(I) The impact of changes in interest rate, exchange rate, and inflation on the Company's profit or loss in recent years, and future response measures

The Company's 2016 interest and foreign exchange gains and losses are listed as follows:

Consolidated Financial Statements

Unit: NTD thousand

Item \ Year	2015
Net exchange gain (loss)	26,809
Net operating income	5,209,967
Earnings before tax	816,275
Ratio of net exchange gain (loss) to net operation income	0.51%
Ratio of net exchange gain (loss) to net income before tax	3.28%
Interest income	10,163
Ratio of net interest income to net operating income	0.20%
Ratio of net interest income to net income before tax	1.25%
Interest expenses	(7,863)
Ratio of interest expense to net operating income	0.15%
Ratio of interest expense to net income before tax	0.96%

Data source: Financial statements with the auditing and attestation performed by the CPAs.

Since the Company's products are mostly for export, so the changes in the exchange rate of Taiwan Dollar against the US dollar will influence the Company's profit and loss to some extent. The 2016 exchange gain and loss was accounted for less than 0.51% of the consolidated net operating income. In terms of interest rate, since the market interest rates continue to drop, deposit interest rates and loan rates are also declining synchronously. The ratio of interest income to net income before tax is not high; therefore, the impact of changes in interest rates on the Company's profit and loss is limited. The global economy is beginning to grow this year and the market demand remains high; therefore, the inflation risk of the world's major economies, such as, the US, Europe, and China, is increasing.

In addition, the Company's main purchase items include plastic injection products, metal stamping products, and electronic components. In recent years, the acquisition cost is constantly growing, so the impact of inflation is worsening along with the increasing cost of raw material worldwide.

The Company's profit and loss is affected by exchange rate and inflation to some extent; therefore, the future response measures for changes in exchange rate are as follows:

1. The Finance and Accounting Department is to maintain a close contact with the foreign exchange sector of each financial institution in order to collect information about changes in the exchange rates at any time and to fully grasp the information of the domestic and foreign exchange rate movements and changes in order to reduce the negative impact arising from the changes in exchange rate.
2. Maintain the foreign currency positions in the foreign currency deposit bank accounts in response to the foreign exchange fund demand; also, adjust the foreign exchange positions in a timely manner depending on the changes in foreign exchange rate in order to reduce the impact of changes in exchange rates.
3. For a significant change in exchange rate, adopt other instruments to hedge foreign exchange risks, for example, the strategies of borrowing in US dollars, the trade of forward foreign exchange, and natural hedging.
4. The Company should have the Procedures for derivatives trading stipulated in accordance with the "Procedures for the Acquisition or Disposal of Assets" and strengthen the risk control and management system.
5. Inject working capital into the subsidiaries so that each subsidiary will be able to hedge changes in exchange rate in a natural and balanced way.

(II) The policy of engaging in high-risk, highly leveraged investments, loaning of funds, endorsements and guarantee, and derivatives trading, the main reason for profit or loss, and future response measures:

The Company is not engaged in any high-risk and highly leveraged investment activities. The Company had engaged in the borrowing in US dollars, pre-sale of forward foreign exchange contracts or natural hedging to hedge the risk of changes in exchange rate in recent years.

The Company had made endorsement and guarantee for the related party, PROCASE & MOREX CORP, Cloudwell Holdings, LLC, and Chenbro Micom (USA) Incorporation directly for an amount of NT$225,750 thousand, NT$180,600 thousand, and NT$129,000 thousand in recent years, respectively; however, the actual amount applied was for NT$157,208 thousand. If the related party fails to perform the contract, the maximum possible loss amount is equivalent to the guarantee and endorsement provided.

The Company has no loaning of fund made in current year.

(III) Future R&D plans and expected R&D expense in recent years:

The Company has upheld the belief in independent R&D since the inception to cultivate the professional technicians as the main source of technology; also, maintained a close partnership with the upstream component suppliers and power supply manufacturers. Moreover, the Company has actively recruited R&D personnel in the industry in recent years. The main R&D programs in recent years are mainly toward barebones products, thermal solutions, hard drive noise reduction, product screw-free design and introducing modules design concept with the related products gradually planned and completed. The Company will continue to engage in R&D efforts within the year. In addition, the Company currently has commissioned the production to the sub-subsidiary in Mainland China and domestic professional manufacturers; therefore, the newly developed products are without any production timing issue. The Company’s future success in R&D lies on the quality of R&D personnel, hardware and software, and industrial design technology, and customer demand-oriented business opportunity. The Company will rely on the long-term accumulation of R&D results to improve product performance in order to obtain competitive advantage.

Planned project	Main function / specification
Ultra-high-density storage server platform and Just a Bunch of Disks (JBOD) development	The server of the 4U-based ultra-high-density storage (96-well or more) platform is mainly with a compatible dual half-width board; also, the JBOD can support dual control and partition mode with the design concept of tool-free and modulation; also, it can be installed in the general 1.2M chassis to realize the capacity requirements of big data and cloud applications.
Standardized PCIe storage adapter and related backplane development	Based on the standard PCIe Gen3 development of an x16 adapter card, providing a new interface (Oculink / Slimline) and supporting the backplane to achieve ChenbroMicom general-purpose server support NVMe SSD storage solution.
AFA, All-Flash-Array server platform development	Develop a solution with SAS Expander (expander) or PCIe Switch control modules for realizing high-density AFA server platform series (1U / 2U) that is suitable for VDI or HPC applications.
Standard tool-free modularized general-purpose storage server platform development	In response to INTEL new generation server platform board upgrade plan and combined with the new modularized tool-free series of chassis structure, substantially improve customization flexibility and differentiation needs.

Development of server platform with dual-control and multi-node efficient computing application	For multi-node server motherboard specifications-based (half-width board) platform solutions, provide self-developed adapter interface card to expand the motherboard compatibility. The self-developed chassis management module firmware can help optimize the system management under different motherboard configuration.
The total R & D budget is estimated to account for 3% ~ 4% of the total annual revenue of 2017 that is equivalent to the budget of the previous year.	

(IV) The impact of the changes in domestic and foreign major policies and law on the Company's finance and business in the most recent years, and the response measures:

The changes in domestic and foreign major policies and law in the most recent year have no significant impact on the Company. In addition to occasionally collecting and evaluating the impact of changes in domestic and foreign major policies on the Company's finance and business in the future, the Company will also consult relevant professionals to take response measures in a timely manner.

(V) The impact of the changes in technology and industry on the Company's finance and business in the most recent years, and the response measures:

Extended from the last year's full range of server product strategy, along with the high demand for computer activated by the introduction of new platform (PURLEY) by INTEL in 2017 and the steady growth of market demand in China and North America, the Company with the advantage of high flexibility and modularization will continue to expand the application of the standard products in various markets to maximize the production efficiency of the common parts. The flash memory (NVMe and SSD) storage solutions along with the prevailing of SDS (Software Define Storage) are driving the data centers to change. The White Box system platform design of the data centers will have to respond to customer-made request due to the prevailing of virtualization and high-performance for business applications, including high-density high-capacity flash memory, online maintenance design and PCIe expansion accessories. In terms of high-performance computing applications, in addition to the development of multi-node server series, the development of the GPU new series chassis will be focusing on the adaptation and optimization; also, serving the potential customers with the JDM mode. Regarding the development of high-density storage product, in response to the emerging of cloud database backup applications, ultra-high-density storage server and JBOD products are available for the selection of high-end customers. In terms of PC products, the application specification of the new generation small computer (mini-STX) will be designed with high compatibility chassis in response to the demand of the DIY market and customers. The IPC applications can also be developed with different materials used for the small fan-less system according to such specification.

(VI) The impact of changes in corporate image on the Company's crisis management and the response measures

The Company is with a good corporate image and there is no significant change that will require the Company to perform crisis management in recent years.

(VII) The expected benefits from mergers and acquisitions, the potential risks associated, and the responsive measures:

The Company is without any merger plan; therefore, it is not applicable.

(VIII) The expected effect and possible risk of the plant expansion, and the response measures:

(1) Plant expansion effect

The Company has gradually started Kunshan III phase plant expansion plan this year, mainly due to the high expectation in cloud industry development and the stable growth of purchase order. The Company focuses on the production of chassis for server and related cloud products with productivity increased to meet market demand and to help the Company grow.

(2) Possible risks and response measures

The Company's investment in plant expansion is a capital-intensive project with the potential risks of declining economy, purchase order less than expected, and low capacity utilization causing burdens to the Company and resulting in low profit. The Company will actively develop purchase orders from global customers and grasp industrial trend and pulsation in order to reduce the risk of low capacity utilization.

(IX) The risk of concentrated purchase or sales and the response measures:

The transaction value of the Company's largest customer accounted for only 29% of the consolidated net operating income. There is no single customer sale amount exceeding 50% of the total sale amount. Therefore, there is no risk of concentrated sales. In addition, the transaction value of the Company's largest supplier accounted for 6% of the consolidated net purchase amount; therefore, there is no risk of concentrated purchase.

(X) The risks and impacts of significant shareholding transfers by directors, supervisors, or major shareholders with more than 10% ownership interest, and the responsive measures to such risks:

The Company's Directors, Supervisors, or shareholders with more than 10% shareholding are without any material equity transfer or replacement; therefore, it is not applicable.

(XI) The effects, risks and responsive measures associated with changes in management:

The Company did not experience any change in management right; therefore, it is not applicable.

(XII) If the result of the material litigation, non-litigation, or administrative dispute that is sentenced or in proceeding faced by the Company and the Company's Directors, Supervisors, President, the real person in charge, the major shareholder with more than 10% shareholding, and the invested company may have a significant impact on shareholders' equity or securities price, the content of such incident, the amount, litigation starting date, the main litigant, and the process up to the printing date of the annual report should be disclosed: None.

(XIII) Other important risks and response measures: None.

VII. Other Material Issues

None.

Eight. Special remarks

I. Affiliated companies

II. Private placement of securities during the latest year up till the publication date of this annual report

III. The disposal of the Company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report

IV. Other necessary supplementary information

V. There had any of the events defined in Article 36 Paragraph 3 Section 2 of the Act that would have significant impact on the shareholders' equity or securities price occurred in the most recent year and up to the printing date of the annual report

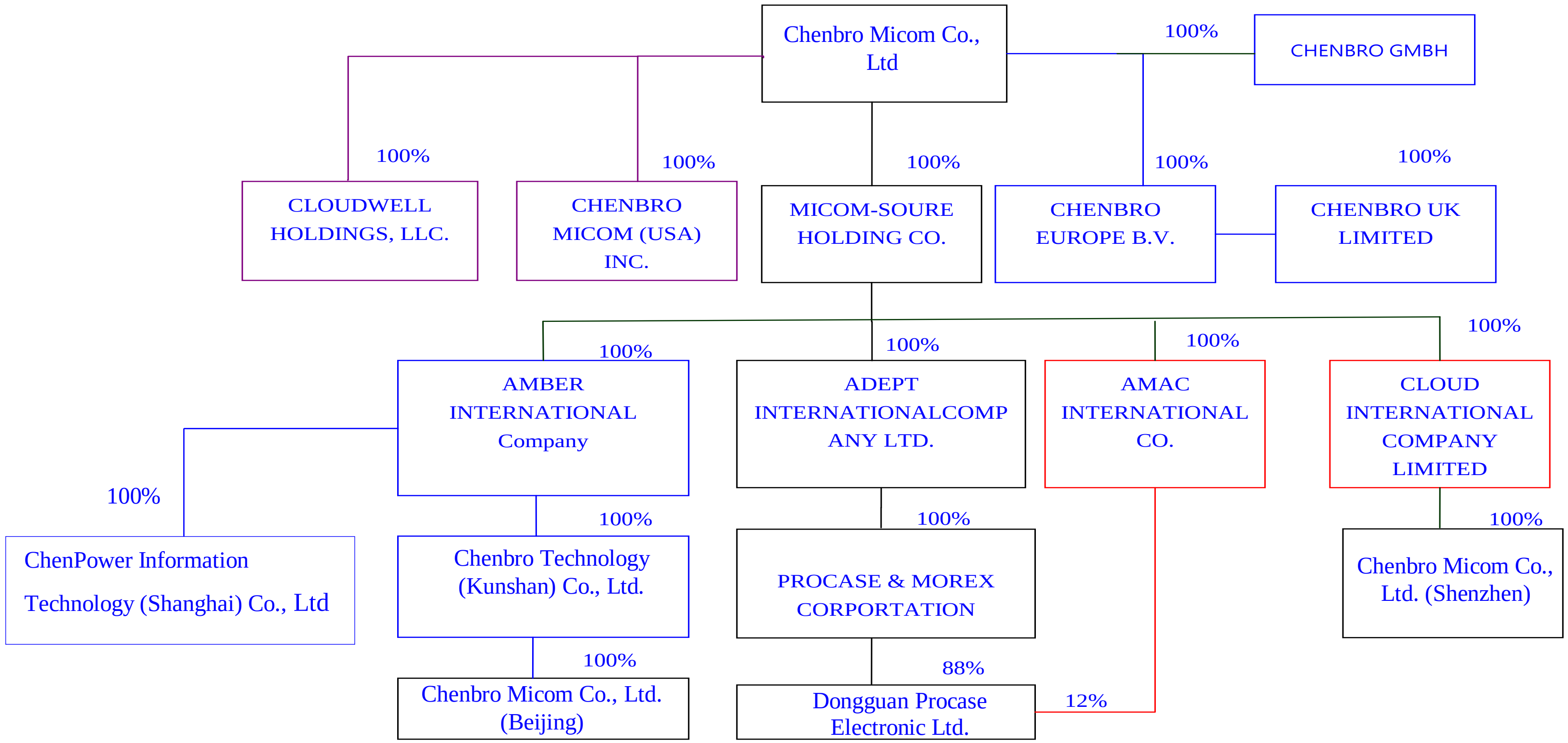
Eight. Special remarks

I. Affiliated companies

(I) Affiliated company's consolidated financial statements

1. Affiliated company

(1) Affiliated company's organization chart



(2) Basic information of each affiliated company

Name of enterprise	Date of foundation	Address	Paid-up Capital	Main business activities
Chenbro Micom Co., Ltd	1983.12.05	15F, No. 150, Jian 1st Road, Zhonghe District, New Taipei City	NT$1,197,260 thousand	The R&D, production, processing, and trade of computer chassis and server
Chenbro Europe B.V.	1998.07.24	Avignonlaan 35, 5627 GA Eindhoven, The Netherlands	EUR 91 thousand	Trade of computer chassis and server
Chenbro Micom (USA) INC.	2000.01.25	2800 E. JURUPA STREET, ONTARIO CA 91761	US$1,000 thousand	Trade of computer chassis and server
Cloudwell Holdings, LLC.	2013.7.12	2800 E. JURUPA STREET, ONTARIO CA 91761	US$3,600 thousand	Real estate leasing company
Micom-Source Holding Co.	1999.01.19	Cayman Islands	US$20,450 thousand	Holdings
AMAC International Co.	2001.12.07	Cayman Islands	US$6,453 thousand	Holdings
AMBER International Company	2005.12.07	Cayman Islands	US$8,240 thousand	Holdings
Chenbro Technology (Kunshan) Co., Ltd.	2003.09.08	Technology and Science Industrial Park in the Development Zone, Kunshan City, Jiangsu Province	US$10,000 thousand	Production and processing of computer chassis and server
Chenbro UK Limited	2008.08.24	Suite 11B, Crossford Court, Dane Road, Sale, Manchester, M33 7BZ, U.K.	EUR 25 thousand	Marketing Services Company
Dongguan Procase Electronic Ltd.	1995.12.18	Hong Yeh Industrial District, Tang Xia Town, Dongguan City	HK$85,600 thousand	Production and processing of computer chassis and server
ADEPT International Company LTD.	2007.02.22	The British Virgin Islands	US$15,800 thousand	Holdings
PROCASE & MOREX Corporation	1997.10.03	The British Virgin Islands	US$17,751 thousand	Trade of computer chassis and server
CLOUD INTERNATIONAL COMPANY LIMITED	2012.04.23	Samo	US$550 thousand	Holdings
Chenbro Micom Co., Ltd. (Shenzhen)	2012.05.24	Futian Center,Shenzhen City, Guangdong Province	US$500 thousand	Trade of computer chassis and server
Chenbro Micom Co., Ltd. (Beijing)	2014.06.06	Changping District, Beijing City	RMB 6,000 thousand	Technology R&D
Chenbro GmbH	2015.02.10	Carl-Friedrich-Benz-Str. 13, 47877 Willich, Germany	EUR 250 thousand	Marketing Services Company
ChenPower Information Technology (Shanghai) Co., Ltd	2016.10.08	Room 150, District J, 1stFloor, 1st Building, No. 1362, Huqingping Rd., Qingpu District, Shanghai	US$2,100 thousand	Trade of computer chassis and server

(3) The reason for the presumption of a control and subordination relationship and the relevant information of the personnel: None.

(4) Business contact and the division of labor between the affiliated companies

Name of enterprise	Business contact and division of labor
Chenbro Micom Co., Ltd.	Parent Company, it controls the business operation of all subsidiaries
Chenbro Europe B.V.	It is a subsidiary with independent sales ability
Chenbro Micom (USA) INC.	It is a subsidiary with independent sales ability
Micom-Source Holding Co.	It is a holding company incorporated in a third country lawfully
Cloudwell Holdings, LLC.	It is a subsidiary with independent real estate leasing
AMAC International Co.	It is a holding company incorporated in a third country lawfully
AMBER International Co.	It is a holding company incorporated in a third country lawfully
ADEPT International Company LTD.	It is a holding company incorporated in a third country lawfully
PROCASE & MOREX Corporation	It is a trading company setup in a third country lawfully
Chenbro UK Limited	It is a sub-subsidiary with independent marketing service
ChenbroTechnology (Kunshan) Co., Ltd.	It is a subsidiary of the sub-subsidiary with independent production and sales
Dongguan Procase Electronic Co., Ltd	It is a sub-subsidiary of the sub-subsidiary with independent production and sales
Cloud International Company Limited	It is a holding company incorporated in a third country lawfully
Chenbro Micom Co., Ltd. (Shenzhen)	It is a subsidiary of the sub-subsidiary with independent sales ability
Chenbro Micom Co., Ltd. (Beijing)	It is a sub-subsidiary of the sub-subsidiary of a technology R&D Center
Chenbro GmbH	It is a subsidiary with independent marketing service
ChenPower Information Technology (Shanghai) Co., Ltd	It is a subsidiary of the sub-subsidiary with independent sales ability

(5) The Directors, Supervisors, and President of the affiliated companies

Name of enterprise	Title	Name
Chenbro Europe B.V.	Director	CHEN MEI CHI and CHEN CHIH FEN
Chenbro Micom (USA) INC.	Director	CHEN MEI CHI and LEE YA MI
Micom- Source Holding Co.	Director	CHEN MEI CHI
Cloudwell Holdings, LLC.	Director	CHEN YUN PENG
AMAC International Co.	Director	CHEN MEI CHI
AMBER International Company	Director	CHEN MEI CHI
Chenbro Technology (Kunshan) Co., Ltd.	Director	CHEN MEI CHI , CHEN CHIH FEN, and TSOU KE TI
Chenbro UK Limited	Director	CHEN MEI CHI and CHEN FENG MING
Dongguan Procase Electronic Co., Ltd.	Director	CHEN CHIH FEN
ADEPT International Company LTD.	Director	CHEN MEI CHI
PROCASE & MOREX CORPORATION	Director	CHEN MEI CHI
CLOUD INTERNATIONAL COMPANY LIMITED	Director	CHEN MEI CHI
Chenbro Micom Co., Ltd. (Shenzhen)	Director	CHEN FENG CHENG
Chenbro Micom Co., Ltd. (Beijing)	Director	CHEN FENG CHENG
Chenbro GmbH	Director	CHEN MEI CHI
ChenPower Information Technology (Shanghai) Co., Ltd	Director	CHEN MEI CHI

(6) The business operations of each affiliated company

Unit: NTD thousand

Name of enterprise	Share capital	Total assets	Total liabilities	Net value	Operating revenues	Operating profit	Current period profit (after tax)
Chenbro Europe B.V.	3,556	82,960	22,798	60,162	205,205	8,241	7,716
Chenbro Micom (USA) INC.	30,280	641,320	529,363	111,957	1,961,042	37,666	24,869
Cloudwell Holdings, LLC.	109,365	279,249	159,289	119,960	13,306	8,203	1,699
Micom- Source Holding Co.	619,223	2,198,888	43,470	2,155,418	0	1,879	276,475
AMAC International Co.	195,389	58,820	0	58,820	0	0	9,107
Chenbro Technology (Kunshan) Co., Ltd.	383,754	2,161,287	618,535	1,542,752	1,676,925	269,439	224,328
AMBER International Company	249,504	1,613,417	77,759	1,535,658	0	(262)	226,253
ADEPT International Company LTD.	474,044	515,590	84,656	430,934	0	(23)	40,772
PROCASE & MOREX Corporation	537,500	806,958	293,056	513,902	1,519,470	(10,203)	54,290
Dongguan Procase Electronic Co., Ltd.	483,589	1,038,209	549,084	489,125	1,659,634	84,719	75,914
Chenbro UK Limited	973	2,577	848	1,729	3,771	180	144
CLOUD INTERNATIONAL COMPANY LIMITED	16,233	29,531	0	29,531	0	(28)	3,838
Chenbro Micom Co., Ltd. (Shenzhen)	14,975	100,587	72,562	28,025	179,803	8,107	3,893
Chenbro Micom Co., Ltd. (Beijing)	30,540	9,961	5,096	4,865	11,415	(18,093)	(18,093)
Chenbro GmbH	9,019	11,029	2,250	8,779	17,101	158	71
ChenPower Information Technology (Shanghai) Co., Ltd	66,906	76,002	7,332	68,670	8,633	1,784	1,338

(II) The companies that are to be included in the Company's affiliates consolidated financial report are same as the companies included in the parent-subsidiary consolidated financial report in accordance with Statements of Financial Accounting Standards No. 7; therefore, an affiliate consolidated financial report will not be prepared separately. The declaration is made as follows:

Chenbro Micom Co., Ltd. and its subsidiaries

The Affiliate’s Declaration of Consolidated Financial Statements

The companies that are to be included in the Company’s 2016 (January 1 ~ December 31, 2016) affiliates consolidated financial report in accordance with the “Regulations governing the preparation of affiliates consolidated business report, affiliates consolidated financial statements, and relationship report” are the same as the companies included in the parent-subsidiary consolidated financial report in accordance with International Accounting Standards (IAS) No. 10. In addition, the information to be disclosed in the affiliates consolidated financial report has been disclosed in the parent-subsidiary consolidated financial report referred to above; therefore, an affiliate consolidated financial report will not be prepared separately.

Declared by:

Company Name: Chenbro Micom Co., Ltd.
and its subsidiaries

Person in charge: CHEN MEI CHI

February 23, 2017

(III) Relationship Report: Not applicable.

II. The handling of securities private placement in the most recent year and up to the printing date of the annual report.

None.

III. The disposal of the Company's shares by its subsidiaries during the latest financial year, up to the publication date of this annual report

None.

IV. Other necessary supplementary information

None.

V. There had any of the events defined in Article 36 Paragraph 3 Section 2 of the Act that would have significant impact on the shareholders' equity or securities price occurred in the most recent year and up to the printing date of the annual report

None.

[Appendix I] Internal Control System Declaration

Chenbro Micom Co., Ltd.

Declaration of Internal Control Policies

Date: February 23, 2017

The Company's 2016 Internal Control System Declaration is declared as follows in accordance with the self-assessment results:

I. The Company is aware that the establishment, execution, and maintenance of its internal control policies are the responsibilities The Company's Board of Directors and managers. These policies were implemented throughout The Company. The purpose is to provide reasonable assurance on the achievement of operating effectiveness and efficiency (including profits, performance, and assets safeguarding), reporting matters with reliability, timeliness, and transparency, and compliance with the relevant law and regulations.

II. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three goals above. Furthermore, environmental and situational changes may affect the effectiveness of internal control policies. However, self-supervision measures were implemented within The Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company has based on the criteria of the internal control system effectiveness in the "Regulations Governing the Establishment of Internal Control System by Public Companies" (referred to as the "Regulations" hereinafter) to determine the effectiveness of the internal control system design and implementation. Regarding the internal control system criteria in the "Regulations," the internal control system is divided into five composing elements in accordance with the management and control process: 1. environment control, 2. risk assessment, 3. control operation, 4. information and communication, and 5. supervise operation. Each element further contains several items. Please refer to "Regulations" for details.

IV. The Company has adopted the internal control system criteria in the preceding paragraph to assess the effectiveness of the internal control system design and implementation.

V. The Company based on the assessment results in the preceding paragraph believes that the Company's internal control system (including the supervision and management of subsidiaries) as of December 31, 2016, including the achievement of operating effectiveness and efficiency, reporting matters with reliability, timeliness, transparency, and compliance with the relevant specifications, and the compliance with the relevant law and regulations, and the related internal control system design and implementation, is effective and is able to reasonably ensure achieving the above objectives.

VI. The "Internal Control System Declaration" will be the main content of the Company' annual report and prospectus for the reference of the public. Any illegal misrepresentation or non-disclosure relating to the public statement above are subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities Exchange Act.

VII. The "Internal Control System Declaration" was resolved in the Board of Directors meeting on February 23, 2017 without any objection from any of the seven (7) attending Board Directors. The attending Board Directors approved the "Internal Control System Declaration" unanimously.

Chenbro Micom Co., Ltd.

Chairman and President: CHEN MEI CHI Seal and Signature

[Appendix II] Supervisor Review Report

Supervisors' Review Report

The Supervisors have duly audited the Business Report, Financial Statements, and Schedule of Earnings Distribution prepared by the Board of Directors for the year of 2016, and found the same to be true and correct. Therefore, the Supervisors' Report is hereby issued in accordance with Article 219 of the Company Law. The Supervisor Report is hereby enclosed for reference.

Sincerely yours,

The Company's 2017 Shareholders' Meeting

Chenbro Micom Co., Ltd.

Supervisor: HUANG LI LONG

Supervisor: CHEN JEN SHYANG

Supervisor: LEE YA MI

February 23, 2017

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(16)PWCR16003261

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

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Valuation of accounts receivable

Description

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

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

How our audit addressed the matter

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

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

Valuation of inventories

Description

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

NT$775,589 thousand and NT$128,084 thousand, respectively.

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

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

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

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

Other matter - audits of the other independent accountants

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets amounting to NT$359,305 thousand and NT$331,281 thousand, both representing 7% of the consolidated total assets as of December 31, 2016 and 2015, respectively, and total operating revenue amounting to NT$205,204 thousand and NT$143,228 thousand, representing 4% and 3% of the consolidated total operating revenue for the years then ended, respectively. Those statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in these financial statements and the information disclosed in Note 13 are based solely on the audits of the other independent accountants.

Other matter – Parent company only financial reports

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

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

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

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

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

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

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

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

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

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

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

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

Audrey Tseng

Audrey Tseng

Chih Ping Chiun

Chih, Ping-Chiun

for and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

1. HISTORY AND ORGANIZATION

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

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

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

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

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

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

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

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

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

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

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

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

A. IFRS 9, 'Financial instruments'

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

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

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

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

Step 1: Identify contracts with customer.

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

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

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

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

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

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

D. IFRS 16, ‘Leases’

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

E. Amendments to IAS 7, ‘Disclosure initiative’

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

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

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

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

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

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) December 31, 2016	Ownership (%) December 31, 2015	Description
Chenbro Micom Co., Ltd.	Micom Source Holding Company	Holding company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Micom (USA) Incorporation	General trading company	100	100	
Chenbro Micom Co., Ltd.	Chenbro Europe B.V.	General trading company	100	100	Note 2
Chenbro Micom Co., Ltd.	CLOUDWELL HOLDINGS, LLC.	Real estate leasing company	100	100	Note 2
Chenbro Micom Co., Ltd.	Chenbro GmbH	Marketing services	100	100	
Micom Source Holding Company	Cloud International Company Limited	Holding company	100	100	
Micom Source Holding Company	AMAC International Company	Holding company	100	100	
Micom Source Holding Company	AMBER International Company	Holding company	100	100	

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

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

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

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

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

E. Significant restrictions: None.

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

(4) Foreign currency translation

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

A. Foreign currency transactions and balances

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

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

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

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

B. Translation of foreign operations

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

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

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

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

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

(5) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(6) Cash equivalents

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

(7) Accounts receivable

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

(8) Impairment of financial assets

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

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

(a) Significant financial difficulty of the debtor;

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

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

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

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

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

(9) Derecognition of financial assets

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

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

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

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

(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) Financial assets measured at cost

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

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

(12) Property, plant and equipment

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

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

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

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

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

(13) Intangible assets

A. Trademarks

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

B. Computer software

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

(14) Impairment of non-financial assets

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

(15) Borrowings

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

(16) Notes and accounts payable

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

(17) Derecognition of financial liabilities

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

(18) Offsetting financial instruments

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

(19) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

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

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

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

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

(20) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

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

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

(21) Share capital

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

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

(22) Dividends

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

(23) Revenue recognition

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

(24) Operating segments

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

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

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

A. Evaluation of accounts receivable

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

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

B. Evaluation of inventories

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

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

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

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

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

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

(2) Accounts receivable

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

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

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

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

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

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

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

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

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

The above ageing analysis was based on past due date.

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

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

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

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

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

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

(3) Transfer of financial assets

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

December 31, 2016						
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 15,803	$ 15,803	$ 30,000	$ -		

December 31, 2015						
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 12,868	$ 12,868	$ 30,000	$ -		

Note: Shown as 'other receivables'.

(4) Inventories

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

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

The cost of inventories recognised as expense for the period:

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

(5) Financial assets measured at cost

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

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

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

(6) Property, plant and equipment

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

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

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

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

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

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

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

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

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

(7) Intangible assets

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

Details of amortisation on intangible assets are as follows:

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

(8) Other non-current assets

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

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

(9) Short-term borrowings

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

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

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

(10) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral		December 31, 2016
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in USA	$	157,208
Less: current portion (shown as 'other current liabilities')				(	6,890)
				$	150,318

Type of borrowings	Borrowing period and repayment term	Interest rate	Collateral		December 31, 2015
Installment payment for secured foreign currency borrowings	USD 5,530 thousand; borrowing period is from September 2013 to August 2033; principal and interest are repayable monthly from October 2013	Fixed rate 3.75%	Bank deposits and real estate in USA	$	166,707
Less: current portion (shown as 'other current liabilities')				(	6,759)
				$	159,948

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

(11) Other payables

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

(12) Pensions

A. Defined benefit plan

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

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

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

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

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

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

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the

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

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

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

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

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

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

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

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

B. Defined contribution plan

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

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

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

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

(13) Ordinary shares

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

B. Treasury shares

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

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

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

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

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

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

(14) Capital surplus

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

(15) Retained earnings

A. Under the Company's Articles of Incorporation adopted by the shareholders during their meeting on June 23, 2016, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital. The remaining shall be taken into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.

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

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

D. (a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings.

When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

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

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

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

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

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

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

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

(16) Other equity items

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

(17) Other income

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

(18) Other gains and losses

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

(19) Employee benefit, depreciation and amortisation expenses

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

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

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

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

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

(20) Income tax

A. Income tax expense

(a) Components of income tax expense:

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

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

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

B. Reconciliation between income tax expense and accounting profit

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

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

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

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

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

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

F. Unappropriated retained earnings:

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

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

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

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

(21) Earnings per share

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

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

(22) Supplemental cash flow information

Investing activities with partial cash payments:

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

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Significant related party transactions

A. Operating revenue

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

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

B. Purchases

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

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

C. Receivables from related parties

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

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

D. Payables to related parties

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

Accounts payable bear no interest.

(3) Key management compensation

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

8. PLEDGED ASSETS

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

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

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

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

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

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

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

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

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

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

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

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

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

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

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

B. Financial risk management policies

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

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

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

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

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

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

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

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

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

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

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

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

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

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

Interest rate risk

The Group’s interest rate risk arises from short-term borrowings and long-term borrowings (including current portion). Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group’s borrowings are issued at fixed rates. During the years ended

December 31, 2016 and 2015, the Group's borrowings were denominated in the USD and NTD.

(b) Credit risk

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

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

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

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

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

(c) Liquidity risk

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

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

Non-derivative financial liabilities:

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

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

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

(3) Fair value information

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

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

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

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in without active market is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 is as follows:

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

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

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

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

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

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

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

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

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

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

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

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

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

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

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

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

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

(2) Information on investees

The information of certain subsidiaries were disclosed from the financial statements audited by other independent accountants. However, the information on investments between companies was eliminated when preparing the consolidated financial statements. The following disclosures are for reference only.

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

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

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

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

14. OPERATING SEGMENT INFORMATION

(1) General information

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

(2) Measurement of segment information

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

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

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

(4) Reconciliation for segment income (loss)

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

(5) Information on product

Details of revenue balance is as follows:

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

(6) Geographical information

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

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

(7) Major customer information

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

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

CHENBRO MICOM CO., LTD.

PARENT COMPANY ONLY FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2016 AND 2015

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

REPORT OF INDEPENDENT ACCOUNTANTS

(16) PWCR16003263

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

Opinion

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

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

Basis for opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Valuation of accounts receivable

Description

Please refer to Note 4(7) for accounting policy on allowance for uncollectible accounts, and Note 6(2) for details of allowance for uncollectible accounts. As of December 31, 2016, the balances of accounts receivable and allowance for uncollectible accounts are NT$283,218 thousand and NT$17,628 thousand, respectively.

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

How our audit addressed the matter

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

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

Valuation of inventories

Description

Please refer to Note 4(9) for accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(4) for description of allowance for inventory valuation losses. As of December 31, 2016, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT$190,736 thousand and NT$28,166 thousand, respectively.

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

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

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

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

- Assessed the reasonableness of net realizable value based on the inventory age and closeout inventory individually identified by the management, and obtaining evidences.

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 balances of these long-term equity investments amounted to NT$176,978 thousand and NT$142,558 thousand as of December 31, 2016 and 2015, respectively, and the related investment income (loss) was NT$8,614 thousand and NT$(1,069) thousand for the years then ended, respectively. Those statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in these financial statements and the information disclosed in Note 13 relative to these investees is based solely on the audit reports of the other independent accountants.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the "Regulations Governing the Preparations 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 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 judgment 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.

Audrey Tseng　　　　　　　　Chih, Ping-Chiun

for and on behalf of PricewaterhouseCoopers, Taiwan

February 23, 2017

The accompanying 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 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
(Expressed in thousands of New Taiwan dollars)

	Assets	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 157,009	4	$ 210,074	6
1150	Notes receivable, net		-	-	232	-
1170	Accounts receivable, net	6(2)	265,590	7	350,783	9
1180	Accounts receivable - related parties	7	527,500	13	345,524	9
1200	Other receivables	6(3)	35,027	1	30,852	1
1210	Other receivables - related parties	7	183,006	4	114,363	3
1220	Current income tax assets		4,851	-	-	-
130X	Inventories	6(4)	162,570	4	145,808	4
1410	Prepayments		2,357	-	3,540	-
1470	Other current assets	8	6,420	-	1,198	-
11XX	**Total current assets**		1,344,330	33	1,202,374	32
	Non-current assets					
1543	Non-current financial assets measured at cost	6(5)	31,625	1	-	-
1550	Investments accounted for using equity method	6(6)(16)	2,362,067	58	2,202,382	59
1600	Property, plant and equipment	6(7) and 7	263,378	7	273,907	8
1780	Intangible assets	6(8)	7,562	-	9,706	-
1840	Deferred income tax assets	6(21)	33,665	1	28,900	1
1900	Other non-current assets	6(9)	7,007	-	6,929	-
15XX	**Total non-current assets**		2,705,304	67	2,521,824	68
1XXX	**Total assets**		$ 4,049,634	100	$ 3,724,198	100

(Continued)

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	2016 AMOUNT	%	2015 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(10)	$ 94,500	2	$ 65,690	2
2150	Notes payable		-	-	18	-
2170	Accounts payable		309,438	8	254,516	7
2180	Accounts payable - related parties	7	451,273	11	404,907	11
2200	Other payables	6(11)	192,765	5	167,133	4
2220	Other payables - related parties	7	7,191	-	22,823	1
2230	Current income tax liabilities		67,419	2	374	-
2300	Other current liabilities		3,729	-	5,895	-
21XX	**Total current liabilities**		1,126,315	28	921,356	25
	Non-current liabilities					
2570	Deferred income tax liabilities	6(21)	40,138	1	56,007	1
2600	Other non-current liabilities	6(12)	26,387	-	38,820	1
25XX	**Total non-current liabilities**		66,525	1	94,827	2
2XXX	**Total liabilities**		1,192,840	29	1,016,183	27
	Equity					
	Share capital	6(13)				
3110	Share capital - common stock		1,197,260	30	1,201,260	32
	Capital surplus	6(14)				
3200	Capital surplus		48,209	1	56,749	1
	Retained earnings	6(15)				
3310	Legal reserve		458,888	11	408,404	11
3320	Special reserve		65,573	2	65,573	2
3350	Unappropriated retained earnings		1,163,915	29	933,712	25
	Other equity interest	6(16)				
3400	Other equity interest		(77,051)	(2)	54,857	2
3500	**Treasury stocks**	6(13)	-	-	(12,540)	-
3XXX	**Total equity**		2,856,794	71	2,708,015	73
	Significant contingent liabilities and unrecorded contract commitments	9				
	Significant events after the balance sheet date	6(15) and 11				
3X2X	**Total liabilities and equity**		$ 4,049,634	100	$ 3,724,198	100

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

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

	Items	Notes	2016 AMOUNT	2016 %	2015 AMOUNT	2015 %
4000	**Operating revenue**	6(17) and 7	$ 3,250,976	100	$ 3,038,008	100
5000	**Operating costs**	6(4)(20) and 7	(2,488,887)	(77)	(2,386,061)	(79)
5900	**Net operating margin**		762,089	23	651,947	21
5910	Unrealized profit from sales		(79,583)	(2)	(67,434)	(2)
5920	Realized profit from sales		67,434	2	83,725	3
	Unrealized (profit) loss from sales	6(6)	(12,149)	-	16,291	1
5950	**Net operating margin**		749,940	23	668,238	22
	Operating expenses	6(20) and 7				
6100	Selling expenses		(110,559)	(4)	(108,151)	(4)
6200	General and administrative expenses		(125,982)	(4)	(109,626)	(4)
6300	Research and development expenses		(140,189)	(4)	(132,455)	(4)
6000	**Total operating expenses**		(376,730)	(12)	(350,232)	(12)
6900	**Operating profit**		373,210	11	318,006	10
	Non-operating income and expenses					
7010	Other income	6(18) and 7	36,591	1	18,084	1
7020	Other gains and losses	6(19)	(9,918)	-	15,662	-
7050	Finance costs		(914)	-	(1,324)	-
7070	Share of profit of subsidiary, associates and joint ventures accounted for using equity method, net	6(6)	297,761	9	240,851	8
7000	**Total non-operating income and expenses**		323,520	10	273,273	9
7900	**Profit before income tax**		696,730	21	591,279	19
7950	Income tax expense	6(21)	(96,542)	(3)	(86,445)	(3)
8200	**Profit for the year**		$ 600,188	18	$ 504,834	16
	Other comprehensive income					
	Components of other comprehensive loss that will not be reclassified to profit or loss					
8311	Loss on remeasurement of defined benefit plan		($ 9,896)	-	($ 3,215)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	1,682	-	547	-
8310	**Components of other comprehensive loss that will not be reclassified to profit or loss**		(8,214)	-	(2,668)	-
	Components of other comprehensive loss that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(16)	(157,552)	(5)	(41,287)	(1)
8399	Income tax relating to the components of other comprehensive income	6(16)(21)	25,644	1	7,362	-
8360	**Components of other comprehensive loss that will be reclassified to profit or loss**		(131,908)	(4)	(33,925)	(1)
8300	**Other comprehensive loss for the year**		($ 140,122)	(4)	($ 36,593)	(1)
8500	**Total comprehensive income for the year**		$ 460,066	14	$ 468,241	15
	Earnings per share (in dollars)	6(22)				
9750	**Basic earnings per share**		$	5.01	$	4.22
9850	**Diluted earnings per share**		$	4.95	$	4.15

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

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLYSTATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

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

Note 1: The directors' and supervisors' remuneration amounting to $14,627 and employees' bonuses amounting to $58,508 had been deducted from comprehensive income for 2014.
Note 2: The directors' and supervisors' remuneration amounting to $13,009 and employees' bonuses amounting to $44,231 had been deducted from comprehensive income for 2015. The amount approved was $59,171 and the difference of $1,931 had been adjusted in the statement of comprehensive income for 2016.

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

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars)

	Notes	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 696,730	$ 591,279
Adjustments			
Adjustments to reconcile profit (loss)			
Provision (reversal of allowance) for doubtful accounts	6(2)	1,683	(4,362)
Depreciation	6(7)(20)	26,667	31,309
Amortization	6(8)(20)	4,602	5,184
Interest expense		914	1,324
Interest income	6(18)	(423)	(3,954)
Gain on disposal of property, plant and equipment	6(19)	(1,551)	(420)
Share of profit of subsidiaries, associates and joint ventures	6(6)	(297,761)	(240,851)
Net unrealised profit from sales	6(6)	12,149	(16,291)
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		232	223
Accounts receivable		83,510	(105,468)
Accounts receivable - related parties		(181,976)	12,123
Other receivables		(4,185)	9,337
Other receivables - related parties		(68,643)	(37,270)
Inventories		(16,762)	81,848
Prepayments		1,183	1,214
Other current assets		(5,222)	(36)
Changes in operating liabilities			
Notes payable		(18)	(474)
Accounts payable		54,922	22,769
Accounts payable - related parties		46,366	(52,350)
Other payables (including related parties)		12,346	1,683
Other current liabilities		(2,166)	(3,597)
Other non-current liabilities		(22,329)	467
Cash inflow generated from operations		340,268	293,687
Interest received		433	5,115
Interest paid		(1,130)	(1,359)
Income tax paid		(27,656)	(164,176)
Net cash flows from operating activities		311,915	133,267
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets measured at cost	6(5)	(31,625)	-
Acquisition of investments accounted for using equity method	6(6)	(31,625)	(9,019)
Acquisition of property, plant and equipment	6(23)	(18,838)	(29,216)
Proceeds from disposal of property, plant and equipment		2,121	420
Acquisition of intangible assets		(2,458)	(3,624)
Increase in other non-current assets		(78)	(536)
Net cash flows used in investing activities		(82,503)	(41,975)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings		28,810	(29,260)
Payment of cash dividends	6(15)	(311,287)	(359,178)
Net cash flows used in financing activities		(282,477)	(388,438)
Net decrease in cash and cash equivalents		(53,065)	(297,146)
Cash and cash equivalents at beginning of year	6(1)	210,074	507,220
Cash and cash equivalents at end of year	6(1)	$ 157,009	$ 210,074

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

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

1. HISTORY AND ORGANIZATION

Chenbro Micom Co., Ltd. was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.) in December 1983. The Company 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 AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

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

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

None.

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

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

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016

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

The above standards and interpretations have no significant impact to the 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 effective from 2017 are as follows:

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

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

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

A. IFRS 9, 'Financial instruments'

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

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

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

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

Step 1: Identify contracts with customer

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

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognise revenue when the performance obligation is satisfied

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

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

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

D. IFRS 16, 'Leases'

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

E. Amendments to IAS 7, 'Disclosure initiative'

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these 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 defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation, the financial statements have been prepared under the historical cost convention.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

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.

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 foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'

B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and jointly controlled entities 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 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) Classification of current and non-current items

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

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

(b) Assets held mainly for trading purposes;

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

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

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

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

(b) Liabilities arising mainly from trading activities;

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

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

(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) Accounts receivable

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

(7) Impairment of financial assets

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

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

(a) Significant financial difficulty of the debtor;

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

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

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

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

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

(8) 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.

(9) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. 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.

(10) Financial assets measured at cost

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

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

(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.

(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	10～50 years
Machinery and equipment	6 years
Mold equipment	2～4 years
Computer communication equipment	3～4 years
Testing equipment	3～4 years
Transportation equipment	5 years
Office equipment	3 years
Other equipment	3～4 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) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where 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.

(15) Borrowings

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

(16) Notes and accounts payable

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

(17) Derecognition of financial liabilities

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

(18) Offsetting financial instruments

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

(19) Employee benefits

A. Short-term employee benefits

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

B. Pensions

(a) Defined contribution plan

For defined contribution plan, 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 plan

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

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

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

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

(20) Income tax

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

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

(21) Share capital

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

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

(22) Dividends

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

(23) Revenue recognition

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

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:

(1) Valuation of accounts receivable

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

As of December 31, 2016, the carrying amount of accounts receivable amounted to $265,590.

(2) Evaluation of inventories

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

As of December 31, 2016, the carrying amount of inventories was $162,570.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Petty cash and cash on hand	$ 131	$ 247
Demand deposits	38,614	53,309
Checking accounts	574	797
Time deposits (including foreign currencies)	-	28,000
Foreign currency deposits	117,690	127,721
	$ 157,009	$ 210,074

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

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

(2) Accounts receivable

	December 31, 2016	December 31, 2015
Accounts receivable	$ 283,218	$ 366,728
Less: allowance for bad debts	(17,628)	(15,945)
	$ 265,590	$ 350,783

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

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

	December 31, 2016	December 31, 2015
Level 1	$ -	$ -
Level 2	202,238	309,525
Level 3	-	9,825
	$ 202,238	$ 319,350

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

Level 2: Accounts receivable are insured so that the Company only bears 10% of the risk of default and insurance companies bear the remaining 90%. Because of the financial transparency, the domestic and foreign listed customers are listed in level 2 under approval of the chairman starting from January 30, 2015.

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

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

	December 31, 2016	December 31, 2015
Up to 30 days	$ 16,564	$ 22,338
31 to 90 days	33,028	6,927
91 to 180 days	16,741	2,595
Over 180 days	130	1,001
	$ 66,463	$ 32,861

The above ageing analysis was based on past due date.

D. Movement analysis of financial assets that were impaired is as follows:

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

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

	2016		
	Individual provision	Group provision	Total
At January 1	$ 14,517	$ 1,428	$ 15,945
Provision for impairrment	-	1,683	1,683
At December 31	$ 14,517	$ 3,111	$ 17,628

	2015		
	Individual provision	Group provision	Total
At January 1	$ 14,695	$ 5,612	$ 20,307
Reversal of impairment	(178)	(4,184)	(4,362)
At December 31	$ 14,517	$ 1,428	$ 15,945

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

(3) Transfer of financial assets

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 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, 2016 and 2015, the related information is as follows:

December 31, 2016						
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 15,803	$ 15,803	$ 30,000	$ -	-	

December 31, 2015						
Purchaser of accounts receivable	Accounts receivable transferred (Note)	Amount derecognised	Facilities	Amount advanced	Interest rate of amount advanced	Footnote
Chang Hwa Bank	$ 12,868	$ 12,868	$ 30,000	$ -	-	

Note: Shown as ‘other receivables’.

(4) Inventories

	December 31, 2016		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 55,397	($ 14,273)	$ 41,124
Finished goods	135,339	(13,893)	121,446
	$ 190,736	($ 28,166)	$ 162,570

	December 31, 2015		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 49,834	($ 9,335)	$ 40,499
Finished goods	112,889	(7,580)	105,309
	$ 162,723	($ 16,915)	$ 145,808

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2016	2015
Cost of goods sold	$ 2,477,705	$ 2,382,999
Loss on decline in market value	11,251	3,077
Gain on physical inventory	(69)	(15)
	$ 2,488,887	$ 2,386,061

(5) Financial assets measured at cost

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

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

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

(6) Investments accounted for using equity method

	2016	2015
At January 1	$ 2,202,382	$ 1,977,508
Addition of investments accounted for using equity method	31,625	9,019
Share of profit or loss of investments accounted for using equity method	297,761	240,851
Unrealised profit of inter-company transactions	(12,149)	16,291
Changes in other equity items (Note 6(16))	(157,552)	(41,287)
At December 31	$ 2,362,067	$ 2,202,382

	December 31, 2016	December 31, 2015
Micom Source Holding Company	$ 2,116,725	$ 2,007,507
CLOUDWELL HOLDINGS, LLC.	119,960	87,557
Chenbro Europe B.V.	57,018	55,001
Chenbro Gmbh	8,779	9,186
Chenbro Micom (USA) Incorporation	59,585	43,131
	$ 2,362,067	$ 2,202,382

A. The financial statements of investees accounted for using equity method, Chenbro Europe B.V. and CLOUDWELL HOLDINGS, LLC., were audited by their appointed independent accountants. The Company recognized income (loss) of $8,614 and ($1,069) on investees accounted for using equity method based on such financial statements for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016 and 2015, the balance of the related investments accounted for using equity method was $176,978 and $142,558, respectively.

B. Details of the Company's subsidiaries are provided in Note 4(4) of the Company's consolidated financial statements as of and for the year ended December 31, 2016.

(7) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total
January 1, 2016										
Cost	$ 140,737	$ 126,025	$ 1,786	$ 246,066	$ 15,262	$ 17,131	$ 11,823	$ 11,882	$ 639	$ 571,351
Accumulated depreciation	-	(38,345)	(1,381)	(210,303)	(9,715)	(16,367)	(11,369)	(9,964)	-	(297,444)
	$ 140,737	$ 87,680	$ 405	$ 35,763	$ 5,547	$ 764	$ 454	$ 1,918	$ 639	$ 273,907
2016										
Opening net book amount as at January 1	$ 140,737	$ 87,680	$ 405	$ 35,763	$ 5,547	$ 764	$ 454	$ 1,918	$ 639	$ 273,907
Additions	-	243	2,980	9,799	496	630	-	601	1,959	16,708
Disposals	-	-	-	(570)	-	-	-	-	-	(570)
Transfers	-	-	-	2,277	-	-	-	321	(2,598)	-
Depreciation charge	-	(3,263)	(112)	(19,607)	(2,291)	(351)	(200)	(843)	-	(26,667)
Closing net book amount as at December 31	$ 140,737	$ 84,660	$ 3,273	$ 27,662	$ 3,752	$ 1,043	$ 254	$ 1,997	$ -	$ 263,378
December 31, 2016										
Cost	$ 140,737	$ 126,268	$ 4,766	$ 255,702	$ 15,758	$ 17,761	$ 11,823	$ 12,804	$ -	$ 585,619
Accumulated depreciation	-	(41,608)	(1,493)	(228,040)	(12,006)	(16,718)	(11,569)	(10,807)	-	(322,241)
	$ 140,737	$ 84,660	$ 3,273	$ 27,662	$ 3,752	$ 1,043	$ 254	$ 1,997	$ -	$ 263,378

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.

	Land	Buildings	Machinery and equipment	Mold equipment	Computer communication equipment	Testing equipment	Office equipment	Others	Unfinished construction and equipment under acceptance	Total	Prepayments for business facilities (Note 1)
January 1, 2015											
Cost	$ 140,737	$ 125,560	$ 1,562	$ 220,744	$ 14,723	$ 16,819	$ 11,823	$ 11,682	$ -	$ 543,650	$ 106
Accumulated depreciation	-	(35,096)	(1,323)	(194,302)	(7,390)	(15,821)	(11,155)	(9,222)	-	(274,309)	-
	$ 140,737	$ 90,464	$ 239	$ 26,442	$ 7,333	$ 998	$ 668	$ 2,460	$ -	$ 269,341	$ 106
2015											
Opening net book amount as at January 1	$ 140,737	$ 90,464	$ 239	$ 26,442	$ 7,333	$ 998	$ 668	$ 2,460	$ -	$ 269,341	$ 106
Additions	-	465	224	32,828	539	312	-	200	1,700	36,268	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Transfers (Note 2)	-	-	-	668	-	-	-	-	(1,061)	(393)	(106)
Depreciation charge	-	(3,249)	(58)	(24,175)	(2,325)	(546)	(214)	(742)	-	(31,309)	-
Closing net book amount as at December 31	$ 140,737	$ 87,680	$ 405	$ 35,763	$ 5,547	$ 764	$ 454	$ 1,918	$ 639	$ 273,907	$ -
December 31, 2015											
Cost	$ 140,737	$ 126,025	$ 1,786	$ 246,066	$ 15,262	$ 17,131	$ 11,823	$ 11,882	$ 639	$ 571,351	$ -
Accumulated depreciation	-	(38,345)	(1,381)	(210,303)	(9,715)	(16,367)	(11,369)	(9,964)	-	(297,444)	-
	$ 140,737	$ 87,680	$ 405	$ 35,763	$ 5,547	$ 764	$ 454	$ 1,918	$ 639	$ 273,907	$ -

Note 1: Prepayments for business facilities are shown as ‘other non-current assets’.

Note 2: The current transfers of $499 are prepayments for business facilities that were transferred to intangible assets.

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
January 1, 2016				
Cost	$ 502	$ 22,685	$ 460	$ 23,647
Accumulated amortisation	(190)	(13,492)	(259)	(13,941)
	$ 312	$ 9,193	$ 201	$ 9,706
2016				
At January 1	$ 312	$ 9,193	$ 201	$ 9,706
Additions	31	2,287	140	2,458
Amortisation charge	(40)	(4,485)	(77)	(4,602)
At December 31	$ 303	$ 6,995	$ 264	$ 7,562
December 31, 2016				
Cost	$ 533	$ 24,972	$ 600	$ 26,105
Accumulated amortisation	(230)	(17,977)	(336)	(18,543)
	$ 303	$ 6,995	$ 264	$ 7,562

	Trademarks	Computer software	Others	Total
January 1, 2015				
Cost	$ 502	$ 18,821	$ 201	$ 19,524
Accumulated amortisation	(150)	(8,409)	(198)	(8,757)
	$ 352	$ 10,412	$ 3	$ 10,767
2015				
At January 1	$ 352	$ 10,412	$ 3	$ 10,767
Additions	-	3,365	259	3,624
Transfers	-	499	-	499
Amortisation charge	(40)	(5,083)	(61)	(5,184)
At December 31	$ 312	$ 9,193	$ 201	$ 9,706
December 31, 2015				
Cost	$ 502	$ 22,685	$ 460	$ 23,647
Accumulated amortisation	(190)	(13,492)	(259)	(13,941)
	$ 312	$ 9,193	$ 201	$ 9,706

Details of amortisation on intangible assets are as follows:

	Years ended December 31,	
	2016	2015
Selling expenses	$ 350	$ 385
Administrative expenses	2,245	3,031
Research and development expenses	2,007	1,768
	$ 4,602	$ 5,184

(9) Other non-current assets

	December 31, 2016	December 31, 2015
Guarantee deposits paid	$ 3,282	$ 3,204
Others	3,725	3,725
	$ 7,007	$ 6,929

(10) Short-term borrowings

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

Type of borrowings	December 31, 2015	Interest rate range	Collateral
Short-term borrowings	$ 65,690	0.82%~0.90%	A promissory note of the same amount was issued as collateral.

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

(11) Other payables

	December 31, 2016	December 31, 2015
Remuneration due to directors and supervisors and employee bonus payable	$ 67,566	$ 59,171
Wages and bonus payable	48,826	51,645
Payables for export freight and customs clearance charges	21,979	22,333
Payables for service fees	10,453	7,485
Payables for mold	10,236	6,152
Payables for machinery and equipment	8,431	2,789
Others	25,274	17,558
	$ 192,765	$ 167,133

(12) Pensions

A. Defined benefit plan

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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, 2016 and 2015 were $7,582 and $6,937, respectively.

(13) Ordinary shares

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

B. Treasury shares

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

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

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

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

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

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

(14) Capital surplus

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

(15) Retained earnings

A. Under the Company's Articles of Incorporation adopted by the shareholders during their meeting on June 23, 2016, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the amount of legal reserve reaches total capital. The remaining shall be taken into account item D below for the related regulations of setting aside special reserve. The appropriation of the remaining earnings along with the unappropriated earnings of prior years depends on annual financial status and economic development and shall be proposed by the Board of Directors and approved by the shareholders.

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

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

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

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

E. (a) On June 23, 2016 and June 11, 2015, the shareholders proposed the appropriations of 2015 and 2014 earnings as follows:

	Year ended December 31, 2015		Year ended December 31, 2014	
	Amount	Dividend per share (in dollars)	Amount	Dividend per share (in dollars)
Legal reserve	$ 50,483	$ -	$ 54,127	$ -
Cash dividends to shareholders	311,287	2.60	359,178	3.00
	$ 361,770	$ 2.60	$ 413,305	$ 3.00

(b) On February 23, 2017, the Board of Directors has proposed the appropriation of 2016 earnings as follows:

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

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

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

(16) Other equity items

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

(17) Operating revenue

	Years ended December 31,	
	2016	2015
Sales revenue	$ 3,250,976	$ 3,038,008

(18) Other income

	Years ended December 31,	
	2016	2015
Royalty revenue	$ 31,578	$ 11,322
Interest income from bank deposits	423	3,954
Other income	4,590	2,808
	$ 36,591	$ 18,084

(19) Other gains and losses

	Years ended December 31,	
	2016	2015
Net currency exchange (loss) gain	($ 10,392)	$ 21,803
Gain on disposal of property, plant and equipment	1,551	420
Other expenses	(1,077)	(6,561)
	($ 9,918)	$ 15,662

(20) Employee benefits, depreciation and amortisation expenses

	Years ended December 31,	
	2016	2015
Wages and salaries	$ 207,794	$ 196,457
Labour and health insurance fees	13,227	12,859
Pension costs	8,624	7,956
Other personnel expenses	11,534	9,716
Employee benefits expense	$ 241,179	$ 226,988
Depreciation charges on property, plant and equipment	$ 26,667	$ 31,309
Amortisation charges on intangible assets	$ 4,602	$ 5,184

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

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

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

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

(21) Income tax

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2016	Years ended December 31, 2015
Current tax:		
Current tax on profits for the year	$ 75,768	$ 61,690
Tax on undistributed surplus earnings	14,306	12,797
Prior years income tax over estimate	(225)	(225)
Total current tax	89,849	74,262
Deferred tax:		
Origination and reversal of temporary differences	6,693	12,183
Total deferred tax	6,693	12,183
Income tax expense	$ 96,542	$ 86,445

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

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

B. Reconciliation between income tax expense and accounting profit

	Years ended December 31, 2016	Years ended December 31, 2015
Tax calculated based on profit before tax and statutory tax rate	$ 118,444	$ 100,517
10% tax on undistributed earnings	14,306	12,797
Prior year income tax overestimate	(225)	(225)
Effect from expenses disallowed by tax regulation	(35,983)	(26,644)
Income tax expense	$ 96,542	$ 86,445

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

	2016			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	$ 2,875	$ 2,392	$ -	$ 5,267
Unrealised gain on inter-affiliate accounts	18,155	500	-	18,655
Allowance for bad debts that exceed the limit for tax purpose	1,487	126	-	1,613
Unused compensated absences	675	-	-	675
Pension expense payable	3,215	-	1,682	4,897
Pension expense that exceeds the limit for tax purpose	1,405	75	-	1,480
Capitalised repairs and maintenance expense	15	(8)	-	7
Capitalised deed tax	53	(2)	-	51
Unrealised warranty provision	1,020	-	-	1,020
	28,900	3,083	1,682	33,665
-Deferred tax liabilities:				
Investment income	(55,290)	(9,194)	25,644	(38,840)
Unrealised exchange gain	(717)	(581)	-	(1,298)
	(56,007)	(9,775)	25,644	(40,138)
	($ 27,107)	($ 6,692)	$ 27,326	($ 6,473)

	2015			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Temporary differences:				
-Deferred tax assets:				
Allowance for inventory valuation loss and loss on obsolete and slow-moving inventories	$ 2,353	$ 522	$ -	$ 2,875
Unrealised gain on inter-affiliate accounts	24,611	(6,456)	-	18,155
Allowance for bad debts that exceed the limit for tax purpose	2,399	(912)	-	1,487
Unused compensated absences	675	-	-	675
Pension expense payable	2,668	-	547	3,215
Pension expense that exceeds the limit for tax purpose	1,326	79	-	1,405
Capitalised repairs and maintenance expense	23	(8)	-	15
Capitalised deed tax	54	(1)	-	53
Unrealised warranty provision	-	1,020	-	1,020
	34,109	(5,756)	547	28,900
-Deferred tax liabilities:				
Investment income	(55,009)	(7,643)	7,362	(55,290)
Unrealised exchange gain	(1,933)	1,216	-	(717)
	(56,942)	(6,427)	7,362	(56,007)
	($ 22,833)	($ 12,183)	$ 7,909	($ 27,107)

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

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

F. Unappropriated retained earnings:

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

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

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

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

(22) Earnings per share

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

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

(23) Supplemental cash flow information

Investing activities with partial cash payments:

	Years ended December 31, 2016	Years ended December 31, 2015
Purchase of property, plant and equipment	$ 16,708	$ 36,268
Add: opening balance of payable on equipment	10,561	3,509
Less: ending balance of payable on equipment	(8,431)	(10,561)
Cash paid during the year	$ 18,838	$ 29,216

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

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

(2) Names of related parties and relationship with the Company

Names of related parties	Relationship with the Company
Micom Source Holding Company	First-tier subsidiary
Chenbro Micom (USA) Incorporation	First-tier subsidiary
Chenbro Europe B.V.	First-tier subsidiary
Chenbro GmbH	First-tier subsidiary
CLOUDWELL HOLDINGS, LLC.	First-tier subsidiary
Chenbro UK Limited (UK)	Second-tier subsidiary (Note)
Cloud International Company Limited (Cloud)	Second-tier subsidiary (Note)
Amac International Co. (Amac)	Second-tier subsidiary (Note)
Amber International Co. (Amber)	Second-tier subsidiary (Note)
Adept International Co. (Adept)	Second-tier subsidiary (Note)
ChenPower Information Technology (Shanghai) Co., Ltd.	Third-tier subsidiary (Note)
Chenbro Micom (Shenzhen) Co., Ltd. (CCS)	Third-tier subsidiary (Note)
Chenbro Technology (Kunshan) Co., Ltd. (CSH)	Third-tier subsidiary (Note)
Procase & Morex Corp. (Procase)	Third-tier subsidiary (Note)
Dongguan Procase Electronic Co., Ltd. (DGP)	Fourth-tier subsidiary (Note)
Chenbro Micom (Beijing) Co., Ltd.	Fourth-tier subsidiary (Note)
Chen-Source Inc.	Other related party

Note: Shown as 'subsidiary' in Note 7(3).

(3) Significant related party transactions

A. Operating revenue and other income

	Years ended December 31, 2016	Years ended December 31, 2015
Sales of goods:		
－Subsidiaries	$ 2,011,601	$ 1,540,302
－Other related parties	-	1,280
Other income:		
－Subsidiaries (royalty revenue)	31,578	11,322
－Subsidiaries (management revenue)	15,390	10,691
－Other related parties (management revenue)	549	80
－Subsidiaries (interest income)	-	106
	$ 2,059,118	$ 1,563,781

(a) Sales of goods: Goods are sold based on normal prices and terms. Payment collection is T/T 45~120 days and 60~90 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' and 'management fees'. Management revenue is determined based on agreed upon terms and payment collection is T/T 90 days and 30 days after monthly billings.

(d) Interest income: Interest arises from advance payments for inventories.

B. Purchases and other expenses

	Years ended December 31, 2016	Years ended December 31, 2015
Purchases of goods:		
－Subsidiaries	$ 1,759,086	$ 1,545,897
－Other related parties	52,145	53,215
Other expenses:		
－Subsidiaries (commission expense)	-	4,567
－Subsidiaries (service expense)	17,416	5,157
－Other related parties (management service expense)	1,863	983
	$ 1,830,510	$ 1,609,819

(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) Commission expense: Expenses paid by subsidiaries for sales and providing after-sale services on behalf of the Company.

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

(d) Management service expense: Expense paid to other related parties for managing storages. Prices and terms are determined based on mutual agreements and payment term is 60 days after monthly billings.

C. Receivables from related parties

	December 31, 2016	December 31, 2015
Accounts receivable:		
－Subsidiaries	$ 527,500	$ 345,293
－Other related parties	-	231
	527,500	345,524
Other receivables – advance payments on behalf of others:		
－Subsidiaries	182,516	114,360
－Other related parties	490	3
	183,006	114,363
	$ 710,506	$ 459,887

(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, 2016	December 31, 2015
Accounts payable:		
－Subsidiaries	$ 444,504	$ 392,030
－Other related parties	6,769	12,877
	451,273	404,907
Other payables:		
－Subsidiaries	6,646	22,222
－Other related parties	545	601
	7,191	22,823
	$ 458,464	$ 427,730

(a) Accounts payable bear no interest.

(b) Other payables: The payables are expenses and purchase of mold equipment, commission and service expenses paid by subsidiaries and other related parties on behalf of the Company.

E. Property transactions:

The Company purchased mold equipment for manufacturing from subsidiaries and other related parties for the years ended December 31, 2016 and 2015, and the acquisition cost was $140 and $21,612, respectively.

F. Endorsements and guarantees provided to related parties

	December 31, 2016	December 31, 2015
Subsidiaries (Note)	$ 16,600	$ 20,100

Note: unit in thousands of USD.

(4) Key management compensation

	Years ended December 31,	
	2016	2015
Salaries and other short-term employee benefits	$ 41,103	$ 32,733
Post-employment benefits	345	255
Other long-term benefits	1,287	1,227
	$ 42,735	$ 34,215

8. PLEDGED ASSETS

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

	Book value		
Pledged asset	December 31, 2016	December 31, 2015	Purpose
Time deposits (shown as'other current assets')	$ 1,000	$ 1,000	Customs duty guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

The Company entered into equipment agreement and lease agreement. Future lease payments and their present values are as follows:

	December 31, 2016	December 31, 2015
Not later than one year	$ 1,764	$ 1,486
Later than one year but not later than three years	945	1,137
Over three years	64	-
	$ 2,773	$ 2,623

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) On January 19, 2017, to adjust the investment structure in China, the Board of Directors has

approved to establish subsidiaries in Beijing and Shanghai, through ChenPower Information Technology (Shanghai) Co., Ltd. which was invested by the second-tier subsidiary, Amber International Company, and stop the operations of third-tier subsidiaries, Chenbro Micom (Shenzhen) Co., Ltd. and Chenbro Micom (Beijing) Co., Ltd.

12. OTHERS

(1) Capital management

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

(2) Financial instruments

A. Fair value information of financial instruments

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

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 group companies are required to hedge their 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, 2016		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 33,162	32.25	$ 1,069,475
Non-monetary items			
USD:NTD	$ 5,567	32.25	$ 179,545
EUR:NTD	1,941	33.90	65,797
Financial liabilities			
Monetary items			
USD:NTD	$ 21,849	32.25	$ 704,630
HKD:NTD	510	4.16	2,122

	December 31, 2015		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 27,921	32.83	$ 916,646
Non-monetary items			
USD:NTD	$ 3,981	32.83	$ 130,688
EUR:NTD	1,789	35.88	64,187
Financial liabilities			
Monetary items			
USD:NTD	$ 18,503	32.83	$ 607,453
HKD:NTD	591	4.24	2,506

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, 2016				
	Exchange gain (loss)				
	Foreign currency amount (In thousands)		Exchange rate	Book value	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	-	32.25	$	19,348
Financial liabilities					
Monetary items					
USD:NTD	$	-	32.25	($	11,683)
HKD:NTD		-	4.16	(	50)

	Year ended December 31, 2015				
	Exchange gain (loss)				
	Foreign currency amount (In thousands)		Exchange rate	Book value	
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$	-	32.83	$	14,268
Financial liabilities					
Monetary items					
USD:NTD	$	-	32.83	($	4,251)
HKD:NTD		-	4.24	(	28)

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

	Year ended December 31, 2016		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 10,695	-
Financial liabilities			
Monetary items			
USD:NTD	1%	7,046	-
HKD:NTD	1%	21	-

	Year ended December 31, 2015		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 9,166	-
Financial liabilities			
Monetary items			
USD:NTD	1%	6,075	-
HKD:NTD	1%	25	-

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, 2016 and 2015, the Company's borrowings at variable rate were denominated in the USD and NTD.

(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. 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. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, only parties with optimal ratings are accepted.

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

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

iv. The ageing analysis of financial assets that were past due but not impaired is provided in Note 6(2) C.

v. Details of the individual analysis of financial assets that had been impaired is provided in Note 6(2) D.

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating 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, 2016	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 94,552	$ -	$ -	$ -
Accounts payable	309,438	-	-	-
Accounts payable – related party	451,273	-	-	-
Other payables	192,765	-	-	-
Other payables – related party	7,191	-	-	-
Other current liabilities	3,729	-	-	-

December 31, 2015	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 65,743	$ -	$ -	$ -
Notes payable	18	-	-	-
Accounts payable	254,516	-	-	-
Accounts payable – related party	404,907	-	-	-
Other payables	167,133	-	-	-
Other payables – related party	22,823	-	-	-
Other current liabilities	5,895	-	-	-

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

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

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

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in without active market is included in Level 3.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2016 is as follows:

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

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

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

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

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

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

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

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

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

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

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

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

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

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

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

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

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

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

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

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

(2) Information on investees

For investees' disclosures, financial statements of Chenbro Europe B.V., Chenbro UK Limited and CLOUDWELL HOLDINGS., LLC. were audited by the investees' appointed independent accountants. Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

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

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

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

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

14. OPERATING SEGMENT INFORMATION

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.

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