

Chenbro Micom Co., Ltd.

2018 Annual Shareholders' Meeting

Meeting Agenda

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Chenbro Micom Co., Ltd.

2018 Annual Shareholders' Meeting Agenda

Time : June 20, 2018 (Wednesday) at 9:00 am

Place : 2nd underground floor, Building A, No. 726, Zhongzheng Road, Zhonghe District, New Taipei City (Far Eastern Century Plaza, 1st Management Committee Service Center)

Meeting agenda:

- I. Meeting in session
- II. Chairman's Address
- III. Report Items
 - I: The 2017 business report
 - II: The supervisor's review report on the 2017 financial reports
 - III: The 2017 remuneration to employees and remuneration to directors and supervisors report
 - IV: The reasons why shareholders' proposal not included in the general shareholders' meeting for discussion
 - V: Investment in Mainland China report
 - VI: Endorsement/guarantee and loan lending implementation report
 - VII: Treasury stock implementation report
 - VIII: Amendments of the "Rules of Procedure for Board of Directors Meetings"
 - IX Amendments of the "Rules Governing the Responsibilities of the Independent Directors"
- IV. Proposed resolutions
 - Proposal I: The acknowledgement of the 2017 business report and financial reports
 - Proposal II: The acknowledgement of the 2017 statement of earnings distribution.
- V. Special Motion
- VI. Meeting adjourned

[Report Items]

I

Cause of action: The 2017 business report is hereby presented for review and approval.

Explanations: Please refer to Attachment I in page 11 of the Agenda Handbooks for the 2017 business report.

II

Cause of action: The Supervisor's Review Report on the 2017 financial statements is hereby presented for review and approval.

Explanations: Please refer to Attachment II in Page 17 of the Agenda Handbooks for the supervisors' review report

III

Cause of action: The 2017 distribution of remuneration to employees and remuneration to directors and supervisors is hereby presented for review and approval.

Explanations: 1. The remuneration to employees, Directors, and Supervisors in 2017 was approved by the Board in the session dated March 20, 2018, whereby 6.8% and 2% were proposed as the remuneration to employees and to Directors and Supervisors respectively, and will be paid in cash.
2. The total amount of remuneration of the Company to employees in 2017 was NT\$39,239,857.
3. The total amount of remuneration of the Company to Directors and Supervisors in 2017 was NT\$11,541,134.

IV

Cause of action: The reasons why shareholders' proposal excluded for discussion in the general shareholders' meeting are hereby presented for review and approval.

Explanations: As of April 25, 2018 (shareholders' proposals accepting time period from April 16, 2018 to April 25, 2018), except for the proposals passed in the 3rd board meeting on May 8, 2018, there was not any proposal received from the Company's shareholders.

V

Cause of action: Investment in Mainland China report is hereby presented for review and approval.

Explanations: The Company's investment in Mainland China as of December 31, 2017:

Unit: NT\$1,000

Name of invested company in China	Main business operation	Paid-in capital
CHENBRO MICOM (ShenZhen) Co., Ltd.	Trading and order taking	\$14,880
Chenbro Technology (Kunshan) Co., Ltd.	Manufacturing and processing of computer cases	\$297,600
CHENBRO MICOM (BEIJING) CO., LTD	Rendering technical service	\$27,420
Dongguan Procace Electronic Co., Ltd.	Manufacturing and processing of computer cases	\$373,250
ChenPower information Technology (Shang Hai) Co., Ltd.	Trading and order taking	\$62,496

VI

Cause of action: Endorsement/guarantee and loan lending implementation report is hereby presented for review and approval.

Explanations:1. The company's total endorsement/guarantee amounted to NT\$1,751,612 thousand (60% of the company's net Assets) as of December 31, 2017. The endorsement/guarantee for one single enterprise is limited to NT\$583,871 thousand (20% of the company's net Assets). The endorsement/guarantee for the wholly-owned subsidiary (90% and more) is limited to NT\$1,459,677 thousand (50% of the company's net Assets). The actual implementation of the endorsement/guarantee is as follows:

Unit: NT\$1,000

Subject of endorsement/guarantee		Current maximum endorsement / guarantee amount	Ending balance of endorsement / guarantee	Actual amount drawn down	Ratio of accumulated endorsement / guarantee amount to the net worth on the most recent financial report
Company name	Relationship				
Chenbro Micom(USA) Incorporation	The Company's subsidiary	583,871	119,040	59,520	4%
CLOUDWELL HOLDINGS,LLC	The Company's subsidiary	583,871	166,656	138,788	6%
Procace & Morex Corporation	The 100% wholly-owned company of the subsidiary	583,871	208,320	-	7%

2. As of December 31, 2017, the total amount of loans to third parties amounted to NT\$583,871 thousand (20% of the net worth of the Company), and to particular parties amounted to NT\$291,935 thousand (at 10% of the net worth). The details are specified below:

Unit: NT\$1,000

Targets of financing		The upper limit of financing in the current period	The balance of loans to third parties at the end of the period	Actual amount drawn down	The accumulated amount of loans to third parties in proportion to the net worth of the Company as presented in the financial statements covering the most recent period
Company name	Relationship				
Chenbro GmbH	The Company's subsidiary	291,935	35,700	-	1%
ADEPT International Company LTD.	The 100% wholly-owned company of the subsidiary	291,935	89,280	-	3%

VII

Cause of action: The 2017 Treasury stock implementation report

Explanations:

Frequency of repurchase	The 1 st time	The 2 nd time
Date of Board resolution	11/27/2008	08/12/2013
Expected repurchase period	11/28/2008 ~ 1/27/2009	08/13/2013 ~ 10/12/2013
Expected repurchase shares	2,000,000 shares	1,000,000 shares
Expected repurchase price	6.20 ~ 14.00	22.00 ~ 49.80
Actual repurchase period	11/28/2008 ~ 12/12/2008	08/20/2013 ~ 10/09/2013
Actual repurchase shares	543,000	400,000
Actual repurchase amount	NT\$4,737,028	NT\$12,539,980
Average repurchase price per share	NT\$8.72	NT\$31.35
Ratio to the current shareholdings	0.49%	0.33%
Purpose of repurchase	Transferred to employees	Transferred to employees
Reasons for not completing the transaction	—	The treasury stock has not been transferred completely due to the consideration of global economic situation, the effective use of the

		company funds, and maintaining shareholders' equity.
Repurchase shares transferred	543,000 shares	0 share
Repurchase shares cancelled		400,000 shares
Note		<p>◆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.</p> <p>◆The shares bought back this time have all been cancelled with registration date of 2016/10/11.</p> <p>◆The cancellation of the repurchased shares has been approved by the Ministry of Economy through the notice of 10501246700 on 2016/10/21.</p>

VIII

Cause of action: The amendment to the “Parliamentary Procedures of the Board of Directors” of the Company for review.

Explanations: Refer to page. 18, Appendix III, of the manual for information on the amendment to the Parliamentary Procedures of the Board of Directors of the Company.

IX

Cause of action: The amendment to the “Regulations Governing the Scope of Authority and Duties of Independent Directors” of the Company for review.

Explanations: Refer to page. 29, Appendix IV, for information on the amendment to the Regulations Governing the Scope of Authority and Duties of Independent Directors of the Company.

[Proposed Resolutions]

Proposal I

Proposed by the Board of Directors

Cause of action: The 2017 business report and financial statements (including individual and consolidated financial reports) are presented for acknowledgement.

- Explanations:
- I. The CPA had audited the Company's 2017 financial reports, including balance sheet, comprehensive income statement, statement of changes in equity, and statement of cash flows, with a unqualified audit report issued that are also reviewed by the supervisors with a rewritten review report issued and filed for record.
 - II. Please refer to Page 11 [Attachment I] and Page 31 [Attachment V] of the Agenda Handbooks for the 2017 business report, financial statements (including proprietary and consolidated financial statements), and independent auditor's report.
 - III. Please acknowledge.

Resolutions:

Proposal II

Proposed by the Board of Directors

Cause of action: The Company's 2017 statement of earnings distribution is hereby proposed for acknowledgement.

- Explanations:
- I. For the 2017 earnings distribution, the Board of Directors has the 2017 statement of earnings distribution prepared in accordance with the Company Law and the Company's Articles of Association.
 - II. Please refer to Page 51 [Attachment VI] of the Agenda Handbooks for the statement of earnings distribution.
 - III. The Company plans to distribute cash dividend for an amount of NT\$3.00 per share, which will be distributed proportionally to the shareholding of the shareholders listed in the shareholder registry on the ex-dividend date as soon as the proposal of earnings distribution resolved at the shareholders' meeting and the board of directors is authorized to scheduled the ex-dividend date and the related matters. For the change in the shareholders' dividend rate as a result of the repurchase shares, transfer or cancellation of treasury stock, the exercise of convertible corporate bonds, or employee stock option right, the idea is to propose it in the shareholders' meeting having the board of directors authorized to have it adjusted accordingly.
 - IV. The cash dividend will be distributed proportionally to the shareholding and the distribution amount will be rounded up to dollar. The total odd shares that are less than NT\$1 will be booked as other income of the Company.
 - V. Please acknowledge.

Resolutions:

[Special Motion]

[Meeting adjourned]

Attachments

The 2017 operating results and 2018 operating outlook are reported as follows:

We had good news and bad news at Chenbro in 2017. We achieved record high revenue of NTD5.5 billion. This is the first time that the performance of the operation in China surpassed the operation of the USA. Lean management was introduced to Chenbro Technology (Kunshan) Co., Ltd. and Chen-Sheng Electronics (Dongguan) Co., Ltd., which helped to drive these two plants to perform splendidly in every single month. The Company was also challenged by internal and external risks at the same time. The exchange loss caused by the frailty of the USD and the rising cost of raw materials, and the high speed and flexibility of the operation under IoT gave rise to the risk of high inventory.

According to the economic forecast of the IMF for 2018, stable economic growth will take place in the USA (significant tax cuts, and bracing for 3% growth), economic slowdown (but healthy) in China will be perpetual, and the general elections of many countries in Europe came to and end so the economic performance will be stable, particularly under the leadership of Germany and France. India will emerge as the leader in ASEAN and will achieve a growth rate higher than 7% which will drive global economic performance forwards. This is an era of digital data in the industry where AI, unmanned driving, robots, AR/VR, smart production, Industry 4.0 and other applications of new technologies are prevalent. Yet, big data will be an indispensable element for the emergence of these new technologies, new services, and new modes of business operation. What Chenbro has been doing and will do is to fully link the trend and the tide and gear up with the world economy and popular industries.

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 continues to 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. 2017 business report

1. Business plan execution and achievement

Consolidated revenues totaled NT\$5,513,754 thousand in 2017, increased NT\$5,209,967 thousand or 5.83% from NT\$303,787 thousand in 2016. Net income amounted to NT\$455,442 thousand, decreased NT\$144,746 thousand or 24.12% from NT\$600,188 thousand in 2016.

2. Budget implementation:

The Company has not prepared the 2017 financial forecast according to the current law and regulations.

3. Financial income and expense and profitability analysis

(1) Financial income and expense

Unit: NT\$1,000

Item	2017	2016	Increase (decrease) amount	increase / decrease %
Operating revenues	5,513,754	5,209,967	303,787	5.83
Operating gross profit	1,469,319	1,550,182	(80,863)	(5.22)
Operating profit	683,190	778,456	(95,266)	(12.24)
Profit before income tax	615,237	816,275	(201,038)	(24.63)
Net income	455,442	600,188	(144,746)	(24.12)

Consolidated operating revenues in 2017 grew by 5.83% compared to 2016, while operating income and net income had also decreased by 12.24% and 24.12%, respectively, as compared to 2016.

(2) Profitability analysis

Item	2017	2016
Ratio of return on total assets (%)	8.92	12.62
Ratio of return on shareholders' equity (%)	15.77	21.57
Operating income to paid-up capital (%)	57.06	65.02
Pre-tax income to paid-up capital (%)	51.39	68.18
Profit ratio (%)	8.26	11.52
Earnings per share (NT\$) – after tax	3.80	5.01

As indicated by the profitability indicator, the results of the indicators in 2017 showed a marginal decline from the same period of 2016.

4. R&D status

(1) Major R&D achievements in 2017:

New products

Product Model No.	Produce description
OEM Server	OEM products
RM14608/10	1U modularized rackmount server chassis
RM14604 L6	1U modular storage quasi system server rackmount
RM14500	1U modularized high-density server chassis
RM23708/24	2U large form factor modularized rackmount server chassis
RM23708/12/24 L6	2U large form factor modularized storage quasi system server rackmount
RM23808/12/24	2U Modular storage server Rackmount Chassis
RM43596	4U ultra high dense modularized JBOD chassis
Friction RAIL	Development of easy sliding rail
New-generation server panel	Development of 1U/2U/4U new-generation panel

New patents

Applying date	Nation	Type of patent	Patent name	Product scope
2017/8/14	Taiwan	Utility model	Accommodating cabinet and anti-stop safety device.	Rack
2017/8/16	Taiwan	Utility model	Unit storage device	Rack
2017/8/17	Taiwan	Invention	Fixed device	HDD module
2017/8/22	Taiwan	Utility model	Access device tray structure	HDD module
2017/8/22	Taiwan	Utility model	Storage unit positioning device	HDD module
2017/8/22	Taiwan	Utility model	Open type screw-free access device positioning module	HDD module
2017/8/22	Taiwan	Utility model	Shock-absorption structure for the access device that is mounted on the rack.	HDD module
2017/9/22	Taiwan	Utility model	Spring reed fixing structure for the access device tray.	HDD module
2017/9/25	Taiwan	Utility model	Server cabinet and sliding rail assembly.	Rack
2017/10/6	Taiwan	Utility model	Edge support fixing structure for the circuit board in the cabinet.	PCB Holder
2017/10/6	Taiwan	Utility model	Disk bearing device and multi-unit accommodating mechanism.	HDD module
2017/10/10	China	Invention	Holding device	HDD module
2017/11/22	Taiwan	Utility model	Hard disk module, hard disk loading device and hard disk conglomerating system.	HDD TRAY
2017/11/23	China	Utility model	Positioning device of the storage unit.	HDD module
2017/11/23	China	Utility model	Positioning module for open-type screw-free access device.	HDD module
2017/11/27	China	Utility model	Accommodating cabinet and anti-stop safety device.	Rack
2017/11/27	China	Utility model	Server cabinet and sliding rail assembly.	Rack
2017/11/27	China	Utility model	Unit stowage device	Rack
2017/11/27	China	Utility model	Hard disk support frame	HDD module
2017/11/29	China	Utility model	Hard disk module, hard disk loading device and hard disk conglomerating system.	HDD TRAY
2017/11/30	China	Utility model	Spring reed fixing structure for the access device tray.	HDD module
2017/11/30	China	Utility model	Shock-absorption structure for the access device that is mounted on the rack.	HDD module
2017/11/30	China	Utility model	Edge support fixing structure for the circuit board in the cabinet.	PCB Holder
2017/12/7	Taiwan	Invention	Server cabinet and unit rack.	Rack
2017/12/8	Taiwan	Utility model	Cabinet structure	Rack

(2) Future R&D direction

Chenbro will continue to develop new products on the basis of modularized system architecture and further extend into 4U servers and the casing of storage devices. The modularized system architecture of Chenbro allows for flexible support of a diversity of systems and modules and customization needs. We will continue to closely collaborate with mainstream motherboard business partners like Intel, ASRock, Tyan Computer, MSI, and Gigabyte, and OEM/ODM customers to develop products compatible with the latest generation of motherboards. At the same time, the Intel System Test accreditation process will effectively help us to eliminate the hidden problems inherent to computer cases and quasi system servers, and will continue to upgrade product quality. Chenbro will launch more products as solutions for supporting NVMe and GPBPU to satisfy market needs. Chenbro will also launch more concept products as solutions for the needs of data centers in

further developments for the future. The engineering capacity of Chenbro has extended to rack solutions – similar to the OCP of Facebook or RSD of Intel. We are capable of providing a wide array of products from conventional data centers (19” cabinet) to the installation of big data centers. Chenbro will commit further efforts in new materials and research and development to make our products oriented to higher economic efficiency.

II. Summary of 2018 business plan

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 “Lean Management” adopted in the past has effectively helped to upgrade the productivity and lower the inventory level of the Company. “Lean Management” will be continued in the future with the advocacy of management-by-responsibility. This will help to fortify the thinking of the employees in the upgrading of operation performance and maximization of the profit for the Company.

- (1) Improvement of the quality of human resources through lean management and management-by-responsibility, with vitalization of the organization and financial management for stable operation in Taiwan and by extension worldwide.
- (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 heartfelt service.

2. Expected sales volume and the related reference

The Company’s 2018 expected sales is as follows:

Main products	Sales volume (thousand units)
PC chassis	285
Server Chassis	1,800
Components and others	10,000

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

(1) 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 US, 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 create value with customers.
- (6) Substantiate the coordination of production and sales, the check mechanism of inventory management, reduce inventory risk, and prudently practice good credit management.

(2) 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.

(3) R&D strategies:

- (1) Over the years, the Chenbro Group has successfully registered a variety of patents for our products worldwide. With ceaseless efforts in the research and development of essential casing structures while seeking a breakthrough, and attention to the protection of patents and research and development of new products, Chenbro will continue to commit resources to the validation of mechanical-electrical integration and the system of products to enhance the additional value of products for stronger competitive power.
- (2) The rise in the demand for Data Centers and the increasing density of casing structures in design compelled Chenbro to seek proper materials to reduce weight with a higher cooling effect and attune ourselves to the research and development of high tenacity for the casing of the future.
- (3) Continue the modularization at higher levels by the specifications of products and tool-free design, condense the lead-time in design, and reduce the cost of tooling to enhance the competitive position of the products.
- (4) The design of the new product series of standard items extended to different customer groups of application and market needs. With the higher flexibility in manufacturing and design capacity for optimizing the shared use of the products, and meeting the needs of the customers in customized design, we could condense the lead-time for product development and validation, and help to reduce the cost of tooling development and the price of finished items in favor of the customers.

III. Future development strategies

In the prospect of 2018, 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. In the wake of the decline of the PC industry and the mushrooming of the server industry, the Company maintains a conservative posture in its operation with the launch of an innovative business mode and competitive products focusing on data centers, enterprises, AI, and IoT for market development in further depth. In addition, Chenbro is also tightening its control over outsourcing with lean manufacturing to reduce costs so as to gain a larger share of the markets for servers, storage servers, industrial PCs, PC casing products, and the hopes that all of Chenbro, at home and abroad, will spare no effort to achieve the goal.

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 2017 business operation and 2018 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,

Chairman: CHEN MEI CHI

President: CHEN MEI CHI

Chief Accountant: Chia-Ling Chih

Supervisor's 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 2017, 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 2018 General Shareholders' Meeting

Chenbro Micom Co., Ltd.

Supervisor: Li-Jung Huang
Supervisor: Chen-Hsiang Chen
Supervisor: Ya-Mi Li

March 20, 2018

Chenbro Micom Co., Ltd.

Comparison of changes to Rules of Procedure for Board of Directors Meetings

Amended clause	Current existing clauses	Description
Article 1: <u>(Reference to These Procedures)</u> These Procedures are instituted pursuant to Article 2 of the “Regulations Governing the Procedures of the Board of Directors Meetings of Public Companies” for the establishment of a viable system of governance of the Board of Directors, vitalization of the function of monitoring, and bolstering of the management function.	Article 1: These Procedures are instituted pursuant to Article 2 of the Regulations Governing the Procedures of the Board of Directors Meetings of Public Companies for the establishment of a viable system of governance of the Board of Directors, vitalization of the function of monitoring, and bolstering of the management function.	These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, “XX Co., Ltd. Board of Directors Procedure”.
Article 2: <u>(Scope of the Procedures)</u> The parliamentary procedures of the Board of the Company shall be governed by These Procedures <u>in the aspects of the content of discussion and resolution, the operating procedures, the details to be inscribed as the minutes of the meeting on record, announcement, and other matters of compliance</u> unless the law or applicable legal rules specify otherwise.	Article 2: The parliamentary procedure of the Board of the Company shall be governed by These Procedures unless the law or applicable legal rules specify otherwise.	These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, “XX Co., Ltd. Board of Directors Procedure”.
Article 3: <u>(Call for the session of the Board and notification of the session)</u> The Board of the Company shall <u>convene once quarterly</u> . The reasons for the session shall be specified in the notice, which shall be delivered to the Directors and Supervisors 7 days in advance. A special session may be called for at any time in case of an emergency. <u>The above mentioned meeting advice can be made in electronic forms if consented to by the receiving party.</u> The items specified in Paragraph 1 of Article 12 of <u>These Procedures</u> shall be itemized on the reason for the session unless it is an emergency or with justifiable reasons, and cannot be presented as extemporary motions.	Article 3: The reasons for the session shall be specified in the notice which shall be delivered to the Directors and Supervisors 7 days in advance. A special session may be called for at any time in case of an emergency. The items specified in Paragraph 1 of Article 12 of These Procedures shall be itemized on the reason for the session unless it is an emergency or with justifiable reasons, and cannot be presented as extemporary motions.	These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, “XX Co., Ltd. Board of Directors Procedure”.
<u>Article 4: (Notice of session and the materials in the agenda)</u> <u>The Board appoints the Accounting Department to administer all sessions of the Board.</u> <u>The department responsible for the meeting affair shall have the contents of the procedure drafted up and have sufficient meeting materials prepared for distribution at the time of sending out the notice of convening the board meeting.</u> <u>Board directors may request additional information from the department responsible for the meeting affair. The Board of Directors may resolve to have the board meeting postponed if the directors consider the proposal materials are insufficient.</u>	Article 4: The sessions of the Board shall be held at the principal place of business of the Company during regular office hours. At a place and time appropriate and convenient for the session and the Directors to attend.	These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, “XX Co., Ltd. Board of Directors Procedure”.

Amended clause	Current existing clauses	Description
<p><u>Article 5: (Preparation of a Sign-in Registry and attendance at the session by proxy)</u> <u>A sign-in registry shall be prepared for the Directors to sign-in for the session as a reference.</u> <u>Directors shall attend the board meeting in person. Directors who cannot attend the board meeting in person may have other directors attended the board meeting by proxy in accordance with the Company's Articles of Incorporation, such as, attending the board meeting by video conference.</u> <u>When directors have attended the board meeting by other directors, a proxy must be issued each time and the scope of authorization for the meeting convened must be cited.</u> <u>The proxy, as referred to in the preceding two paragraphs, means one Director may act as the proxy of only one other Director.</u></p>	<p>Article 5: The Accounting Department is appointed to administer the sessions of the Board, and shall prepare the agenda and related materials for the session by providing sufficient information on the session to the Directors at the time of sending the notice. The delivery of the notice of session, the agenda, and related materials may be served by correspondence, by fax, or (at the consent of the addressees) via e-mail. The Board of Directors may resolve to have the board meeting postponed if the directors consider the proposal materials are insufficient.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>
<p><u>Article 6: (The principle of the place and time for the session)</u> <u>The session of the Board shall be held at the principal place of business of the Company during regular office hours or at a place and time appropriate and convenient for the session and the Directors to attend.</u></p>	<p>Article 6: The regular session of the Board shall cover at least the following on the agenda: I. Reporting matters: (I) Last minutes of meeting and its execution (II) Important financial business report (III) Internal auditing business report (IV) Other important reporting matters II. Discussion: (I) The opening issues from the last session of the board meeting (II) Points of discussion in this session III. Motions.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>
<p><u>Article 7 (Chairman of the Board session and proxy)</u> <u>The Chairman of the Board shall call for the sessions and preside over the sessions.</u> <u>However, the first board meeting of each term is to be convened and chaired by the director that receives the most ballots in the shareholders' meeting. If there are two or more directors with right to convene the meeting, one of them is to be elected for the position.</u> <u>In the absence of the Chairman, the Vice Chairman shall act on behalf of and in the name of the Chairman to preside over the session. If there is no Vice Chairman or in the absence of the Vice Chairman, the Chairman shall appoint an Executive Director to preside over the session. If there is no seat for Executive Director,</u></p>	<p>Article 7: the following shall be presented to the session of the Board for Discussion I. Business Plan of the Company. II. Annual financial reports and interim financial report. But the semi-annual financial report is not required by law and regulations to be audited by the CPAs; therefore, it is not subject to this requirement. II. The institution or amendment to the internal control system pursuant to Article 14-1 of the Securities and Exchanges Act. IV. The institution or amendment to the procedures for the acquisition or disposition of assets, engagement in derivative trade, loaning of funds to third parties, or undertaking of endorsement/guarantee pursuant to Article 36-1 of the Securities and Exchanges Act.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>

Amended clause	Current existing clauses	Description
<p><u>A Director shall be appointed to preside over the session. If the Chairman did not appoint a proxy, the Executive Directors or the Directors shall nominate one among themselves to preside over the session.</u></p>	<p>V. Public offering, issuance, or private placement of equity-type securities.</p> <p>VI. The appointment and dismissal of the Finance Officer, Accounting Officer, or Internal Chief Auditor.</p> <p>VII. Donations to related parties and significant donations to unrelated parties The commonwealth nature donations for emergency assistance due to a major natural disaster may be submitted for ratification in next board meeting.</p> <p>VIII. Pursuant to Article 14-3 of the Securities and Exchanges Act, other applicable legal matters or regulations require resolution by the Shareholders' Meeting or presentation to the Board or as required by the competent authority.</p> <p>Related parties as referred to in Subparagraph 7 of the previous paragraph are the parties defined by the Criteria for the Compilation of Financial Statements by Securities Issuers. Significant donations to unrelated parties refers to the amount of each donation or donation accumulated in one year to particular recipient exceeding NT\$100 million, or at 1% of the net sales, or exceeding 5% of the paid-in capital as stated in the audited financial statements covering the most recent period.</p> <p>The alleged "within one year" referred to above meant for the one year prior to the board meeting convening date excluding the part that had already been resolved in the board meeting.</p> <p>If the shares issued by foreign companies have no face value or the face value is not NT\$10/share, the amount of 5% of the paid-in capital as stated in Paragraph 2 shall be based on 2.5% of the shareholders' equity.</p> <p>If the Company has established seats for Independent Directors, the Independent Directors shall attend the session with discussions on the matters presented to the Board as stated in Article 14-3 of the Securities and Exchanges Act in person, or appoint another Independent Director as their proxy to attend the session. The objection or reservation of the independent directors should be documented in the minutes of meeting. The independent directors who cannot attend the board meeting in person to express their opposition or reservation, unless with a proper cause, must have a written opinion submitted in advance and then documented in the minutes of meeting.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>

Amended clause	Current existing clauses	Description
<p><u>Article 8 (Reading materials for the session of the Board and Observers to the session)</u></p> <p><u>If a session of the Board is called, the administrative unit shall coordinate the related functional department to prepare the relevant information for the Directors as a reference at any time as needed.</u></p> <p><u>The personnel of the relevant departments or subsidiaries may be notified to attend the board meeting depending on the contents of the proposal.</u></p> <p><u>If necessary, the CPAs, lawyers, or other professionals may also be invited to attend the board meeting and give statements. However, they shall be excused at the time of discussion and balloting.</u></p> <p><u>The Chairman shall declare the board meeting in session at the meeting time with the attendance of a majority of the directors.</u></p> <p><u>If the time set for the session has come and half of the Directors still do not show up, the Chairman shall announce a postponement of the session twice. If the session still lacks the presence of more than half of the Directors after the postponements, the Chairman shall proceed to Paragraph 2 of Article 3 for calling a new round of the session.</u></p> <p><u>The board directors referred to in the Section referred to above and Article 16 Paragraph 2 Subparagraph 2 meant for the incumbents.</u></p>	<p>Article 8:</p> <p>A sign-in registry shall be prepared for the Directors to sign-in for attendance and for reference.</p> <p>Directors shall attend the sessions of the Board in person. If, for specific reasons, a particular Director cannot attend a session in person, such Director shall appoint another Director to attend the session as a proxy by issuing a power of attorney and specifying the scope of authorization in accordance with the Articles of Incorporation of the Company. Directors participating in the session via videoconferencing shall be deemed attending the session in person.</p> <p>Each proxy may be appointed by one principal only.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, “XX Co., Ltd. Board of Directors Procedure”.</p>
<p><u>Article 9 (Video and Audio Recording of Board of Directors Meetings)</u></p> <p><u>The Company’s board meeting in session must be recorded or filmed for record for minimum five years and it can be reserved electronically.</u></p> <p><u>If legal action has been instituted by a third party before the expiration of the aforementioned retention period, related voice records or videotapes kept as minutes of the meeting on record of the Board on certain resolutions shall be kept until the conclusion of the legal action.</u></p> <p><u>Audiovisual data on videoconferences of the Board shall be kept as an integral part of the minutes of the meeting on record, and shall be kept within the perpetuity of the Company.</u></p>	<p>Article 9:</p> <p>The Company’s Chairman is to convene and chair the board meeting. However, the first board meeting of each term is to be convened and chaired by the director that receives the most ballots in the shareholders’ meeting. If there are two or more directors with right to convene the meeting, one of them is to be elected for the position.</p> <p>The Chairman who is on leave of absence or is unable to perform duty is represented by the Vice Chairman. If there is no Vice Chairman or the Vice Chairman is also on leave of absence or is unable to perform duty, the Chairman is to appoint one general director to perform duty. If there is no general director, the Chairman is to appoint one director to perform duty. If the Chairman does not have a representative appointed to perform duty, one of the general directors or directors is elected to perform duty.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, “XX Co., Ltd. Board of Directors Procedure”.</p>

Amended clause	Current existing clauses	Description
<p><u>Article 10 (The content of the discussions and resolutions)</u></p> <p><u>The procedures matters of the Company's general board meeting must at least contain the following matters:</u></p> <p><u>I. Reporting matters:</u></p> <p><u>(I) Last minutes of meeting and its execution</u></p> <p><u>(II) Important financial business report</u></p> <p><u>(III) Internal auditing business report</u></p> <p><u>(IV) Other important reporting matters</u></p> <p><u>II. Discussion:</u></p> <p><u>(I) The opening issues from the last session of the board meeting</u></p> <p><u>(II) The matters scheduled for discussion in the current meeting</u></p> <p><u>III. Motions.</u></p>	<p>Article 10:</p> <p>When a session of the Board is called, the administrative unit of the session shall coordinate with the related functional departments to prepare the relevant information for the session, and shall notify the related departments or subsidiaries to dispatch their personnel to attend the session as observers as dictated by the content of the motions as reference for the Board and respond to the queries of the Directors. The Company may also invite certified public accountants, lawyers, or other professionals to attend the session as observers to present their opinions to the Directors as a reference. These observers shall recuse themselves from the discussion and resolutions of the motions. In presenting their opinions in the session, Supervisors may participate in the discussion on the motions only if the motions are pertinent to the respective area of specialization. Supervisors are not entitled to vote on the motions.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>
<p><u>Article 11 (Discussion of Meeting Agenda)</u></p> <p><u>The Board shall proceed with the agenda for the session as inscribed in the notice. The agenda and the priority of the motions for discussion may be altered only at the approval of the Directors by a simple majority.</u></p> <p><u>The Chairman shall not announce the adjournment of the session without the consent of the Directors by a simple majority.</u></p> <p><u>If a session of the Board lacks the presence of more than half of the Directors, the Chairman may announce the suspension of the session at the suggestion of the Directors in a session where Paragraph 3 of Article 8 shall be applicable.</u></p> <p><u>The Chairman may announce a recess or time for consultation in the session of the Board.</u></p>	<p>Article 11:</p> <p>If the time set for the session has come and half of the Directors still do not show up, the Chairman shall announce a postponement of the session twice. If the session still lacks the presence of more than half of the Directors after the postponements, the Chairman shall proceed to Paragraph 1 of Article 3 for calling a new round of the session.</p> <p>All Directors as referred to in the previous paragraph and Article 18 shall be those who are still in office.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>

Amended clause	Current existing clauses	Description
<p>Article 12 <u>(Matters required for discussion by the Board)</u></p> <p>The following matters shall be submitted to the Company's Board of Directors for discussion:</p> <p>I. The Company's operating plan</p> <p>II. Annual financial reports and interim financial report. But the semi-annual financial report is not required by law and regulations to be audited by the CPAs; therefore, it is not subject to this requirement.</p> <p>III. The institution or amendment to the internal control system pursuant to Article 14-1 of the Securities and Exchanges Act, <u>and the evaluation of the effectiveness of the system.</u></p> <p>IV. Stipulate or revise the regulations governing the significant financial business behaviors, including the acquisition and disposal of assets, trading of financial derivatives, lending of capital, loaning of funds, and making of endorsement/guarantees in accordance with Article 36-1 of the Securities and Exchange Act.</p> <p>V. Public offering, issuance, or private placement of equity-type securities.</p> <p>VI. The appointment and dismissal of the Finance Officer, Accounting Officer, or Internal Chief Auditor.</p> <p>VII. Donations to related parties and significant donations to unrelated parties The commonwealth nature donations for emergency assistance due to a major natural disaster may be submitted for ratification in next board meeting.</p> <p>VIII. Pursuant to Article 14-3 of the Securities and Exchanges Act, other applicable legal matters or regulations require resolution by the Shareholders' Meeting or presentation to the Board or as required by the competent authority.</p> <p>Related parties as referred to in Subparagraph 7 of the previous paragraph are the parties defined by the Criteria for the Compilation of Financial Statements by Securities Issuers. Significant donations to unrelated parties refers to the amount of each donation or donation accumulated in one year to a particular recipient exceeding NT\$100 million, or at 1% of the net sales, or exceeding 5% of the paid-in capital as stated in the audited financial statements covering the most recent period. <u>(If the shares issued by foreign companies have no face value or the face value is not NT\$10/share, the amount of 5% of the paid-in capital as stated in II shall be based on 2.5% of the shareholders' equity.)</u></p> <p><u>One year as referred to in the previous paragraph shall be the period of one year from the day of</u></p>	<p>Article 12:</p> <p>The entire proceeding of the session shall be tracked by voice recording or videotaping for record and these records shall be kept for at least 5 years and may be stored in electronic means.</p> <p>If legal action has been instituted by a third party before the expiration of the aforementioned retention period, the related voice records or videotapes kept as minutes of the meeting on record of the Board on certain resolutions shall be kept until the conclusion of the legal action.</p> <p>Audiovisual data on videoconferences of the Board shall be kept as an integral part of the minutes of the meeting on record, and shall be kept within the perpetuity of the Company.</p>	<p>Amended in accordance with Letter Jin-Guan-Zheng-Fa-Zi No. 1060034709 and Letter Tai-Zheng-Zhi-Li-Zi No. 1060018313 issued by the Taiwan Stock Exchange Corporation.</p> <p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>

Amended clause	Current existing clauses	Description
<p><u>the current session of the Board in retrospect. The portion already resolved by the Board may be excluded from the calculation.</u></p> <p><u>At least one Independent Director shall attend the session of the Board.</u></p>		
<p><u>The motions that require the resolution of the Board shall be presented to a session with the presence of all Independent Directors. If particular Independent Directors cannot attend the session in person, appoint another Independent Director to attend as their proxy. The objection or reservation of the independent directors should be documented in the minutes of meeting. The independent directors who cannot attend the board meeting in person to express their opposition or reservation, unless with a proper cause, must have a written opinion submitted in advance and then documented in the minutes of meeting.</u></p>		
<p><u>Article 13 (Balloting [I])</u></p> <p><u>The Chairman of the board meeting is to have the proposal in discussion that is ready for balloting put to the vote.</u></p> <p><u>A motion shall be deemed passed if there is no adverse opinion after the Chairman has asked for opinions from the Directors in the session. The effect shall be construed as the same as a motion passed by balloting. The Chairman is to put the motion to vote if there is any objection from any of the directors presented at the board meeting.</u></p> <p><u>The Chairman is to have the way of balloting determined in accordance with one of the following alternatives; however, the opinion of the majority shall prevail upon the objection of the directors presented:</u></p> <p><u>I. Balloting by raising hands or voting device</u></p> <p><u>II. The roll-call balloting</u></p> <p><u>III. Balloting</u></p> <p><u>IV. The Company's own choice of balloting</u></p> <p><u>The Directors in the session as referred to in the previous two paragraphs shall not include the Directors who are not entitled to vote as stated in Article 15.</u></p>	<p>Article 13:</p> <p>The Board shall proceed with the agenda for the session as inscribed in the notice. The agenda and the priority of the motions for discussion may be altered only at the approval of the Directors by a simple majority.</p> <p>The Chairman may not directly declare the meeting is adjourned for the scheduled procedures and motions referred to above without the consent of a majority of the directors presented.</p> <p>If a session of the Board lacks the presence of more than half of the Directors, the Chairman may announce the suspension of the session at the suggestion of the Directors in the session where Paragraph 1 of Article 11 shall be applicable.</p> <p>The Chairman may announce a recess or time for consultation in the session of the Board.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>
<p><u>Article 14 (The methods of balloting (II) and scrutinizing and counting of votes)</u></p> <p><u>Resolutions of the Board shall be made by a session with the presence of more than half of the Directors and a simple majority of the Directors in the session unless the Securities and Exchanges Act, Company Act, other applicable legal rules and the Articles of Incorporation of the Company specified otherwise.</u></p> <p><u>For the proposal with an amendment or alternative put to vote, the Chairman is to have it prioritized for balloting with the original bill enclosed. If any solution is passed, all other proposals shall be deemed rejected and no further voting is necessary.</u></p> <p><u>The Chairman is to appoint the controllers of ballot and tally clerks who are board directors for</u></p>	<p>Article 14:</p> <p>After a Director has delivered a speech, the Chairman shall respond to any query thereof, or appoint designated persons to respond to the query, or request designated professionals attending the session to provide necessary and related information.</p> <p>If Directors repeatedly expressing an opinion on the same motion or the content of opinions exceeds the scope of the motion, to the extent that the order of the session or the right of other Directors for expression of opinions is interrupted, the Chairman shall demand order on the floor.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>

Amended clause	Current existing clauses	Description
<p><u>the proposals put to vote, if any.</u></p> <p><u>The outcome of the vote must be documented and announced on site.</u></p> <p><u>Article XV (The system of avoidance of conflict of interest among the Directors)</u></p> <p><u>Board directors must reveal their interests and the interests of the legal person they represented in the underlying matters in the board meeting. If the said interests of theirs are detrimental to the Company's interests, they may not participate in the discussion and balloting; also, they are not allowed to join the discussion and voting and must be excused from the meeting and cannot act for other directors to exercise their voting right.</u></p> <p><u>For the directors who cannot exercise their balloting rights in accordance with the provisions referred to above, according to Paragraph 3, Article 206 of the Company Law, the resolution of the board of directors can be handled in accordance with Paragraph 2, Article 180 of the Company Law.</u></p>	<p>Article XV:</p> <p>The Chairman who believes that the motion in discussion is ready for voting may announce to stop discussion and start voting.</p> <p>A motion shall be deemed passed if there is no adverse opinion after the Chairman has asked for opinions from the Directors in the session. The effect shall be construed as the same as a motion passed by balloting. The Chairman is to put the motion to vote if there is any objection from any of the directors presented at the board meeting. The Chairman is to have the way of balloting determined in accordance with one of the following alternatives; however, the opinion of the majority shall prevail upon the objection of the directors presented:</p> <p>I. Balloting by raising hands or voting device</p> <p>II. The roll-call balloting</p> <p>III. Balloting</p> <p>IV. The Company's own choice of balloting</p> <p>The Directors in the session as referred to in the previous two paragraphs shall not include Directors who are not entitled to vote as stated in Article 17.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>
<p><u>Article XVI (Minutes of meeting on record and signatures)</u></p> <p><u>The minutes of meeting must be prepared for the Company's board meeting with the following information detailed:</u></p> <p><u>I. The session (or year), time, and place of the meeting.</u></p> <p><u>II. The name of the chairman</u></p> <p><u>III. Directors' attendance, including the name and the number of the directors who are or are not (leave of absence or absence) at the meeting.</u></p> <p><u>IV. Name and title of the attendees</u></p> <p><u>V. The names inscribed</u></p> <p><u>VI. Reporting matters</u></p> <p><u>VII. Points of discussion: The methods of resolutions on the motions, the result of resolutions, and the summary of the opinions presented by the Directors, Supervisors, experts and other personnel shall be governed by Paragraph 1 of the previous article, including the names of the Directors who are stakeholders, the content of the motion that involves the interest, and the necessity of recusal or the reason of waiver of recusal, the adverse opinions or qualified opinions on the record or in a written declaration, and the written opinions presented by Independent Directors pursuant to Paragraph 4 of Article 12.</u></p> <p><u>VIII. Motion: the names of the proposer, the</u></p>	<p>Article 16:</p> <p>Resolutions of motions shall be made by a session with the presence of at least half of the Directors and a simple majority of the Directors in the session unless the Company Act, other applicable legal rules, and the Articles of Incorporation of the Company specified otherwise.</p> <p>For the proposal with an amendment or alternative put to vote, the Chairman is to have it prioritized for balloting with the original bill enclosed. If any solution is passed, all other proposals shall be deemed rejected and no further voting is necessary.</p> <p>The Chairman is to appoint the controllers of ballot and tally clerks who are board directors for the proposals put to vote, if any.</p> <p>The outcome of the vote must be documented and announced on site.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>

Amended clause	Current existing clauses	Description
<p><u>proposal resolution methods and results, the statement of the directors, supervisors, experts, and other staff, name of the board directors with interests involved according to Paragraph 1 of the clause referred to above, the description of the interests involved, the reasons for having or not having themselves excused from attending the meeting, their being excused from attending the meeting, and documented or written objections or reservations.</u></p> <p><u>IX. Other remarks.</u></p> <p><u>If any of the following is applicable to the matters for resolutions of the Board, specify the detail in the minutes of the meeting on record, and announce the declaration at MOPS as designated by the competent authority within 2 days after the session of the Board.</u></p> <p><u>I. Independent director's recorded or documented objections or reservations;</u></p> <p><u>II. Motions not passed by the Audit Committee of the Company shall be sustained at the consent of 2/3 or more of the Directors.</u></p> <p><u>The sign-in registry constitutes an integral part of the minutes of the meeting on record, and shall be kept within the perpetuity of the Company.</u></p> <p><u>The minutes of the meeting on record of the Board shall be affixed with the authorized signature/seal of the Chairman of the session and the recorder, and shall be released to the Directors and Supervisors within 20 days after the session. Kept as essential document files of the Company for the perpetuity of the Company.</u></p> <p><u>In discussing the motions of the acquisition or disposition of assets, loaning of funds to third parties, and undertaking endorsement/guarantee and other significant matters regarding the financial position of the Company, take the opinions of the Audit Committee or the Independent Directors into account in their entirety, and inscribe the opinions in favor of or against the motions and the reasons into the minutes of the meeting on record.</u></p> <p><u>The compilation of the minutes of the meeting on record and the release of the records as stated in Paragraph 1 may be released through electronic means.</u></p>		
<p><u>Article 17 (The principle of authorization of the Board)</u></p> <p><u>When the Board is not in the session, it may authorize the Directors to exercise the authority of the Board in accordance with the applicable laws or the Articles of Incorporation of the Company except for the matters that require the discussion of the Board pursuant to Paragraph 1 of Article 12 of These Procedures. The level of authority, the content and the scope of authorization shall be explicitly stated. There shall be no summary authorization, and the content of authorization or matters of empowerment shall conform to the internal control system, related internal rules and</u></p>	<p>Article 17:</p> <p>Directors or representatives of Institutional Directors shall recuse themselves from the following matters and shall not take part in the discussion and balloting. In addition, these Directors or representatives shall not act as proxies for other Directors in exercising the right of balloting:</p> <p>I. If a particular motion is a concern for the interest of particular Directors or Institutional Directors, the Directors and representatives concerned shall explain the summary of the interest involved in the session, such as, the concern for jeopardizing the interest of the Company.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>

Amended clause	Current existing clauses	Description
<u>regulations, and codes of the Company.</u>	II. Voluntarily recusal of Directors. III. Recusal from the resolution of the Board.	
<u>Article 18 (Miscellaneous)</u> <u>These Procedures were passed by the Board and became effective on January 1, 2007. The same procedure is applicable to any amendment thereto.</u> <u>These Procedures were instituted on December 29, 2006.</u> <u>The 1st amendment was made on March 25, 2008.</u> <u>The 2nd amendment was made on March 24, 2009.</u> <u>The 3rd amendment was made on March 19, 2012.</u> <u>The 4th amendment was made on October 29, 2012.</u> <u>The 5th amendment was made on March 24, 2014.</u> <u>The 6th amendment was made on February 2, 2018.</u>	<p>Article 18: The proceedings of the Board session shall be compiled as minutes of the meeting on record with the following inscribed therein:</p> <p>I. The term (or year), time, and place of meetings</p> <p>II. The name of the chairman</p> <p>III. Directors' attendance, including the name and the number of the directors who are or are not (leave of absence or absence) at the meeting</p> <p>IV. Name and title of the attendees</p> <p>V. Name of the clerk</p> <p>VI. Reporting matters</p> <p>VII. Points of discussion: Points of discussion: The methods of resolutions on the motions, the result of resolutions, and the summary of the opinions presented by the Directors, Supervisors, experts and other personnel shall be governed by Paragraph 1 of the previous article, including the names of the Directors who are stakeholders, the content of the motion that involves the interest, and necessity of recusal or the reason of waiver of recusal, the adverse opinions or qualified opinions on the record or in a written declaration, and the written opinions presented by Independent Directors pursuant to Paragraph 4 of Article 7.</p> <p>VIII. Motions: The names of the persons proposing the motions, The methods of resolutions on the motions, the result of resolutions, and the summary of the opinions presented by the Directors, Supervisors, experts and other personnel shall be governed by Paragraph 1 of the previous article thereby the names of the Directors who are stakeholders, the content of the motion that involves the interest, and the necessity of recusal or the reason of waiver of recusal, and the adverse opinions or qualified opinions on the record or in a written declaration.</p> <p>IX. Other remarks.</p> <p>The resolutions reached by the Board of Directors that fall in any of the following categories must be documented in the minutes of meeting and announced and reported on-line at the information network designated by the competent authorities within two days from the board meeting date:</p> <p>I. Independent director's recorded or documented objections or reservations;</p> <p>II. Motions not passed by the Audit Committee of the Company shall be sustained at the consent of 2/3 or more of the Directors.</p> <p>The minutes of the meeting on record of the Board shall be affixed with the authorized signature/seal of the Chairman of the session and</p>	<p>Amended in accordance with Letter Jin-Guan-Zheng-Fa-Zi No. 1060034709 and Letter Tai-Zheng-Zhi-Li-Zi No. 1060018313 issued by the Taiwan Stock Exchange Corporation.</p>

Amended clause	Current existing clauses	Description
	<p>the recorder, and shall be released to the Directors and Supervisors within 20 days after the session. The compilation of the minutes of the meeting on record and the release of the record may be released through electronic means.</p> <p>In discussing the motions of the acquisition or disposition of assets, loaning of funds to third parties, and undertaking endorsement/guarantee and other significant matters regarding the financial position of the Company, take the opinions of the Audit Committee or the Independent Directors into account in their entirety, and inscribe the opinions in favor of or against the motions and the reasons into the minutes of the meeting on record.</p> <p>The minutes of the meeting on record of the Board shall be affixed with the authorized signature/seal of the Chairman of the session and the recorder, and shall be released to the Directors and Supervisors within 20 days after the session.</p>	
<u>None</u>	<p>Article 19: The Board may authorize the Directors to exercise the authority of the Board in accordance with the applicable laws or the Articles of Incorporation of the Company except for those matters which require the discussion of the Board under law or the applicable rules and regulations, the authority of Independent Directors, and related party transactions where the resolution of the Board is necessary. The content of authorization or matters of empowerment shall conform to the internal control system, related internal rules and regulations, and codes of the Company.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>
<u>None</u>	<p>Article 20:</p> <p>These Procedures were passed by the Board and became effective on January 1, 2007. The same procedure is applicable to any amendment thereto.</p> <p>These Procedures were instituted on December 29, 2006.</p> <p>The 1st amendment was made on March 25, 2008.</p> <p>The 2nd amendment was made on March 24, 2009.</p> <p>The 3rd amendment was made on March 19, 2012.</p> <p>The 4th amendment was made on October 29, 2012.</p> <p>The 5th amendment was made on March 24, 2014.</p>	<p>These Procedures are instituted with reference to the format inscribed in the sample version of the competent authority, "XX Co., Ltd. Board of Directors Procedure".</p>

Chenbro Micom Co., Ltd.
Comparison of changes to Rules Governing the Responsibilities of the Independent Directors

Amended clause	Current existing clauses	Description
<p>Article 3: Scope of authority and responsibility:</p> <p><u>At least one Independent Director shall attend the session of the Board.</u> In the resolution of the following, the presence of all Independent Directors shall be necessary. If a particular Independent Director cannot attend the session in person, appoint another Independent Director <u>as their proxy to attend the session.</u> <u>The adverse opinions or qualified opinions of the Independent Directors, if applicable, shall be inscribed in the minutes of the meeting on record of the Board.</u> If a particular Independent Director cannot attend the session in person, present the opinions in writing in advance and specify them in the minutes of the meeting on record unless there is a justifiable reason.</p> <p>I. <u>The</u> Company's operating plan</p> <p>II. Annual financial reports and interim financial report. <u>But the semi-annual financial report is not required by law and regulations to be audited by the CPAs; therefore, it is not subject to this requirement.</u></p> <p>III. The institution or amendment to <u>the internal control system pursuant to Article 14-1 of the Securities and Exchanges Act, and the evaluation of the effectiveness of the system.</u></p> <p>IV. The institution or amendment to the procedures for the acquisition or disposition of assets, engagement in derivative trade, loaning of funds to third parties, or undertaking of endorsement/guarantee pursuant to <u>Article 36-1 of the Securities and Exchanges Act.</u></p> <p>V. Matters involved with the private interest of the Directors or Supervisors.</p> <p>VI. Material assets or derivative transactions.</p> <p>VII. Major financing and undertaking endorsement/guarantee.</p> <p>VIII. Issuance, offering or private placement of equity securities.</p> <p>IX. The appointment, dismissal, or compensation of the CPAs.</p> <p>X. The appointment and dismissal of the Finance Officer, Accounting Officer, or Internal Chief Auditor.</p> <p>XI. Donation to the related party or material donation to the non-related party <u>The commonwealth nature donations for emergency assistance due to a major</u></p>	<p>Article 3: Scope of authority and responsibility:</p> <p>The following shall be subject to the resolution of the Board. The adverse opinions or qualified opinions of the Independent Directors, if applicable, shall be inscribed in the minutes of the meeting on record of the Board. If a particular Independent Director cannot attend the session in person, present their opinions in writing in advance and specify them in the minutes of the meeting on record unless there is a justifiable reason.</p> <p>I. Business Plan of the Company.</p> <p>II. Annual financial reports and interim financial report.</p> <p>III. Review and approval of the institution or amendment to the internal control system of the Company.</p> <p>IV. Review and approval of the procedures of the acquisition or disposition of assets, engagement in derivative trade, loaning of funds to third parties, undertaking endorsement/guarantee that may significantly affect the financial position or operation of the Company.</p> <p>V. Matters involved with the private interest of the Directors or Supervisors.</p> <p>VI. Material assets or derivative transactions.</p> <p>VII. Major financing, undertaking guarantee/endorsement.</p> <p>VIII. Issuance, offering or private placement of equity securities.</p> <p>IX. The appointment, dismissal, or compensation of the CPAs.</p> <p>X. The appointment and dismissal of the Finance Officer, Accounting Officer, or Internal Chief Auditor.</p> <p>XI. Matters required by the resolutions of the Shareholders' Meeting under law or the Articles of Incorporation of the Company, or presented to the Board, or materiality required by the competent authority.</p>	<p>Amended in accordance with Letter Jin-Guan-Zheng-Fa-Zi No. 1060034709 and Letter Tai-Zheng-Zhi-Li-Zi No. 1060018313 issued by the Taiwan Stock Exchange Corporation.</p>

Amended clause	Current existing clauses	Description
<p><u>natural disaster may be submitted for ratification in next board meeting.</u></p> <p><u>XII. Matters required by the resolutions of the Shareholders' Meeting under law or the Articles of Incorporation of the Company, or presented to the Board, or materials required by the competent authority.</u></p> <p><u>Related parties as referred to in Subparagraph 11 of the previous paragraph are parties defined by the Criteria for the Compilation of Financial Statements by Securities Issuers.</u></p> <p><u>significant donations to unrelated parties refers to amount of each donation or donation accumulated in one year to a particular recipient exceeding NT\$100 million, or 1% of the net sales, or exceeding 5% of the paid-in capital as stated in the audited financial statements covering the most recent period. (If the shares issued by foreign companies have no face value or the face value is not NT\$10/share, the amount of 5% of the paid-in capital as stated in 2 shall be based on 2.5% of the shareholders' equity.) The alleged "within one year" referred to above meant for the one year prior to the board meeting convening date excluding the part that had already been resolved in the board meeting.</u></p>		
<p>Article 8 Implementation: The Rules of Procedure for Shareholders' Meeting will be implemented after it is resolved in the Board of Directors meeting, so are the amendments. This policy was established on August 29, 2011. The 1st amendment was made on February 2, 2018.</p>	<p>Article 8 Implementation: The Rules of Procedure for Shareholders' Meeting will be implemented after it is resolved in the Board of Directors meeting, so are the amendments. This policy was established on August 29, 2011.</p>	<p>Amended in accordance with Letter Jin-Guan-Zheng-Fa-Zi No. 1060034709 and Letter Tai-Zheng-Zhi-Li-Zi No. 1060018313 issued by the Taiwan Stock Exchange Corporation.</p>

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATE FROM CHINESE

(17) PWCR17003323

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, 2017 and 2016, 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, 2017 and 2016, 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.

Key audit matters of the Company’s financial statements of the current period are stated as follows:

Valuation of accounts receivable

Description

Refer to Note 4(7) for accounting policy on allowance for uncollectible accounts, Note 5 for key estimates and assumptions, and Note 6(2) for details of allowance for uncollectible accounts. As of December 31, 2017, the balances of accounts receivable and allowance for uncollectible accounts are NT\$303,664 thousand and NT\$15,141 thousand, respectively.

The Company and its subsidiaries 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 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:

1. 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.
2. Comparing the provision policy on allowance for uncollectible accounts whether it has been consistently applied in the comparative periods of financial statements.
3. Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventories

Description

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, 2017, the Company's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$154,512 thousand and NT\$22,098 thousand, respectively.

The Company and its subsidiaries 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 and its subsidiaries measures inventories at the lower of cost and net realisable value, and assesses whether the value of inventories has declined, any losses incurred due to obsolescence based on inventory aging and closeout inventory are examined by management periodically.

As the value of inventory is significant, the inventory items are numerous, and the accounting estimates are subject to management's 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:

1. Obtaining the provision policies on allowance for inventory valuation losses and comparing whether the policies applied on allowance for inventory valuation losses are consistent for all periods. Assessed the estimation determined by the management and relevant assumptions of allowance for inventory loss.
2. Matching information obtained in physical counts of disposed and obsolete inventory list prepared by management and interviewing management and employees to examine the obsolete, slow-moving or damaged inventories that were included in the list.
3. Assessing the reasonableness of obsolete loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.
4. Verifying details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.

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\$114,158 thousand and NT\$176,978 thousand as of December 31, 2017 and 2016, respectively, and the related investment income was NT\$1,552 thousand and NT\$8,614 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, including the supervisors, are responsible for overseeing the Company’s financial reporting process.

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

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

As part of an audit in accordance with ROC GAAS, we exercise professional 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

March 20, 2018

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

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Assets			2017		2016			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	173,553	5	\$	157,009	4
1170	Accounts receivable, net	6(2)		288,523	7		265,590	7
1180	Accounts receivable - related parties	7		290,370	8		527,500	13
1200	Other receivables	6(3)		30,244	1		35,027	1
1210	Other receivables - related parties	7		126,531	3		183,006	4
1220	Current income tax assets			4,851	-		4,851	-
130X	Inventories	6(4)		132,414	3		162,570	4
1410	Prepayments			2,217	-		2,357	-
1470	Other current assets	8		5,079	-		6,420	-
11XX	Total current assets			1,053,782	27		1,344,330	33
Non-current assets								
1543	Non-current financial assets measured at cost	6(5)		31,625	1		31,625	1
1550	Investments accounted for using equity method	6(6)(16)		2,567,334	65		2,362,067	58
1600	Property, plant and equipment	6(7)		245,684	6		263,378	7
1780	Intangible assets	6(8)		5,079	-		7,562	-
1840	Deferred income tax assets	6(21)		24,106	1		33,665	1
1900	Other non-current assets	6(9)		4,508	-		7,007	-
15XX	Total non-current assets			2,878,336	73		2,705,304	67
1XXX	Total assets		\$	3,932,118	100	\$	4,049,634	100

(Continued)

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			2017		2016	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 237,363	6	\$ 94,500	2
2170	Accounts payable		240,377	6	309,438	8
2180	Accounts payable - related parties	7	253,784	6	451,273	11
2200	Other payables	6(11)	178,508	5	192,765	5
2220	Other payables - related parties	7	1,424	-	7,191	-
2230	Current income tax liabilities		36,350	1	67,419	2
2300	Other current liabilities		2,263	-	3,729	-
21XX	Total current liabilities		<u>950,069</u>	<u>24</u>	<u>1,126,315</u>	<u>28</u>
Non-current liabilities						
2570	Deferred income tax liabilities	6(21)	34,766	1	40,138	1
2600	Other non-current liabilities	6(12)	27,930	1	26,387	-
25XX	Total non-current liabilities		<u>62,696</u>	<u>2</u>	<u>66,525</u>	<u>1</u>
2XXX	Total liabilities		<u>1,012,765</u>	<u>26</u>	<u>1,192,840</u>	<u>29</u>
Equity						
Share capital						
3110	Share capital - common stock	6(13)	1,197,260	30	1,197,260	30
Capital surplus						
3200	Capital surplus	6(14)	48,209	1	48,209	1
Retained earnings						
3310	Legal reserve	6(15)(21)	518,907	13	458,888	11
3320	Special reserve		142,624	4	65,573	2
3350	Unappropriated retained earnings		1,121,934	29	1,163,915	29
Other equity interest						
3400	Other equity interest	6(16)	(109,581)	(3)	(77,051)	(2)
3XXX	Total equity		<u>2,919,353</u>	<u>74</u>	<u>2,856,794</u>	<u>71</u>
Significant contingent liabilities and unrecorded contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 3,932,118</u>	<u>100</u>	<u>\$ 4,049,634</u>	<u>100</u>

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

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars, except for earning per share amounts)

Items	Notes	2017		2016	
		AMOUNT	%	AMOUNT	%
4000 Operating revenue	6(17) and 7	\$ 2,888,796	100	\$ 3,250,976	100
5000 Operating costs	6(4)(20) and 7	(2,242,133)	(78)	(2,488,887)	(77)
5900 Net operating margin		646,663	22	762,089	23
5910 Unrealised profit from sales		(32,153)	(1)	(79,583)	(2)
5920 Realised profit on from sales		78,420	3	67,434	2
Unrealised loss (profit) from sales	6(6)	46,267	2	(12,149)	-
5950 Net operating margin		692,930	24	749,940	23
Operating expenses	6(20) and 7				
6100 Selling expenses		(106,666)	(4)	(110,559)	(4)
6200 General & administrative expenses		(117,924)	(4)	(125,982)	(4)
6300 Research and development expenses		(128,925)	(4)	(140,189)	(4)
6000 Total operating expenses		(353,515)	(12)	(376,730)	(12)
6900 Operating profit		339,415	12	373,210	11
Non-operating income and expenses					
7010 Other income	6(18) and 7	32,308	1	36,591	1
7020 Other gains and losses	6(19)	(38,330)	(2)	(9,918)	-
7050 Finance costs		(1,927)	-	(914)	-
7070 Share of profit of subsidiary, associates and joint ventures accounted for using equity method, net	6(6)	193,213	7	297,761	9
7000 Total non-operating income and expenses		185,264	6	323,520	10
7900 Profit before income tax		524,679	18	696,730	21
7950 Income tax expense	6(21)	(69,237)	(2)	(96,542)	(3)
8200 Profit for the year		\$ 455,442	16	\$ 600,188	18
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		(\$ 1,415)	-	(\$ 9,896)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	240	-	1,682	-
8310 Components of other comprehensive loss that will not be reclassified to profit or loss		(1,175)	-	(8,214)	-
Components of other comprehensive loss that will be reclassified to profit or loss					
8361 Financial statement translation differences of foreign operations	6(16)	(36,095)	(1)	(157,552)	(5)
8399 Income tax relating to the components of other comprehensive income	6(16)(21)	3,565	-	25,644	1
8360 Components of other comprehensive loss that will be reclassified to profit or loss		(32,530)	(1)	(131,908)	(4)
8300 Other comprehensive loss for the year		(\$ 33,705)	(1)	(\$ 140,122)	(4)
8500 Total comprehensive income for the year		\$ 421,737	15	\$ 460,066	14
Earnings per share (in dollars)	6(22)				
9750 Basic earnings per share		\$ 3.80		\$ 5.01	
9850 Diluted earnings per share		\$ 3.77		\$ 4.95	

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

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	Notes	Capital Reserves			Retained Earnings			Financial statements translation differences of foreign operations	Treasury stocks	Total equity
		Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings			
<u>2016</u>										
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 1)	6(15)									
Legal reserve		-	-	-	50,484	-	(50,484)	-	-	-
Cash dividends		-	-	-	-	-	(311,287)	-	-	(311,287)
Retirement of treasury shares	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		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,188</u>	<u>-</u>	<u>-</u>	<u>600,188</u>
Balance at December 31, 2016		<u>\$ 1,197,260</u>	<u>\$ 41,987</u>	<u>\$ 6,222</u>	<u>\$ 458,888</u>	<u>\$ 65,573</u>	<u>\$ 1,163,915</u>	<u>(\$ 77,051)</u>	<u>\$ -</u>	<u>\$ 2,856,794</u>
<u>2017</u>										
Balance at January 1, 2017		\$ 1,197,260	\$ 41,987	\$ 6,222	\$ 458,888	\$ 65,573	\$ 1,163,915	(\$ 77,051)	\$ -	\$ 2,856,794
Distribution of 2016 earnings (Note 2)	6(15)									
Legal reserve		-	-	-	60,019	-	(60,019)	-	-	-
Special reserve		-	-	-	-	77,051	(77,051)	-	-	-
Cash dividends		-	-	-	-	-	(359,178)	-	-	(359,178)
Other comprehensive loss for the year	6(16)	-	-	-	-	-	(1,175)	(32,530)	-	(33,705)
Profit for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>455,442</u>	<u>-</u>	<u>-</u>	<u>455,442</u>
Balance at December 31, 2017		<u>\$ 1,197,260</u>	<u>\$ 41,987</u>	<u>\$ 6,222</u>	<u>\$ 518,907</u>	<u>\$ 142,624</u>	<u>\$ 1,121,934</u>	<u>(\$ 109,581)</u>	<u>\$ -</u>	<u>\$ 2,919,353</u>

Note 1: 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.

Note 2: The directors' and supervisors' remuneration amounting to \$15,286 and employees' bonuses amounting to \$51,972 had been deducted from comprehensive income for 2016. The amount approved was \$67,566 and the difference of \$308 had been adjusted in the statement of comprehensive income for 2017.

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

CHENBRO MICOM CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 524,679	\$ 696,730
Adjustments			
Adjustments to reconcile profit (loss)			
(Reversal of allowance) provision for doubtful accounts	6(2)	(2,356)	1,683
Depreciation	6(7)(20)	24,012	26,667
Amortisation	6(8)(20)	3,940	4,602
Interest expense		1,927	914
Interest income	6(18)	(411)	(423)
Gain on disposal of property, plant and equipment	6(19)	(467)	(1,551)
Share of profit of subsidiaries, associates and joint ventures	6(6)	(193,213)	(297,761)
Net unrealised profit from sales	6(6)	(46,267)	12,149
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		-	232
Accounts receivable		(20,577)	83,510
Accounts receivable - related parties		237,130	(181,976)
Other receivables		4,773	(4,185)
Other receivables - related parties		56,475	(68,643)
Inventories		30,156	(16,762)
Prepayments		140	1,183
Other current assets		1,341	(5,222)
Changes in operating liabilities			
Notes payable		-	(18)
Accounts payable		(69,061)	54,922
Accounts payable - related parties		(197,489)	46,366
Others payables (including related parties)		(13,549)	12,346
Other current liabilities		(1,466)	(2,166)
Other non-current liabilities		128	(22,329)
Cash inflow generated from operations		339,845	340,268
Interest received		421	433
Interest paid		(1,889)	(1,130)
Income tax paid		(92,314)	(27,656)
Net cash flows from operating activities		246,063	311,915
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets measured at cost	6(5)	-	(31,625)
Acquisition of investments accounted for using equity method	6(6)	(1,882)	(31,625)
Acquisition of property, plant and equipment	6(23)	(15,004)	(18,838)
Proceeds from disposal of property, plant and equipment		2,640	2,121
Acquisition of intangible assets		(1,457)	(2,458)
Decrease (increase) in other non-current assets		2,499	(78)
Net cash flows used in investing activities		(13,204)	(82,503)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		142,863	28,810
Payment of cash dividends	6(15)	(359,178)	(311,287)
Net cash flows used in financing activities		(216,315)	(282,477)
Net increase (decrease) in cash and cash equivalents		16,544	(53,065)
Cash and cash equivalents at beginning of year	6(1)	157,009	210,074
Cash and cash equivalents at end of year	6(1)	\$ 173,553	\$ 157,009

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

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(17)PWCR17003496

To the Board of Directors and Stockholders 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, 2017 and 2016, 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, 2017 and 2016, 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.

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

Valuation of accounts receivable

Description

Refer to Note 4(9) for accounting policy on allowance for uncollectible accounts, Note 5 for key estimates and assumptions, and Note 6(3) for details of allowance for uncollectible accounts. As of December 31, 2017, the balances of accounts receivable and allowance for uncollectible accounts are NT\$1,495,199 thousand and NT\$23,751 thousand, respectively.

The Group assesses bad debts based on historical experience, known reason or existing objective evidences. A provision for impairment is recognised for those accounts which are considered uncollectible. As the estimation of allowance for uncollectible accounts 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:

1. 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.
2. Comparing the provision policy on allowance for uncollectible accounts whether it has been consistently applied in the comparative periods of financial statements.
3. Testing collections after the balance sheet date to check the adequacy of allowance for uncollectible accounts.

Valuation of inventories

Description

Refer to Note 4(11) for accounting policy on inventory valuation, Note 5 for accounting estimates and assumption uncertainty in relation to inventory valuation, and Note 6(5) for description of allowance

for inventory valuation losses. As of December 31, 2017, the Group's inventory and allowance for market value decline and obsolete and slow-moving inventories amounted to NT\$737,243 thousand and NT\$120,137 thousand, respectively.

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

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

How our audit addressed the matter

Our procedures in relation to valuation of inventories included:

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

allowance for inventory loss.

2. Matching information obtained in physical counts of disposed and obsolete inventory list prepared by management and interviewing management and employees to examine the obsolete, slow-moving or damaged inventories that were included in the list.
3. Assessing the reasonableness of obsolete loss based on the inventory aging and clearance of inventory individually identified by management, and obtaining evidences.
4. Verifying details of net realisable value of inventory and amount of obsolescence loss, recalculating the accuracy and comparing against historical data.

Other matter – Scope of the Audit

We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets amounting to NT\$252,449 thousand and NT\$359,305 thousand, representing 5% and 7% of the consolidated total assets as of December 31, 2017 and 2016, respectively, and total operating revenue amounting to NT\$0 and NT\$205,204 thousand, representing 0% and 4% 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, 2017 and 2016.

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 for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial

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

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

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

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

We also provide those charged with governance with a statement that we have complied with

relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Audrey Tseng

Chih, Ping-Chiun

For and on behalf of PricewaterhouseCoopers, Taiwan

March 20, 2018

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

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

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Assets			2017		2016			
			AMOUNT	%	AMOUNT	%		
Current assets								
1100	Cash and cash equivalents	6(1)	\$	1,127,353	21	\$	1,298,218	26
1147	Investments in debt instrument	6(2)						
	without active market - current			144,097	3		-	-
1150	Notes receivable, net			-	-		1,355	-
1170	Accounts receivable, net	6(3)		1,471,448	27		1,138,981	23
1180	Accounts receivable - related parties	7						
				1,094	-		1,449	-
1200	Other receivables	6(4) and 7		52,996	1		55,973	1
1220	Current income tax assets			5,499	-		4,865	-
130X	Inventories	6(5)		617,106	12		647,505	13
1410	Prepayments			73,205	1		60,684	1
1470	Other current assets	8		11,551	-		12,278	1
11XX	Total current assets			3,504,349	65		3,221,308	65
Non-current assets								
1543	Non-current financial assets	6(6)						
	measured at cost			31,625	1		31,625	1
1600	Property, plant and equipment	6(7) and 8		1,675,691	31		1,569,099	31
1780	Intangible assets	6(8)		7,732	-		10,002	-
1840	Deferred income tax assets	6(21)		56,693	1		76,726	1
1900	Other non-current assets	6(7)(9) and 8		99,903	2		79,386	2
15XX	Total non-current assets			1,871,644	35		1,766,838	35
1XXX	Total assets		\$	5,375,993	100	\$	4,988,146	100

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			2017		2016	
			AMOUNT	%	AMOUNT	%
Current liabilities						
2100	Short-term borrowings	6(10)	\$ 296,883	6	\$ 94,500	2
2170	Accounts payable		1,242,231	23	1,122,894	22
2180	Accounts payable - related parties	7	8,779	-	6,769	-
2200	Other payables	6(12) and 7	594,740	11	532,453	11
2230	Current income tax liabilities		72,589	1	105,528	2
2300	Other current liabilities	6(11)	22,348	1	30,751	1
21XX	Total current liabilities		<u>2,237,570</u>	<u>42</u>	<u>1,892,895</u>	<u>38</u>
Non-current liabilities						
2540	Long-term borrowings	6(11)	132,190	2	150,318	3
2570	Deferred income tax liabilities	6(21)	58,767	1	60,147	1
2600	Other non-current liabilities	6(13)	28,113	1	27,992	1
25XX	Total non-current liabilities		<u>219,070</u>	<u>4</u>	<u>238,457</u>	<u>5</u>
2XXX	Total liabilities		<u>2,456,640</u>	<u>46</u>	<u>2,131,352</u>	<u>43</u>
Equity						
Share capital						
3110	Share capital - common stock	6(14)	1,197,260	22	1,197,260	24
Capital surplus						
3200	Capital surplus	6(15)	48,209	1	48,209	1
Retained earnings						
3310	Legal reserve	6(16)(21)	518,907	9	458,888	9
3320	Special reserve		142,624	3	65,573	1
3350	Unappropriated retained earnings		1,121,934	21	1,163,915	23
Other equity interest						
3400	Other equity interest	6(17)	(109,581)	(2)	(77,051)	(1)
3XXX	Total equity		<u>2,919,353</u>	<u>54</u>	<u>2,856,794</u>	<u>57</u>
Significant contingent liabilities and unrecorded contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 5,375,993</u>	<u>100</u>	<u>\$ 4,988,146</u>	<u>100</u>

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, 2017 AND 2016

(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)

	Items	Notes	2017		2016	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	7	\$ 5,513,754	100	\$ 5,209,967	100
5000	Operating costs	6(5)(20) and 7	(4,044,435)	(74)	(3,659,785)	(70)
5950	Net operating margin		1,469,319	26	1,550,182	30
	Operating expenses	6(20) and 7				
6100	Selling expenses		(295,153)	(5)	(309,354)	(6)
6200	General and administrative expenses		(312,851)	(6)	(284,557)	(6)
6300	Research and development expenses		(178,125)	(3)	(177,815)	(3)
6000	Total operating expenses		(786,129)	(14)	(771,726)	(15)
6900	Operating profit		683,190	12	778,456	15
	Non-operating income and expenses					
7010	Other income	6(18)	21,729	-	22,320	-
7020	Other gains and losses	6(19)	(81,629)	(1)	23,362	1
7050	Finance costs		(8,053)	-	(7,863)	-
7000	Total non-operating income and expenses		(67,953)	(1)	37,819	1
7900	Profit before income tax		615,237	11	816,275	16
7950	Income tax expense	6(21)	(159,795)	(3)	(216,087)	(4)
8200	Profit for the year		\$ 455,442	8	\$ 600,188	12
	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	6(13)	(\$ 1,415)	-	(\$ 9,896)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(21)	240	-	1,682	-
8310	Components of other comprehensive loss that will not be reclassified to profit or loss		(1,175)	-	(8,214)	-
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Financial statements translation differences of foreign operations	6(17)	(36,095)	-	(157,552)	(3)
8399	Income tax relating to the components of other comprehensive income	6(17)(21)	3,565	-	25,644	-
8360	Components of other comprehensive loss that will be reclassified to profit or loss		(32,530)	-	(131,908)	(3)
8300	Other comprehensive loss for the year		(\$ 33,705)	-	(\$ 140,122)	(3)
8500	Total comprehensive income for the year		\$ 421,737	8	\$ 460,066	9
	Profit attributable to:					
8610	Owners of the parent		\$ 455,442	8	\$ 600,188	12
	Comprehensive income attributable to:					
8710	Owners of the parent		\$ 421,737	8	\$ 460,066	9
	Earnings per share (in dollars)	6(22)				
9750	Basic earnings per share		\$ 3.80		\$ 5.01	
9850	Diluted earnings per share		\$ 3.77		\$ 4.95	

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, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

Notes	Equity attributable to owners of the parent								
	Capital Reserves			Retained Earnings			Financial statements translation differences of foreign operations	Treasury stocks	Total equity
	Share capital - common stock	Total capital surplus, additional paid-in capital	Treasury stock transactions	Legal reserve	Special reserve	Unappropriated retained earnings			
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(16)								
Legal reserve	-	-	-	50,484	-	(50,484)	-	-	-
Cash dividends	-	-	-	-	-	(311,287)	-	-	(311,287)
Retirement of treasury shares	6(14)	(4,000)	(140)	(8,400)	-	-	-	12,540	-
Profit for the year	-	-	-	-	-	600,188	-	-	600,188
Other comprehensive loss for the year	6(17)	-	-	-	-	(8,214)	(131,908)	-	(140,122)
Balance at December 31, 2016	<u>\$ 1,197,260</u>	<u>\$ 41,987</u>	<u>\$ 6,222</u>	<u>\$ 458,888</u>	<u>\$ 65,573</u>	<u>\$ 1,163,915</u>	<u>(\$ 77,051)</u>	<u>\$ -</u>	<u>\$ 2,856,794</u>
Balance at January 1, 2017	\$ 1,197,260	\$ 41,987	\$ 6,222	\$ 458,888	\$ 65,573	\$ 1,163,915	(\$ 77,051)	\$ -	\$ 2,856,794
Distribution of 2016 earnings	6(16)								
Legal reserve	-	-	-	60,019	-	(60,019)	-	-	-
Special dividends	-	-	-	-	77,051	(77,051)	-	-	-
Cash dividends	-	-	-	-	-	(359,178)	-	-	(359,178)
Profit for the year	-	-	-	-	-	455,442	-	-	455,442
Other comprehensive loss for the year	6(17)	-	-	-	-	(1,175)	(32,530)	-	(33,705)
Balance at December 31, 2017	<u>\$ 1,197,260</u>	<u>\$ 41,987</u>	<u>\$ 6,222</u>	<u>\$ 518,907</u>	<u>\$ 142,624</u>	<u>\$ 1,121,934</u>	<u>(\$ 109,581)</u>	<u>\$ -</u>	<u>\$ 2,919,353</u>

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, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 615,237	\$ 816,275
Adjustments			
Adjustments to reconcile profit (loss)			
Provision for doubtful accounts	6(3)	3,406	2,003
Depreciation	6(7)(20)	135,169	110,059
Amortisation	6(8)(20)	5,042	5,228
Interest expense		8,053	7,863
Interest income	6(18)	(10,109)	(10,163)
Loss on disposal of property, plant and equipment	6(19)	1,225	660
Changes in operating assets and liabilities			
Changes in operating assets			
Notes receivable, net		1,355	2,315
Accounts receivable		(335,916)	(127,861)
Accounts receivable - related parties		355	68
Other receivables		3,418	(14,514)
Inventories		30,399	(127,760)
Prepayments		(12,521)	638
Other current assets		727	(4,633)
Changes in operating liabilities			
Notes payable		-	(656)
Accounts payable		119,337	171,382
Accounts payable - related parties		2,010	(6,108)
Other payables		68,490	50,264
Other current liabilities		(6,933)	(3,643)
Other non-current liabilities		(1,294)	(20,874)
Cash inflow generated from operations		627,450	850,543
Interest received		9,668	12,447
Interest paid		(8,014)	(8,079)
Income tax paid		(171,577)	(129,741)
Net cash flows from operating activities		<u>457,527</u>	<u>725,170</u>

(Continued)

CHENBRO MICOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016
(Expressed in thousands of New Taiwan dollars)

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of financial assets measured at cost	6(6)	\$ -	(\$ 31,625)
Acquisition of property, plant and equipment	6(7)(23)	(311,002)	(380,574)
Proceeds from disposal of property, plant and equipment	6(7)	2,505	1,034
Acquisition of intangible assets	6(8)	(2,795)	(4,710)
Acquisition of investments in debt instrument without active market-current	6(2)	(144,097)	-
Decrease in other non-current assets	6(9)	<u>8,644</u>	<u>7,930</u>
Net cash flows used in investing activities		(<u>446,745</u>)	(<u>407,945</u>)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase (decrease) in short-term borrowings		202,383	(36,850)
Decrease in guarantee deposits received		(1,178)	(13,293)
Repayment of long-term borrowings (including current portion)		(6,441)	(6,552)
Payment of cash dividends	6(16)	(<u>359,178</u>)	(<u>311,287</u>)
Net cash flows used in financing activities		(<u>164,414</u>)	(<u>367,982</u>)
Effect on foreign exchange difference		(<u>17,233</u>)	(<u>85,102</u>)
Net decrease in cash and cash equivalents		(170,865)	(135,859)
Cash and cash equivalents at beginning of year	6(1)	<u>1,298,218</u>	<u>1,434,077</u>
Cash and cash equivalents at end of year	6(1)	<u>\$ 1,127,353</u>	<u>\$ 1,298,218</u>

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

Chenbro Micom Co., Ltd.
Statement of Earnings Distribution
2017

Unit: NT\$

Item	Amount	
	Subtotal	Total
Unappropriated earnings - beginning		667,667,074
Add (less): Other comprehensive profit and loss (Note 2)		(1,174,607)
Add: The 2017 net income (EPS NT\$3.8)		455,441,907
Current distributable earnings		1,121,934,374
Less:		
Legal reserve appropriation (*10%)	(45,544,191)	
Special reserve appropriation (Note 3)	(32,530,143)	
Earnings distribution:		
Shareholder bonus – Cash (119,725,950 shares outstanding; Dividend: NT\$3.00 per share)	(359,177,850)	(437,252,184)
Unappropriated earnings - Ending		684,682,190

Remarks

- [Note 1] The 2017 net income is to be distributed with priority.
- [Note 2] The retained earnings account is adjusted due to the accounting treatment – defined benefit plan actuarial gains and losses.
- [Note 3] This item is stated as the net amount of debit items under other shareholders' equity (exchange difference from the conversion of financial statements of foreign operations) in the book, and was recognized as special reserve under Letter Jin-Guan-Zheng-Fa-Zi. No. 1010012865.
- [Note 4] The cash dividend will be distributed proportionally to the shareholding and rounded up to dollar. The total odd shares that are less than NT\$1 will be booked as other income of the company.

Chairman: CHEN MEI CHI

President: CHEN MEI CHI

Chief Accountant: Chia-Ling Chih

Appendix

- Article 1 The rules for compliance are stipulated in accordance with Article 5 of the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies” for establishing the Company’s excellent meeting of shareholders governance system, substantiating supervisory function, and enhancing management functions.
- Article 2 The Rules of Procedure for Shareholder Meetings is processed in accordance with the Rules, unless otherwise provided by law or Company Corporate Charter (Articles of Incorporation).
- Article 3 Convention and Advice of Shareholder Meetings
- The Company’s shareholders’ meetings, unless otherwise provided by the law and regulations, should be convened by the Board of Directors.
- The Company shall compile an electronic file that contains the meeting advice, a proxy form, a detailed description of agendas to be acknowledged or discussed during the meeting, and notes on re-election or dismissal of directors/supervisors and post it onto the Market Observation Post System (MOPS) at least 30 days before an annual general meeting, or 15 days before an extraordinary shareholder meeting. At least 21 days before an annual general meeting, or 15 days before an extraordinary shareholder meeting, an electronic copy of the shareholder meeting manual and supplementary information shall be posted onto MOPS.
- Physical copies of the shareholder meeting manual and supplementary information also need to be prepared at least 15 days before the meeting, and made accessible to shareholders upon request. These documents shall be placed within the Company’s premises and at the share administration agency, and distributed on-site during the shareholder meeting.
- The notice and announcement of convening the board meeting can be made electronically with the consent of the counterparty.
- Election or dismissal of directors/supervisors, amendment of Articles of Incorporation, dismissal of the Company, merger, divestment, and any issues listed in Paragraph 1, Article 185 of the Company Act, Articles 26-1 and 43-6 of the Securities and Exchange Act, and Articles 56-1 and 60-2 of Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be notified in advance as part of the meeting agenda, and shall not be raised in the form of special motion.
- Shareholders with over 1% shareholding of the shares issued may have proposals presented in writing to the Company’s General Shareholders’ Meeting. However, it is limited to one proposal and the more than one proposals presented will not be discussed in the meeting. The Board of Directors may disregard shareholder proposals if the proposed agendas exhibit any of the conditions described in Paragraph 4, Article 172-1 of the Company Act.
- The Company shall announce the proposals admitted, the premises and the admission period before the stock stop-transfer date prior to the Annual Meeting of Shareholders is convened; also, the admitting period may not be less than 10 days.
- Shareholders shall limit their proposed agendas to 300 words only; proposals that exceed 300 words shall not be accepted for discussion. Shareholders who have successfully proposed their agendas shall attend the annual general meeting in person or through proxy attendance and participate in the discussion.
- The Company shall have the processing result presented in the shareholders’ meeting before the meeting convening date and have the proposals in compliance with this clause included in the notice of meeting. The board of directors is to give the reason why the shareholder's proposal is not included for discussion in shareholders’ meeting.
- Article 4 Shareholders may issue a proxy printed by the Company with the scope of authorization defined to attend the shareholders’ meeting.
- It is limited to one proxy per shareholder and one proxy only that should be served to the Company five days prior to the meeting of shareholders. When the proxy is issued in duplicate, whichever is served first shall prevail. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous proxy arrangement.
- If the shareholders wish to exercise the balloting right by attending the meeting in person or voting in writing or by electronic means after the proxy is received by the Company, the shareholders shall have the Company informed in writing two days prior to the shareholders’ meeting date to revoke the proxy. The balloting right exercised by the representative shall prevail if the proxy is not revoked before the

Chenbro Micom Co., Ltd.

Rules of Procedure for Shareholders' Meeting

deadline.

Article 5 Venue and Time of Shareholder Meetings

The shareholders meeting must be held at a location that is suitable and convenient for shareholders to attend. The meeting must not commence anytime earlier than 9AM or later than 3PM. Independent Directors' opinions must be fully taken into consideration when deciding the time and venue of the meeting.

Article 6 Preparation of a sign-in registry

The Company shall have the reporting time, place, and other considerations stated in the shareholders' meeting notice.

The shareholders' meeting reporting time referred to in the preceding paragraph shall be 30 minutes prior to the meeting started. There should be clear signs at the reporting place with adequate staff assigned to handle the process.

Shareholders and representatives thereof (collectively referred to as shareholders) shall attend shareholder meetings by presenting valid conference pass, attendance card or other document of similar nature. The Company may not request shareholders to present additional documentary proof unless specified in advance. Proxy form acquirers shall be reminded to bring identity proof for verification.

The company will provide an attendance log to record shareholders' attendance; alternatively, shareholders may present their attendance cards to signify their presence.

The Company shall have the agenda handbooks, annual reports, attendance certificate, statement slip, votes, and other conference materials delivered to the attending shareholders. In addition, for the election of directors and supervisors, if any, the electoral ballots should be enclosed.

The number of representative attending the shareholders' meeting on behalf of the institutional shareholders, both the government and legal person, is not limited to one person. The number of legal person entrusted to attend the shareholders' meeting is limited to one person.

Article 7 Chairperson and Participants

If the meeting of shareholders is convened by the Board, the Chairman of the Board is to chair the meeting. If the Chairman is on leave or is unable to exercise his powers for certain reasons, the Vice Chairman is to chair the meeting. If a Vice Chairman is not appointed or the Vice Chairman is also on leave or is unable to perform his duties for certain reasons, the Chairman is to appoint one of the general directors to chair the meeting. If a general director is not appointed, one of the directors is appointed to chair the meeting. If a representative is not appointed by the Chairman, one of the general directors or directors should be elected among the board members to chair the meeting.

The chairperson position mentioned above shall be assumed by a managing director or director, who has been on the board for more than six months and understands the Company's financial and business performance. The rule referred to above does apply if the chairman is a representative of the legal director.

For the shareholders' meeting convened by other than the Board of Directors, the convener shall chair the meeting. If there are more than two conveners, one of the conveners should be elected to chair the meeting.

The Board of Directors shall determine the agenda of the shareholders' meeting. The shareholders' meeting should be conducted in accordance with the scheduled agenda and may not be changed without a resolution reached in the shareholders' meeting.

The Company may summon its lawyers, certified public accountants, and any relevant personnel to the shareholders meeting.

Article 8 Video and Audio Recording of Shareholder Meeting

The Company shall have the process of accepting shareholders' reporting to the meeting, the meeting in progress, and vote counting recorded in audio and video uninterruptedly.

The audio and video data referred to above should be reserved for at least one year. However, if a shareholder makes a litigious claim against The Company according to Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.

Article 9

The attendance of the shareholders' meeting is counted by the shareholding. The number of shares represented during the meeting is calculated based on the amount registered in the attendance log or the attendance cards collected, plus the amount of shares whose voting rights are exercised through proxy

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Rules of Procedure for Shareholders' Meeting

forms or electronic methods.

The chairman should announce the commencement of the meeting as soon as it is due. However, if the attendees represented less than half of all outstanding shares, the meeting chairman may announce to postpone the meeting up to two times, for a period totaling no more than one hour. The Chairman may announce the meeting is adjourned if there remain insufficient shareholders who represent two thirds of shareholding to attend the meeting after two meetings postponed.

If the shareholdings of the attending shareholders are not more than half of the total number of shares issued after two postponements but more than one third of the total number of shares issued, a pseudo-resolution can be resolved in accordance with Article 175 Paragraph 1 of the Company Law; also, shareholders should be informed regarding the pseudo-resolution with another meeting of shareholders to be convened within one month.

If the shareholdings of the attending shareholders are more than one half of the total number of shares issued before the end of the meeting, the Chairman may have the pseudo-resolution presented again in the next meeting of the shareholders for resolution in accordance with Article 174 of the Company Law.

Article 10 Discussion of Meeting Agenda

If the shareholders' meeting is convened by the board of directors, its agenda is set by the board of directors. The meeting is conducted in accordance with the agenda and it may not be changed without the resolutions reached in the shareholders' meeting.

The provision referred to above is applicable even when the shareholders' meeting is convened other than by the board of directors.

In either of the two arrangements described above, the chairperson shall not dismiss the meeting while an agenda (including special motions) is still in progress. If the chairperson violates conference rules by dismissing the meeting when not allowed to do so, other members of the board shall immediately assist the attending shareholders in electing another chairperson with the support of more than half of voting rights represented and continue the meeting.

The Chairman must give the proposal or the amendment and motion proposed by the shareholders an opportunity to be explained and discussed sufficiently until it is ready for balloting and then stop the discussion for balloting.

Article 11 Delivery of speech by shareholders

Shareholders who wish to speak during the meeting shall produce an opinion slip detailing the topic and shareholder account number (or conference pass serial number). The order of shareholders' comments shall be determined by the chairperson.

Shareholders who submit Speak Request Forms without actually speaking are considered to have remained silent. If the shareholder's actual comments differ from those stated in the Speak Request Form, the actual comments shall prevail.

Each shareholder may not speak on the same proposal more than twice and not more than 5 minutes each time unless otherwise permitted by the Chairman. However, the Chairman may stop the shareholder from speaking if the speech is in violation of regulations or outside the scope of the proposal.

While a shareholder is speaking, other shareholders cannot speak simultaneously or interfere in any way without the consent of the meeting chairman and the person speaking. The meeting chairman shall restrain any violators.

For corporate shareholders who have appointed two or more representatives to attend the shareholders meeting, only one representative may speak per agenda.

The Chairman may have the questions raised by the attending shareholders replied personally or by the designated personnel.

Article 12 Calculation of the quantity of shares entitled to vote, the recusal system

The voting held in the shareholders' meeting is based on the ownership of stock shares.

For the resolution reached in the shareholders' meeting, the number of shares of the shareholders without voting right will not be included in the total number of shares issued.

Shareholders that have a conflict of interest with the proposal in discussion that is detrimental to the Company's interests may not participate in the voting and may not exercise the voting right on behalf of other shareholders.

The number of shares held by shareholders who are not permitted to vote shall be excluded from total voting rights represented in the meeting.

Except for the trust business or the stock affair agent authorized by securities competent authorities, when one person is commissioned by more than two (inclusive) shareholders, the voting rights by

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Rules of Procedure for Shareholders' Meeting

proxies may not exceed 3% voting rights of the total outstanding shares. When the voting rights by proxies exceed 3% voting rights of the total outstanding shares, the voting rights exceeding the threshold will not be included for calculation.

- Article 13 Shareholders are entitled to one vote per share, except for shares that are subject to voting restrictions or situations outlined in Paragraph 2, Article 179 of The Company Act.
- Voting rights may be exercised in writing or using the electronic method (pursuant to Paragraph 1, Article 177-1 of the Company Act: the Company allows shareholders to exercise voting rights in writing or through the electronic method during shareholder meetings.) Instructions for exercising voting rights in writing or through the electronic method shall be stated clearly in writing on the meeting advice. Shareholders who have voted in writing or using the electronic method are considered to have attended the shareholders meeting in person. However, in respect of the motion and the amendment of the original proposal in the shareholders' meeting it is deemed as a waiver; therefore, the Company is advised to avoid proposing motion or the amendment of the original proposal.
- The uses of written and electronic votes mentioned above must be delivered to The Company at least 2 days before the shareholders meeting. If there are duplicate submissions, the earlier submission shall prevail. However, exception is granted if the shareholder issues a proper declaration to withdraw the previous vote.
- Shareholders after exercising their votes in writing or by electronic means wish to attend the meeting of shareholders in person shall have the intension of exercising votes in writing or by electronic means revoked the same way of exercising their votes two days prior to the meeting commencement date. For overdue revocations, the votes exercised in writing or by electronic means shall prevail. If the shareholder has exercised written or electronic votes, and at the same time delegated a proxy to attend the shareholders meeting, then the voting decision exercised by the proxy shall prevail.
- Unless otherwise provided in the Company Law and the Company's Articles of Incorporation, the proposal is passed in the meeting by the shareholders represented a majority of the balloting rights. The Chairman or the designated personnel are to announce the total number of balloting rights of the shareholders presented at the time of balloting, and the ballots will be casted on a case-by-case basis. The result of the votes of approval, objection, or waiver casted by shareholders will be posted on the MOPS (Market Observation Post System) at the end of the shareholders' meeting.
- For the proposal with an amendment or alternative put to vote, the Chairman is to have it prioritized for balloting with the original bill enclosed. If any solution is passed, all other proposals shall be deemed rejected and no further voting is necessary.
- The meeting chairman will appoint a ballot examiner and a ballot counter for each agenda. However, the ballot examiner must be a Director.
- The votes casted in the shareholders' meeting or the vote count of an election should be held at the venue open to the attendees. In addition, the vote count result should be announced at the scene, including the number of voting rights and with the records kept.
- Article 14 Election-related Issues
- The election of directors and supervisors in the shareholders' meeting, if any, should be handled in accordance with the election regulations defined by the Company. In addition, the election result should be announced at the scene, including the list of the elected directors and supervisors and the respective elected voting rights.
- The ballots of the election referred to above should be sealed, signed, and reserved by the controller of ballot for safekeeping for at least one year. However, if a shareholder makes a litigious claim against The Company according to Article 189 of The Company Act, the above mentioned documents must be retained until the end of the litigation.
- Article 15 The resolutions reached in the shareholders' meeting must be documented in the minutes of meeting for the signature or seal of the Chairman. The minutes of meeting must be distributed to the shareholders in 20 days. The preparation and distribution of the minutes of shareholders' meeting can be processed electronically.
- The Company's minutes of shareholders' meeting referred to above can be distributed by posting it on the MOPS.
- The minutes must detail the date and venue of the meeting, the meeting chairman's name, the method of resolution, and the summary and results of meeting agendas. These minutes must be retained indefinitely.
- Article 16 Public announcement
- The Company must have the statistics of the number of shares by soliciting and by proxy prepared in

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Rules of Procedure for Shareholders' Meeting

- the prescribed format and has it disclosed openly at the meeting venue on the meeting date.
The Company shall disclose on MOPS in a timely manner any shareholder meeting resolutions that constitute material information as defined by law or the rules of Taiwan Stock Exchange Corporation (or Taipei Exchange).
- Article 17 Keep the order of the session
The service personnel for the shareholders' meeting shall wear identification badges or armbands.
The meeting chairman may instruct picketers or security staffs to help maintain order in the meeting. While maintaining order in the meeting, all picketers or security staffs must wear arm badges which identify their roles as "Staff".
If the meeting venue is equipped with speakerphones, the Chairman may stop the shareholders who do not use the device provided by the Company from speaking.
The Chairman may command the marshals or security guards to escort the shareholders to leave the meeting venue if they are in violation of the rules of procedure, disobey the Chairman, and interfere with the meeting proceeding.
- Article 18 Recess, resumption of meeting
The Chairman at his/her discretion may announce the meeting in recess; also, may announce to have the meeting suspended due to force majeure and announce the time for the meeting to resume.
If the shareholder meeting is unable to conclude all scheduled agendas (including special motions) before the venue is due for return, participants may resolve to continue the meeting at an alternative location.
The meeting of shareholders may, in accordance with Article 182 of the Company Law, resolve to have the meeting postponed or resumed in five days.
- Article 19 The Rules of Procedure for Shareholders' Meeting will be implemented after it is resolved in the Shareholders' Meeting, so are the amendments.
- Article 20 The rules were established on September 27, 1999.
The 1st amendment was made on June 23, 2006.
The 2nd amendment was made on June 20, 2013.
The 3rd amendment was made on June 11, 2015.
The 4th amendment was made on June 20, 2017.

Rules of Procedure for Board of Directors Meetings

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- Article 1 These Procedures are instituted pursuant to Article 2 of the Regulations Governing the Procedures of the Board of Directors Meetings of Public Companies for the establishment of a viable system of governance of the Board of Directors, vitalization of the function of monitoring, and bolstering of the management function.
- Article 2 The parliamentary procedure of the Board of the Company shall be governed by These Procedures unless the law or applicable legal rules specify otherwise.
- Article 3 The reasons for the session shall be specified in the notice which shall be delivered to the Directors and Supervisors 7 days in advance. A special session may be called for at any time in case of an emergency. The items specified in Paragraph 1 of Article 7 of These Procedures shall be itemized on the reason for the session unless it is an emergency or with justifiable reasons, and cannot be presented as extemporary motions.
- Article 4 The sessions of the Board shall be held at the principal place of business of the Company during regular office hours. At a place and time appropriate and convenient for the session and the Directors to attend.
- Article 5 The Accounting Department is appointed to administer the sessions of the Board, and shall prepare the agenda and related materials for the session by providing sufficient information on the session to the Directors at the time of sending the notice. The delivery of the notice of session, the agenda, and related materials may be served by correspondence, by fax, or (at the consent of the addressees) via e-mail. Where the Directors may deem the session is insufficient, request supplementation from the administrative unit. The Board of Directors may resolve to have the board meeting postponed if the directors consider the proposal materials are insufficient.
- Article 3 The regular session of the Board shall cover at least the following on the agenda:
- I. Reporting matters:
 - (I) Last minutes of meeting and its execution
 - (II) Important financial business report
 - (III) Internal auditing business report
 - (IV) Other important reporting matters
 - II. Discussion:
 - (I) The opening issues from the last session of the board meeting
 - (II) Points of discussion in this session
 - III. Motions.
- Article 7 The following shall be presented to the session of the Board for Discussion
- I. Business Plan of the Company.
 - II. Annual financial reports and interim financial report.
But the semi-annual financial report is not required by law and regulations to be audited by the CPAs; therefore, it is not subject to this requirement.
 - II. The institution or amendment to the internal control system pursuant to Article 14-1 of the Securities and Exchanges Act.
 - IV. The institution or amendment to the procedures for the acquisition or disposition of assets, engagement in derivative trade, loaning of funds to third parties, or undertaking of endorsement/guarantee pursuant to Article 36-1 of the Securities and Exchanges Act.
 - V. Public offering, issuance, or private placement of equity-type securities.
 - VI. The appointment and dismissal of the Finance Officer, Accounting Officer, or Internal Chief Auditor.
 - VII. Donations to related parties and significant donations to unrelated parties The commonwealth nature donations for emergency assistance due to a major natural disaster may be submitted for ratification in next board meeting.
 - VIII. Pursuant to Article 14-3 of the Securities and Exchanges Act, other applicable legal matters or regulations require resolution by the Shareholders' Meeting or presentation to the Board or as required by the competent authority.
- Related parties as referred to in Subparagraph 7 of the previous paragraph are the parties defined by the Criteria for the Compilation of Financial Statements by Securities Issuers. Significant donations to unrelated parties refers to the amount of each donation or donation accumulated in one year to particular recipient exceeding NT\$100 million, or at 1% of the net sales, or exceeding 5% of the paid-in capital as stated in the audited financial statements covering the most recent period.
- The alleged "within one year" referred to above meant for the one year prior to the board meeting convening date excluding the part that had already been resolved in the board meeting.
- If the shares issued by foreign companies have no face value or the face value is not NT\$10/share, the

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Rules of Procedure for Board of Directors Meetings

amount of 5% of the paid-in capital as stated in Paragraph 2 shall be based on 2.5% of the shareholders' equity.

If the Company has established seats for Independent Directors, the Independent Directors shall attend the session with discussions on the matters presented to the Board as stated in Article 14-3 of the Securities and Exchanges Act in person, or appoint another Independent Director as their proxy to attend the session. The objection or reservation of the independent directors should be documented in the minutes of meeting. The independent directors who cannot attend the board meeting in person to express their opposition or reservation, unless with a proper cause, must have a written opinion submitted in advance and then documented in the minutes of meeting.

Article 8 A sign-in registry shall be prepared for the Directors to sign-in for attendance and for reference.

Directors shall attend the sessions of the Board in person. If, for specific reasons, a particular Director cannot attend a session in person, such Director shall appoint another Director to attend the session as a proxy by issuing a power of attorney and specifying the scope of authorization in accordance with the Articles of Incorporation of the Company. Directors participating in the session via videoconferencing shall be deemed attending the session in person.

Each proxy may be appointed by one principal only.

Article 9 The Company's Chairman is to convene and chair the board meeting. However, the first board meeting of each term is to be convened and chaired by the director that receives the most ballots in the shareholders' meeting. If there are two or more directors with right to convene the meeting, one of them is to be elected for the position.

The Chairman who is on leave of absence or is unable to perform duty is represented by the Vice Chairman. If there is no Vice Chairman or the Vice Chairman is also on leave of absence or is unable to perform duty, the Chairman is to appoint one general director to perform duty. If there is no general director, the Chairman is to appoint one director to perform duty. If the Chairman does not have a representative appointed to perform duty, one of the general directors or directors is elected to perform duty.

Article 10 When a session of the Board is called, the administrative unit of the session shall coordinate with the related functional departments to prepare the relevant information for the session, and shall notify the related departments or subsidiaries to dispatch their personnel to attend the session as observers as dictated by the content of the motions as reference for the Board and respond to the queries of the Directors. The Company may also invite certified public accountants, lawyers, or other professionals to attend the session as observers to present their opinions to the Directors as a reference. These observers shall recuse themselves from the discussion and resolutions of the motions.

In presenting their opinions in the session, Supervisors may participate in the discussion on the motions only if the motions are pertinent to the respective area of specialization. Supervisors are not entitled to vote on the motions.

Article 11 If the time set for the session has come and half of the Directors still do not show up, the Chairman shall announce a postponement of the session twice. If the session still lacks the presence of more than half of the Directors after the postponements, the Chairman shall proceed to Paragraph 1 of Article 3 for calling a new round of the session.

All Directors as referred to in the previous paragraph and Article 18 shall be those who are still in office.

Article 12 The entire proceeding of the session shall be tracked by voice recording or videotaping for record and these records shall be kept for at least 5 years and may be stored in electronic means.

If legal action has been instituted by a third party before the expiration of the aforementioned retention period, the related voice records or videotapes kept as minutes of the meeting on record of the Board on certain resolutions shall be kept until the conclusion of the legal action.

Audiovisual data on videoconferences of the Board shall be kept as an integral part of the minutes of the meeting on record, and shall be kept within the perpetuity of the Company.

Article 13 The Board shall proceed with the agenda for the session as inscribed in the notice. The agenda and the priority of the motions for discussion may be altered only at the approval of the Directors by a simple majority.

The Chairman may not directly declare the meeting is adjourned for the scheduled procedures and motions referred to above without the consent of a majority of the directors presented.

If a session of the Board lacks the presence of more than half of the Directors, the Chairman may announce the suspension of the session at the suggestion of the Directors in the session where Paragraph 1 of Article 11 shall be applicable.

The Chairman may announce a recess or time for consultation in the session of the Board.

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Rules of Procedure for Board of Directors Meetings

- Article 14 After a Director has delivered a speech, the Chairman shall respond to any query thereof, or appoint designated persons to respond to the query, or request designated professionals attending the session to provide necessary and related information.
If Directors repeatedly expressing an opinion on the same motion or the content of opinions exceeds the scope of the motion, to the extent that the order of the session or the right of other Directors for expression of opinions is interrupted, the Chairman shall demand order on the floor.
- Article 15 The Chairman who believes that the motion in discussion is ready for voting may announce to stop discussion and start voting.
A motion shall be deemed passed if there is no adverse opinion after the Chairman has asked for opinions from the Directors in the session. The effect shall be construed as the same as a motion passed by balloting. The Chairman is to put the motion to vote if there is any objection from any of the directors presented at the board meeting. The Chairman is to have the way of balloting determined in accordance with one of the following alternatives; however, the opinion of the majority shall prevail upon the objection of the directors presented:
I. Balloting by raising hands or voting device
II. The roll-call balloting
III. Balloting
IV. The Company's own choice of balloting
The Directors in the session as referred to in the previous two paragraphs shall not include Directors who are not entitled to vote as stated in Article 17.
- Article 16 Resolutions of motions shall be made by a session with the presence of at least half of the Directors and a simple majority of the Directors in the session unless the Company Act, other applicable legal rules, and the Articles of Incorporation of the Company specified otherwise.
For the proposal with an amendment or alternative put to vote, the Chairman is to have it prioritized for balloting with the original bill enclosed. If any solution is passed, all other proposals shall be deemed rejected and no further voting is necessary.
The Chairman is to appoint the controllers of ballot and tally clerks who are board directors for the proposals put to vote, if any.
The outcome of the vote must be documented and announced on site.
- Article 17 Directors or representatives of Institutional Directors shall recuse themselves from the following matters and shall not take part in the discussion and balloting. In addition, these Directors or representatives shall not act as proxies for other Directors in exercising the right of balloting:
I. If a particular motion is a concern for the interest of particular Directors or Institutional Directors, the Directors and representatives concerned shall explain the summary of the interest involved in the session, such as, the concern for jeopardizing the interest of the Company.
II. Voluntarily recusal of Directors.
III. Recusal from the resolution of the Board.
- Article 18 The proceeding of the session shall be compiled into the minutes of the meeting on record with the following details inscribed thereunto:
I. The term (or year), time, and place of meetings
II. The name of the chairman
III. Directors' attendance, including the name and the number of the directors who are or are not (leave of absence or absence) at the meeting
IV. Name and title of the attendees
V. Name of the clerk
VI. Reporting matters.
VII. Points of discussion: Points of discussion: The methods of resolutions on the motions, the result of resolutions, and the summary of the opinions presented by the Directors, Supervisors, experts and other personnel shall be governed by Paragraph 1 of the previous article, including the names of the Directors who are stakeholders, the content of the motion that involves the interest, and necessity of recusal or the reason of waiver of recusal, the adverse opinions or qualified opinions on the record or in a written declaration, and the written opinions presented by Independent Directors pursuant to Paragraph 4 of Article 7.
VIII. Motions: The names of the persons proposing the motions, the methods of resolutions on the motions, the result of resolutions, and the summary of the opinions presented by the Directors, Supervisors, experts and other personnel shall be governed by Paragraph 1 of the previous article thereby the names of the Directors who are stakeholders, the content of the motion that involves the interest, and the necessity of recusal or the reason of waiver of recusal, and the adverse

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Rules of Procedure for Board of Directors Meetings

opinions or qualified opinions on the record or in a written declaration.

The summary of the opinion shall be governed by Paragraph 1 of the previous article thereby the names of the Directors who are stakeholders, the content of the motion that involves the interest, and the necessity of recusal or the reason of waiver of recusal, and the adverse opinions or qualified opinions on the record or in a written declaration.

IX. Other remarks.

The resolutions reached by the Board of Directors that fall in any of the following categories must be documented in the minutes of meeting and announced and reported on-line at the information network designated by the competent authorities within two days from the board meeting date:

I. Independent director's recorded or documented objections or reservations;

II. Motions not passed by the Audit Committee of the Company shall be sustained at the consent of 2/3 or more of the Directors.

The minutes of the meeting on record of the Board shall be affixed with the authorized signature/seal of the Chairman of the session and the recorder, and shall be released to the Directors and Supervisors within 20 days after the session. The compilation of the minutes of the meeting on record and the release of the record may be released through electronic means.

In discussing the motions of the acquisition or disposition of assets, loaning of funds to third parties, and undertaking endorsement/guarantee and other significant matters regarding the financial position of the Company, take the opinions of the Audit Committee or the Independent Directors into account in their entirety, and inscribe the opinions in favor of or against the motions and the reasons into the minutes of the meeting on record.

The minutes of the meeting on record of the Board shall be affixed with the authorized signature/seal of the Chairman of the session and the recorder, and shall be released to the Directors and Supervisors within 20 days after the session.

Article 19 The Board may authorize the Directors to exercise the authority of the Board in accordance with the applicable laws or the Articles of Incorporation of the Company except for the matters that require the discussion of the Board under law or applicable rules and regulations, the authority of Independent Directors, and related party transactions where a resolution of the Board is necessary. The content of authorization or matters of empowerment shall be conforming to the internal control system, related internal rules and regulations, and codes of the Company.

Article 20 These Procedures were passed by the Board and became effective on January 1, 2007. The same procedure is applicable to any amendment thereto.

These Procedures were instituted on December 29, 2006.

The 1st amendment was made on March 25, 2008.

The 2nd amendment was made on March 24, 2009.

The 3rd amendment was made on March 19, 2012.

The 4th amendment was made on October 29, 2012.

The 5th amendment was made on March 24, 2014.

Rules Governing the Responsibilities of the Independent Directors

Article 1	<p>Purpose</p> <p>These Procedures are instituted pursuant to Article 26-1 of the Corporate Governance Best Practice Principles for TWSE/GTSM-listed Companies for the establishment of a viable system of corporate governance and Independent Directors, the extent to which Independent Directors can properly perform their functions in the Board, and the operation of the Company.</p>
Article 2	<p>Scope of application</p> <p>Unless the law or the Articles of Incorporation provide otherwise, the authority and responsibility of Independent Directors shall be governed by These Procedures.</p>
Article 3	<p>Scope of authority and responsibility:</p> <p>The following shall be subject to the resolution of the Board. The adverse opinions or qualified opinions of the Independent Directors, if applicable, shall be inscribed in the minutes of the meeting on record of the Board. If a particular Independent Director cannot attend the session in person, present their opinions in writing in advance and specify them in the minutes of the meeting on record unless there is a justifiable reason.</p> <ol style="list-style-type: none"> I. Business Plan of the Company. II. Annual financial reports and interim financial report. III. Review and approval of the institution or amendment to the internal control system of the Company. IV. Review and approval of the procedures of the acquisition or disposition of assets, engagement in derivative trade, loaning of funds to third parties, undertaking endorsement/guarantee that may significantly affect the financial position or operation of the Company. V. Matters involved with the private interest of the Directors or Supervisors. VI. Material assets or derivative transactions. VII. Major financing, undertaking guarantee/endorsement. VIII. Issuance, offering or private placement of equity securities. IX. The appointment, dismissal, or compensation of the CPAs. X. The appointment and dismissal of the Finance Officer, Accounting Officer, or Internal Chief Auditor. XI. Matters required by the resolutions of the Shareholders' Meeting under law or the Articles of Incorporation of the Company, or presented to the Board, or materiality required by the competent authority.
Article 4	<p>Liability insurance</p> <p>The Company shall retain professional liability insurance for the protection of the Independent Directors.</p>
Article 5	<p>Remunerations:</p> <p>The remunerations to Independent Directors of the Company shall be determined in accordance with the Articles of Incorporation of the Company or the Shareholders' Meeting with reference to other Directors and Supervisors. Remuneration to such Director shall be effected at a flat monthly rate in due process of law without participating in the payment of incomes.</p>

Rules Governing the Responsibilities of the Independent Directors

- Article 6 Continuing education:
Independent Directors of the Company shall continue their study including the required courses in continuing education.
- Article 7 Right to be informed:
The Company, or members of the Board, shall not hinder, reject, or evade the performance of duties by the Independent Directors. The Independent Directors may request the Board to dispatch related personnel or retain specialists for assistance in performing their duties where they deemed necessary. The expenses incurred from the aforementioned retention of specialists for assistance in the performance of duties by Independent Directors shall be borne by the Company.
- Article 8 Implementation:
The Rules of Procedure for Shareholders' Meeting will be implemented after it is resolved in the Board of Directors meeting, so are the amendments. This policy was established on August 29, 2011.

Chenbro Micom Co., Ltd.
Shareholdings of Directors and Supervisors

April 22, 2018

Title	Name	Shareholding	Remarks
Chairman	CHEN MEI CHI	9,656,009	
Director	LEE TSUN YEN	5,296,029	
Director	WU CHUNG PAO	0	
Director	HSU SHEN KUO	525,112	
Director	TSAO AN PANG	0	Independent director
Director	HSU KUEI YING	0	Independent director
Director	HUANG WEN CHENG	0	Independent director
Total		15,477,150	
Supervisor	HUANG LI LONG	826,946	
Supervisor	LEE YA-MI	181,334	
Supervisor	CHEN JEN SHYANG	126,224	
Total		1,134,504	
Total shareholdings		16,611,654	

Note 1: The Company had a total of 119,725,950 shares issued as of the cut-off date (April 22, 2018) of the current shareholders' meeting.

Note 2: The Company's paid-in capital is over NT\$1 billion but less than NT\$2 billion; therefore, according to the "Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies," the total shareholdings of all the board directors may not be less than 7.5% and for the supervisors may not be less than 0.75%. The minimum shareholding of all the board directors should be 8,000,000 shares. The minimum shareholding of all the supervisors should be 800,000 shares.

Appendix V.

The impact of current stock dividend resolved in the Company's shareholders' meeting on the Company's business performance, earnings per share, and return on shareholder's investment:

The Company does not have stock dividend distributed in current year; therefore, it is not applicable.