Stock Code: 2425

CHAINTECH Technology Corporation
2018 ANNUAL REPORT
Annual Report

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Annual Report Website: http://mops.twse.com.tw
Company Website: http://www.chaintech.com.tw

I. Company Spokesperson, Acting Spokesperson

Name of Spokesperson: Chou, Tzu-An
Title: Assistant Manager, Marketing and Planning Department
Tel.: (02) 2913-8833
Email: richardchow@chaintech.com.tw

Name of Acting Spokesperson: Chang, Ya-Ling
Title: Chief Auditor
Tel.: (02) 2913-8833
Email: alenchang@chaintech.com.tw

II. Company Address: 3F, No. 48-3, Minchuan Rd., Xindian Dist., New Taipei City
Tel.: (02) 2913-8833

III. Stock Transfer Institution
Name: Service Agency Department, Grand Fortune Securities Co., Ltd.
Address: 6F, No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City 10041
Tel.: (02)2371-1658
Website: http://gfortune.com.tw

IV. CPAs for the Financial Report in the Most Recent Fiscal Year
Name of Accounting Firm: Pricewaterhouse Coopers
Name of CPAs: Hsu, Sheng-Chung, Wu, Han-Chi
Address: 27F., No. 333, Sec. 1, Keelung Rd., Taipei City
Tel.: (02) 2729-6666
Website: http://www.pwc.tw

V. Name of Trading Venues for Overseas Flotation of Marketable Securities and Means of Inquiry into Information Thereof: None.

VI. The Company's Website: http://www.chaintech.com.tw/

Table of Contents

Chapter 1 Letter to Shareholders

Dear Esteemed Shareholders:

I. The operational performance of 2018 is as follows:

The Company's consolidated operating revenue for 2018 was NT$4,083,032,000, a decrease of 29.27% from the consolidated operating revenue of NT$5,772,839,000 in 2017. Among them, the individual operating revenue was NT$,755,138,000, a decrease of 28.83% from the individual operating revenue of 5,276,351,000 in 2017. Net profit after tax was NT$244,304,000, and net profit after tax was NT$2.39 per share.

The following is a summary of the Company's 2018 operating results and the business plan for 2019:

(I) 1. Implementation results of individual business plans:

Unit: NT$1,000, %

Items	2018	2017	Increase (Decrease)	Increase (Decrease) %
Operating Revenue	3,755,138	5,276,351	(1,521,213)	(28.83)
Gross Profit	357,955	80,824	277,131	342.88
Operating Margin	270,828	32,161	238,667	742.10
Net Profit (Loss) After Tax	244,304	(56,914)	301,218	(529.25)
Net Profit (Loss) Per Share After Tax (NT$)	2.39	(0.52)	2.91	(559.62)

2. Implementation results of the consolidated business plan:

Unit: NT$1,000, %

Items	2018	2017	Increase (Decrease)	Increase (Decrease) %
Operating Revenue	4,083,032	5,772,839	(1,689,807)	(29.27)
Gross Profit	368,016	104,334	263,682	252.73
Operating Margin	242,893	16,831	226,062	1,343.13
Net Profit (Loss) After Tax	244,304	(56,914)	301,218	(529.25)
Net Profit (Loss) Per Share After Tax (NT$)	2.39	(0.52)	2.91	(559.62)

(II) 1. Individual financial income and expenditure and profitability analysis:

Items		2018	2017	Increase (Decrease) %
Financial Structure %	Debt-to-Asset Ratio	13.58	12.75	6.51
	Ratio of Long-Term Assets in Property, Plant, and Equipment	-	6,894,508.00	-
Solvency %	Current Ratio	569.51	638.67	(10.83)
	Quick Ratio	533.91	593.11	(9.98)
	Interest Coverage Ratio	137.00	(36.12)	(479.29)
Profitability %	Return on Assets %	12.36	(2.57)	(580.93)
	Return on Shareholders' Equity %	14.13	(3.23)	(537.46)
	Net Profit (Loss) Ratio	6.51	(1.08)	(702.78)
	Earnings Per Share (Net Loss) (NT$)	2.39	(0.52)	(559.62)

2. Consolidated financial income and expenditure and profitability analysis:

Items		2018	2017	Increase (Decrease) %
Financial Structure %	Debt-to-Asset Ratio	13.92	13.31	4.58
	Ratio of Long-Term Assets in Property, Plant, and Equipment	1,420.56	1,283.08	10.71
Solvency %	Current Ratio	619.59	699.66	(11.44)
	Quick Ratio	584.66	655.21	(10.77)
	Interest Coverage Ratio	137.18	(35.90)	(482.12)
Profitability %	Return on Assets %	12.29	(2.56)	(580.08)
	Return on Shareholders' Equity %	14.13	(3.23)	(537.46)
	Net Profit (Loss) Ratio	5.98	(0.99)	(704.04)
	Earnings Per Share (Net Loss) (NT$)	2.39	(0.52)	(559.62)

II. Summary of the 2019 Business Plan

Faced with future market changes, the Company plans to adopt the following operating guidelines, expected objectives, and important production and sales policies:

(I) Operating guidelines

1. Marketing affairs: Continue to strengthen the cooperation between distributors and agents, constantly build various sales channels, and strengthen cooperation with clients with stable financial structure.
2. Financial policy: Carry out stable operations and strict control over the quality of accounts receivable, make collections according to the terms of sales conditions to ensure that the assets are protected and maintained, and produce as per orders received to maintain low inventory and the efficiency of working capital.
3. R&D policy: Develop products that satisfy clients' needs.

(II) Estimated sales volume and supporting information

In the first quarter of 2018, revenue and profit base were both high due to the demand for cryptocurrency mining. NVIDIA continued to manufacture and introduce display cards of new specifications in the latter half of 2018. After selling out on display cards of old specifications, the Mainland China market had shown a steady trend in the demand for the newly-introduced eSports display cards. With the recovering market demand, the Company will devote to the sales of products with a stable margin, instead of a significant increase in sales volume. Combined with stable financial conditions, the Company's performance is expected to maintain a certain economic scale.

(III) Important Production and Marketing Policies

1. Production policy: Accurately grasp the orders and their delivery to execute the minimization of stock and inventory.
2. Sales policy: Continue to improve technology R&D and product quality, provide products that meet customer needs, and unremittingly build new sales channels.

Following existing core values, the Company is committed to maintaining a sound financial situation and pursuing prudent operations. By constantly improving production management and technology, the Company strives to maintain a stable quality of product technologies and keep on strengthening product efficiency and marketing channels. Faced with intensive industrial environmental changes in the board market, the Company will devote to adjusting product structure, with a view to improving its profits under the ever-changing market demand. On behalf of the management team of CHAINTECH Technology Corporation, I would like to take this opportunity to once again express our gratitude for your continued support and encouragement.

Chairman of the Board: KAO, SHU-JUNG

Chapter 2 Company Profile

I. Date of Founding: November 17, 1986

II. Company History:

1986
- Founding of CHAINTECH Technology Co., Ltd., with an NT$5 million registered capital.
- Establishment of self-owned brand ELT.

1987
- Purchase of factories and setting up production lines.

1988
- Introduction of high-end equipment and appliances in the factories.

1989
- Conclusion of technical cooperation contract with IBM in April.
- Cash capital increases of NT$55 million and NT$60 million in March and December, respectively, with paid-in capital reaching NT$120 million.

1990
- Cash capital increase of NT$75 million in June, with the paid-in capital reaching NT$195 million.

1991
- Establishment of Chaintech Computer GmbH through investment in Germany in July.

1993
- Ex-Chairman of the Board Ke, Heng-Guang passed away of illness, and Mr. Su, Ke-Gang, representative of Behavior Tech Computer Corp., appointed as his successor.

1994
- Capital reduction of NT$87 million in April and cash capital increase of NT$82 million in December, with a paid-in capital of NT$199 million.
- Purchased factory building on Lian-Cheng Road of Jhonghe City.
- Passed ISO-9002 certification.

1995
- Cash capital increase of NT$111 million in July, with paid-in capital reaching NT$320 million.
- Increased investment of NT$1.3 million in Chaintech Computer GmbH, with 100% shareholding.

1996
- Earnings turned capital increase of NT$32 million in November, with paid-in capital reaching NT$352 million.
- Establishment of the American subsidiary Chaintech Computer U.S.A. in December.

1997
- Earnings and employees' bonus turned capital increase of NT$76.6 million in May, with paid-in capital reaching NT$328.6 million.
- Mr. Wang, Jing-Ye, representative of Central Asia Venture Corp., appointed the Chairman of the Company in July.

1998
- Publicly listed on February 4.
- Earnings and employees' bonus turned capital increase of NT$92.617 million and cash capital increase of NT$178.783 million in July, with paid-in capital reaching NT$700 million.
- Acquired land in Tucheng in August and officially commenced construction in December.
- Established Gold Ring overseas company in October.
- Disposal of subsidiary in Germany and established an European subsidiary in October.
- Passed ISO 9001 certification in December.

1999
- Mr. Dong, Zhong-Quan, representative of Central Asia Venture Corp. appointed the Chairman of the Company on April 30.
- Mr. He, Ai-Tang appointed the General Manager of the Company in October.

	· The first convertible corporate bonds of NT$300 million raised in December. · Mr. Dong, Zhong-Quan, representative of Hongyun Electronics Co., appointed the Chairman of the Company on December 18.
1990	· Launched marketing posts in Mainland China in January to expand the Chinese market. · The Investment Review Commission passed indirect re-reinvestment in DONGGUAN CHANGAN FORTECH ELECTRONICS CO., LTD. · Relocated to the Tucheng plant in Taipei City in March. · The US subsidiary was combined with Chaintech Excel in April. · Shares went from Over-the-Counter to public listing on September 11. · Mr. Dong, Zhong-Quan passed away in December and Vice Chairman of the Board Dong, Qing-Quan appointed interim Chairman.
2001	· Mr. Dong, Ding-He, representative of Hongyun Electronics Co., was reappointed as the Chairman of the Company on January 4. · Established the Digital Media Business Development department in November, officially engaging in the field of digital multi-media.
2002	· Inject of KRW270 million for the establishment of a subsidiary in February. · Mr. He, Ai-Tang appointed the Chairman of the Company and Ms. Zhang, Bi-Lan appointed the Vice Chairman of the Company on May 2. · Issued 5 million employee stock option certificates in October. · Established the US subsidiary with US$1 million in December.
2003	· Remaining bonds of "CHAINTECH I" completed conversion in August.
2004	· Sales of Tucheng plant in June. · The operation headquarters was relocated to the Far East Industrial Zone in Jhonghe City in December.
2005	· After the completion of two private placements of convertible bonds in May and June, a total of NT$265 million was funded, with paid-in capital reaching NT$2,056,136,860, and became the subsidiary of Walton Advanced Engineering, Inc. · Changed its name to Walton Chaintech Corp. on September 7. · Mr. Yu, Hong-Qi, representative of Walton Advanced Engineering, Inc., appointed the Chairman of the Company in September. · Treasury stocks capital reduction of NT$16 million, with a paid-in capital of NT$2,040,136,860 in September.
2006	· Capital reduction of NT$750,489,950 in January, with a paid-in capital of NT$1,289,646,910. · Set up the EMS Business Development Department in January to increase the OEM business. · Set up the Memory Business Development in January and officially entered the DRAM field.
2007	· Passed ISO 14001 certification in June. · Capital increase of NT$11.17 million for employees' executive stock option, with paid-in capital reaching NT$1,300,816,910. · Disposal of South Korean subsidiary in December.
2008	· Two private placements were listed on the Stock Exchange on September 5. · Capital reduction of NT$532,294,280, with paid-in capital reaching NT$768,522,630 on September 9.
2009	· Mr. Zhang, Da-Rong, representative of Walton Advanced Engineering, Inc., appointed the Chairman of the Company on January 6.

- Jointly held 15% of Info-Tek Corporation’s equity with HannStar Board in July.
- Mr. Fan, Bo-Kang, representative of Walton Advanced Engineering, Inc., appointed the Chairman of the Company in August.

2010
- Cash capital increase of NT$207,500,000, with paid-in capital reaching NT$893,522,630.
- Acquired 100% equity of PSA through investment to expand the domestic channel market.
- The operation headquarters was relocated to the 4tF, No. 48-3, Minquan Road, Xindian District in April.
- Sold out the entire shares of "Info-Tek Corporation" to GBM in July.

2011
- Ended DRAM related businesses in April.
- Capital reduction of NT$275,204,970 in November, with paid-in capital reaching NT$618,317,660.
- Private placement of common shares totaling NT$385,280,000 in November, with paid-in capital reaching NT$1,178,317,660.
- Yeland Investment obtained 35.64% of the Company's equity through private placement in November, and became a major shareholder of the Company.
- Sold out all equity of subsidiary PSA.

2012
- Mr. Lu, Li-Cheng, representative of Yeland Investment, appointed the Chairman of the Company on January 18.
- Signed strategic alliance cooperation agreement with Shenzhen Colorful Group Limited in March, establishing strategic partnership incorporating production, sales, and research, for joint marketing of main board, display card, and digital multi-media products.
- Capital reduction of NT$242,615,600 in August, with paid-in capital reaching NT$935,702,060.
- Established Jinghong Digital R&D Service Co., Ltd. in Shenzhen in October.

2013
- Changed its name to Chaintech Technology Corporation.
- The operation headquarters was relocated to 3F, No. 48-3, Minquan Road, Xindian District.
- The Investment Review Commission approved Colorful Group’s investment in Zhongjie Properties, directly holding 10% equity of CHAINTECH.
- Established the Wise Providence Limited overseas company in May.
- Mr. Kao, Shu-Jung, representative of Yicheng International, appointed the Chairman of the Company on June 21.
- Earnings turned capital increase of NT$9,357,030 in September, with paid-in capital reaching NT$945,059,090.

2014
- The Investment Review Commission re-approved Colorful Group to invest in Yicheng International in March, directly holding up to 46.2% of the equity of CHAINTECH. In July, CHAINTECH officially varied to Mainland China invested enterprise.
- Earnings turned capital increase of NT$147,129,220 in September, with paid-in capital reaching NT$1,092,488,310.

2015
- Issuance of common shares by private placement in 2011 and became listed for transactions on June 10.
- The status of Zhongjie Properties as a major shareholder was revoked on October 2.

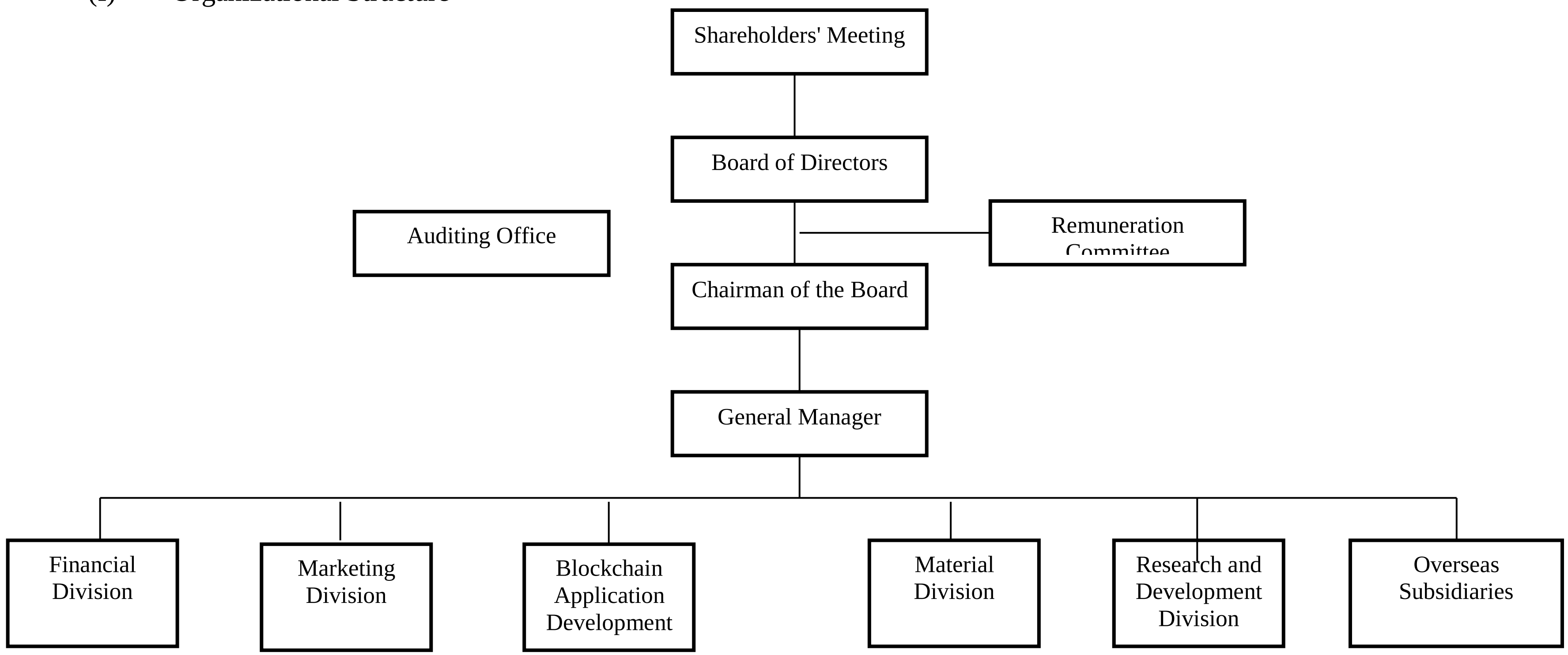
2016
- After the re-election of directors and supervisors, two independent directors were elected in addition to implement corporate governance.

2018	·	Capital reduction of NT$77,500,000 on May 3, the base date for capital reduction of treasury stock, with paid-in capital reaching NT$1,014,988,310.
	·	Established the Blockchain Application Technology Development Department in May.
	·	Invested in B2B cloud service company CloudeMile Co. with the main business of in-depth learning and big data analysis in September.
2019	·	Acquired 51% of Siteng Heli (Tianjin) Technology Co.'s equity through the subsidiary Jinghong Investment in March.

Chapter 3 Corporate Governance Report

I. Organization

(I) Organizational Structure



(II) Businesses of Major Departments

Department	Responsible Business
Auditing Office	Assist the Board of Directors and the Manager in checking and reviewing the deficiency of the internal control system and measuring operation effect and efficiency, offering timely improvement suggestions to support the Company in reaching the goal of the internal control system, and ensure sustainable and effective implementation of internal control system that is to be used as the basis for perfecting the internal control system.
Financial Division	1. Responsible for the mid-to-long-term capital planning and short-term funding scheduling of the Company. 2. Preparing and promoting the planning of operations concerning stock affairs, capital, and credit auditing. 3. Performing budget aggregation and preparation, preparing operational financial statements concerning accounting, tax processing, and cost settlement. 4. Managing and planning the Company's general and common affairs including procurement and management. 5. Establishing educational training system and following up on the implementation effectiveness of each unit. 6. Making and implementing human resource planning, recruitment, appointment, training, and development. 7. Establishing and implementing personnel management system. 8. Undertaking the formulation of information-related business procedures and systems. 9. Establishing mechanisms related to safety control and firewall. 10. Preparing, reviewing and managing contracts, and handling matters involving litigation and mediation cases, collection of decrees, protection of intellectual property and operation secrets, and collection of bad debts.
Marketing Division	1. Planning and promoting various public relations advertising, marketing activities and corporate strategies to enhance the image and reputation of the Company and its products. 2. Providing various marketing tools and formulating sales and marketing strategies to assist the business units in selling. 3. Responsible for sales and business expansion of the products. 4. Responsible for control and management related matters like handling of orders, arranging shipping, import and export declarations, and cargo insurance. 5. Responsible for matters related to customer service, DOA, RMA, and technical support.
Blockchain Application Development Division	1. Responsible for the development and application of the blockchain industry.

Material Division	1. Responsible for the procurement and return of all raw materials, personal or production equipment as well as the disposal of abnormalities and claim for compensation thereof. 2. Responsible for supplier management and evaluation as well as raw material price investigation and cost price review and analysis. 3. Keeping abreast of delivery schedules of materials and ensuring their sources to avoid production interruption and thus product delivery as a result of material shortage. 4. Responsible for order production scheduling and progress control management.
Research and Development Division	1. Responsible for the research and development of new products and the confirmation of primary samples. 2. Responsible for analysis and countermeasures of product defects for improvement and uplifting quality. 3. Responsible for document control operations to ensure the appropriateness and effectiveness of the documents. 4. Responsible for the matters related to new products verification, transfer of technology and parts recognition. 5. Collecting industrial information, and planning the specifications of products and services as reference for product development. 6. Providing customer service and resolving customers' problems arising in the use of the Company's products, and transferring customer feedback to the relevant responsible units for handling and follow-up. 7. Promoting the implementation of quality assurance systems in each department of the Company. 8. Supervising and implementing all quality systems.
Overseas subsidiaries	Responsible for managing the overseas subsidiaries.

II. Information of Directors, Supervisors, General Manager, Deputy General Manager, Assistant Manager, and Managers of Departments and Branches

(I) Information on Directors and Supervisors

1. Information on Directors and Supervisors as of April 16, 2019 Unit: NT$1,000

Title	Nationality or Registration Place	Name	Gender	Date of Election	Term	Date First Elected	Shares Held Upon Election		Number of Shares Currently Held		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Main Education and Experience	Current Positions in the Company and Other Companies	Any Executives, Directors, or Supervisors who are spouses or relatives within the Second Degree of Kinship:		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relations
Chairman of the Board	The Republic of China	Yiland International Ltd. Representative: Kao, Shu-Jung	Male	June 14, 2016	3	January 18, 2012 June 21, 2013	36,532,080 -	33.44 -	28,532,080 -	28.11 -	- -	- -	- -	- -	Department of Electronic Engineering, National Chin-Yi University of Technology, General Manager of AI-EN Thailand domestic businesses, Deputy General Manager of Beijing Kunru Computers, General Manager of Chih-Jung Information, Chief Representative of ELSA Technology Inc.	General Manager of the Company Chairman of Bahamas Shanghai Commonwealth	-	-	-
Director	The Republic of China	Yiland International Ltd. Representative: Lu, Li-Cheng	Male	June 14, 2016	3	January 18, 2012 January 18, 2012	36,532,080 -	33.44 -	28,532,080 -	28.11 -	- -	- -	- -	- -	Computer Research Institute of Bond University, General Manager of Albatron Technology Administrative Management Center, General Manager of LJ Optics, Chairman and General Manager of CHAINTECH Technology Corporation	Chairman of Chun Electronics Co., Ltd., Peugeot, and Kaohsiung Peugeot; Director of SHANGHAI LIMITED, Independent Director of Walton Advanced Engineering, Inc., Supervisor of Fullerton Technology and Executive Director of PG Union.	-	-	-
Director	The Republic of	Yiland International	Male	June 14, 2016	3	January 18, 2012	36,532,080 -	33.44 -	28,532,080 -	28.11 -	- -	- -	- -	- -	College of Law in Taiwan University,	CEO of Shanghai Himalaya Financial	-	-	-

Title	Nationality or Registration Place	Name	Gender	Date of Election	Term	Date First Elected	Shares Held Upon Election		Number of Shares Currently Held		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Main Education and Experience	Current Positions in the Company and Other Companies	Any Executives, Directors, or Supervisors who are spouses or relatives within the Second Degree of Kinship:		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relations
	China	Ltd. Representative: Wang, Mu-Tien				June 21, 2013									EMBA of the Chinese University of Hong Kong, Vice President of Credit Card Business Department of Ping An Bank, Assistant Manager of Credit Business Division of China CTBC Bank, General Manager of Credit Card Customer Service Department of China Merchants Bank.	Information Service Co., Ltd.			
Independent Director	The Republic of China	Chen, Kuo-Chin	Male	June 14, 2016	3	June 14, 2016	-	-	-	-	-	-	-	-	School of Computer Science, Tamkang University IBM Project Manager, HP Senior Deputy General Manager, Professional Consultant and Lecturer of Haoyu, Qunchuang, Yuyi, Chuangxin and Dun & Bradstreet	Professional Consultant and Lecturer of Timing international Group	-	-	-
Independent Director	The Republic of China	Tang, Han-Yu	Male	June 14, 2016	3	June 14, 2016	-	-	-	-	-	-	-	-	MBA of Peking University, General Manager of Gigabyte China Region	Technical Consultant of VIA CPU PLATFORM INC.	-	-	-
Supervisor	The Republic of China	Chou, Chun-Tsun	Male	June 14, 2016	3	January 18, 2012	-	-	30,000	0.03	-	-	-	-	NTUST EMBA Financial Research Institute Director, Audit Department, KPMG Partner, Jianfeng Accounting Firm	Partner & President, SCS CONCORD CPAs	-	-	-
Supervisor	The Republic of Chin	Hsu, Sheng-Chin	Male	June 14, 2016	3	February 21, 2014	1,197,048	1.09	1,151,048	1.13	-	-	-	-	School of	Chairman of Win-Way Advance	-	-	-

Title	Nationality or Registration Place	Name	Gender	Date of Election	Term	Date First Elected	Shares Held Upon Election		Number of Shares Currently Held		Shares Held by Spouse and Underage Children		Shares Held in the Name of Other Persons		Main Education and Experience	Current Positions in the Company and Other Companies	Any Executives, Directors, or Supervisors who are spouses or relatives within the Second Degree of Kinship:		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relations
	China														Computer Science, Tamkang University General Manager, KWONGLUNG ENTERPRISE CO. LTD.	Technology Ltd, Director of INPAQ TECHNOLOGY CO., LTD., Director of Yihe Information			

2. Major Shareholders of the Corporate Shareholders

April 16, 2019

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholders
Yiland International Ltd.	COLORFUL GROUP LIMITED (100%)

Note 1: Directors and supervisors who are corporate shareholders shall fill in the name of corporate shareholders.

Note 2: Please fill in the name of the major shareholders of the corporate shareholders (top 10 persons in terms of shareholding ratio) and their shareholding ratio. If the major shareholders are a judicial person, please proceed to fill in more details in Table 2 below.

3. Major Shareholders as Judicial Person

April 16, 2019

Name of Corporate Shareholders	Major Shareholders of the Corporate Shareholders
COLORFUL GROUP LIMITED	Wan Shan (100%)

Note 1: If major shareholders in the above Table 1 are a judicial person, the name of a judicial person shall be filled.

Note 2: Please fill in the name of the major shareholders of the judicial person (top 10 persons in terms of shareholding ratio) and their shareholding ratio.

4. Information on Independence of Directors and Supervisors

December 31, 2018

Conditions / Name	Do the Directors have five or more years of work experience and the professional qualification below			Compliant to the requirements of independence (Note 1)										Number of Other Taiwanese Public Companies Concurrently Served as an Independent director
	Serving in lecturer roles or above in public or private college institutions in one of the following departments: business administration, law, finance, accounting, or another discipline relevant to the Company's operations	Currently serving as a judge, prosecutor, lawyer, certified public accountant or other professional or technical staffs who have been certified by national examinations and licensed by the competent authorities	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8	9	10	
Kao, Shu-Jung			✓			✓	✓	✓	✓		✓	✓		0
Lu, Li-Cheng			✓	✓		✓	✓	✓	✓	✓	✓	✓		1
Wang, Mu-Tien			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Tang, Han-Yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Chen, Kuo-Chin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hsu, Sheng-Chin			✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Chou, Chun-Tsun		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	0

Note 1: If the Directors or Supervisors have met any of the following criteria in the first two years after being elected and during their tenure:

(1) Is not employed by the Company or its affiliated companies.

(2) Not serving as a director or supervisor of the affiliated companies of the Company (this does not apply in cases where the person is an independent director of the Company or its parent company or subsidiary established in pursuant to this law or local laws).

(3) Not holding more than 1% of total issued shares of the Company by the person and its spouse, minor children or in the name of another person, or top 10 natural-person shareholders.

(4) Not spouse, relatives within the second degree of kinship or relatives within the third degree of kinship to persons listed in the above three paragraphs.

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

(6) Not a director (a member of the governing board), supervisor (a member of the supervising board), managerial officer, or shareholder who holds more than 5% of shares of companies or institutions that have financial or business dealings with the Company

(7) Is not a professional, sole proprietor, partner, owner of company or institution that offers business administration, legal, financing, or accounting services or consulting services for the Company or its affiliated companies, and not an owner, partner, director, supervisor, manager, or a spouse of any of the above-mentioned roles at a company or institutions that offers these services for the Company. This restriction, however, does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Corporation Whose Stock is Listed on the Stock Exchange or Traded over the Counter.

(8) Not a spouse or a relative within the second degree of kinship with any director.

(9) No condition defined in Article 30 of the Company Law has appeared.

(10) Where the person is not elected in the capacity of the government, a juristic person, or a representative thereof as provided in Article 27 of the Company Act.

(II) Information on General Manager, Deputy General Manager, Assistant Managers, and Managers of Departments and Branches

April 16, 2019 Unit: Shares

Title	Nationality	Name	Gender	Date of Appointment	Number of Shares Held		Shares Held By Spouse and Minor Children		Shares Held in the Name of Other Persons		Education and Work Experience	Positions Currently Held in Other Companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relations
Acting General Manager	The Republic of China	Kao, Shu-Jung	Male	July 31, 2013	-	-	-	-	-	-	Department of Electronic Engineering, National Chin-Yi University of Technology General Manager of AI-EN Thailand PVT Co., Ltd. domestic businesses, Deputy General Manager of Beijing Kunru Computers, General Manager of Chih-Jung Information, Chief Representative of ELSA Technology Inc	Chairman of SHANGHAI LIMITED	-	-	-
Assistant Manager of Marketing and Planning Department	Republic of China	Chou, Tzu-An	Male	May 1, 2016	-	-	-	-	-	-	Department of Accountancy, National Cheng Kung University Master of Business Administration, National Taipei University Manager of KPMG, Underwriting Department of Yuanda Securities, Underwriting Department of Hua Nan Securities, Senior Manager of Capital Market Division of Jih Sun Securities	None	-	-	-
Financial/Accounting	The	Lai,	Female	September 7,	-	-	-	-	-	-	Department of Business	None	-	-	-

Title	Nationality	Name	Gender	Date of Appointment	Number of Shares Held		Shares Held By Spouse and Minor Children		Shares Held in the Name of Other Persons		Education and Work Experience	Positions Currently Held in Other Companies	Managers who have spousal or second-degree family relationships within the Company		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relations
Manager	Republic of China	Yu-Nu		20005							Administration, GLYJ Accountant of Haiji Shipping Forwarding Inc.				

(III) Remuneration of directors (including independent directors), supervisors, general manager and deputy general manager in the most recent fiscal year

1. Remuneration of Directors (including Independent Directors)

2018 Unit: NT$ 1,000/share

Title	Name	Directors' remuneration								Percentage of NIAT after summing up the four items of A, B, C, and D		Compensations Paid to Concurrent Employees								Percentage of the total sums of A, B, C, D, E, F, and G on the net profit		Whether or not to have received remunerations from an invested company other than the Company’s subsidiary
		Compensations (A)		Severance Pay (B)		Directors' remuneration (C)		Allowances (D)				Salaries, bonuses and allowances (E)		Severance Pay (F)		Employee Remuneration (G)						
		The Company	All companies listed in this financial report	The Company	All companies listed in this financial report	The Company	All companies listed in this financial report	The Company	All companies listed in this financial report	The Company	All companies listed in this financial report	The Company	All companies listed in this financial report	The Company	All companies listed in this financial report	The Company		All companies listed in this financial report		The Company	All companies listed in this financial report	
																Cash	Stock	Cash	Stock			
Director and General Manager	Representative of Yiland International Ltd.: Kao, Shu-Jung	-	-	-	-	8,839	8,839	180	180	3.69	3.69	3,180	3,180	-	-	175	-	175	-	5.06	5.06	-
Director	Yiland International Ltd Representative: Lu, Li-Cheng																					
Director	Representative of Yiland International Ltd.: Wang, Mu-Tien																					
Independent Director	Tang, Han-Yu																					
Independent Director	Chen, Kuo-Chin																					

＊ Except for information disclosed above, remuneration paid for services rendered by Directors of the Company to all companies in the financial report (e.g., serving as a non-employee consultant) in the most recent fiscal year: None.

Table of range of remuneration

Range of Remuneration Paid to Each Director of the Company	Name of Directors			
	Total of the four items (A+B+C+D)		Total of the seven items (A+B+C+D+E+F+G)	
	The Company	All companies listed in this financial report I	The Company	All companies listed in this financial report J
Less than NT$ 2,000,000	Lu, Li-Cheng, Wang, Mu-Tien Tang, Han-Yu, Chen, Kuo-Chin	Same as left	Lu, Li-cheng, Wang, Mu-Tien Tang, Han-Yu, Chen, Kuo-Chin	Same as left
NT$ 2,000,000 to 4,999,999	Kao, Shu-Jung	Same as left	Kao, Shu-Jung	Same as left
NT$ 5,000,000 to 9,999,999				
NT$ 10,000,000 to 14,999,999				
NT$ 15,000,000 to 29,999,999				
NT$ 30,000,000 to 49,999,999				
NT$ 50,000,000 to 99,999,999				
More than NT$ 100,000,000				
Total	5	5	5	5

2. Supervisors' remuneration

2018 Unit: NT$ 1,000; shares

Title	Name	Supervisors' remuneration						Percentage of the three items A, B, C to net income after taxes		Whether or not to have received remunerations from an invested company other than the Company's subsidiary
		Compensations (A)		Compensation (B)		Allowances (C)				
		The Company	All companies listed in this financial report	The Company	All companies listed in this financial report	The Company	All companies listed in this financial report	The Company	All companies listed in this financial report	
Supervisor	Chou, Chun-Tsun	-	-	700	700	72	72	0.32	0.32	-
Supervisor	Hsu, Sheng-Chin									

Table of range of remuneration

Range of Remuneration Paid to Each Supervisor of the Company	Name of Supervisor	
	Total of the three items (A B C)	
	The Company	All companies listed in this financial report D
Less than NT$ 2,000,000	Hsu, Sheng-Chin, Chou, Chun-Tsun	Same as left
NT$ 2,000,000 to NT$ 4,999,999		
NT$ 5,000,000 to 9,999,999		
NT$ 10,000,000 to 14,999,999		
NT$ 15,000,000 to 29,999,999		
NT$ 30,000,000 to 49,999,999		
NT$ 50,000,000 to 99,999,999		
More than NT$ 100,000,000		
Total	2	2

3. Remuneration for the General Manager and Deputy General Manager

2018 Unit: NT$ 1,000; shares

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Employees' Remuneration (D)				Percentage of the total of four items A, B, C and D to net income after taxes (Note 8)		Whether or not to have received remunerations from an invested company other than the Company's subsidiary
		The Company	All companies listed in this financial report	The Company	All companie listed in this financial report	The Company	All companies listed in this financial report	The Company		All companies listed in this financial report		The Company	All companies listed in this financial report	
								Cash	Stock	Cash	Stock			
Acting General Manager	Kao, Shu-Jung	2,616	2,616	-	-	600	600	175	-	175	-	1.39	1.39	-

＊ Except for information disclosed above, remuneration paid for services rendered by Directors of the Company to all companies in the financial report (e.g., serving as a non-employee consultant) in the most recent fiscal year: None.

Table of range of remuneration

Range of Remuneration Paid to Each General Manager and Deputy General Manager of the Company	Name of General Manager and Deputy General Manager	
	The Company	All companies listed in this financial report E
Less than NT$ 2,000,000		
NT$ 2,000,000 to NT$ 4,999,999	Kao, Shu-Jung	Same as left
NT$ 5,000,000 to 9,999,999		
NT$ 10,000,000 to 14,999,999		
NT$ 15,000,000 to 29,999,999		
NT$ 30,000,000 to 49,999,999		
NT$ 50,000,000 to 99,999,999		
Over NT$100,000,000		
Total	1	1

4. Names of Managers and for Distribution of Employees Remunerations and Distribution Status

December 31, 2018

<table>
<tr><th></th><th>Title</th><th>Name</th><th>Stock</th><th>Cash</th><th>Total</th><th>Ratio of total remuneration to net profit after taxes (%) (Note 1)</th></tr>
<tr><td rowspan="3">Manager</td><td>Acting General Manager</td><td>Kao, Shu-Jung</td><td rowspan="3">-</td><td rowspan="3">795</td><td rowspan="3">795</td><td rowspan="3">0.33</td></tr>
<tr><td>Assistant Manager</td><td>Chou, Tzu-An</td></tr>
<tr><td>Financial Officer</td><td>Lai, Yu-Nu</td></tr>
</table>

(IV) Compare and analyze the total remunerations paid to each of this Company's Directors, Supervisors, General Managers, and Deputy General Managers in the 2 most recent years by all companies listed in this Company's individual and consolidated financial statements as a percentage of NIAT listed in the individual financial report and describe the policies, standards, and packages for payment of and the procedures for determining of such compensations and its linkage to business performance and future risk exposure.

1. Analysis of total remuneration of Directors, Supervisors, General Manager and Deputy General Manager as a percentage of NIAT:

<table>
<tr><th rowspan="3">Items / Title</th><th colspan="4">Ratio of total remunerations to net profit (loss) after taxes</th></tr>
<tr><th colspan="2">2018</th><th colspan="2">2017</th></tr>
<tr><th>The Company</th><th>All companies in the consolidated financial statements</th><th>The Company</th><th>All companies in the consolidated financial statements</th></tr>
<tr><td>Director</td><td>5.06</td><td>5.06</td><td>(5.90)</td><td>(5.90)</td></tr>
<tr><td>Supervisor</td><td>0.32</td><td>0.32</td><td>(0.13)</td><td>(0.13)</td></tr>
<tr><td>General Managers and Deputy General Manager</td><td>1.39</td><td>1.39</td><td>(5.65)</td><td>(5.65)</td></tr>
</table>

2. Description of policies, standards, and packages for payment of remuneration, as well as procedures for determining remuneration, and its linkage to business performance and future risk exposure relevance:

(1) If the Company has gained profit for the year, profits distributed as employee compensation shall be no less than 10‰ of the total profits. The Board of Directors shall decide to issue a resolution to distribute it with stock or cash. The distribution subject covers all the employees conforming to certain conditions in affiliated companies; and that distributed as remuneration to Directors and Supervisors shall be no more than 6‰ of the total profits as resolved by the Board of Directors.

However, when the Company has accumulated losses, the amount to cover the losses should be reserved in advance.

(2) The remuneration of the General Manager shall be determined by his/her contribution to the Company's operation and referred to the domestic standards of counterparts. The salary will be adjusted according to the

Company earnings status, price of goods and Company policies every year.

(3) The remuneration for managers (excluding General Manager) shall be approved and issued based on the Company's Employee Handbook and table of positions and the level of participation in the Company's operations and their contributions with reference to the domestic standards of counterparts. The salary will be adjusted according to the Company earnings status, price of goods and Company policies every year.

(4) Relevance of future risk: The remuneration standards, or structure and system of the Company to pay Directors, Supervisors, General Manager and Deputy General Managers are to be adjusted according to future risk factors, instead of engaging in behaviors that go beyond the Company risks for the sake of remunerations.

III. Implementation Status of Corporate Governance

(I) Implementation of Board of Directors

The Board of Directors convened 10 meetings in the most recent year (A). The attendance of Directors and Supervisors is as follows:

Title	Name	Times of actual attendance (attendance as nonvoting delegate) (B)	Number of Attendance by Proxy	Actual attendance (attendance as nonvoting delegate) % [B/A]	Remarks
Chairman	Representative of Yiland International Ltd.: Kao, Shu-Jung	10	0	100%	Re-elected (required to attend 10 times) Re-election Date: June 21, 2013
Chairman	Representative of Yiland International Ltd.: Lu, Li-Cheng	9	1	90%	Re-elected (required to attend 10 times) Re-election Date: January 18, 2012
Chairman	Representative of Yiland International Ltd.: Wang, Mu-Tien	8	2	80%	Re-elected (required to attend 10 meetings) Re-election Date: June 21, 2013
Independent Director	Tang, Han-Yu	10	0	100%	Newly elected (required to attend 10 meetings) Re-election Date: June 14, 2016
Independent Director	Chen, Kuo-Chin	6	4	60%	Newly elected (required to attend 10 meetings) Re-election Date: June 14, 2016

Attendance of Independent Directors at each Board Meeting in 2018 ◎: Attendance in Person ☆: Attendance by Proxy *: Not Attended

2018	Jan. 16	Jan. 25	Mar. 23	May. 3	Jun. 8	Aug. 9	Sept. 25	Nov. 9	Dec. 4	Dec. 14
Tang, Han-Yu	◎	◎	◎	◎	◎	◎	◎	◎	◎	◎
Chen, Kuo-Chin	◎	◎	◎	☆	☆	☆	☆	◎	◎	◎

Other issues to be recorded:

I. If operation of the Board of Directors encounters one of the following circumstances, the date, session of the board meeting, content of the proposal, opinions of all Independent Directors, and the Company's handling of the aforementioned opinions should be clarified:

(I) For items listed in Article 14-3 of the Securities and Exchange Act: Please see the table below.

(II) Other than the matters mentioned above, other resolutions on which the Independent Directors have dissenting opinions with records or written announcements: None.

Date of the Board Meeting	Proposal Content	Items listed in 14-3 of the Securities and Exchange Act	Independent Directors' Opinion	The Company's handling of the opinions of independent directors	Voting results
The 13th session The 20th meeting 2018.12.14	Proposal of Investment in Mainland China AI Server Plant by Jinghong Subsidiary	V	None	None	All the directors present unanimously approved the proposal.

II. If directors abstain themselves from voting on the interest-involved proposals, the name of the Directors, the content of the proposal, reasons for recusal due to conflict of interests and voting outcomes shall be stated: detailed situations (please see the table below).

III. Goal of enhancing Board of Directors functions (such as establishing an audit committee and uplifting information transparency) and evaluation of its implementation in the current and most recent fiscal year: The Company has formulated the "Proceedings Rules for Board Meetings" according to "Proceedings Methods for Board Meetings of Publicly-listed Companies", disclose the attendance of directors at the Market Observation Post System and major resolutions at the Company website. In addition, the Company set up the Remuneration Committee and formulated its organizational charter as resolved by the Board of Directors on December 1, 2011. The Committee is responsible for implementing regular evaluation and formulation of overall salary and remuneration policies, formulating and reviewing the policies, systems, standards and structures concerning director and manager performance evaluation, salary and remuneration, regularly evaluating and formulating the incentive plans involving the salary and remuneration of directors and managers, stock option and bonus of employees.

1. Communication between independent directors and internal audit supervisor:

The Company's internal audit implementation status was reported to independent directors at the four Board Meetings on March 23, 2018, May 3, 2018, August 9, 2018 and November 9, 2018, where the audit plan for 2018 was discussed and full communication was conducted. The audit personnel regularly sent the audit report and follow-up report results to independent directors for review.

2. Communication between independent directors and CPAs:

The CPA had communicated with independent directors and supervisors before the Board Meetings on March 23, 2018 and March 21, 2019 upon the following items:

Date of Communication Meeting	Proposal Content	Independent Directors' Opinion
March 23, 2018	The CPAs explained and discussed the consolidated balance sheet and profit and loss statement, key audit items, and IFRS9 & IFRS16 influence, recently updated laws and regulations in 2017.	Disclaimer of Opinion
March 21, 2019	The CPA explained and discussed the scope of audit, findings, other communication matters and independence in 2018.	Disclaimer of Opinion

Financial and accounting supervisor and audit supervisor also attended the meetings as nonvoting delegates; if the independent directors and supervisors raised any questions thy have and obtained immediate response.

Recusals of Directors due to conflicts of interests:

Name of Director	Proposal Content	Reasons of recusal	Participation in Voting	Remarks
Kao, Shu-Jung	Discussion on the proposal of 2018 managers' remuneration	Kao, Shu-Jung, Chairman of the Board, is the Manager of the Company.	Recusal from law Not participate in voting	January 25, 2018 The 12th Meeting of 13th Board of Directors
Kao, Shu-Jung	Discussion of the 2017 Year-End Performance Bonus Proposal for Managers	Kao, Shu-Jung, Chairman of the Board, is the Manager of the Company.	Recusal from law Not participate in voting	

(II) Operations of the Audit Committee or Supervisors' Participation in the Operations of the Board of Directors

1. Operations of the Audit Committee: The Company has yet to establish an Audit Committee, hence not applicable.

2. Supervisors' participation in the operations of the Board of Directors:

   10 Board Meetings were held in the most recent year (A); attendance was as the following:

Title	Name	Times of actual attendance as nonvoting delegate (B)	Actual rate of attendance as nonvoting delegate (%) [B/A]	Remarks
Supervisor	Chou, Chun-Tsun	9	90%	Re-elected (required to attend 10 meetings) Re-election Date: June 21, 2013
Supervisor	Hsu, Sheng-Chin	8	80%	Re-elected (required to attend 10 meetings)

				Re-election Date: February 21, 2014

Other issues to be recorded:

I. Composition and responsibilities of the supervisors:

(I) Communication of supervisors with employees and shareholders (e.g., communication channel and method): Supervisors may directly contact employees, shareholders or stakeholders for talks when necessary:

(II) Communication between the Independent Director and the internal audit supervisor or CPAs (e.g., the items, methods and results of communication concerning the Company's finance and business):

1. The supervisors have no objection to the audit report submitted by the audit supervisor t to supervisors in the following month after completion of audit items.
2. The CPAs, independent directors and supervisors conducted communication over the following items on March 23, 2018 and March 21, 2019 before the Board Meeting:

Date of Communication Meeting	Proposal Content	Supervisors' Opinion
March 23, 2018	The CPAs explained and discussed the consolidated balance sheet and profit and loss statement, key audit items, and IFRS9 & IFRS16 influence, recently updated laws and regulations in 2017.	Disclaimer of Opinion
March 21, 2019	The CPA explained and discussed the scope of audit, findings, other communication matters and independence in 2018.	Disclaimer of Opinion

Financial and accounting supervisor and audit supervisor also attended the meetings as nonvoting delegates; if the independent directors and supervisors raised any questions thy have and obtained immediate response.

3. Discussion and exchange of opinions at the Board Meetings on a regular basis.

II. If Supervisors who attend the Board Meetings as nonvoting delegate need to state opinions, they shall specify the date of the Board Meeting, the term, the content of the proposal, resolution of the meeting and the follow-up procedure of the Company toward the opinions: there has been no the above situation in the current year.

(III) Implementation of corporate governance and the Deviations from the Practice Principles for TWSE/TPEx Listed Companies, and the Reasons

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">State of Operations</th><th rowspan="2">Deviations from the Practice Principles for TWSE/TPEx Listed Companies, and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td>I. Has the Company formulated and disclosed its corporate governance practice principles in accordance with the "Corporate Governance Practice Principles for TWSE/TPEx Listed Companies"?</td><td>V</td><td></td><td>The Company has adopted the "corporate governance Practice Principles" to promote corporate governance at the Board Meeting since December 19, 2014.</td><td>None</td></tr>
<tr><td>II. Shareholding Structure & Shareholders' Rights
(I) Does the Company establish an internal procedure for handling shareholder proposals, inquiries, disputes, and litigations? Are such matters handled according to the internal procedure?
(II) Does the Company maintain a register of major shareholders with controlling power as well as a register of persons exercising ultimate control over those major shareholders?
(III) Does the Company establish and enforce risk control and firewall systems with its affiliated businesses?
(IV) Does the Company stipulate internal rules that prohibit company insiders from trading securities using information not disclosed to the market?</td><td>V
V
V
V</td><td></td><td>(I) The Company has appointed a spokesperson and an acting spokesperson to handle related matters in accordance with regulations. In the event of any dispute, the Company shall entrust the matter to the lawyers of legal consultation of the Company.
(II) The Company has set up a shareholder stock unit and a stock service agency that can keep abreast of the major shareholders of the Company and the ultimate controlling party of the major shareholders.
(III) The Company and its affiliated enterprises are running independently, and the Company has formulated supervisory methods to supervise the operation of subsidiaries, so as to implement the risk control and management mechanism over them.
(IV) The Company has established the “Procedures for Prevention of Insider Trading” as internal regulations.</td><td>None
None
None
None</td></tr>
<tr><td>III. Composition and Responsibilities of the Board of Directors
(I) Has the Board of Directors drawn up policies on diversity of its members and implemented them?</td><td>V</td><td></td><td>(I) The Company has established the "corporate governance Practice Principles" and "Election Procedures for the Directors and Supervisors" to stipulate diversity of the composition of the Board. The fundamental conditions and diversity guidelines of professional knowledge have been formulated for the Company's business operations and development needs. The principle of appointment is based on the merits.
<table><tr><td>Name of</td><td>Gender</td><td>Business</td><td>Industrial</td><td>International</td><td>Marketing</td></tr></table></td><td>None</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">State of Operations</th><th rowspan="2">Deviations from the Practice Principles for TWSE/TPEx Listed Companies, and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>
<table>
<tr><th>Director</th><th></th><th>Leadership</th><th>Knowledge</th><th>Vision</th><th>Ability</th></tr>
<tr><td>Kao, Shu-Jung</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Lu, Li-Cheng</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Wang, Mu-Tien</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Tang, Han-Yu</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Chen, Kuo-Chin</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
</table>
</td><td></td></tr>
<tr><td>(II) In addition to the Remuneration Committee and Audit Committee established according to law, is the Company willing to set up other functional committees?
(III) Has the Company established the evaluation method and means of the performance of the Board of Directors? Is such evaluation conducted regularly every year?</td><td>V

V</td><td></td><td>(II) In addition to the Remuneration Committee set up in accordance with the law, the Company has elected two independent directors in the 2016 shareholders' meeting. Other functional committees are currently under planning.
(III) The Company has adopted the "Regulations Governing the Evaluation of the Performance of the Board of Directors" on August 9, 2018. Since 2018, the performance of the Board of Directors for the year before has been evaluated in January. The items evaluated include the overall operation of the Board and the performance of individual Directors.
The Board of Directors' performance evaluation items include the following five dimensions:
1. The degree of participation in the Company's operations.
2. Enhancement of decision-making quality of the Board of Directors.
3. The composition and structure of the Board of Directors.
4. The election and continuous education of Directors.
5. Internal Control
The measurement items for performance evaluation of the Board members include the following six dimensions:</td><td>Not yet voluntarily established. Currently under planning

None</td></tr>
</table>

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">State of Operations</th><th rowspan="2">Deviations from the Practice Principles for TWSE/TPEx Listed Companies, and the Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td></td><td></td><td></td><td>1. Mastery of the Company's objectives and tasks.
2. Cognition of Directors’ duties.
3. Degree of participation in the Company's operations.
4. Internal relationship management and communication.
5. Professional and continuous education of directors.
6. Internal Control
The results of the Company's 2018 Board of Directors' performance evaluation are as follows:
1. The Board of Directors had a total of 87.5 points for self-evaluation (out of 100 points).
2. The individual directors had an average of 96 points (out of 100 points).
3. The results of the Board of Directors' performance evaluation have been reported to the Board of Directors on January 30, 2019.</td><td></td></tr>
<tr><td>(IV) Does the Company regularly implement assessments on the independence of CPA?</td><td>V</td><td></td><td>(IV) The Company's accounting department assesses the competence and independence of CPAs once every year. The results of the evaluation shall be reported to the Board Meeting for deliberation. According to the evaluation of the Company accounting department, CPAs from Pricewaterhouse Coopers, Hsu, Sheng-Chung and Wu, Han-Chi conform to the independence evaluation standard, so they are competent enough to act as CPAs for the Company. And the CPA firm has issued an independent declaration. The Company's CPA independence assessment standards (see Note 1 for details)</td><td>None</td></tr>
<tr><td>IV. Does the Company set up a dedicated (or part-time) unit or individual to handle corporate governance matters (including but not limited to provision of data to directors and supervisors for business execution, matters related to Board Meeting and Shareholders' Meeting, handling of Company registration and variation, preparation of minutes for Board Meeting and Shareholders' Meeting)?</td><td>V</td><td></td><td>The Company has established the “Standard Operating Procedures for Handling Directors' Requirements” and set up a management division responsible for the corporate governance related matters, including provision of data to Board of Directors and Independent Directors for business execution, handling matters related to Board Meeting and Shareholders' Meeting according to law, handling Company registration and variation, and preparation of minutes for Board Meeting and Shareholders' Meeting.</td><td>None</td></tr>
</table>

Evaluation Items	State of Operations			Deviations from the Practice Principles for TWSE/TPEx Listed Companies, and the Reasons
	Yes	No	Summary	
V. Has the company established a channel to communicate with stakeholders (including but not limited to the shareholders, employees, customers and suppliers), and set up a special zone for stakeholders on the Company's website, and appropriately respond to the important corporate social responsibility issues that are essential to stakeholders?	V		The Company website has established a special zone for stakeholders (including employees, suppliers, customers, investors, community and complaint channels). Any stakeholders can exchange views with the Company at any time, but they are not allowed to go beyond the national laws and regulations as well as the Company internal control system regulations.	None
VI. Has the Company commissioned a professional stock affair agency to manage shareholders' meetings and other relevant affairs?	V		The Company has commissioned Grand Fortune Securities to handle matters related to shareholders' meeting.	None
VII. Information Disclosure (I) Does the Company establish a website to disclose information on financial operations and corporate governance? (II) Does the Company adopt other means of information disclosure (such as establishing an English language website, delegating a professional to collect and disclose Company information, implement a spokesperson system, and disclosing the process of legal person conferences on the Company website)?	 V V		The Company has launched and maintained the Chinese and English websites. Apart from introducing the technical services and business related to the Company's products, the websites also disclose information on financial operations and corporate governance as well as the process of legal person conference regularly and irregularly. The websites have also designated the Company spokesperson and specially-assigned person to be in charge of the Company's material information disclosure and reveal it on Market Observation Post System on a timely basis. The Company's website: http//：www.chaintech.com.tw The Market Observation Post System website: http//:mops.tse.com.tw	 None None
VIII. Has the Company provided other important information that is helpful to understand the implementation of corporate governance (including but not limited to the rights and interests of employees, employee care, investor relations, supplier relations, stakeholder rights, continuous education of directors and supervisors, implementation of the risk management policies and risk measurement standards, customer policies, and purchase of	V		1. Employee rights and interests: The Company has established an Employee Welfare Committee and developed relevant regulations to regularly provide pensions to employees and ensure their rights and interests in accordance with the law. 2. Employee care: The Company has joined the group insurance, provides regular health checkups for employees, and organizes employee education and training to safeguard the physical and mental health of employees. 3. Investor relations: The Company has set up a special zone for stakeholders in accordance with the law to protect the basic rights and	None

Evaluation Items	State of Operations			Deviations from the Practice Principles for TWSE/TPEx Listed Companies, and the Reasons
	Yes	No	Summary	
liability insurance for the Directors and Supervisors)?			interests of the investors. 4. The Company has established the Procurement Department to manage the affairs related to suppliers and maintain a smooth complaint channel to protect the legitimate rights and interests of both parties. 5. Stakeholder rights: The Company has developed the rules and regulations to protect the rights of different stakeholders. The Company has also set up special zone for different stakeholders in the Company's website and provided corresponding complaint channels to allow the stakeholders to feedback immediately to the Company in unequal treatment or right damage. 6. Implementation of Risk Management Policies and Risk Measurement Standards: The Company has formulated relevant operating guidelines and control measures that are implemented by specially-assigned persons. The audit personnel shall regularly and irregularly audit and track the implementation of the corrective actions. 7. The Company has purchased liability insurance for Directors and Supervisors, and the amount of insurance coverage, coverage and insurance premium and the like are reported to the Board of Directors on a regular basis. 8. Directors and supervisors' continuous education: The Company has irregularly notified directors and supervisors through letters to participate in professional knowledge education course hosted by the relevant units. (Please see Note 2 for details)	
IX. Preferential enhancement items and measures have to be proposed for what is improved and what is not for the corporate governance assessment results released in the most recent year by the corporate governance Center of Taiwan Stock Exchange.				

What is improved	1. 10 Board meetings were held in 2018. 2. The Company has simultaneously uploaded the English version of the annual reports, meeting manual, and standalone and consolidated financial statements. 3. The Company has established the Board of Directors' performance evaluation methods and conducted self-evaluation once every year.
Preferential enhancement items	1. More than half of directors (including at least one independent director) and at least one of the supervisors shall attend the regular Shareholders' Meeting. The Company will also continue to strengthen corporate governance in the future and implement transparency and enhance shareholders' interests and rights.

Note 1: Evaluation standards for independence of CPA

Evaluation Items	2018 evaluation results (Y/N)	Whether in line with the independence (Y/N)
1. The CPA has not engaged in any financial interest relations, whether directly or indirectly, with the Company.	Y	Y
2. There are no financing or guarantee activities between CPAs and the Company or its Directors and Supervisors?	Y	Y
3. The CPAs have not been influenced in auditing by consideration of possibility of customer loss.	Y	Y
4. There are no close business relationship or potential employment relationship between the CPAs and the Company.	Y	Y
5. The audit service team members of CPAs have not act as the director, manager, or supervisor of the Company currently or in the most recent two years. Positions that have substantial influence upon audit cases.	Y	Y
6. The non-audit service provided by the accounting firm to the Company has not directly influenced the important audit items.	Y	Y
7. The CPAs have not engaged in publicizing any shares or other securities issued by the Company or worked as the agency thereof.	Y	Y
8. There are no CPAs who acted as the director, supervisor, manager or positions that have substantial influence over the audit cases of the Company within one year after relief.	Y	Y
9. The CPAs did not receive presents or gifts with material value from the Company or its directors, supervisors, or managers.	Y	Y
10. No CPAs have been appointed for five consecutive years.	Y	Y

Note 2: Directors' continuous education in 2018

Title	Name	Date of participation	Course Name	Training Hours
Chairman	Kao, Shu-Jung	2018.3.5	Forum for 100% E-voting and Corporate Value Improvement	6 hours
Chairman of the Board	Kao, Shu-Jung	2018.5.24	Seminar on the Application of Blockchain Asset Management and Innovation Customer Service	6 hours
Chairman	Kao, Shu-Jung	2018.9.26	2018 ESG Investment Forum	3 hours
Independent Director	Tang, Han-Yu	2018.5.4	Operation Practices of Audit Committee	3 hours
Independent Director	Chen, Kuo-Chin	2018.12.5	Corporate Strategy and Key Performance Indicators	3 hours
Independent Director	Chen, Kuo-Chin	2018.12.5	Human Resources and Their Integration in the M&A Process	3 hours
Director	Lu, Li-Cheng	2018.11.21	Development Trends for M&A	3 hours
Director	Lu, Li-Cheng	2018.11.21	Discussion on the Impact of the US-China Trade Disputes on the Domestic Enterprises	3 hours
Director	Wang, Mu-Tien	2018.3.20	Tax Reform and Corporate Governance	3 hours
Director	Wang, Mu-Tien	2018.3.22	Analysis of Major Economic Crimes and Relevant Legal Liabilities	3 hours

(IV) The composition, duties and operations of the Remuneration Committee, if the Company has:

1. <u>Information on the members of the Remuneration Committee</u>

Category of identity (Note 1)	Conditions / Name	Do the members have five or more years of work experience and the professional qualification below			Compliant to the requirements of independence (Note 2)								Number of Other Taiwanese Public Companies Concurrently Served as an Independent director	Remarks (Note 3)
		Serving in lecturer roles or above in public or private college institutions in one of the following department s: business administration, law, finance, accounting, or another discipline relevant to the company's operations	Currently serving as a judge, prosecutor, lawyer, certified public accountant or other professional or technical staffs who have been certified by national examinations and licensed by the competent authorities	Work experience necessary for business administration, legal affairs, finance, accounting, or business sector of the Company	1	2	3	4	5	6	7	8		
Independent Director	Tang, Han-Yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	Ke, Cong-Yuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Others	Chen, Jian-Wei			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: The identity to be filled in is selected from Director, Independent Director or others.

Note 2: For any committee member who fulfills the relevant condition(s) 2 years before being elected or during the term of office, please tick "" in the field below the corresponding condition(s).✓

(1) Is not employed by the Company or its affiliated companies.

(2) Not serving as a director or supervisor of the Company or any of its affiliated companies. This does not apply in cases where the person is an independent director of the Company or its parent company designated according to this law or the local laws and regulations.

(3) Not a shareholder that holds more than 1% of the Company's total shares or ranked among top-ten shareholders. This applies to Director him/herself, his/her spouse, minor children, or shares held under others' names.

(4) Not a spouse, second-degree relative, or direct, blood-related third-degree relative of the personnel listed in the first three criteria.

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

(6) Not a Director, Supervisor, managerial officer, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the Company.

(7) Not a professional individual or owner, partner, director (member of the governing board), supervisor (member of the supervising board), managerial officer, or spouse thereof, of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting, or consultation services to the Company or its affiliates.

(8) Not falling into the conditions defined in Article 30 of the Company Law.

Note 3: If the member is a Director, please specify whether the member meets provisions provided by Paragraph 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

2. Information on Operation of the Remuneration Committee

(1) The Company's Remuneration Committee consists of three members.

(2) Term of office: June 14, 2016 to June 13, 2020. A total of two meetings (A) were conducted by the Remuneration Committee in the most recent fiscal year, where the qualifications and attendance of the members were as follows:

Title	Name	Times of Attendance in Person (B)	Times of Attendance by Proxy	Actual attendance rate (%) (B/A) (Note)	Remarks
Convener	Tang, Han-Yu	2	0	100%	Newly elected (required to attend 2 meetings) Re-election Date: June 14, 2016
Members	Ke, Cong-Yuan	2	0	100%	Re-elected (required to attend 2 meetings) Re-election Date: June 21, 2013
Members	Chen, Jian-Wei	1	1	50%	Re-elected (required to attend 2 meetings) Re-election Date: June 21, 2013

Other issues to be recorded:

I. In the event that the Board of Directors does not adopt or amend the proposals of the Remuneration Committee, please state the date and number of the Board meeting, the content of the proposals, resolution from the Board of Directors, and disposal of opinion from the Remuneration Committee (if the salaries and compensations approved by the Board was higher than the suggested levels from the Remuneration Committee, please state the differences and reasons): None.

II. For the decisions made by the Remuneration Committee, if there are members having objection or retained opinion with documented records or written statement, the date, term, content of proposal, all members' opinions, and the measures for handling these opinions shall be elaborated: None.

Date /Session	Content	Resolution	The Company's response to the opinions of the Remuneration Committee
2018.1.25 4^{th} session, 3^{rd} meeting	I. Passed 2018 inidividual managers' remuneration proposal II. Passed 2017 managers' year-end bonus and special leaves bonus proposal	Passed by all attending committee members	Submitted to the Board and passed by all attending directors
2018.8.9 4^{th} session, 4^{th} meeting	I. Passed admendments and additions of Rules of Board of Directors' Performance II. Passed admendments and	Passed by all attending committee members	Submitted to the Board and passed by all attending directors

	additions of Organization Charter of Remuneration Committee III. Passed admendments of Rules of Directors’ and Supervisors’ Remuneration IV. Passed proposal of 2018 Bonus distribution to Directors and Supervisors			

Note:

(1) Where members of the Remuneration Committee resign before the end of the year, the Notes column shall be annotated with the date of resignation. Actual attendance rate (%) shall be calculated using the number of Remuneration Committee meetings convened and actual attendance during the term of service.

(2) When an election is held for the Compensation Committee before the end of the year, both the newly- and previously-elected committee members shall be listed in separate columns and noted as newly-elected, previously-elected or reelected members, along with the elected date, in the “Remarks” column. The actual attendance rate (%) shall be calculated based on the number of meetings held by the Remuneration Committee and the number of actual attendance during the term of service.

(V) Implementation of social responsibility (the Company's system and measures for environmental protection, social engagement, social contribution, social services, social welfare, consumer rights, human rights, and other social responsibilities activities), and the implementation thereof:

Evaluation Items	Current Operation (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
I. Implementing corporate governance				
(I) Has the Company formulated corporate social responsibility (CSR) policies and systems and reviewed the effectiveness of implementation?	V		(I) The Company has established the "Corporate Social Responsibility Practice Principles" for the fulfillment of corporate social responsibility.	None
(II) Does the Company conduct CSR education and training on a regular basis?	V		(II) The Company irregularly holds corporate ethics training to deepen employees' understanding of the importance of corporate social responsibility.	None
(III) Has the company established a dedicated (part-time) unit to promote CSR? Has the Board of Directors authorized senior management to handle such matter and to report their implementation to the Board of Directors?		V	(III) The Management Department is a dedicated (or part-time) unit that is responsible for promoting CSR activities, and it has no matters that need to be reported to the Board of Directors.	Currently under planning
(IV) Has the Company established a fair remuneration policy and linked employee performance evaluation with CSR policy, and meanwhile established a precise and effective incentive and disincentive system?	V		(IV) The Company has laid down the "Regulations Governing the Remuneration of Employees" and the "Regulations Governing the Remuneration of Directors and Supervisors", and annual performance evaluation is carried out for reward and punishment.	None
II. Developing sustainable environment				
(I) Is the company committed to improving efficient use of resources and utilize renewable resources to reduce environmental impact?	V		(I) The Company complies with the relevant laws and regulations of R.O.C. and relevant international standards, and is committed to protecting the natural environment and implementing the environmental sustainability objectives while performing its business activities.	None
(II) Has the Company established a suitable environmental management system based on the characteristics of its industry?	V		(II) The Company has established the "Regulations Governing the Occupational and Environmental Safety and Health Management" in accordance with the Labor Safety and Health Act, and the Dongguan Plant	None None

Evaluation Items	Current Operation (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
(III) Is the company concerned with the influence of changes in the global climate on its business activities? Has the company implemented greenhouse gas (GHG) inventory checks and formulated strategies for reducing energy consumption, carbon emissions, and greenhouse gas reduction?	V		has obtained ISO 14,001/9001/8000 certification. (III) Based on the impact of operating activities, the Company has formulated energy-saving and carbon reduction strategies, promoted various energy-saving measures, such as light off upon leaving and paperless operations, with the view of reducing the impact of the Company's operations on the natural environment.	
III. Preserving Social Welfare (I) Has the Company set up management policy and procedures according to related laws and regulation and the International Human Rights Treaty?	V		(I) The Company complies with labor laws and regulations like labor standards, respects the internationally recognized principles of basic labor human rights, protects the legitimate rights and interests of employees, and contributes to pension. Meanwhile, it has also established the Employees Welfare Committee that is in charge of appropriating employee benefits and disposing of various welfare matters.	None
(II) Has the company established employee appeal system and channels, and are employee appeals handled appropriately?	V		(II) The Company holds labor-management meetings from time to time to solicit various opinions from employees, and maintains smooth communication channels and good and harmonious labor relations.	None
(III) Has the company provided employees with a safe and healthy working environment, and routinely implemented safety and health education for employees?	V		(III) The Company provides employees with safety and protection equipment for safety and health, regularly reviews the working environment, organizes health checkups, and implements various work safety and health education and training.	None
(IV) Has the Company installed a periodic communications mechanism, and alerts operational changes that may pose significant impacts on its employees in a fair manner?	V		(IV) The Company regularly convenes labor-management meetings to solicit opinions from employees, and maintains smooth communication channels and harmonious labor relations.	None
(V) Has the Company established an effective competency development career training program for	V		(V) The Company organizes education and training from time to time to provide employees with	None

Evaluation Items	Current Operation (Note 1)			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary (Note 2)	
employees?			effective career ability.	
(VI) Has the company established relevant policies and systems of appeal for consumer interests and rights for the processes of research and development, procurement, production, operations, and services?	V		(VI) The Company attaches great importance to consumer rights and interests. The internal control system or related management measures, apart from avoiding financial and business risks, are more about protecting the rights and interests of every consumer.	None
(VII) With regard to marketing and labeling of products and services, does the Company comply with related laws and regulations and international standards?	V		(VII) The Company's marketing and labeling for its products and services are compliant with the relevant laws and regulations and international standards.	None
(VIII) Does the Company evaluate the records of its suppliers and the society before engaging in commercial dealings with the suppliers?	V		(VIII) The Company selects the manufacturers through transparent procurement procedures and urges the suppliers to provide green raw materials to produce qualified products, thereby fulfilling its corporate social responsibility.	None
(IX) Does the contract between the Company and its major suppliers include the terms of the contract that may be terminated or rescinded at any time if the suppliers have violated the Company's corporate social responsibility policy and caused significant impact on the environment and society?	V		(IX) If the Company's major suppliers violate the corporate social responsibility policy and the impact upon environment and society is significant, the Company is entitled to terminate or rescind the contract at any time.	None
IV. Strengthening information disclosure (I) Does the Company disclose relevant and reliable information relating to CSR on its official website or the Market Observation Post System (MOPS)?	V		The Company has established the "Corporate Social Responsibility Practice Principles" and disclosed relevant regulations on the Market Observation Post System and the Company's website.	None
V. Where the Company has stipulated its own corporate social responsibility regulations according to the "Corporate Social Responsibility Practice Principles for TWSE/GTSM Listed Companies", please describe any differences between the prescribed practice principles and the actual activities taken by the Company: The Company has established the "Corporate Social Responsibility Practice Principles" and implemented the rules and procedures in accordance with the requirements. The Company will think over the preparation of the corporate social responsibility report or formulate the relevant systems in the future according to actual needs.				

<table>
<tr><th rowspan="2">Evaluation Items</th><th colspan="3">Current Operation (Note 1)</th><th rowspan="2">Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary (Note 2)</th></tr>
<tr><td colspan="5"></td></tr>
<tr><td colspan="5">VI. Other important information that facilitates the understanding of the implementation of corporate social responsibility: The Company has established relevant management regulations concerning employees' rights and interests and supplier relations, established Employee Welfare Committee to attach importance to the rights and interests of employees, and put in place communication channels with banks and other creditors, customers and suppliers;
(I) Environmental Protection: The Company actively promotes paper and packaging materials for reuse and waste sorting, so as to reduce the impact of environmental pollution, and strive to promote sustainable development philosophy and fulfill corporate social responsibility.
(II) Community engagement, social contribution, social services, social welfare, etc.: Regular assistance for socially disadvantaged groups, fulfilment of social responsibilities, and participation in public welfare in the past two years:
In 2015, NT150,000 was donated to the Social Welfare Fund of the Charity Society of the Financial Group and NT100,000 for the Youth Care Foundation.
In 2016, NT$100,000 was donated to the establishment of the "Injury Rescue Center" of the National Marine University.
In 2017, the Company donated NT$ 30,000 to Youth Development Society of Dream House every month, totaling NT$270,000 for the year, to spread love and education to disadvantaged students in the western region and ultimately foster their own leadership.
In 2018, the Company continuously donated NT$ 30,000 every month to Youth Development Society of Dream House, totaling NT$90,000.
(III) Consumer rights and interests: Through a comprehensive quality management system, stringent quality management is conducted in various processes to ensure the best services and products to customers.
(IV) Human Rights: The Company's labor-management relations are equal. The Company respects the work performance of every employee, so that there is no problem of labor dispute, fully manifesting the Company's efforts on human rights issues.
(V) Safety and Health: The Company provides a safe employment environment for employees, displaying its fulfilment of the responsibility for employees' life safety. Meanwhile, the Company regularly provide straining and work safety education for the employees to avoid occupational accidents, safeguard employees' life safety and enhance their understanding of health and safety related knowledge.</td></tr>
<tr><td colspan="5">VII. If the Company's CSR Report has been verified by relevant certification institutions, it shall be described: None.</td></tr>
</table>

(VI) Implementation of Ethical Corporate Management and Measures for its Implementation

Implementation of Ethical Corporate Management

Evaluation Items	Current Operation (Note 1)			Discrepancies with the Ethical Corporate Management of TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary	
I. Formulating policies and plans for Ethical Corporate Management (I) Has the Company clearly shown its ethical operational policy and methods in its regulations and external documents, in addition, and has the Board of Directors and management proactively implemented the commitment to ethical business operations in practice?	V		(I) The Company has established the "Code of Ethical Conduct" and "Code of Conduct for Directors, Supervisors, and Managerial Officers". The Directors, Supervisors and Senior Executives are in compliance with the standards of the implementation of business.	None
(II) Has the Company set a plan to forestall unethical conduct, clearly prescribed procedures/best practices/disciplinary actions and reporting systems for violations in plans, and implemented the plans accordingly?	V		(II) The Company has established and implemented the "Code of Conduct for Directors, Supervisors and Managerial Officers" and the "Code of Conduct for Employees".	None
(III) Does the company establish appropriate compliance measures for the business activities prescribed in paragraph 2, article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and any other such activities associated with high risk of unethical conduct?	V		(III) When the Company signs a contract with others, the content of the contract will include the provisions that the counterparty shall be in compliance with the integrity management policy and that if the counterparty is involved in bad faith behaviors, the Company is entitled to terminate or rescind the contact. Moreover, the Company avoids carrying on transactions with the parties having the records of dishonest conduct.	None
II. Implementing integrity operation (I) Has the Company assessed the integrity records of its business partners, and specified ethical business policy in contracts with them?	V		(I) The Company shall consider whether the counterparty has records of dishonest conduct before transactions and avoid transactions with them. When a contract is signed with others, the content will include the terms of termination or rescission of the contract at any time upon the counterparty involving any dishonest conduct.	None
(II) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be		V	(II) The Company's auditors are responsible for the formulation and implementation of ethical	Under planning

Evaluation Items	Current Operation (Note 1)			Discrepancies with the Ethical Corporate Management of TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary	
in charge of corporate integrity, and report to the Board of Directors the implementation?			corporate management policies, but they are not urged to regularly report to the Board of Directors.	
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly?	V		(III) If the Board of Directors has various proposals, the Director who has conflict of interest shall abstain from voting. If the employees have conflict of interest over business execution, supervisors shall be notified to abstain from answering.	None
(IV) Has the company established an effective accounting system and internal control systems to implement ethical corporate management, and regularly audits the internal audit unit or commissioned CPAs to perform audit?	V		(IV) The Company has established accounting system and internal control system according to relevant laws and regulations. Internal auditors regularly review their compliance and report it to the Board of Directors.	None
(V) Does the Company host routine internal and external training geared towards business integrity practices?	V		(V) The Company will propose the initiative of integrity management in internal departmental meetings from time to time.	None
III. Operation of the whistleblowing system (I) Has the company established a specific whistleblowing and reward system, set up convenient whistleblowing channels and designated appropriate personnel? (II) Does the Company establish standard investigation operation and procedure for whistleblowing matters and relevant confidential mechanisms? (III) Has the Company established protection measures for whistle-blower from mishandling against them?	V V V		For anybody violating honest conduct in the Company, employees can report to heads of the departments, auditors or supervisors in any form. The whistle-blowers and the content of reported misconduct shall be kept confidential. The whistle-blowers shall not be subject to inappropriate measures out of whistle-blowing.	None
IV. Strengthening information disclosure (I) Has the Company disclosed the content and effectiveness of its ethical corporate management best practice principles on its website and the Market Observation Post System (MOPS)?	V		The Company has disclosed the "Ethical Corporate Management Regulations" on the Company's website "Corporate Governance Regulations" and the Market Observation Post System (MOPS).	None
V. Where the Company has stipulated its own ethical corporate management best practices according to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe any differences between the prescribed best practices and the actual activities taken by the company: no substantial difference.				

Evaluation Items	Current Operation (Note 1)			Discrepancies with the Ethical Corporate Management of TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary	
VI. Other important information that facilitates the understanding of the implementation of ethical corporate management (such as review and amendment of the Company's Ethical Corporate Management Best Practice Principles): 1. The Company complies with the relevant laws and regulations of the Company Act and the Securities and Exchange Act which are taken as the basis for integrity management. 2. The Company's "Proceeding Rules for Board Meetings" requires the director who or whose representative has interest relationship with the meeting matter to be discussed shall abstain himself/herself from the discussion or voting and cannot exercise the voting right on behalf of other director. 3. The Company's "Procedures for Preventing Insider Trading" stipulates that those who has been informed of the information that may have a material impact on the Company’s stock price shall not disclose the information to other persons before its public disclosure and within 18 hours after its disclosure, with sufficient attention given to the prevention of insider trading. 4. In the transactions with the manufacturers, the Company has always followed the principle of good faith and been committed to strengthening internal education.				

(VII) If Corporate Governance codes and relevant laws and regulations are formulated, their inquiry methods shall be disclosed:

The Company has established corporate governance-related procedures that are issued at the Company's website, and the inquiry path is as follows: Homepage > Special zone for Investors > Corporate Governance > Corporate Governance Guidelines (http://www.chaintech.com.tw/).

(VIII) Other material information that can enhance the understanding of the state of Corporate Governance at the Company:

Courses involving corporate governance participated in by the Company's managers (including general manager, deputy general managers, accountant officer, finance supervisor, internal audit supervisor) for professional training in the most recent year:

Title	Name	Date of Professional Training	Organizer	Course Name	Training Hours
Chairman	Kao, Shu-Jung	2018.9.26	Taiwan Stock Exchange	Corporate Governance and Due Diligence Governance	3
Assistant Manager	Chou, Tzu-An	2018.9.26	Taiwan Stock Exchange	ESG Risk Management and Information Disclosure	3
Financial/Accounting Manager	Lai, Yu-Nu	2018.8.30	The Institute of Internal Auditors - Chinese Taiwan	Legal Risks of Major Financial Scandals (e.g., Tunneling, Insider Trading, Benefits Transfer, Share price manipulation, and unconventional Transactions)	6
Financial/Accounting Manager	Lai, Yu-Nu	2018.8.28	Taiwan Stock Exchange	Corporate Integrity, Incorruption and How to Protect Business Secrets	3
Audit Supervisor	Chang, Ya-Ling	2018.8.28	Taiwan Stock Exchange	Corporate Integrity, Incorruption and How to Protect Business Secrets	3
Audit Supervisor	Chang, Ya-Ling	2018.8.30	The Institute of Internal Auditors - Chinese Taiwan	Legal Risks of Major Financial Scandals (e.g., Tunneling, Insider Trading, Benefits Transfer, Share price manipulation, and unconventional Transactions)	6
Audit Supervisor	Chang, Ya-Ling	2018.9.13	The Institute of Internal Auditors - Chinese Taiwan	Labor-Related Knowledge That should be known by Audit Personnel - From Recruitment to Dismissal	6

(IX) Implementation of Internal Control System

1. Internal Control Statement

CHAINTECH Technology Corp.

Statement on Internal Control System

Date: March 21, 2019

The Company's internal control system for 2018 is announced based on the results of self-evaluation as below:

I. The Company acknowledges that the establishment, implementation and maintenance of the internal control system are the responsibilities of the Board of Directors and the managers of the Company. The Company has established such system. The objective of internal control system lies in providing reasonable guarantee for achieving business benefits and efficiency (including profitability, performance, and protection of assets and safety), ensuring the reliability, timeliness, transparency, and regulatory compliance with relevant norms and laws and regulations.

II. The internal control system has inherent limitations. The internal control system is designed, no matter how perfect, to provide reasonable guarantee on the achievement of the above three objectives; moreover, the effectiveness of the internal control system is subject to changes in environment and situations. However, the Company's internal control system contains self-monitoring mechanisms, and the Company will make corrective actions upon identification of any deficiency thereof.

III. The Company has made judgments on the design of internal control system and effectiveness of implementation according to the judgment items in the "Handling Guidelines Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Handling Guidelines"). The judgment items for internal control system adopted in the "Handling Guidelines" divide the internal control system into five composition elements according to the process of management and control: (1) Control Environment; (2) Risk Assessment; (3) Control Activities; (4) Information and Communication; and (5) Monitoring Activities. Each composition element includes a number of items. For the aforementioned items, please refer to the provisions of "Handling Guidelines".

IV. This Company has already adopted the aforementioned ICS assessment items to evaluate the effectiveness of ICS design and implementation.

V. Based on the above evaluation results, the Company holds that its internal control system in Note 2 of December 31, 2018 (covering the supervision and management over the subsidiaries), including realization degree of operation effect and efficiency, report liableness, timeliness, transparency and compliance with relevant norms and laws and regulations, is effective in design and implementation, and it can guarantee the realization of the above objectives.

VI. This statement will become the main content of the Company's annual report and prospectus, and shall be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Articles 20, 32, 171, and 174 of the Securities and

Exchange Law.

VII. We hereby declare that this Statement has been approved by the Board of Directors on March 21, 2019. Amongst the five Directors present in the meeting, none held dissenting opinions, and the remaining have all agreed with the contents of this Statement.

CHAINTECH Technology Corp.

Chairman and General Manager: Kao, Shu-Jung Signature

Note 1: In the design and implementation of internal control system of publicly-listed companies, if there is any material deficiency during the year, it shall be added behind paragraph 4, to list and explain the major deficiency discovered in self-check as well as the improvement actions taken by the Company and improvement status before the balance sheet date.

Note 2: The date of statement is the date of the "end of the fiscal year".

2. Any CPA commissioned to review the ICS shall disclose the CPA's audit report: not applicable.

(X) From the most recent fiscal year up to the publication date of the Annual Report, explain the circumstances in which the Company and its personnel have been punished by law, the disincentive measures put in place for breaching the internal control system, and any material deficiencies and revisions: None.

(XI) Significant resolutions made at Shareholders' Meeting and Board Meeting in the most recent fiscal year up to the publication date of this Annual Report:

1. Contents and implementation of important resolutions of the shareholders' meeting in 2018

(1) Approved the proposal for the Company's 2017 Business Report and Financial Statements.

Implementation status: Resolved as passed.

(2) Approved the Company's 2017 earnings distribution proposal.

Implementation status: The Company intends to fully retain the distribution for the net loss after tax in 2017.

2. Important resolutions of the Board Meeting from January 1, 2018 to May 10, 2019

Date	Meeting Type	Important Resolutions
January 16, 2018	11th Meeting of the 18th Board of Directors	1. Approved the proposal for the Company's 2018 Business Plan 2. Approved the proposal of repurchase of the Company common stock for writing off to maintain the Company credit and shareholders' equity.
January 25, 2018	12th Meeting of the 13th Board of Directors	1. Approved the remuneration of individual remuneration for managers of the Company for 2018. 2. Approved the year-end bonus and special leave bonus for managers of the Company for 2017.
March 23,	13th Meeting of the	1. Approved the proposal for the Company's business report

2018	13th Board of Directors	and financial statement for 2017. 2. Approved the proposal for the preliminary assessment results of International Financial Reporting Standards (IFRS) No. 16 3. Approved the proposal of publicizing the Company's 2017 Internal Control System Statement. 4. Approved the matters concerning convening date, time, place and content of the Company's 2018 regular Shareholders' Meeting.
May 3, 2018	14th Meeting of the 13th Board of Directors	1. Approved the proposal for the Company's consolidated financial report for Q1 2018. 2. Approved the proposal of the Company's 2017 earnings distribution. 3. Approved the proposal of the Company's repurchase of treasury stocks for capital reduction for the sixth time.
June 8, 2018	15th Meeting of the 13th Board of Directors	1. Approved the authorization of Chairman of the Board to interact with banks and securities and financial companies in the name of the Company. 2. Approved the proposal of the evaluation over CPAs independence. 3. Approved the proposal of investing in domestic professional electronic parts and components plant.
August 9, 2018	16th Meeting of the 13th Board of Directors	1. Approved the proposal of the Company's Consolidated Financial Statements for Q2 2018. 2. Approved the proposal for the Company's "Board of Directors Performance Evaluation Regulations" 3. Approved the proposal for the amendment of the Company's "Remuneration Committee Organization Charter" 4. Approved the proposal for the amendment to the Company's "Regulations on the Remuneration of Directors and Supervisors". 5. Reserved the proposal of the Company's 2018 directors and supervisors' bonus payment.
September 25, 2018	17th Meeting of the 13th Board of Directors	1. Approved the proposal of investment in Beijing Systek Technology Co., Ltd. and the capital increase in its subsidiary Jinghong. 2. Approved the proposal of investment in the special stock of the Company's shares of Cloud Mile Inc.
November 9, 2018	18th Meeting of the 13th Board of Directors	1. Approved the proposal for the Consolidated Financial Report for Q3 2018 (FORTECH). 2. Approved the Company's 2019 audit plan. 3. Approved the proposal for continuing to invest in domestic professional electronic parts and components plant.
December 4, 2018	19th Meeting of the 13th Board of Directors	1. Approved the proposal of investment in Mainland China AI server through the Jinghong subsidiary.
December 14, 2018	20th Meeting of the 13th Board of Directors	1. Approved the proposal of investment in Mainland China AI server through the Jinghong subsidiary.
January 30, 2019	21st Meeting of the 13th Board of	1. Approved the proposal of the Company's 2019 operation plan.

	Directors	2. Approved the proposal of terminating the subsidiary Congyou Co., Ltd. 3. Approved the proposal for the Company's capital increase in the subsidiary "Jinghong Digital R&D Service Co., Ltd." 4. Approved the proposal of the Company's 2019 individual remuneration for managers. 5. Approved the proposal for the Company's 2018 year-end bonus and special leave bonus distribution for managers.
March 21, 2019	22rd Meeting of the 13th Board of Directors	1. Canceled the Company's 2018 bonus payment to Directors and Supervisors. 2. Approved the Company's 2018 Business Report and Financial Statements 3. Approved the proposal for the Company's 2018 remuneration to Directors and Supervisors. 4. Approved the proposal for the Company's remuneration to managers for 2018. 5. Approved the proposal of the amendment to the Company's Board of Directors' Performance Evaluation Regulations. 6. Approved the proposal of the formulation of the Company's "Standard Operating Procedures for Directors' Request". 7. Approved the proposal of the amendment to "Handling Procedures for Acquisition or Disposal of Assets" 8. Approved the proposal of the amendments to the Company's "Endorsement/ Guarantee Operating Procedures". 9. Approved the proposal of the amendment to the Company's "Operation Procedures of Capital Loan to Others" 10. Approved the proposal of the Company's "Evaluation of the Effectiveness of Internal Control Systems" and "Statement on Internal Control System" for 2018 11. Approved the motion for a comprehensive re-election of Directors and Supervisors. 12. Approved the proposal of the removal of the non-competition restrictions for newly appointed Directors. 13. Approved the formulation and reception of shareholders' proposals, nomination of directors and supervisors' candidates. 14. Approved the matters concerning the date, time, location, and content of the Company's 2019 regular Shareholders' Meeting.
May 3, 2019	23rd Meeting of the 13th Board of Directors	1. Approved the proposal of the Company's 2018 earnings distribution. 2. Approved the list of candidates for nomination of directors (including independent directors) and supervisors' candidates. 3. Approved the proposal for the removal of the non-competition restrictions for newly appointed Directors.

(XII) In the most recent year and as of the publication date of this report, whether there are Directors or Supervisors having different opinions on the important resolutions passed by the Board of Directors with records or written announcements: None.

(XIII) In the most recent fiscal year and as of the publication date of the Annual Report, a summary of the resignation and dismissal of the Company personnel including Chairman, general manager, accounting managers, financial managers, internal audit managers and R&D managers: None

IV. Information on CPA fees

(I) CPA fees

Accounting Firm	Name of CPA		Audit Period	Remarks
PwC Taiwan	Hsu, Sheng-Chin	Wu, Han-Chi	January 1, 2018 to December 31, 2018	

Note: Where this Company replaces the CPA or accounting firm for the year, the auditing periods of the former and successor CPA or firm shall be annotated separately. The reason for the replacement shall be provided in the Notes section accordingly.

Unit: NT$ 1,000

Range of the Amount \ Professional Fees		Audit Fees	Non-Audit Fees	Total
1	Less than NT$ 2,000,000		V	
2	NT$ 2,000 to NT$ 3,999	V		V
3	NT$ 4,000 to NT$ 5,999			
4	NT$ 6,000 to NT$ 7,999			
5	NT$ 8,000 to NT$ 9,999			
6	More than NT$10,000 (inclusive)			

Note: Please tick the range or fill in the amount.

(II) If the non-audit fees paid to CPAs, accounting firm where the CPAs work and its affiliates reaches over one-fourth of the audit fees paid to the CPA, the amount of audit and non-audit fees and the content of non-audit services shall be disclosed:

Unit: NT$ 1,000

Accounting Firm	Name of CPA	Audit Fees	Non-Audit Fees					Audit Period	Remarks
			System Design	Business registration	Human resource	Others (Note 1)	Sub-total		
PwC Taiwan	Wu, Han-Chi	2,550				650	650	2018.01.01 ~ 2018.12.31	
	Hsu, Sheng-Chin								
Explanation	Non-audit service items: The Company's transfer pricing report: 650								

Note 1: Where this Company replaces the CPA or accounting firm, the audit periods of the former and successor CPA or firm shall be annotated separately with the reason for replacement. The audit and non-audit fees paid to the former and succeeding CPA or firm shall also be disclosed.

Note 2: Non-audit fees shall be listed separately according to the service item. If the "Others" column in the non-audit fees reaches 25% of the total amount of non-audit fees, the service content of the service shall be listed in the Remark column.

(III) Where the CPA firm was replaced, and the audit fees in the fiscal year, when the replacement was made, were less than that in the previous fiscal year before replacement, the amount of audit fees paid before/after replacement and reasons for paying this amount shall be disclosed: None.

(IV) Where accounting fee paid for the year was more than 15% of the previous year, the sum, proportion, and cause of the reduction shall be disclosed: None.

V. Information on replacement of CPAs in the past two years and subsequent periods:

(I) Information on the previous CPA

<table>
<tr><td>Date of Replacement</td><td colspan="5">Approved by the Board of Directors on September 23, 2013</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="5">The CPAs were replaced in response to the Company's overall management planning and requirement.</td></tr>
<tr><td rowspan="3">Whether the authorizing party terminates the authorization or the CPA rejects it</td><td colspan="3">Involved party
Situation</td><td>Certified Public Accountants</td><td>The authorizing party</td></tr>
<tr><td colspan="3">Voluntary Termination of the authorization</td><td></td><td>V</td></tr>
<tr><td colspan="3">Reject the (continuing) authorization</td><td></td><td></td></tr>
<tr><td>The opinions and reasons in the signed and issued audit reports which were not "no reservations" in the last two years</td><td colspan="5">Not applicable</td></tr>
<tr><td rowspan="7">Whether there are different opinions with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="3">Accounting principles or practices</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="3">Scope or procedure of auditing</td></tr>
<tr><td></td><td colspan="3">Others</td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>None</td><td colspan="4">V</td></tr>
<tr><td>Explanation</td><td colspan="4">None</td></tr>
<tr><td>Other Disclosures (Disclosure according to subparagraph 1-4 to 1-7 of Article 10-6)</td><td colspan="5">None</td></tr>
</table>

(II) About the successor CPA

Name of accounting firm	PwC Taiwan
Name of CPA	CPAs Hsu, Sheng-Chung and Wu, Han-Chi
Date of Appointment	September 23, 2013
Subjects and outcomes of consultation on the accounting treatment of or application of accounting principles to specific transactions, or opinions that may be included on financial statements before the appointment of new CPAs	Not applicable
Written opinion of the successor CPAs on the matters relating to former CPAs	Not applicable

(III) The former CPAs reply to the above-mentioned matters in Article 10-3 of the Guidelines: Not applicable.

VI. If the Company's Chairman, General Manager, or Managers in Charge of Finance and Accounting Operations Held Positions in an Accounting Firm or Its Affiliates in the Most Recent Year, their names, positions, and period of working should be disclosed. The affiliated enterprises of accounting firm of CPAs refer to those in which the CPAs of the accounting firm hold more than 50% shares or obtain more than half seats of directors, or the accounting firm of CPAs is company or institution of affiliated enterprises in released or printed materials to the outside: None.

VII. Status of Share Transfer and Changes in Equity Pledge by the Chairman, Supervisors, Managers, and Shareholders with Over 10% Shareholdings in the Most Recent Year until the Publication Date of the Annual Report

(I) Change in the equities of the Directors, Supervisors, Managers and substantial shareholders

Unit: Shares

Title	Name	2018		Current year as of April 16	
		Change in Shares Held	Change in Shares Pledged	Change in Shares Held	Change in Shares Pledged
Director	Yiland International Ltd. Representative: Kao, Shu-Jung Representative: Lu, Li-Cheng Representative: Wang, Mu-Tien	- - - -	- - - -	- - - -	- - - -
Independent Director	Chen, Kuo-Chin	-	-	-	-
Independent Director	Tang, Han-Yu	-	-	-	-
Supervisor	Chou, Chun-Tsun	30,000	-	-	-
Supervisor	Hsu, Sheng-Chin	-	-	-	-
Acting General Manager	Kao, Shu-Jung	-	-	-	-
Assistant Manager of Marketing and Planning	Chou, Tzu-An	-	-	-	-
Manager of Finance/Accounting	Lai, Yu-Nu	-	-	-	-
Substantial Shareholders	Yiland International Ltd.	-	-	-	-

(II) Equity transfer information:

Equity transfer of the Company's Directors, Supervisors, managerial officers and major shareholders to related parties.

(III) Information on equity pledge:

There is no equity pledge by the Directors, Supervisors, managers and major shareholders of the Company.

VIII. Information on the Relationships Between the Company's Ten Largest Shareholders as Mutual Affiliates Indicated in the Statements of Financial Accounting Standards No. 6:

Unit: Shares; %

Name	Shares Held in Person		Shares Held By Spouse and Minor Children		Shares Held in the Name of Other Persons		The title or name and relations of the top 10 shareholders who are related parties, spouses, or relatives within the second degree of kinship. (Note 3)		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title or name	Relations	
Yiland International Ltd	28,532,080	28.11	-	-	-	-	-	-	Director /Major Shareholder
Yiland International Ltd. Representative: Zhang, Qi	-	-	-	-	-	-	-	-	-
Investment account of Yuanfu Investment (HK) Co., Ltd. under custody of CTBC	8,444,841	8.32	-	-	-	-	-	-	-
Account of Core Pacific - Yamaichi (HK) Co., Ltd. under custody of HSBC	6,844,000	6.74	-	-	-	-	-	-	-
Investment account of SinoPac Property Insurance Agent under custody of SinoPac Bank	5,979,652	5.89	-	-	-	-	-	-	-
APAQ Technology Co., Ltd	4,710,000	4.64	-	-	-	-	-	-	-
Borai Hong Kong Customer Account of Yuanta Securities under custody of Citibank	4,191,000	4.13	-	-	-	-	-	-	-
Lin, Wei-Ling	3,033,468	2.99	-	-	-	-	-	-	-
Yang, Shun-Hsing	2,055,000	2.02	-	-	-	-	-	-	-
PG Rental Corp.	1,713,000	1.69	-	-	-	-	-	-	-

Investment Account of Lukfook Securities under custody of Capital Securities Corporation	1,622,000	1.60	-	-	-	-	-	-	-

Note 1: All the top 10 shareholders shall be listed. For juristic person shareholders, their names and the name of their representatives shall be listed separately.

Note 2: Shareholding ratio is calculated separately based on the ratio of shares held in the name of the person, his/her spouse, minor children, or others.

Note 3: Relations between the aforementioned shareholders, including juristic person shareholders and natural person shareholders, shall be disclosed based on the financial reporting standards used by the issuer.

IX. Shares of Investment of Equity Method and the Consolidated Shareholdings Held by the Company, Its Directors, Supervisors, Managers, and Enterprises under Direct or Indirect Control of the Company

December 31, 2018; Unit: Shares; %

Re-investment Businesses (Note 1)	Investments of the Company		Investments of Directors, Supervisors, Managers and directly or indirectly controlled businesses		Total Ownership	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
SHANGHAI LIMITED	10,428,985	100	-	-	10,428,985	100
Dongguan Chang'an Kede Electronic Co., Ltd.	(Note 2)	100	-	-	-	100
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	(Note 2)	100	-	-	-	100
Wise Providence Limited	1,500,000	100	-	-	1,500,000	100

Note 1: Investment by using the equity method

Note 2: Dongguan Changan Fortech and Shenzhen Jinghong are limited liability companies, so no shares have been issued.

Chapter 4 Funding Overview

I. Capital and Shares

(I) Sources of share capital:

1. Formation of share capital

Year Month	Issued Price	Authorized Capital		Paid-in Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Sources of Share Capital	Capital from Non-Cash Assets	Others
1986.11	10	500,000	5,000,000	500,000	5,000,000	Incorporation of the Company	None	Note
1989.03	10	6,000,000	60,000,000	6,000,000	60,000,000	Cash Capital Increase of NT$55,000,000	None	Note
1989.12	10	12,000,000	120,000,000	12,000,000	120,000,000	Cash Capital Increase of NT$60,000,000	None	Note
1990.06	10	19,500,000	195,000,000	19,500,000	195,000,000	Cash Capital increase of NT$75,000,000	None	Note
1994.05	10	19,500,000	195,000,000	11,700,000	117,000,000	Capital Reduction of NT$78,000,000	None	Note
1994.05	10	19,900,000	199,000,000	19,900,000	199,000,000	Cash Capital Increase of NT$82,000,000	None	Note
1995.07	10	50,000,000	500,000,000	32,000,000	320,000,000	Cash Capital Increase of NT$121,000,000	None	Note
1996.11	10	50,000,000	500,000,000	35,200,000	352,000,000	Capital Increased by Surplus of NT$32,000,000	None	Note
1997.05	10	50,000,000	500,000,000	42,860,000	428,600,000	Capital Increased by Surplus of NT$70,400,000 Capital Increased by Employee Bonus of NT$6,200,000	None	Note
1998.04	10	200,000,000	2,000,000,000	70,000,000	700,000,000	Capital Increased by Surplus of NT$85,720,000 Capital Increased by Employee Bonus of NT$6,897,000 Cash Capital Increase of NT$178,783,000	None	Note
1999.06	10	200,000,000	2,000,000,000	77,943,000	779,430,000	Capital Increased by Surplus of NT$42,000,000 Capital Increased by Capital Surplus of NT$35,000,000 Capital Increased by Employee Bonus of NT$2,430,000	None	Note
2000.06	10	200,000,000	2,000,000,000	95,019,900	950,199,000	Capital Increased by Surplus of NT$116,914,500 Capital Increased by Capital Surplus of NT$38,971,500 Capital Increased by Employee Bonus of NT$14,883,000	None	Note
2000.12	10	200,000,000	2,000,000,000	102,924,423	1,029,244,230	Capital Increased by Corporate Convertible Bonds of NT$ 79,045,230	None	February 13, 2001 (90) Business No. 09001037670

2001.06	10	200,000,000	2,000,000,000	117,187,775	1,171,877,750	Capital Increased by Surplus of NT$56,608,430 Capital Increased by Capital Surplus of NT$46,315,990 Capital Increased by Employee Bonus of NT$13,194,440 Capital Increased by Convertible Bonds of NT$26,514,660	None	May 23, 2001 (90) TWF (I) No. 132078
2002.05	10	200,000,000	2,000,000,000	135,133,069	1,351,330,690	Capital Increased by Surplus of NT$82,031,440 Capital Increased by Capital Surplus of NT$70,312,660 Capital Increased by Employee Bonus of NT$23,795,240 Capital Increased by Convertible Bonds of NT$3,313,600	None	May 16, 2002 (91) TWF (I) No. 126710
2003.10	10	200,000,000	2,000,000,000	135,197,020	1,351,970,200	Capital Increased by Convertible Bonds of NT$ 639,510	None	October 13, 2003 (92) Business No. 09201288850
2005.7	10	250,000,000	2,500,000,000	149,863,686	1,498,636,860	Capital Increased by Corporate Convertible Bonds under Private Placement of NT$146,666,660	None	July 8, 2005 (94) Business No. 09401126820
2005.8	10	250,000,000	2,500,000,000	205,613,686	2,056,136,860	Capital Increased by Corporate Convertible Bonds under Private Placement of NT$557,500,000	None	August 16, 2005 (94) Business No. 09401158030
2005.9	10	250,000,000	2,500,000,000	204,013,686	2,040,136,860	Writing Off Repurchased Treasury Stock of NT$16,000,000	None	September 26, 2005 (94) Business No. 09401190290
2006.2	10	250,000,000	2,500,000,000	128,964,691	1,289,646,910	Capital Reduction of NT$750,489,950	None	February 6, 2006 (95) Business No. 09501018170
2007.1	10	250,000,000	2,500,000,000	129,813,191	1,298,131,910	Capital Increased by Employee Equity of NT$8,485,000	None	January 22, 2007 (96) Business No. 09601012070
2007.8	10	250,000,000	2,500,000,000	130,078,691	1,300,786,910	Capital Increased by Employee Equity of NT$2,655,000	None	August 16, 2007 (96) Business No. 09601197660
2007.10	10	250,000,000	2,500,000,000	130,081,691	1,300,816,910	Capital Increased by Employee Equity of NT$30,000	None	October 17, 2007 (96) Business No. 09601253600
2008.9	10	250,000,000	2,500,000,000	76,852,263	768,522,630	Capital Reduction of NT$41,294,280	None	September 22, 2008 (97) Business No. 09701239470
2010.3	10	250,000,000	2,500,000,000	89,352,263	893,522,630	Cash Capital Increase of NT$125,000,000	None	March 17, 2010 (99) Business No. 09901050980
2011.11	10	250,000,000	2,500,000,000	117,831,766	1,178,317,660	Capital Reduction of NT$275,204,970 Cash Capital Increase under Private Placement of NT$560,000,000	None	November 24, 2011 (100) Business No. 10001266040
2012.8	10	250,000,000	2,500,000,000	93,570,206	935,702,060	Capital Reduction of NT$242,615,600	None	August 14, 2012 (101) Business No. 10101165750

2013.9	10	250,000,000	2,500,000,000	94,505,909	945,059,090	Capital Increased by Surplus of NT$9,357,030	None	September 9, 2013 (102) Business No. 10201184650
2014.9	10	250,000,000	2,500,000,000	109,248,831	1,092,488,310	Capital Increased by Surplus of NT$147,429,220	None	September 23, 2014 (103) Business No. 10301199230
2018.5	10	250,000,000	2,500,000,000	101,498,831	1,014,988,310	Treasury Stock Capital Reduction of NT$77,500,000	None	May 23, 2018 (107) Business No. 10701052620

Note: It is not provided for no value of disclosure due to time.

2. Type of Shares

April 16, 2019 (Shares)

Type of Shares	Authorized Share Capital			Remarks
	Outstanding Shares	Unissued shares	Total	
Common Share	101,498,831	148,501,169	250,000,000	

(II) Shareholder Structure

April 16, 2019

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Legal Persons	Individual	Foreign Institutions and Foreigners	Chinese Capital	Total
Number of Individuals	0	1	19	8,222	27	1	8,270
Number of Shares Held	0	19,000	7,194,686	34,975,857	30,777,208	28,532,080	101,498,831
Shareholding Ratio (%)	0	0.02	7.09	34.46	30.32	28.11	100.00

Note: The first TPEx-listed company and emerging stock companies shall disclose their own shareholding ratio of Mainland investors. Mainland investor refers to the companies invested by the people, legal persons, groups, other institutions, or companies that are invested in the third region by people from Mainland China, as stipulated in Article 3 of the Regulations Governing the Investment and Licensing in Taiwan by the People from Mainland China.

(III) Equity Dispersion

1. Common Shares

April 16, 2019

Shareholding Range	Number of Shareholders	Number of Shares Held	Shareholding Ratio (%)
1 to 999	4,989	1,093,663	1.08
1,000 to 5,000	2,562	5,149,914	5.07
5,001 to 10,000	347	2,724,676	2.68
10,001 to 15,000	102	1,286,835	1.27
15,001 to 20,000	68	1,219,442	1.20
20,001 to 30,000	66	1,669,494	1.65
30,001 to 40,000	31	1,088,831	1.07
40,001 to 50,000	15	687,861	0.68
50,001 to 100,000	42	2,973,465	2.93
100,001 to 200,000	16	2,419,840	2.38
200,001 to 400,000	9	2,695,989	2.66
400,001 to 600,000	5	2,729,340	2.69
600,001 to 800,000	2	1,451,072	1.43
800,001 to 1,000,000	1	989,000	0.97
1,000,001 or more ranged according to the actual situation	15	73,319,409	72.24
Total	8,270	101,498,831	100.00

2. Preferred Shares: Not applicable.

(IV) List of Major Shareholders

April 16, 2019

Shares / Name of Major Shareholders	Number of Shares Held	Shareholding Ratio
Yeland International Development Ltd.	28,532,080	28.11%

(V) Net worth, earnings, dividends, and market price-related information for the last two years up to the publication date of this annual report

Unit: thousand shares

Items / Year			2017	2018	Current year up to March 31, 2019 (Note 8)
Market price per share (Note 1)	Highest		23.20	54.20	39.20
	Lowest		14.85	14.90	29.70
	Average		17.58	31.75	33.48
Net value per share (Note 2)	Before distribution		15.78	17.09	19.45
	After distribution		15.78	17.09	-
Earnings (loss) per Share	Weighted Average Shares		109,249	101,499	101,499
	Earnings (loss) per Share (Note 3)	Before adjustment	(0.52)	2.39	0.17
		After adjustment	(0.52)	2.39	0.17
Dividends per share	Cash Dividends		-	-	-
	Stock Grants	Dividend for paid-in capital	-	-	-
		Earnings Grants	-	-	-
	Accumulated dividend not paid out (note 4)		-	-	-
Return on Investments	Price-to-earning ratio (Note 5)		(44.62)	75.88	-
	Price-to-dividend ratio (Note 6)		-	21.17 (Note 9)	-
	Cash dividend yield (Note 7)		-	4.72 (Note 9)	-

＊ If the Company has contributed surplus or capital surplus to the capital increase, the market price and cash dividend adjustment retrospectively adjusted for the distribution of the number of shares shall be disclosed based on the number of shares released retrospectively.

Note 1: Disclose the annual maximum and minimum market value of the common stock. The annual average market value is calculated based on each year's transaction value and quantity.

Note 2: Fill in the shares based on the number of shares that have been issued by year end and the distribution through resolution at the shareholders' meeting in the following year.

Note 3: If there is any retrospective adjustment required due to stock grants or capital reduction to offset losses, earnings per share before and after the adjustment shall be disclosed.

Note 4: If the conditions of equity securities issuance allow unpaid dividends to be accumulated to the subsequent years in which there is profit, the Company shall disclose the accumulated unpaid dividends respectively up to that year.

Note 5: P/E Ratio = Average closing price for each share in the year/earnings per share

Note 6: P/D ratio = Average closing price per share of the year/Cash dividends per share

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

Note 8: The net value per share and earnings per share should be filled up to the quarter nearest to the date of the publication of this annual report to be audited by an accountant. The remaining column should be filled with the annual data up to the publication of this annual report.

Note 9: Earnings distribution proposal passed by the Board of Directors for 2018 has not been resolved by the Shareholders' Meeting.

(VI) Explanation of the Company's dividend policy, implementation, and the expected significant changes

1. Dividend policy

If the Company has a surplus in the general annual report, the surplus shall be made up for the previous losses, apart from allocating for income taxes. And 10% of the balance shall be allocated as a statutory surplus reserve unless the statutory surplus reserve has reached the paid-in capital. After the statutory surplus reserve is retained or rotated in accordance with the rules and regulations by competent agencies, the undistributed earnings at the beginning of the period shall be combined and the Board of Directors shall formulate specific proposal for distribution of earnings to be submitted to the Shareholders' Meeting for resolution, with consideration given to retaining partial earnings. For the current year, cash dividends shall not be less than 5%. However, if cash dividends are not paid below NT$0.1 per share, the dividend will be distributed in stock dividends.

2. The status of Shareholders' Meeting on approving the proposal for the distribution of earnings:

The Company's earnings distribution for 2018 was approved by the Board of Directors on May 3, 2019, to issue NT$1.50 per share on May 3, 2019. After the resolution of the General Shareholders' Meeting is passed, the Chairman of the Board will be authorized to set the ex-dividend base date.

(VII) Impact on the Company's business performance and earnings per share (EPS) proposed at the Shareholders' Meeting: The Company's 2019 Shareholders' Meeting didn't raise any proposal of stock grants.

(VIII) Remuneration for Employees, Directors, and Supervisors:

1. Percentage or scope of remuneration for employees, Directors, and Supervisors as prescribed under the Articles of Association:

If the Company has a profit for the year, it shall appropriate no less than 0.1% as the remuneration for employees, and no more than 6% as remuneration for directors and supervisors.

However, if the Company has accumulated losses, the amount of remuneration shall be appropriated to offset it and then remuneration for employees, Directors, and Supervisors shall be allocated according to the aforementioned percentage.

2. Accounting treatment for the basis of estimating the amount of remuneration for employees, Directors, and Supervisors for this fiscal period, the basis of calculating the number of shares to be distributed as employees’ remuneration, and for any discrepancy between the actual amount distributed and the estimated figures.
   (1) The remuneration for employees, Directors, and Supervisors of the Company is estimated in accordance with the Company's Articles of Association.
   (2) The remuneration for employees, Directors, and Supervisors of the Company shall be based on the explanation letter issued by the Accounting Research and Development Foundation (96) Official Letter No. 052. The amount of remuneration for employees, Directors, and Supervisors of the Company shall be estimated, and recognized under appropriate accounting item of operation cost or operation expense according to its nature. If there is a discrepancy between the resolution of Shareholders' Meeting and estimated amount in financial statements, it is considered as changes in an estimate and is recognized as profit or loss for the current period.

3. The Board of Directors approved the amount of remuneration for employees, Directors, and Supervisors and calculation of earnings per share:
   (1) Amount of remuneration for employees, Directors, and Supervisors:

       The Board of Directors passed the Company's 2018 remuneration distribution for employees, Directors, and Supervisors on March 21, 2019, as follows:
       A. Remuneration for Employees NT$3,723,118.
       B. Remuneration for Directors and Supervisors NT$9,538,565.
       C. All the above amounts have been paid in cash, which has no difference with the estimated amounts was found in 2018.
   (2) The ratio of the amount of remuneration for employees paid with stock in the total sum of net profit after tax stated in the parent or individual financial report and the total amount of remuneration for employees: not applicable.

4. The actual distribution of remuneration for employees, Directors, and Supervisors (including the number, sum, and price of shares distributed), and where there were discrepancies with the recognized compensations for employees, Directors, and Supervisors, the difference, cause, and treatment of the discrepancy shall be described:

   As there was a net loss for the Company before tax in 2017, no remuneration for employees, Directors, and Supervisors were distributed.

(IX) Repurchase of Shares:

April 16, 2019

Term of Repurchase	6th
Purpose of Repurchase	Maintenance of company credit and shareholders' equity
Actual repurchase period	January 17, 2018, to February 12, 2018
Actual repurchase price	Average repurchase price of NT$19.39
Type and number of repurchased shares	Common shares/7,750,000 shares
Monetary amount of shares bought	NT$150,272,544
Number of shares eliminated and transferred	0
Cumulative number of shares held	7,750,000 shares
Ratio of accumulated number of shares held in total issued shares (%)	7.09%

II. Issuance of Corporate Bonds (including overseas corporate bonds): None.

III. Issuance of Preferred Shares: None.

IV. Issuance of Overseas Depository Receipts: None.

V. Employee Stock Options: None.

VI. New Employee Shares with Limited Rights: None.

VII. Issuance of New Shares in Connection with the Merger or Acquisition of Other Companies: None.

VIII. Capital Utilization Plan and Implementation: None.

Chapter 5 Operational Overview

I. Business Activities

(I) Scope of Business:

1. Business Items

(1) CC01010 Power Generation, Transmission and Distribution Machinery Manufacturing (limited to the 2810 power generation, transmission and distribution machinery manufacturing according to the Industrial Standard Classification of the Republic of China; 2890 other power equipment manufacturing, limited to wind power generation equipment manufacturing).

(2) CC01030 Electric Appliances and Audio-visual Electronic Products Manufacturing (limited to 2730 audio-visual electronic products manufacturing, 2851 household AC manufacturing, 2852 household refrigerator manufacturing, 2853 household washing machine manufacturing, 2854 household electric fan manufacturing, and 2859 other household electric appliances manufacturing according to the Industrial Standard Classification of the Republic of China).

(3) CC01060 Wired Communication Machinery and Equipment Manufacturing (limited to 2721 telephone and mobile phone manufacturing and 2729 other communication and transmission equipment manufacturing according to the Industrial Standard Classification of the Republic of China).

(4) CC01070 Wireless Communication Equipment Manufacturing (limited to 2721 telephone and mobile phone manufacturing, 2729 other communication and transmission equipment manufacturing and 2751 measurement, navigation and control equipment manufacturing according to the Industrial Standard Classification of the Republic of China).

(5) CC01080 Electronic Parts and Components Manufacturing (limited to 2630 printed circuit board manufacturing, 2691 printed circuit board parts and components manufacturing and 2699 other electronic parts and components manufacturing according to the Industrial Standard Classification of the Republic of China).

(6) CC01101 Telecommunications Control RF Equipment Manufacturing (limited to 2721 telephone and mobile phone manufacturing, 2729 other communication and transmission equipment manufacturing and 2760 radiation and electronic medical equipment manufacturing according to the Industrial Standard Classification of the Republic of China).

(7) CC01110 Computer and Peripheral Devices Manufacturing (limited to 2711 computer manufacturing, 2712 display and terminal manufacturing and 2719 other computer and peripheral devices manufacturing according to the Industrial Standard Classification of the Republic of China).

(8) CC01120 Data Storage Media Manufacturing and Copying (limited to 2740 data storage media manufacturing according to the Industrial Standard Classification of the Republic of China).

(9) CE01010 General Instruments Manufacturing (limited to 2751 measurement, navigation and control equipment manufacturing and 2760 radiation and electronic medical equipment manufacturing according to the Industrial Standard Classification of the Republic of China).

(10) CH01040 Toys Manufacturing (limited to 3312 toys manufacturing according to the Industrial Standard Classification of the Republic of China).

(11) F102030 Tobacco and Beverage Wholesale (limited to 4546 tobacco and beverage wholesale according to the Industrial Standard Classification of the Republic of China).

(12) F109070 Stationery, Musical Instrument, and Entertainment Products (limited to 4581 books and stationery wholesale, 4582 sports products, and apparatus wholesale and 4583 toys and entertainment products wholesale according to the Industrial Standard Classification of the Republic of China), excluding books, magazines, and newspapers wholesale.

(13) F113010 Machinery Wholesale (limited to 4643 agricultural and industrial machinery and equipment wholesale according to the Industrial Standard Classification of the Republic of China).

(14) F113020 Electrical Appliances Wholesale (limited to 4561 household appliances wholesale according to the Industrial Standard Classification of the Republic of China).

(15) F113030 Precision Instruments Wholesale (limited to 4564 household photographic equipment and optical products wholesale and 4649 other machinery and appliances wholesale according to the Industrial Standard Classification of the Republic of China).

(16) F113050 Computer and Office Machine and Equipment Wholesale (limited to 4641 computer and peripheral equipment and software wholesale and 4644 office machine and equipment wholesale according to the Industrial Standard Classification of the Republic of China).

(17) F113070 Telecommunication Equipment Wholesale (limited to 4642 electronic equipment and parts and components whole according to the Industrial Standard Classification of the Republic of China), excluding telecommunication core network equipment (such as exchange and transmission equipment) wholesale.

(18) F118010 Information Software Wholesale (limited to 4641 computer and peripheral equipment and software wholesale according to the Industrial Standard Classification of the Republic of China).

(19) F119010 Electronic Materials Wholesale (limited to 4642 electronic equipment and parts and components wholesale according to the Industrial Standard Classification of the Republic of China).

(20) F203020 Tobacco and Beverage Retail (limited to 4729 other food and beverage, tobacco retail according to the Industrial Standard Classification of the Republic of China; excluding the retail of drug stores, pharmacy, cosmeceuticals shop, or live animal shop).

(21) F209060 Stationery, Musical Instrument and Entertainment Products Retail (limited to 4761 books and stationery retail, 4762 sports products

and apparatus retail, 4763 toys and entertainment products retail and 4764 music tape and movies retail according to the Industrial Standard Classification of the Republic of China), excluding the retail of books, magazines and newspapers.

(22) F213010 Electric Appliances Retail (limited to 4741 household electric appliances retail and 4833 audio-visual equipment retail according to the Industrial Standard Classification of the Republic of China).

(23) F213030 Computer and Office Machine and Equipment Retail (limited to 4831 computer and peripheral equipment and software retail according to the Industrial Standard Classification of the Republic of China).

(24) F213060 Telecommunication Equipment Retail (limited to 4832 telecommunication equipment retail according to the Industrial Standard Classification of the Republic of China), excluding the retail of telecommunication core network equipment (e.g., exchange and transmission equipment).

(25) F214030 Auto and Motor Vehicle Parts and Components Retail (limited to 4843 auto and motor vehicle parts and components retail according to the Industrial Standard Classification of the Republic of China).

(26) F218010 Information Software Retail (limited to 4831 computer and peripheral equipment and software retail according to the Industrial Standard Classification of the Republic of China).

(27) F219010 Electronic Materials Retail (limited to 4831 computer and peripheral equipment and software retail, 4832 telecommunication equipment retail and 4833 audio-visual equipment retail according to the Industrial Standard Classification of the Republic of China).

(28) I501010 Product Design (limited to 7402 design service for specially manufactured products in industrial design and 7409 design service for specially manufactured products in other professional design service industry according to the Industrial Standard Classification of the Republic of China).

(29) JA02010 Electrical Appliance and Electronic Products Repair (limited to 9521 computer and peripheral equipment repair, 9522 telecommunication and transmission equipment repair and 9523 audio-visual electronic products and household appliances repair according to the Industrial Standard Classification of the Republic of China).

2. Business proportion

Unit: NT$ thousands

Items	2018 Operating Revenue	
	Amount	Percentage
Computer peripherals	4,039,943	98.94%
Others	43,089	1.06%
Total	4,083,032	100.00%

3. Current products and services

   (1) Display cards

   (2) Motherboard

4. New products and services that are planned to be developed

   (1) Display cards

      A. The high-end chip of NVIDIA Turing architecture has been fully released in Q1 2019. The subsequent development plans will be prepared for the development of NVIDIA new high-end chips that cover the series of Kudan, Vulcan, Neptune, Advanced and so on.

      B. According to the future development plan for NVIDIA Turing chip, medium and low-end display cards will be developed, covering the series of GeForce, Gaming, Shark, and Golden Version.

   (2) Motherboard

      A. Develop the iGame series of high-end game motherboards, including Vulcan and Gaming Mini iTX series, that use the latest Intel 400 series high-end chip and support Intel new generation LGA 1200 architecture processor and the latest Intel Optane data transmission technology.

      B. In 2019, in the AMD AM4 architecture, the new AMD X570/B550 series products are added. The orientation of the products in this series is medium and high end, and the main products planned are "CVN" series and "Tomahawk" series.

      C. Continue with the series product line of GeForce, add the INTEL B365 series of chipset product into LGA 1151 architecture, adopt 22nm processing technique in the B365 chipset that supports both WIN7 and WIN10 operating system, hence being more suitable for hard disk free system at Internet cafes and boasting better cost efficiency.

      D. Emphasize the development of e-commerce: Strengthen the cooperation between online marketing of products and e-commerce.

      E. Strengthen the close cooperation with the upstream manufacturers of Intel, AMD, NV, etc.

   (3) High-performance data computing solutions

      A. From the Q4 2018, the Company has cooperated with SITONHOLY (Tianjin) to develop high-performance data computing solutions, and develop GPU computing server cluster management and development tools software system used for in-depth learning of artificial intelligence, machine learning and big data analytic model development on the basis of Docker and Kubernetes containerization and container management technology. The system developed promises to assist users in simplifying development and management procedures, shortening operation time and smoothening operation, and ultimately allow users to concentrate more on algorithm development. Meanwhile, software and hardware system integration services are adopted to uplift the added value of traditional hardware production and sales service.

B. Create customized data computing software for the field of education, scientific research and innovation.

(II) Industry Overview

1. Current State and Development of the Industry

According to the primary investigation results of international research and consultant institute, Gartner, the global PC computer (PC) shipment in the Q1 2019 stood at 58,500,000 sets, representing a decrease of 4.6% from the same period last year.

Primary estimated shipment of global PC manufacturers in Q1 2018

(Unit: thousand sets)

Manufacturer	Q1 2018 Shipment	Q1 2018 Market share (%)	Q1 2017 Shipment	Q1 2017 Market share (%)	Q1 2018-Q1 2017 Growth Rate (%)
Lenovo	13,196	22.5	12,343	20.1	6.9
HP	12,826	21.9	12,727	20.7	0.8
Dell	9,989	17.6	9,841	16.0	1.5
Apple	3,977	6.8	4,078	6.6	-2.5
Asus	3,603	6.2	3,887	6.6	-7.3
Acer	3,322	5.7	3,829	6.2	-13.2
Others	11,610	19.8	14,671	23.9	-20.9
Total	58,523	100.0	61,375	100.0	-4.6

Data Source: Gartner (April 2019)

Note: The above data covers desktop PC, laptop PC, and top-level ultramobile types (such as Microsoft Surface), excluding Chromebook and iPad. All data are estimated based on the results of the preliminary investigation, and the final valuation may change. The shipment sold onto the sales channels prevails for the statistical data.

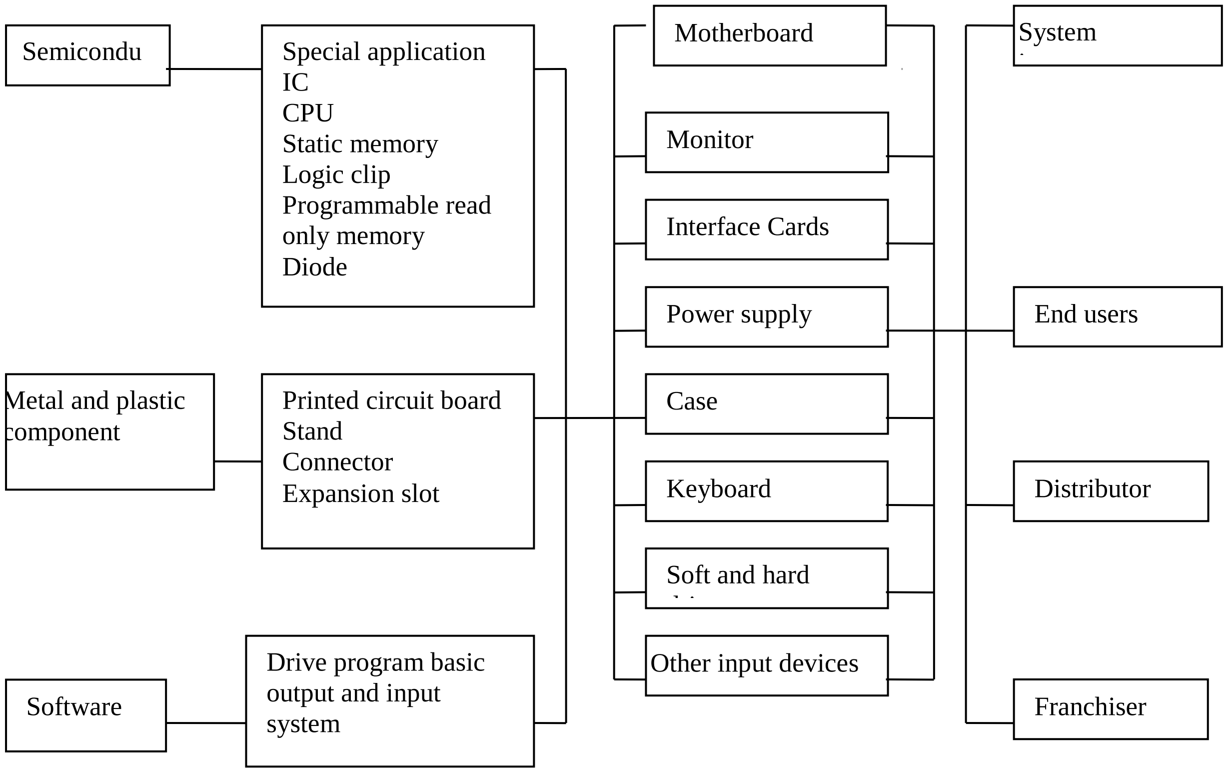
Gartner's senior chief analyst expressed: "The shipment for PC started to pick up in 2018, but the expectation of CPU shortage in short term led to interrupted shipment of PC, so manufacturers have allocated more resources to commercial and Chromebook departments that have higher profits; the consumption market remains slump, and the diverse product choices serve as one of the possibilities for hindered demand growth." On the other hand, despite the shortage of entry-level CPU, the Chromebook shipment still showed two-digit growth when compared with the same period last year; if the Chromebook shipment was included, the global PC market witnessed a decline of 3.5% in Q1 2019.

"The tightened CPU supply has influenced the competition among manufacturers. Large manufacturers enjoy a relative advantage in the distribution of chip resources and also start to order CPU from AMD that can replace the CPU from Intel. Under the condition of short supply of CPU, the three largest PC manufacturers have shifted their focus to high-end products, so the shipment can still uplift but it is hard to obtain market share from small CPU suppliers. These main PC manufacturers turning to high-end products development can expect a sustainable improvement of profits with parts and components with favorable price tendency.

In the Q1 2019, the commercial PC demand in main regions has sustainably increased. The PC replacement trend driven by Windows 10 has been the driving force for the commercial PC in the past three years. Gartner believes that the shipment results of the commercial PC in the Q1 2019 show that the demand for the commercial PC division remains strong, but with slump performance of mobile PC, suggesting that the Windows 10 replacement trend is likely to have reached the peak.

2. Correlation among upstream, midstream, and downstream of the industry

Motherboard and display cards:



3. Product development trends and competition status

(1) The inventory clearance for display cards industry is coming to an end.

From Q2 of 2018, the demand for cryptocurrency mining for hardware like display cards has significantly decreased, and from the Q3, Nvidia has launched the Turing series high-end display cards with light and shadow tracking technology like GeForce RTX 2080 Ti, 2080, 2070 and 2060 as well as products like GeForce GTX 1660 Ti, 1660, 1650. The brand plant continued to sell out 1060, 1070, and 1080 series products. In 2019, the sales ratio of new products promises to continuously increase, hence contributing to maintaining stable profits.

(2) Market demand tends to become simplistic

The demand for cryptocurrency mining for hardware like display cards started to gradually disappear in the Q2 2018, and the market went back to the demand of electronic sports game for eSports display cards. The manufacturers continue to launch display cards with higher performance, hence making the driving force of market demand maintained.

(3) Supply and demand in market of Mainland China

After absorbing the remaining products of 10 series in 2018, the supply and demand in Mainland China market have been stabilizing and witnessed a continuous increase in acceptance of new series products introduced by Nvidia, and the shipment has also increased continuously.

(III) Technology and Research Overview

R&D expenses input and successfully developed technologies or products from the most recent year up to the publication date of the annual report:

Unit: NT$ thousands

Year	Research Project	Results	Expenditure
2018	Display cards Motherboard	Commercial products development in NVIDIA new product series R&D of new Intel 300 series chipset motherboard AMD new generation AM4 processor series chipset motherboard	22,370
2019 Q1	Display cards Motherboard	NVIDIA GeForce GTX 1060 and 1660 Ti chipset corresponding to 7 versions of display cards Development of INTEL B365 and AMD AM4 X570 chipset series products R&D of development tools for artificial intelligence algorithms and GPU server cluster management system	4,768

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

1. Short-term development plans
   (1) Continue to work closely with major customers to maintain market share and reduce production costs with the economic scale.
   (2) Maintain a sound financial structure to uphold a good corporate profile.
   (3) Continue to expand customer base and maintain and establish sales channels.
2. Long-term development plans
   (1) Continuously maintain the release of the latest original chip products and develop products matching new chips of manufacturers
   (2) Continue to improve product quality and production efficiency, reduce costs, and strengthen competitiveness.
   (3) Continue to invest in blockchain and artificial intelligence industry.
   (4) Look forward into the intelligent technology wave and enter the AI industry ecology to become a key resource integrator and service provider.

II. Market, Production, and Sales Overview

(I) Main Products and Sales Regions

1. Main products

   (1) Display cards

   (2) Motherboard

2. Sales regions

Unit: NT$ thousands

Items	2016		2017		2018	
	Sub-total	Total	Sub-total	Total	Sub-total	Total
Domestic sales revenue	-	-	-	-	-	-
Foreign sales revenue	-	6,687,790	-	5,772,839	-	4,083,032
Mega			-	-	-	-
Asia Pacific Region	6,687,790	-	5,772,839	-	4,083,032	-
Europe			-	-	-	-
Total	-	6,687,790		5,772,839		4,083,032

3. Market share

   As the motherboard and display cards fall into professional OEM businesses, there is no independent brand, so it is not applicable to the calculation of the market share.

4. Future supply and demand of the market and its growth

   In terms of display cards and motherboard, the primary investigation results of international research and consultant institute Gartner showed that the global PC computer (PC) shipment in the Q1 2019 stood at 58,500,000 sets, representing a decrease of 4.6% from the same period last year.

   A. Display card:

   The overall size of China's eSports market at the end of 2018 had reached RMB 88 billion, including board games, mobile games, and eSports competitions that cover the tickets, advertisement, sponsorship, and their peripherals. According to the estimation of the eSports Research Institute, hardware accounts for approximately 20% of the overall game value. The global eSports industry is mainly distributed in the US, Japan, Korea, China, and Taiwan. The US, Korea, and Japan are mainly focused on software and hardware upstream research and development, including game development and drawing chip research and development. China is the main market for eSports competitions and live broadcasts. Taiwan is mainly engaged in the provision of hardware like computers, notebooks, and relevant peripherals.

   After the Q2 2018, the demand for cryptocurrency mining for the hardware of display cards had disappeared. The support for the demand for the hardware mainly came from eSports, and the shortage of eSports had been relieved in the Q2 2018. With the rapid popularization of hot eSports games like PUBG and Fortnite, the demand for eSports and game display cards has stabilized whether for individuals, internet bars or eSports studios; faced with the ever-increasing eSports lovers, the overall annual market size of eSports is estimated to grow with a rate of 20% on average, and the demand for eSports hardware is stable. After the removal of the demand of cryptocurrency mining for hardware like display cards in 2019, the market demand for newly introduced display cards with higher performance and specifications remains to be seen, compared with 2018 when the shipment was high against the base period.

B. Motherboard

The growth momentum of the main board industry is limited due to the Intel CPU shortage and uncertainty of demand in the eSports market.

C. High-performance data computing solutions

According to the international market research institute, the global AI business will exceed US$230 billion in 2025.

The Data-Driven business model and advanced data analytics technology (including AI algorithms) become a focused discipline and gradually popularized into innovation and even industry of traditional finance, medicine, manufacturing, and education, hence driving forward the growth of demand for GPU server and high-performance data computing solutions.

5. Competition Niches

(I) Flexible Production Management

Through horizontal integration, the Company has cooperated with local OEM manufacturers in Mainland China in means of renting out its own SMT manufacturing and production equipment, to ensure capacity scheduling in a real-time and elastic manner, sufficient capacity during peak, and improvement of deficiency in capacity with uplifted operation ratio during lean seasons.

(II) The R&D team that is in closer contact with the market

The Company re-invested in Shenzhen Jinghong Digital R&D Service Co., Ltd, which was officially incorporated for operation in 2012. R&D and technical service items include consumer electronic products and peripheral devices, including digital multimedia products, case, and power supply. The establishment of the Shenzhen R&D Center has demonstrated that the Company has carried out the layout for niche products and moved its research and development unit to Mainland China, the forefront of global primary market, in the hopes of better understanding market demand.

(III) Professional Management Team

The Company's operating team has accumulated rich technologies and experience for many years. The management belongs to the seniors in the industry who have grasped the key technologies, so the changes in the overall market can be fully mastered. For professional talents, the elite system has been adopted to reduce the management, sales, and research fees to maintain a sound operation structure.

(IV) Competitive operation mode

The Company has conducted marketing of products developed and produced by CHAINTECH in many countries through the business sales platforms of major customers. In the market of Mainland China, it has cooperated with operation platforms and image centers in Shenyang, Beijing, Nanjing, Xi’an, Chengdu, Wuhan, Guangzhou, Shenzhen. At the same time, it has also opened up the international business: South Korea marketing center in Seoul is mainly responsible for the South Korean market; the sales center in Hamburg of Germany is mainly responsible for the entire European market. With the changing global market, the Company has created a variety of channels and modes to enhance the visibility of products in different markets and expand the product sales regions through the marketing channels of cooperation partners.

6. Favorable and Unfavorable Factors of Development Prospect and Countermeasures

(1) Favorable factors

Integration of the industrial value chain, strategic alliance, joint procurement, lowered cost and improvement of product quality in the key Mainland China market. Cooperation with strategic partner COLORFUL GROUP LIMITED has expanded further from products to channels and operation. The "COLORFUL" platform strategic system has developed in Mainland China for many years. At present, it has been ranked the first for over 10 consecutive years in the Chinese market of display cards, with a market share of more than 25%, 300 core distribution channels, 3,000 direct and indirect channel partners, covering 660 cities, and over 5,000 retail stores. The significant advantage in product and channel has enabled the Company's products to be far ahead of other brands in Mainland China, the first-tier battleground.

In terms of new businesses, it has cooperated with Siteng Heli (Tienjin) to develop high-performance data computing software and hardware solutions and integrate services, thus carrying out the layout in the 100 billion-level AI infrastructure service market in China. Siteng Heli (Tienjin) devotes itself to provision of software and hardware solutions to in-depth learning, GPU high-performance computing, virtualization and storage in the AI area, and turns out to be the core cooperation partner in China of the globally leading AI leader NVIDIA. In recent years, it has provided high-performance computing and in-depth learning products and solutions for thousands of education and research institutions and AI customers, with the service points covering East, South, Central, Northwest, and Southwest China. Meanwhile, its possesses rich experience in channel operation and international resources integration, hence contributing to the Company's entry into the AI industrial ecology and market channel of the Company's key market, Mainland China market.

(2) Unfavorable factors and countermeasures

The panel industry has been maturing and stabilizing, and with matured design and manufacturing comes intensive competition. The largest challenge faced by the current panel manufacturers lies in the limited increase in demand for hardware.

In terms of the new businesses, the AI hardware producers and distributors in the key market Mainland China have actively transformed to enter into the AI software and hardware solutions and products market, hence making the competition more intensive, so continuous input of R&D resources must be maintained to raise the competition threshold.

Countermeasures:

A. The Company's product manufacturing adopts the outsourcing method, so there is no need to solicit more orders by cutting down price for the purpose of maintaining the capacity utilization rate.
B. Strengthen inventory cost management to lower operation risk.
C. Set clear product orientation to conform to the niche market.
D. Expand the product channel share, including sales channels for e-commerce platforms and online franchises.
E. Product design in closer contact with the market
F. Continue to invest in high-performance data computing solutions and services with high added value.

(II) Major applications and production process of the primary products

1. Major uses of the primary products

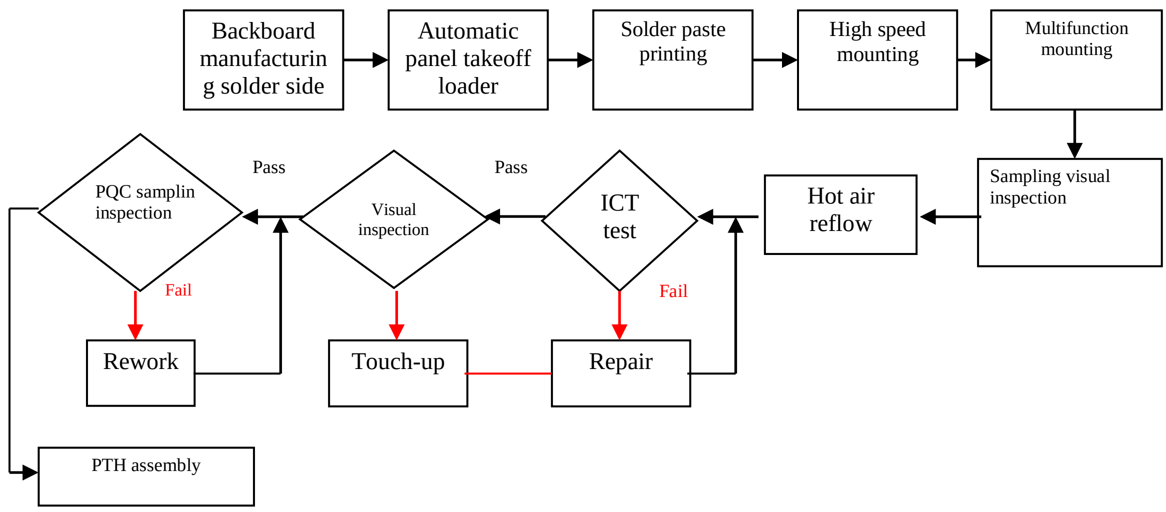
The Company's main products can be categorized into two types in 2018, namely panel and display cards. The main uses of them are described below.

The panel and display cards are one of the main components for the following computer systems:

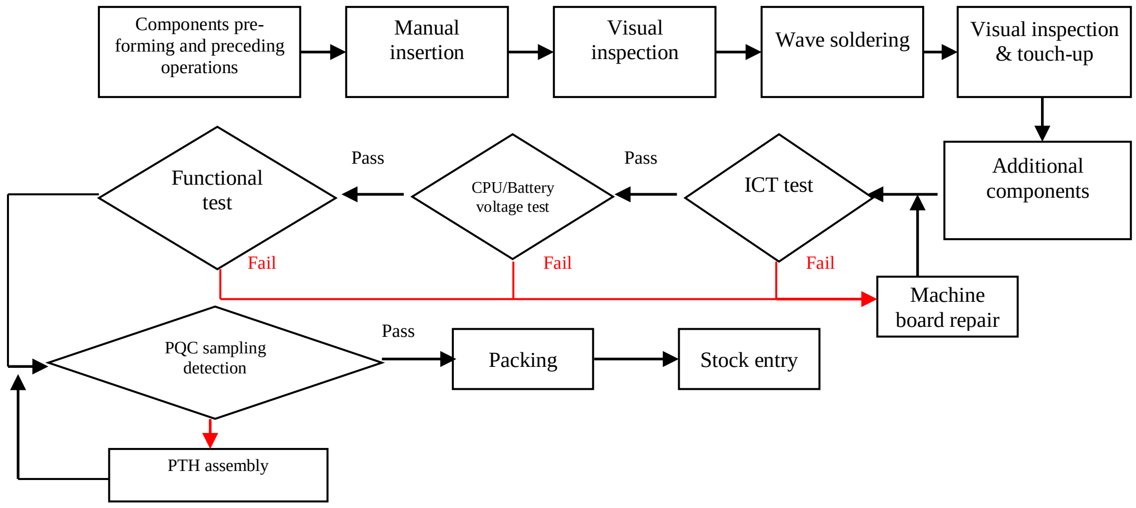
A. PC, use: clerical processing, briefing system, graphic design and drawing, spreadsheet, multi-media
B. Computer workstation, use: engineering design, financial information, image processing and editing, desk top publishing
C. Server, use: video servers, internet servers, file servers, database servers
D. Multi-user and multi-tasking computer system mainframe
E. Computer-aided design CAD system and computer auxiliary manufacturing CAM system

2. Production processes of the main products

SMT flow chart



DIP flow chart



(III) Supply of Major Raw Materials

Title	Suppliers	State of supply
Chip	NVIDIA	Stable
Electronic parts and components	HK LINK、Wanyuan	Stable

(IV) The name, amount and ratio of customers accounting for more than 10% of the total sales for any of the last two years, and the reasons for changes in such figures:

Information on the major suppliers in the past two years

Unit: NT$ thousands

	2017				2018				As of Q1 2019			
Items	Title	Amount	Percentage in the annual net purchases (%)	Relations with the issuer	Title	Amount	Percentage in the annual net purchases (%)	Relations with the issuer	Title	Amount	Percentage of net purchases as of Q1 of the current year (%)	Relations with the issuer
1	005505	2,965,345	54	-	005505	1,806,969	50	-	005505	634,013	64	-
2	005511	667,696	12	-	005511	68,063	2	-	005511	-	-	-
3	005507	629,220	12	-	005507	783,232	22	-	005507	161.134	16	-
4	002883	331,774	6	-	002883	313,136	9	-	002883	78,317	8	-
5	Others	879,619	16	-	Others	621.193	17	-	Others	140,707	12	-
	Net purchases	5,473,655	100		Net purchases	3,592,593	100		Net purchases	1,014,171	100%	

Explanation of changes: Suppliers of 005511 materials were newly added in 2017 for CPU materials, and there had been no stock replenishing since 2018.

Major sales customers for the most recent two fiscal years

Materials unit: NT$ thousands

Year	2017				2018				As of Q1 2019			
Items	Title	Amount	Percentage of net sales in the year (%)	Relations with the issuer	Title	Amount	Percentage of net sales in the year (%)	Relations with the issuer	Title	Amount	Percentage of net sales as of Q1 2019 (%)	Relations with the issuer
1	COLORFUL	3,187,676	55	Related parties	COLORFUL	2,069,738	51	Related parties	COLORFUL	441,322	52	Related parties
2	16S001	626,860	11	-	16S001	215,200	5	-	16S001	-	-	-
3	16N001	657,441	12	-	16N001	213,137	5	-	16N001	-	-	-
4	16L002	364,942	6	-	16L002	363,858	9	-	16L002	130,587	15	-
5	16N002	—	—	—	16N002	241,610	6	—	16N002	122,117	14	—
	Others	935,920	16	-	Others	1,221,099	30	-	Others	159,068	19	-
	Net sales	5,772,839	100		Net sales	4,083,032	100		Net sales	853,094	100%	

Explanation of changes: Not applicable

(V) Production volume and value in the most recent two fiscal years

Unit: Pcs, NT$ thousands

Year	2017			2018		
Production volume and value / Main Products	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Computer peripherals	1,000.000	751,405	2,329,425	800,000	534,950	2,576,392
Total	1,000.000	751,405	2,329,425	800,000	534,950	2,576,392

(VI) Sales volume and value in the most recent two fiscal years

Unit: Pcs, NT$ thousands

Year	2017				2018			
Sales volume / Main Products	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Computer peripherals	0	0	3,491,205	5,705,313	0	0	1,236,738	4,039,943
Others	0	0	0	67,526	0	0	0	43,089
Total	0	0	3,491,205	5,772,839	0	0	1,236,738	4,083,032

III. Number of Employees in the Last Two Years Up to the Printing of this Annual Report

Year		2017	2018	As of March 31, 2019
Number of employees	Direct employees	0	0	0
	Indirect employees	10	19	19
	Total	10	19	19
Average Age		51.76	41.76	41.76
Average Year of Services		13.75	8.59	8.59
Education distribution ratio (%)	Doctor	0	0	0
	Master	10	37	37
	University/College	60	58	53
	Senior High School	30	5	11
	Below Senior High School	0	0	0

IV. Information on Environmental Protection Expenditure

(I) The total amount of losses (including compensation losses) and penalties arising out of environmental pollution in the most recent year: None.

(II) Future countermeasures (including improvement measures) and possible expenditures (including the estimated amount of losses that may be incurred for the failure of adopting countermeasures, estimated amount for penalty and compensation; where there is no reasonable estimation, the facts thereof shall be explained): None.

V. Labor Relations

The Company always adheres to the belief of improving the care for employees, so that they can strive to make progress without any worries. It has formulated multiple welfare measures concerning vocation and retirement system, so employees have maintained high centripetal force and the labor relations have remained harmonious, without any disputes therefrom.

(I) The Company employees' welfare measures, advanced studies, education and training, retirement system and the implementation, as well as the agreement for labor relations:

1. Employees' welfare measures
   (1) The Company has purchased national health insurance, labor insurance and group insurance for all the employees, and handles the payment for employees' childbirth, injury, health care, retirement, and death pursuant to Labor Insurance Act, National Health Care, Group Insurance and relevant rules and regulations in the Labor Standard Act.
   (2) The Company rewards employees for stock subscription to enhance employees' participation enthusiasm. The Company offers employees with book resources and on-job training programs.
   (3) The Company has established an Employee Welfare Committee to promote employee welfare work, such as gifts at Spring Festival and holidays, allowance for weddings and funerals, celebration of employees' birthday, regular domestic and international travel activities.
   (4) Employees' health check-ups are conducted regularly.

2. The Company's system concerning advanced studies, educational training, and its implementation:

   The Company's human resources department formulates education and training plans annually based on business development and employee needs. The overall scope of training mainly covers induction training, general and management knowledge and skills training, and professional skills training; and their implementation is as follows:

   (1) Induction training: The HR Department is in charge of introducing the Company's organizational structure and system, work rules, and responsibilities; each staffing department shall explain the operating rules and procedures, and regularly assess and supervise new employees.

   (2) External training: Participation in the professional courses offered by the corporate management consulting companies, education, and training institutions, and government agencies.

Course Content	Training time (hours)	Training fees	Number of participants
Summary of Work Safety and Health Regulations Occupational Safety and Health Concept and Safety and Health Work Practice Principles Before, during, and after the automatic inspection of operations	6	1,000	1
Impact of and response to the amendments of the Company Act	3	None	1
International Bulletin Communication	2	None	2

IFRS Leases	3	None	2
Blockchain Assets Management Innovative Customer Service Application	6	None	1
Investor Relations Symposium	6	None	1
Law, Finance, and Tax	3	None	1

(3) Internal training: Senior or learned employees or professional lecturers are invited to impart their experience and professional knowledge.

Course Content	Training time (hours)	Training fees	Number of participants
Labor Rescue Training	3.5	None	14
Artificial Intelligence (I)	1	None	10
Artificial intelligence (II)	1	None	10

(4) Departmental training: The professional training courses organized by each department.

Course Content	Training time (hours)	Training fees	Number of participants
Basic Training for New Employees	2	None	8

3. Implementation of retirement system

The Company has established retirement regulations for the employees in formal employment. The retirement conditions, pension benefits and calculation methods are handled in accordance with the Labor Standard Act, Labor Pension Act, and relevant laws and regulations.

The new pension system in the "Labor Pension Act" is a defined contribution plan. As for the pension payment, the Company allocates no less than 6% of monthly salary of employees as pension to be deposited into the individual retirement fund account managed by Labor Insurance Bureau.

The old pension system in the Labor Standard Act is a defined benefit plan. Upon approval of the retirement, two bases for the annual salary shall be paid every one year; however, if the job tenure is over fifteen years, one base shall be paid every one year, but the total shall not exceed 45 bases. The payment of pension is calculated through multiplying the above base standard with the average monthly salary six months before retirement.

4. Labor relations

The realization of corporate business objectives is dependent upon the committed devotion and hard work of the employees. Therefore, labor relations have always been the focus of the Company's efforts. The Company has always adhered to the philosophy of respect for humanity and care for employees and adopts an open, candid, and honest attitude towards employees in terms of various salary and welfare policies. Since its establishment, the Company has established harmonious labor relations, without any disputes arising therefrom.

(II) Explain the losses incurred to the Company for labor disputes in the most recent two years as of the published date of the statements, and the current and future possible estimated amounts and the countermeasures:

Since its establishment on November 17, 1986, the Company has developed harmonious labor relations and communication channels. The Company attaches great importance to the opinions of employees and their demands and is committed to offering the best assistance for them. Therefore, there has been no major labor disputes since establishment. Looking forward into the future, with favorable labor interaction, the possibility of losses incurred by labor disputes is extremely low.

VI. Material Contracts:

Nature	Related Parties	Main Content	Restrictive Provisions	Contract Start/End Date
Property Leases	Prosperity Dielectrics Co., Ltd.	Office Leases	None	January 1, 2018 ~December 31, 2023

Chapter 6 Financial Overview

I. Condensed Balance Sheet and Statement of Comprehensive Income and Audit Opinion of the Most Recent Five Years

(I) 1. Condensed Balance Sheet - Adoption of IFRS

Unit: NT$ thousands

Items \ Year		2014	2015	2016	2017	2018	Up to March 31, 2019
Current assets		1,821,933	2,617,031	1,971,840	1,609,221	1,551,324	Since the first quarter is the time to issue the consolidated review report, it is not applicable.
Property, Plant, and Equipment (Note 2)		1,130	384	172	25	-	
Intangible assets		-	-	-	-	-	
Other assets		5	5	77	1,874	11	
Total assets		2,193,423	2,952,945	2,349,029	1,975,593	2.006,520	
Current liabilities	Before distribution	556,002	1,178,986	544,183	251,966	272,396	
	After distribution	595,332	1,211,761	564,830	251,966	(Note 1)	
Non-current liabilities		-	-	-	-	-	
Total liabilities	Before distribution	556,002	1,178,986	547,751	251,966	272,396	
	After distribution	595,332	1,211,761	586,251	251,966	(Note 1)	
Equity attributable to owners of parent company		1,637,421	1,773,959	1,801,278	1,723,627	1,734,124	
Capital		1,092,488	1,092,488	1,092,488	1,092,488	1,014,988	
Capital surplus		-	-	-	-	-	
Retained earnings	Before distribution	429,031	674,887	733,743	660,442	831,650	
	After distribution	389,701	642,112	717,356	251,966	(Note 1)	
Other equity		13,428	6,584	(24,953)	(29,301)	(112,514)	
Treasury stock		-	-	-	-		
Non-controlling equity		-	-	-	-		
Total shareholder equity	Before distribution	1,637,421	1,773,959	1,801,278	1,723,627	1,734,124	
	After distribution	1,598,091	1,741,184	1,784,891	1,723,627	(Note 1)	

Note 1: The proposal of the Company's 2018 Earnings Distribution remains to be approved by the resolution of the Shareholders' Meeting.

Note 2: Asset revaluation has not been performed for each year.

2. Consolidated Condensed Balance Sheet - Adoption of IFRS

Unit: NT$ thousands

Items \ Year		2014	2015	2016	2017	2018	Up to March 31, 2019
Current assets		2,017,095	2,789,053	2,201,468	1,841,440	1,728,661	2,195,675
Property, Plant, and Equipment (Note 2)		166,930	153,536	145,013	134,335	122,073	123,140
Intangible assets		-	-	-	-	-	221,283
Other assets		12,475	26,482	11,121	12,465	163,769	140,632
Total assets		2,196,500	2,969,071	2,357,602	1,988,240	2,014,503	2,680,730
Current liabilities	Before distribution	557,815	1,193,316	551,998	263,190	279,003	631,367
	After distribution	597,145	1,226,091	572,645	263,190	(Note 1)	631,367
Non-current liabilities		1,264	1,796	4,326	1,423	1,376	49,667
Total liabilities	Before distribution	559,079	1,195,112	556,324	264,613	280,379	706,907
	After distribution	598,409	1,227,887	576,971	264,613	(Note 1)	-
Equity attributable to owners of parent company		1,637,421	1,773,959	1,801,278	1,723,627	1,734,124	1,764,207
Capital		1,092,488	1,092,488	1,092,488	1,092,488	1,014,988	1,014,988
Capital surplus		-	-	-	-	-	-
Retained earnings	Before distribution	429,031	674,887	733,743	660,442	831,650	848,447
	After distribution	389,701	642,112	717,356	660,442	(Note 1)	848,447
Other equity		13,428	6,584	(24,953)	(29,303)	(112,514)	(99,228)
Treasury stock		-	-	-	-	-	
Non-controlling equity		-	-	-	-	-	209,616
Total shareholder equity	Before distribution	1,637,421	1,773,959	1,801,278	1,732,627	1,734,124	1,973,823
	After distribution	1,598,091	1,741,184	1,784,891	1,732,627	(Note 1)	1,973,823

Note 1: The proposal of the Company's 2018 Earnings Distribution remains to be approved by the resolution of the Shareholders' Meeting.

Note 2: Asset revaluation has not been performed for each year.

(II) 1. Standalone Condensed Consolidated Statement of Comprehensive Income or Profit - Adoption of IFRS

Unit: NT$ thousands

Items \ Year	2014	2015	2016	2017	2018	Up to March 31, 2019
Operating revenue	5,786,277	7,287,341	6,201,316	5,276,351	3,755,138	Since the first quarter is the time to issue the consolidated review report, it is not applicable.
Operating margin including (unrealized) realized profits of affiliated companies	328,947	297,955	226,619	80,824	357,955	
Operating (loss) profit	263,570	200,156	138,778	32,161	270.828	
Non-operating income and expenses	21,824	3,038	(30,484)	(90,332)	23,606	
Pretax profit	285,394	203,194	108,294	(58,171)	294,434	
Net Income for Continuing Operations	-	-	-	-	-	
Loss from discontinued operations	-	-	-	-	-	
Net profit (loss) for current period	271,291	182,712	91,631	(56,914)	244,304	
Other comprehensive income (loss) (net amount after tax)	7,044	(6,844)	(31,537)	(4,350)	(83,121)	
Total comprehensive income (loss)	278,335	175,868	60,094	(61,264)	161,093	
Net profit attributable to owners of the parent company	-	-	-	-	-	
Net profit attributable to non-controlling equity	-	-	-	-	-	
Total comprehensive income or loss attributable to the owner of the parent company	-	-	-	-	-	
Total comprehensive income or loss attributable to non-controlling equity	-	-	-	-	-	
Earnings (loss) per share	2.48	1.67	0.84	(0.52)	2.39	

Note 1: The proposal of the Company's 2018 Earnings Distribution remains to be approved by the resolution of the Shareholders' Meeting.

Note 2: Asset revaluation has not been performed for each year.

2. Consolidated condensed statement of comprehensive income - Adoption of IFRS

Unit: NT$ thousands

Items \ Year	2014	2015	2016	2017	2018	Up to March 31, 2019
Operating revenue	5,864,541	7,384,601	6,687,790	5,772,839	4,083,032	853,094
Operating margin including (unrealized) realized profits of affiliated companies	348,937	310,460	241,040	104,334	368,016	45,598
Operating (loss) profit	229,863	162,788	110,632	16,831	242,893	13,274
Non-operating income and expenses	55,669	40,602	(1,916)	(74,656)	51,936	7,064
Pretax net profit (loss)	285,532	203,390	108,716	(57,825)	294,829	20,338
Net Income for Continuing Operations	-	-	-	-	-	-
Loss from discontinued operations	-	-	-	-	-	-
Net profit (loss) for current period	271,291	182,712	91,631	(56,914)	244,304	15,801
Other comprehensive income (loss) (net amount after tax)	7,044	(6,844)	(31,537)	(4,350)	(83,211)	12,225
Total comprehensive income (loss)	278,335	175,868	60,094	(61,264)	161,093	28,026
Net profit attributable to owners of parent company	271,291	182,712	91,631	(56,914)	244,304	16,797
Net profit attributable to non-controlling equity	-	-	-	-	-	(996)
Total comprehensive income or loss attributable to the owner of the parent company	278,335	175,868	60,094	(61,264)	161,093	30,083
Total comprehensive income or loss attributable to non-controlling equity	-	-	-	-	-	(2,057)
Earnings (loss) per share	2.48	1.67	0.84	(0.52)	2.39	0.17

Note 1: The proposal of the Company's 2018 Earnings Distribution remains to be approved by the resolution of the Shareholders' Meeting.

Note 2: Asset revaluation has not been performed for each year.

(III) Name of the CPAs and their opinions for the most recent five years

Audit Year	Name of accounting firm	Name of CPAs	Audit Opinions
2014	PwC Taiwan	Wu, Han-Chi, Hsu, Sheng-Chung	No retained opinions
2015	PwC Taiwan	Wu, Han-Chi, Hsu, Sheng-Chung	No retained opinions
2016	PwC Taiwan	Wu, Han-Chi, Hsu, Sheng-Chung	No retained opinions
2017	PwC Taiwan	Wu, Han-Chi, Hsu, Sheng-Chung	No retained opinions
2018	PwC Taiwan	Wu, Han-Chi, Hsu, Sheng-Chung	No retained opinions

II. Financial Analysis of the Last Five Years

1. Financial analysis for the most recent five years - Adopt IFRS

Year \ Analysis Items		2014	2015	2016	2017	2018	Up to March 31, 2019
Financial structure %	Liability-to-asset ratio	25.35	39.93	23.32	12.75	13.58	Since the first quarter is the time to issue the consolidated review report, it is not applicable.
	Ratio of long-term capital in property, plant and equipment	144,904.51	461,968.49	1,047,254.65	6,894,508	-	
Solvency (%)	Current ratio	327.68	221.97	362.35	638.67	569.51	
	Quick ratio	290.19	182.36	328.42	593.11	533.91	
	Interest coverage ratio	41.98	28.92	16.25	(36.12)	137.00	
Operating Ability	Receivables Turnover Rate (Times)	3.97	4.45	3.57	4.03	3.81	
	Average Collection Days	91.93	82.02	102.24	90.57	95.80	
	Inventory Turnover Rate (times)	14.60	20.69	18.34	34.70	32.26	
	Payables Turnover Rate (Times)	9.61	11.67	10.27	16.98	18.41	
	Average days of sales	25	17.64	19.90	10.51	11.31	
	Property, Plant and Equipment Turnover Rate (Times)	4,579.56	9,626.61	22,306.89	53,567.02	300,411.04	
	Total Asset Turnover Rate (Times)	2.64	2.47	2.64	2.67	1.87	
Profitability	Return on assets (%)	11.33	7.34%	3.68%	(2.57)	12.36	
	Return on shareholder equity (%)	17.94	10.71%	5.13%	(3.23)	14.13	
	Ratio of net income before tax in paid-in capital (%) (Note 7)	26.12	18.60%	9.91%	(5.32)	29.01	
	Net profit rate (%)	4.69	2.51%	1.48%	(1.08)	6.51	
	Earnings per share (NT$)	2.48	1.67	0.84	(0.52)	2.39	
Cash flow	Cash flow ratio (%)	103.15	Note 2	73.05	122.75	156.83	
	Cash flow adequacy ratio	16.62	Note 2	Note 2	64.41	383.93	
	Cash flow reinvestment ratio (%)	33.21	Note 2	20.15	16.96	26.21	

Degree of leverage	Degree of operating leverage	1	1	1	1	1	
	Degree of financial leverage	1.03	1.04	1.05	1.05	1.01	

Please explain the reasons for changes in various financial ratios in the most recent two years. (If the change is within 20%, the explanation is not required).

1. Solvency: The decrease in the current ratio and quick ratio is mainly due to the decrease in inventory and receivables.
   Increase in interest coverage ratio is mainly due to an increase in net profit for the current period
2. Operating ability: The decrease in accounts receivable turnover ratio, inventory turnover ratio and fixed asset turnover ratio is mainly due to the decrease in sales revenue for the current period.
3. Increase in various ratio of profitability: It is mainly due to the increase in net income for the current period.
4. Cash flow ratio: The decrease in cash flow ratio and cash reinvestment ratio is mainly due to the increase in net cash inflow from operating activities.

Note 1: Cash flow from operating activities refers to cash inflow, so for net cash outflow, it is not applicable.

2. Consolidation of Financial Analysis for the most recent five years - Adoption of IFRS

Year / Analysis Items		2014	2015	2016	2017	2018	Up to March 31, 2019
Financial structure %	Liability-to-asset ratio	25.45	40.25	23.60	13.31	13.92	26.37
	Ratio of long-term capital in property, plant and equipment	980.90	1155.40	1242.15	1283.08	1420.56	1,602.91
Solvency (%)	Current ratio	361.61	233.72	398.82	699.66	619.59	347.77
	Quick ratio	323.59	194.26	364.82	655.21	584.66	269.96
	Interest coverage ratio	42.00	28.95	16.31	(35.90)	137.18	118.58
Operating Ability	Receivables Turnover Rate (Times)	3.96	4.43	3.76	4.29	4.08	3.72
	Average Collection Days	92.17	82.39	97.07	85.08	89.46	98.11
	Inventory Turnover Rate (times)	14.74	20.94	19.78	37.86	35.28	12.72
	Payables Turnover Rate (Times)	10.15	12.10	11.12	18.50	20.10	11.71
	Average days of sales	24.76	17.43	18.45	9.64	10.34	98.11
	Property, Plant and Equipment Turnover Rate (Times)	34.35	46.09	44.80	41.33	31.85	27.83
	Total Asset Turnover Rate (Times)	2.67	2.49	2.84	2.90	2.03	1.27
Profitability	Return on assets (%)	11.35	7.31	3.66	(2.56)	12.29	0.74
	Return on shareholder equity (%)	17.94	10.71	5.13	(3.23)	14.13	0.91
	Ratio of net income before tax in paid-in capital (%) (Note 7)	26.14	18.62	9.95	(5.29)	29.05	2.00
	Net profit rate (%)	4.63	2.47	1.37	(0.99)	5.98	1.97
	Earnings per share (NT$)	2.48	1.67	0.84	(0.52)	2.39	0.17
Cash flow	Cash flow ratio (%)	103.51	Note 2	62.56	134.92	159.19	10.06
	Cash flow adequacy ratio	56.10	Note 2	Note 2	60.17	335.40	152.59
	Cash reinvestment ratio (%)	31.66	Note 2	Note 2	18.33	25.23	3.27
Degree of leverage	Degree of operating leverage	1.06	1.08	1.13	1.72	1.05	1.22
	Degree of financial leverage	1.03	1.05	1.07	1.10	1.01	1.06

Please explain the reasons for changes in various financial ratios in the most recent two years. (If the change is within 20%, the explanation is not required). 1. Solvency: The decrease in the current ratio and quick ratio is mainly due to the decrease in inventory and receivables. Increase in interest coverage ratio is mainly due to an increase in net profit for the current period 2. Operating ability: The decrease in accounts receivable turnover ratio, inventory turnover ratio and fixed asset turnover ratio is mainly due to the decrease in sales revenue for the current period. 3. Increase in various ratio of profitability: Due to the increase in net income for the current period. 4. Cash flow ratio: The decrease in cash flow ratio and cash reinvestment ratio is mainly due to the increase in net cash inflow from operating activities.

Note 1: Cash flow from operating activities refers to cash inflow, so for net cash outflow, it is not applicable.

∗ If the Company has formulated a standalone financial report, it shall also offer an explanation of the Company's individual financial ratios.

Note 1: The year that has not been audited and attested by CPAs should be noted.

Note 2: The companies who are listed or whose shares are traded at securities exchange shall include the financial data for the year one quarter before the printing date of the annual report into the financial statements of the year for analysis.

Note 3: Calculation formulas shall be disclosed at the end of the annual report:

1. Financial structure
   (1) Debt-asset Ratio = Total Liabilities / Total Assets.
   (2) Ratio of Long-term Capital in Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Net Property, Plant and Equipment.
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities.
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
   (3) Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.
3. Operating ability
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average Collection Days = 365 / Receivables Turnover Rate.
   (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
   (5) Average Days for Sale = 365 / Inventory Turnover Rate.
   (6) The property, Plant, and Equipment Turnover Rate = Net Sales / Average Net Property, Plant, and Equipment.
   (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.
4. Profitability
   (1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses x (1 - interest rates)] / Average total asset value.
   (2) Return on equity = net income after tax / average equity
   (3) Net margin = net income / net sales.

(4) Earnings per share = (net income (loss) attributable to owners of the parent company – dividends on preferred shares) / weighted average number of issued shares. (Note 4)

5. Cash flow

(1) Cash flow ratio = net operating cash flow / current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.

(3) Cash reinvestment ratio = (Net cash flow from operating activities – cash dividend) / (gross fixed assets value + long-term investment + other assets + working capital). (Note 5)

6. Degree of Leverage:

(1) Degree of operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income (Note 6).

(2) Degree of financial Leverage = Operating Income / (Operating Income - Interest Expenses).

Note 4: Special attention shall be paid to the following matters when using the calculation formula to earning per share above:

1. Based on the weighted average number of shares of common stock, rather than the number of issued shares at the end of the year.

2. If the company conducted cash capital increase or transaction of treasury stock, the circulation period should be considered and the weighted average number of shares calculated.

3. If the Company conducted capital increase by retained earnings or capital surplus, it shall retrospectively adjust the earnings per share for the past fiscal year and the semi-annual earnings ratio, without considering the issuance period of the capital increase.

4. If the preferred stocks are nonconvertible cumulative preferred stocks, its dividend of the year (whether is being distributed or not) shall add or subtract the net loss from the net income after tax. If the preferred stock is non-cumulative, the dividend of the preferred stock shall be deducted from the net profit after tax if any; if there is a loss, it shall not be adjusted.

Note 5: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.

2. Capital expenditure is the annual cash outflow of capital investment.

3. The increase in inventory is included only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it is counted as zero.

4. Cash dividends include cash dividends from common stock and preferred stocks.

5. The gross property, plant, and equipment refer to the total value of property, plant, and equipment minus accumulated depreciation.

Note 6: The issuer shall classify the operating costs and operating expenses as fixed or variable in accordance with their nature. If it involves estimation or subjective judgment, attention should be paid to its reasonableness and consistency.

Note 7: If the Company's shares have no par value or a par value other than NT$10, any calculation that involves paid-in capital ratio shall be replaced with the equity ratio attributable to the owner of the parent company, as shown in the balance sheet.

Calculation formulas:

1. Financial structure
   (1) Debt-asset Ratio = Total Liabilities / Total Assets.
   (2) Long-term capital to fixed assets ratio = (net shareholders' equity + long-term liabilities)/net fixed assets.
2. Solvency
   (1) Current Ratio = Current Assets / Current Liabilities.
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities.
   (3) Interest Coverage Ratio = Net Profit before Tax and Interest / Interest Expenses.
3. Operating ability
   (1) Receivables turnover rate (including bills receivable resulting from accounts receivable and business operations) = Net sales / Average accounts receivable in various periods (including bills receivable resulting from accounts receivable and business operations).
   (2) Average Collection Days = 365 / Receivables Turnover Rate.
   (3) Inventory Turnover Rate = Cost of Sales / Average Inventory.
   (4) Payables turnover rate (including bills payable resulting from accounts payable and business operations) = Cost of sales / Average accounts payable in various periods (including bills payable resulting from accounts payable and business operations).
   (5) Average Days for Sale = 365 / Inventory Turnover Rate.
   (6) Fixed Asset Turnover Ratio = Net Sales/Average Net Fixed Asset
   (7) Total Asset Turnover Rate = Net Sales / Average Total Assets.
4. Profitability
   (1) Return on assets (ROA) = [Gain (loss) after tax + Interest expenses x (1 - interest rates)] / Average total asset value.
   (2) Return on Equity (ROE) = Gain (loss) after tax/Average net equity.
   (3) Net margin = net income / net sales.
   (4) Earnings per share = (net income – dividends on preferred shares) / weighted average number of issued shares. (Note 4)
5. Cash flow
   (1) Cash flow ratio = net operating cash flow / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities – cash dividend) / (gross fixed assets value + long-term investment + other assets + working capital). (Note 5)
6. Degree of Leverage:
   (1) Degree of operating Leverage = (Net Operating Revenue - Variable Operating Costs and Expenses) / Operating Income (Note 6).
   (2) Degree of financial Leverage = Operating Income / (Operating Income - Interest Expenses).

Note 3: Special attention shall be paid to the following matters when using the calculation formula to earning per share above:

1. Based on the weighted average number of shares of common stock, not the number of issued shares at the end of the year.

2. For cash capital increase or transaction of treasury stock, the circulation period should be considered when calculating the weighted average number of shares.

3. For capital increase by retained earnings or capital surplus, the Company shall retrospectively adjust the earnings per share for the past fiscal year and the semi-annual earnings ratio, without considering the issuance period of the capital increase.

4. If the preferred stocks are nonconvertible cumulative preferred stocks, its dividend of the year (whether is being distributed or not) shall add or subtract the net loss from the net income after tax. If the preferred stock is non-cumulative, the dividend of the preferred stock should be deducted from the net profit after tax if any; if there is a loss, it shall not be adjusted.

Note 4: Special attention should be paid to the following matters when measuring cash flow analysis:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities in the statement of cash flows.

2. Capital expenditure is the annual cash outflow of capital investment.

3. The increase in inventory is included only when the balance at the end of the period is greater than the balance at the beginning of the period. If the inventory decreases at the end of the year, it is counted as zero.

4. Cash dividends include cash dividends from common stock and preferred stocks.

5. Gross fixed assets refer to the total fixed assets before deduction of accumulated depreciation.

Note 5: The issuer shall classify the operating costs and operating expenses as fixed or variable in accordance with their nature. If it involves estimation or subjective judgment, attention shall be paid to its reasonableness and consistency.

III. Audit Report of the Financial Report for the Most Recent Year from the Supervisors or Audit Committee

Chaintech Technology Corp.,
Supervisors' Review Report

Whereas

The Board of Directors has submitted the 2018 Financial Report and Consolidated Financial Statements of the Company. They have been audited by CPAs Wu, Han-Chi and Hsu, Sheng-Chung from PwC; the Supervisor has also reviewed them together with the proposal for the operating report. No inconsistency has been found. Hence, the report is prepared according to Article 219 of the Company Act.

Please proceed to examine

Sincerely,

2019 Annual Shareholders' Meeting

Chaintech Technology Corp.,

Supervisor: Chou, Chun-Tsun

Supervisor: Hsu, Sheng-Chin

March 25, 2019

Chaintech Technology Corp.,
Supervisors' Review Report

Whereas

The Board of Directors has submitted the proposal for distribution of 2018 earnings of the Company. It has been reviewed by the Supervisor, and no inconsistency has been found. Hence, the report is prepared in accordance with Article 219 of the Company Act.

Please proceed to examine

Sincerely,

2019 Annual Shareholders' Meeting

Chaintech Technology Corp.,
Supervisor: Chou, Chun-Tsun
Supervisor: Hsu, Sheng-Chin

May 6, 2019

IV. Individual Financial Statements Audited and Attested by CPAs in the Most Recent Year (see pages 108 to 171 for details).

V. Consolidated Financial Statements Audited and Attested by CPAs in the Most Recent Year (please refer to pages 172-230 for details).

VI. Financial Difficulties of the Company and Its Affiliates in the Most Recent Year to the Publication Date of this Annual Report and their Impact on the Company's Financial Conditions: None.

Chapter 7 Review and Analysis of Financial Status and Operation Performance and Risk Management

I. Financial Status: The main reason for the significant changes in assets, liabilities, and shareholders' equity in the past two years, and the impact of such changes; if such changes are significant, future countermeasures should be stated.

Items \ Year	2018	2017	Difference	
			Amount	%
Current assets	1,728,661	1,841,440	(112,779)	(6.12)
Investment using equity method	-	-	-	-
Property, plant, and equipment	122,073	134,535	(12,462)	(9.26)
Intangible assets	-	-	-	-
Other assets	54,784	12,465	42,319	339.50
Total assets	2,014,503	1,988,240	26,263	1.32
Current liabilities	279,003	263,190	15,813	6.01
Non-current liabilities	1,376	1,423	(47)	(3.30)
Total liabilities	280,379	264,613	15,766	5.96
Capital	1,014,988	1,092,488	(77,500)	(7.09)
Capital reserve	-	-	-	-
Retained earnings	831,650	660,442	171,208	25.92
Other equity	(112,514)	(29,303)	(83,211)	283.97
Total equity attributable to owners of the parent company	1,734,124	1,723,627	10,497	0.61

Analysis of changes in the percentage of increase and decrease: (more than 20% and the amount of change reaching NT$10 million)

1. The decrease in current assets: It is mainly due to the decrease in revenue in the current year as a result of the decrease in accounts receivable and inventory.
2. Increase in other assets: It is mainly due to the increase in investment prepayments.
3. The decrease in the capital: It is mainly due to the issuance of treasury stock in the current year.
4. Other equity: It is mainly due to unrealized evaluation equity at fair value through other comprehensive income and exchange difference with subsidiaries.

II. Financial Performance: The main reasons for the significant changes in operating revenue, operating profit, and net profit before tax in the most recent two years, and the expected sales volume and its basis, as well as the possible impact on the Company's financial condition and countermeasures.

Unit: NT$ thousands

Items / Year	2018	2017	Increases (decreases)	Change ratio %
Net operating revenue	4,083,032	5,772,839	(1,689,807)	(29.27)
Operating costs	3,715,016	5,668,505	(1,953,489)	(34.46)
Gross profit	368,016	104,334	263,682	252.73
Operating expenses	125,123	87,503	37,620	42.99
Operating profit	242,893	16,831	226,062	1,343.13
Non-operating income and expenses	51,936	(74,656)	126,592	(169.57)
Pretax profit	294,829	(57,825)	352,654	(609.86)
Income tax expenses	(50,525)	911	(51,436)	(5,646.10)
Net income	244,304	(56,914)	301,218	(529.25)

Increase or decrease of change analysis:

1. Operating revenue, operating costs and gross profit: The decrease in operating revenue and costs for the current year is mainly due to the increase in the proportion of high-end products which thereby leads to the increase of the Company's gross profit margin and operating profit compared with the same period last year.
2. Increase in operating expenses: Increase in operating expenses for the current year is mainly due to the increase in the royalty and advertising expenses.
3. Increase in non-operating income: Increase in non-operating revenue during the current year is due to the loss arising out of microexchange in the same period for exchanging income in the current period.
4. Increase in net profit for the current period: Increase in net profit for the current period is mainly due to the increased proportion of high-end products.

III. Cash Flow: Analysis of changes in cash flow in the most recent year, improvement plans for liquidity shortage, and cash liquidity analysis for the upcoming fiscal year.

(I) Liquidity analysis in the most recent two years

Items / Year	2018	2017	Increases (decreases) ratio %
Cash flow ratio	159.19	134.82	18.08
Cash flow adequacy ratio	335.40	60.17	457.42
Cash reinvestment ratio	25.23	18.33	37.64

Increase or decrease of change analysis:

Increase/decrease in various cash flow ratios compared to the previous year: Due to a decrease in revenue, accounts receivable, inventory and accounts payable, resulting in net cash inflow from operating activities.

(II) Cash liquidity analysis for the following year.

Cash Flow Analysis

Unit: NT$ thousands

Cash balance at beginning of the period①	Net cash flow from operating activities for the year②	Cash outflow for the year③	Cash surplus (inadequacy) ①+②-③	Remedial measures for cash inadequacy	
				Investment plans	Financial plan
596,533	93,248	(52,611)	637,170	0	0
Analysis of the changes in cash flow: 1. Business activities: Mainly due to cash inflow resulting from operating profit for expected turnover.					

IV. Impact of Major Capital Expenditures on Corporate Finances and Business for the Most Recent Year

1. The Company had no significant capital expenditure in the most recent year.
2. Expected benefits: Not applicable.

V. Policy on Reinvestment in Other Companies, the Main Reasons for Profit/Loss Resulting Therefrom, Improvement Plan, and Investment Plans for the Upcoming Fiscal Year

1. Newly added investment businesses in the most recent year:
   (1) To connect to the Internet industry, the Company's Board of Directors had resolved to invest US$ 500,000 in Cloud Mile Inc. on September 25, 2018. This investment had been paid within the month and the investment proposal had been registered and approved by the Investment Review Commission in March 2019.
   (2) The Board of Directors had approved to invest NT$ 200,000,000 into electronic parts and components manufacturer APAQ Technology Co., Ltd. on June 8 and November 9, 2018. The Company had obtained its 3.61% equity as of the printing date of this annual report.
2. Reasons for the profit or loss from reinvestment and improvement plans:

Unit: NT$ thousands

Name of reinvestment companies	The initial amount of investment	Current profit or loss of investees	Reason	Improvement Plan
	December 31, 2018			
Bahamas Federal Shanghai Co., Ltd.	343,327	(12,340)	Failure to meet the Company's operating expenses by OEM	Continuous increase in OEM orders
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	239,456	988	-	-
WISE PROVIDENCE LIMITED	5,783	291	-	-

3. Investment plan for the coming year: In response to the Company's long-term development and planning, the Company has invested indirectly "Siten Hely (Tienjin)" through 100% controlled subsidiary "Jinghong Digital Research & Development Service Co., Ltd", and obtained 100% equity of AI server manufacturer "Beijing SITEN HELY". The total expected investment amount is RMB 86,300,000, and the Company possesses 51% equity of Tianjin company. The Company's Board of Directors approved to increase cash capital of US$ 6,400,000 into subsidiary "Jinghong" on December 14, 2018. This investment proposal had been approved by the Investment Review Commission in February 2019, and the Company had remitted US$ 4,900,000 in April 2019.

VI. Risk Management and Evaluation

(I) The Organizational Structure of Risk Management

The implementation and responsible units of the Company's risk management are as below:

Risk Items	Responsible Department	Risk Business Items
Operational Strategy Risk	General Manager Office	Construct corporate value and principles, formulate annual operating strategies, mid-to-long-term operational objectives, and evaluate investment returns in combination with the Group's core competitiveness, industrial trends, and international economy.
Financial Risk	Financial Division	Provide transparent and credible financial information, operational analysis and improvement plans, and make appropriate financial planning, interest rate risk hedging, customer credit risk control, account collection, and financial crisis forecasts to reduce corporate risks.
Legal risks	Financial Division	Responsible for the preparation and management of contracts, disposal of litigation and mediation cases, collection of laws and regulations, intellectual property and business secrets protection, bad debt collection and the like, to reduce the overall legal risks of the Company.
Information Risk	Financial Division	Plan and construct information management system, be in charge of network and system information security control, protection measures and system recovery mechanism, and provide real-time, accurate and suitable management information to the management, so as to reduce the Company's operations and information security risks.
Inventory risk	Material Division	Procure raw materials and finished products, and undertake OEM contracting businesses and inventory management.
Internal Risk	Audit Office	Draft and implement annual audit plan based on the results of risk evaluation, evaluate the effectiveness of the design and implementation of the Company's internal control system, and assist the risk management organization and operational unit in designing risk management-based control operations.

(II) Impact of interest rates and exchange rate fluctuations, as well as inflation on the Company's profit and loss, as well as future response measures:

1. Changes in interest rates

Apart from share capital and operation profit, the Company's working capital mainly depends on the bank loan. A bank loan is a kind of liability with a floating interest rate, so market interest rate changes will also change the effective interest rate and interest costs, thus influencing the profit or loss of the Company.

As of December 31, 2018, the balance of the Company's bank loan was 0, and if the market interest rate increased or reduced by 1%, the Company's net loss before tax would decrease or increase by 0 on the condition that other factors remain unchanged.

The Company's countermeasures for changes in interest rates are as below:

A. Maintain close contact with banks to obtain a preferential interest rate and actively reduce interest expenses.

B. Refer to the interest rate volatility in domestic and overseas index markets to grasp the future trend of the interest rate.

2. Exchange rate changes

The Company is mainly engaged in foreign sales in the US dollar. Therefore, the Company will also take US$ as the payment currency in procurement as much as possible to reduce the amount of foreign currency held. In addition, the financial department of the Company maintains close contact with banks' foreign exchange department to keep abreast of the trend of the exchange rate as the basis for exchange settlement, thus reducing the risks arising out of exchange rate. The future countermeasures are as below:

(1) Pay close attention to the development of domestic and foreign political and economic conditions and maintain contact with financial institutions to keep abreast of the changes in the exchange rate.

(2) Make judgment upon the trend of the future exchange rate, and adjust the US$ holding when appropriate, so as to create the most optimal exchange gain.

(3) Hedge possible risks of foreign currency with forwarding exchange contracts and select credit-worthy financial institutions to enter into contracts.

(4) Engage in transactions with steady hedging means instead of speculative ones as the principle for responding to exchange rate risks.

3. Inflation

The Company always pays attention to the price fluctuation of raw materials, maintains good interaction with suppliers, and preset the procurement quantity by judging the price trend of raw materials, so as to lower the impact of price increases.

(III) Policies on high risk, highly leveraged investments, loans to other parties, endorsements, guarantees, and derivative financial products transaction, main reasons for the profits or losses generated thereby, and future countermeasures to be undertaken.

1. High-risk and highly leveraged investment policies: The Company's policy is to engage in non-high risk and non-high leveraged investments.

2. Derivative products transaction policy: The Company follows the principle of hedging against risks in substantial positions, and disposes of related matters according to the provisions of "Procedures for Acquisition and Disposal of Assets". The Company didn't get engaged in derivative financial products transaction in 2018.

3. Loan to other parties: The Company's capital loan is only limited to parent company and subsidiaries, to the exclusion of shareholders or any other parties. And the "Procedures for Acquisition and Disposal of Assets" is followed in disposing of relevant loan matters. The Company didn't loan any capital to other parties in 2018.

4. Endorsements and Guarantees for other parties: The Company may conduct endorsement/guarantee for the companies in which it directly or indirectly holds more than 90% of the voting shares. And the "Procedures for Acquisition and Disposal of Assets" is followed in disposing of relevant matters. The Company didn't carry out any endorsement/guarantee to other parties in 2018.

(IV) Future R&D projects and expected R&D expenditure

1. Future R&D plans:

(1) Display cards

A. Develop IGAME series high-end game display cards using the latest NVIDIA Turing series high-end chipset.

B. Develop iGames series low-end and cost-efficient game display cards using the latest NVIDIA Turing series low-end chipset.

(2) Host board

A. Develop iGame series game host board, including Vulcn and Gaming MINI iTX series using the latest Intel 400 series high-level chipset.

B. Develop the Intel 400 series/AMD AM4 X570 /B550 series mid-end host board, including CVN, Tomahawk, and GeForce series product line planning.

(3) High-performance data computing solution

Develop GPU computing server cluster management and development tool software system for AI in-depth learning, machine learning and big data analysis based on the technology of Docker, Kubernetes containerization and container management.

2. Expected R&D expenditure:

In order to maintain the Company’s competitiveness, the Company has diversified product research and development and attached great importance to resource input for R&D. In 2019, the expenditure related to R&D is expected to maintain at a similar level to 2018, within 1% of the revenue.

(V) Changes in domestic and overseas policies and laws that impact the company’s financial operations and countermeasures:

There have been no matters arising out of changes in domestic and overseas laws that have influenced the Company's finance and business in the most recent year. The operating team of the Company will continuously pay close attention to the changes in policies and laws that may affect the Company's operation, and make quick response thereof.

(VI) Impact of changes in technology and industry on the Company’s financial operations, and related countermeasures:

In recent years, the biggest change in technology lies in electronization, and the Company has also been electronized as well. Whether in internal procedures or external connection, it has applied the newest technologies, hence lowering the cost.

(VII) The impact of changes in the corporate image on the Company's crisis management and the countermeasures:

The Company has always valued corporate image and risk management. Currently, there is no foreseeable crisis. If there are matters occurring that influence the Company's corporate image or lead to enterprise crisis, the Company will set up a project team that is in full charge of formulating the countermeasures.

(VIII) The expected benefits and possible risks to engage in mergers and acquisitions (M&A) and the countermeasures: None.

(IX) The expected benefits and possible risks to expand the plants and the countermeasures: None.

(X) Risks resulting from concentrated purchases or sales:

In terms of the procurement: The Company follows the raw material procurement policy of maintaining two or more suppliers and diversifying raw material sources while keeping long-term close partnership with suppliers to ensure the sufficient supply of raw materials.

In terms of sales: Although the Company's sales are concentrated in some regions, the Company has established long-term cooperative relationships with its existing customers. On the other hand, the Company will also strive to develop new customers to expand and diversify the distribution channels and strive to reduce the risks concerning sales concentration.

(XI) Impact and risks resulting from major equity transfer or replacement of Directors, Supervisors, or shareholders holding more than 10 percent of the Company's shares, and the countermeasures: None.

(XII) Impact and risk of changes in management right, and the countermeasures: None.

(XIII) If the Company gets involved in litigation or non-litigation events, the litigation, non-litigation and administrative litigation events involving the Company and its directors, supervisors, general manager, substantial principal, shareholders holding more than 10% shares and affiliated companies shall be disclosed. If the results may have a substantial impact upon the shareholders' equity or share price, the disputed fact, subject matter amount, start date, parties involved and the current status shall be disclosed: None.

(XIV) Other important risks and the countermeasures: None.

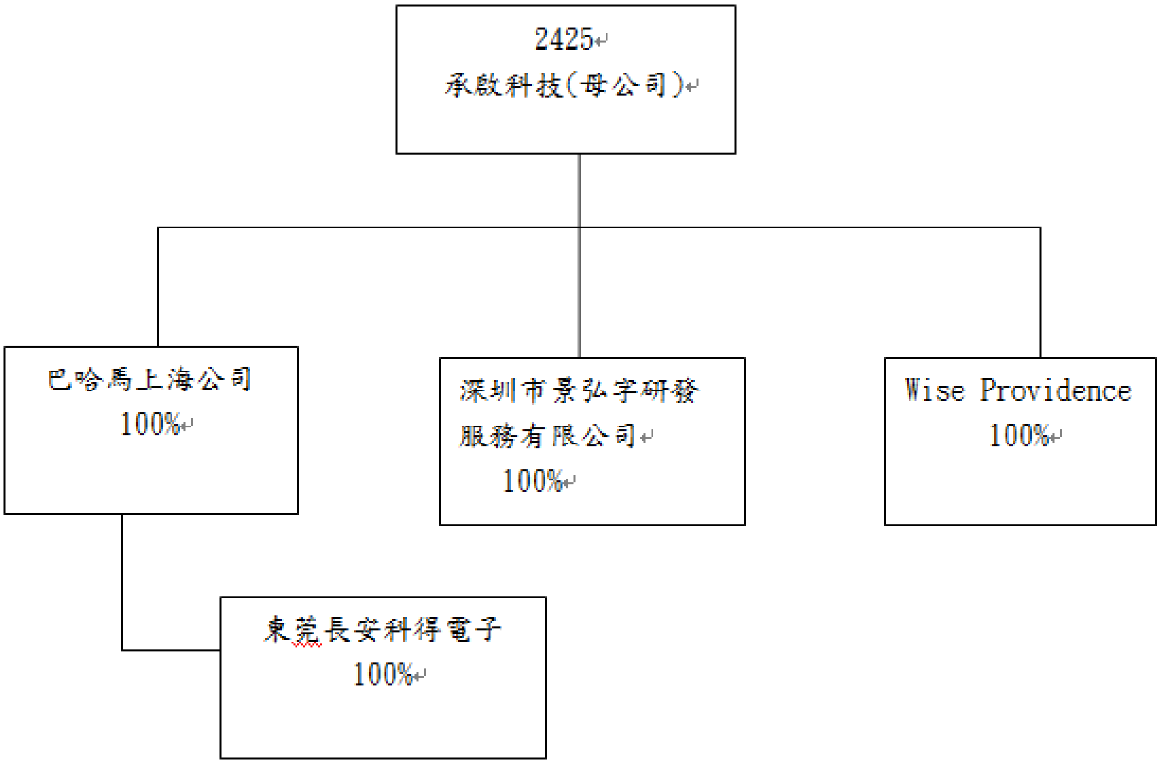
VII. Other important items: None.

Chapter 8 Special Notes

I. Information on Affiliated Companies

(I) Consolidated Business Report of Affiliated Companies

1. Organization chart of affiliated companies



2425 承啟科技(母公司)	巴哈馬上海公司 100%	深圳市景弘宇研發服務有限公司 100%
2425 Chaintech Technology (parent company)	Shanghai Limited 100%	Shenzhen Jinghong Digital R&D Service Co., Ltd. 100%
Wise Providence 100%	東莞長安科得電子 100%	
Wise Providence 100%	Dongguan Changan Forech Electronics Co., Ltd. 100%	

2. Basic information of affiliated companies

Unit: NT$ thousands

Name of Business	Date of Incorporation	Address	Actual paid-in capital	Main business or production items
Shanghai Limited	1998.04	Saffery Square, Suite205, Bank Lane, P.O BOX N.-8188, NASSAU, BAHAMAS	NT$396,850	Investments
Dongguan Chang'an Kede Electronic Co., Ltd.	1998.08	No. 218, BUBUGAO RD. JIANGBEI WUSHA CHANGAN, DONGGUAN CITY, GUANGDONG	NT$589,053	Production of motherboards, graphics cards, and computer peripherals
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	2012.08	3A, 3F., Aozhihao Parking Complex, Xinzhou Fourth Street, Futian District, Shenzhen	NT$212,842	Technology research and development and trading of electronic products, computer hardware, and peripheral devices
Wise Providence Limited	2013.03	Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands	NT$5,519	Investments

3. For those who are concluded as the existence of the controlling and subordinate relations, the information of the same shareholders: None.

4. Industry and interactive division of labor of overall affiliated companies:

(1) Industries: Electronics, R&D Centers, and General Investments

(2) Interactive division of labor situation:

a. The Company is responsible for the order receiving, procurement and sales.

b. Shenzhen Jinghong Digital R&D Service Co., Ltd. is responsible for product research and development and trading of electronic peripherals.

c. Through the Bahamas Company, the Company reinvested in DONGGUAN CHANGAN FORTECH ELECTRONICS CO., LTD., which is responsible for production and manufacturing.

d. Wise Providence Limited is an investment company.

5. Information of directors, supervisors, and general managers in all affiliated companies:

Unit: Share; %

Name of Business	Title	Name or representative	Number of Shares Held	
			Number of shares	Shareholding ratio
Shanghai Limited	Director	Chaintech Technology Corporation Representative: Kao, Shu-Jung Representative: Lu, Li-Cheng	10,428,985 0 0	100% 0 0
DONGGUAN CHANGAN FORTECH ELECTRONICS CO., LTD.	Chairman Director Director	SHANGHAI LIMITED Representative: Liu, Pi-Chuan Representative: Tsang, Keng-Yuk Representative: Tang, Ting-Ting	Note	100%
Shenzhen Jinghong Digital R&D Service Co., Ltd	Chairman	Chaintech Technology Corporation Representative: Chu, Ping	Note	100%
Wise Providence Limited	Director	Chaintech Technology Corporation Representative: Liu, Pi-Chuan	1,500,000 0	100% 0

Note: DONGGUAN CHANGAN FORTECH ELECTRONICS CO., LTD., and Shenzhen Jinghong Digital R&D Service Co., Ltd. are limited companies, so there is no number of shares.

6. Operation Overview of Affiliated Companies

Unit: NT$ thousand

Name of business	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Profit or loss for the current period (After tax)	Earnings per share (NT$) (after tax)
SHANGHAI LIMITED	396,850	124,503	-	124,614	-	(111)	(12,340)	(1.18)
DONGGUAN CHANGAN FORTECH ELECTRONICS CO., LTD.	589,0583	130,034	5,574	124,460	32,721	(24,291)	(12,228)	-
Shenzhen Jinghong Digital R&D Service Co., Ltd.	212,842	219,960	4,118	215,843	301,497	(3,530)	988	-
Wise Providence Limited	5,519	5,854	-	5,854	-	-	291	-

(II) Consolidated financial statements of affiliated companies: Due to the Consistency of compilation subject between the consolidated financial statements of the consolidated financial statement for parent company and subsidiaries, the financial statements are consolidated.

(III) Relations report: None.

II. Private Placement Securities in the Most Recent Year to the Publication Date of this Annual Report: None.

III. Holding or Disposal of the Company's Shares by the Subsidiaries of the Most Recent Year to the Date of Publication of this Annual Report: None.

IV. Other Necessary Supplements:

1. Procedures for handling internal substantial information of the Company:

   The Company has established the “Regulations on Prevention of Insider Trading”, which clearly regulates the Company's Directors, Supervisors, managerial officers and employees' duties, loyalty and confidentiality obligations. The Regulations has been approved by the Board of Directors and included in the Company document management system for the inquiry by directors, supervisors, managers, and employees. Moreover, the Company's directors, supervisors, managers, and employees have been fully informed, so as to avoid violation and occurrence of insider trading.

2. Relevant certifications obtained by personnel involving the transparency of financial information:

Organizer	Course Name	Number of Certified Personnel
Accounting Research and Development Foundation, the Republic of China	IFRS 15 Revenue Recognition Issues Corporate Governance Practice Supply Chain Management and IoT Trend Tax Planning Concerning Employees' Reward and Remuneration Legal Liability of Special Breach of Credit Crime in the Economic Crime	1

V. Events of Considerable Impact on Shareholders’ Equity or on Prices of Securities as Specified in Section 2, Paragraph 2 of Article 36 of the Securities and Exchange Act that has occurred in the most recent year up to the publication date of this annual report: None.

Appendix I: Individual Financial Report for the Most Recent Year

Independent Auditors' Report

(108)Financial Review Reference No.18004311

To Chaintech Technology Corp.,

Audit opinion

The independent auditors have audited the accompanying parent company only balance sheets of Chaintech Technology Corp. (hereinafter referred to as "the Company") as of December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, parent company only statements of changes in equity, parent company only statements of cash flows, and notes to the parent company only financial statements (including summary of significant accounting policies) for the annual period ended December 31, 2018 and 2017.

The financial statements of the aforementioned parent company only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the parent company only financial performance and parent company only cash flow for the years ended December 31, 2018 and 2017, respectively.

Basis for Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) of R.O.C. Our responsibilities under those standards are further described in the section of Responsibilities of Certified Public Accountants for Auditing Financial Statements. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the foundation of our audit opinion.

Key Audit Items

Key Audit Matters refer to matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements of the Company for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming out opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company Only Financial Statements for the year ended December 31, 2018 are stated as follows:

Assessment of sales allowance estimate

Description

Regarding the accounting policy of recognition for sales allowance, please refer to Notes IV (XXIV) of the parent company only financial statements; the accounting estimate and assumption of the sales allowance refer to Notes V (II) of the parent company only financial statements; the accounting description of the sales allowance refer to Notes VI (XI) of the parent company only financial statements.

The Company's calculation of the sales allowance based on the content of the sales allowance agreement is based on historical experience and other known reasons to estimate the possible product discount, which is included in the sales of the product in the current period of sales, and is classified as deduction of accounts receivable. As a result of the reduction, the accountant has listed the estimate of sales allowance as one of the most important matters for the year.

Corresponding audit procedures

The independent auditors have performed the following key audit procedures for the matter mentioned above:

1. Understand the nature of the company's operations and industry and inspect the contents of the sales allowance agreement in the sales contract, confirming that there are no significant changes in the terms of the sales allowance agreement.
2. Inspect the estimated breakdown of current sales allowance, sampled and inspected the foundation of sales allowance to individual agreement to verify the accuracy of calculation.
3. There are no material differences between the historical estimates and actual sales allowance.

Sales revenue cut-off

Description

Regarding the recognition of accounting policy for sales revenues, please refer to Notes IV (XXIV) of the parent company only financial statements. For accounting description for sales revenue, please refer to Note VI (XI) of the parent company only financial statements.

The Company has engaged in the trading and manufacturing of computer peripherals. Sales turnover of goods is recognized when the goods are delivered out. However, the sales revenue will not be recognized until the customer take the delivery of goods and the transfer control has passed. The Company mainly relies on the statements or other information provided by the depositary of the delivery warehouse, then uses the actual shipment made by the warehouse to the customer as the basis for recognizing the income.

The recognition of the turnover from the warehouse is based on the information and report provided by the depositary as the basis for recognizing the sales revenue. These revenue recognitions generally involve a large number of manual operations. Considering that the volume of the shipments of the Company is large, and the amount of transaction before and after the financial statement date has a significant impact on the financial statements, the independent auditors have thus listed the sales revenue as the most important matter for this year's audit.

Corresponding audit procedures

The independent auditors have performed the following key audit procedures for the matter mentioned above:

1. Understand Revenue recognition and adjustment procedures for revenue cut-off for shipment from the depositary of warehouse of the Company. Then, inspect the appropriateness of the revenue's recognition from the warehouse, including understanding of the relevant internal control procedures, obtaining information and the statements provided by the depositary.
2. Carry out an internal control test for the sales revenue from the warehouse in order to make sure that the Company determines the sales recognition when the customer receives the delivery of goods and the right of control is transferred.
3. Perform a closing test for sales revenue from delivery of warehouses for a certain period before and after the balance sheet date, including the verification of shipment certificates and that revenue recognition is recorded in the appropriate period.
4. Perform random checks on physical stock taking and on-site inventory observation in the warehouse and check if the inventory quantity on the record is correct.

Responsibility of the Management and the Governing Body for the Parent Company Only Financial Statements

The 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 the 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, the responsibility of the management includes assessing the Company's ability to continue as a going concern, disclosing going concern related matters, as well as adopting going concern basis of accounting unless the management intends to liquidate the Company or terminate the business, 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.

Responsibilities of Certified Public Accountants for Auditing 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 Generally Accepted Auditing Standards (GAAS) of Republic of China will always detect a material misstatement when it exists. Misstatements may arise from fraud or error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sum could have influence on the economic decisions made by the users of the parent company only financial statements, it will be deemed as material.

As part of an audit in accordance with GAAS of Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also execute the following tasks:

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 that 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 adopted by the management and the reasonableness of the accounting estimates and related disclosures made accordingly.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine 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, we are required 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 circumstances may cause the Company to no longer continue as a going concern.
5. Evaluate the overall expression, structure, and contents of the parent company only financial statements (including related notes) and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence with regard to the financial information of the entities within the Company to express an opinion about the parent company only financial

statements. The CPA is responsible for the guidance, supervision and performance of the Group audit, and is responsible for forming the audit opinion to the Parent Company Only Financial Statements.

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 The Norm of Professional Ethics for Certified Public Accountant of the Republic of China 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 Company for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

PwC Taiwan

Patrick Hsu

Certified Public Accountants

Han Chi Wu

Financial Supervisory Commission

Approved Certification Number: Financial Control Certificate No. 1010034097

Former Securities and Futures Bureau Committee Approved Certification No.: (2011)TCZ(6)Z157088

March 22, 2019

Chaintech Technology Corp.
Parent Company Only Balance Sheets
For the Years Ended December 31, 2018 and 2017

Unit: NT$ thousand

	Assets	Note	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	VI (I)	$ 481,211	24	$ 390,087	20
1110	Financial assets at fair value through profit or loss - current	VI (II)	1,755	-	-	-
1170	Accounts receivable, net	VI (IV)	232,587	11	292,418	15
1180	Net accounts receivable - affiliated	VI (IV) and VII	685,977	34	760,762	38
1200	Other receivables		155	-	10	-
130X	Inventories	VI (V)	95,833	5	114,790	6
1470	Other current assets	VI (VI) and VIII	53,806	3	51,154	2
11XX	**Total current assets**		1,551,324	77	1,609,221	81
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	VI (III)	108,985	6	-	-
1550	Investment accounted for using equity method	VI (VII)	346,200	17	364,473	19
1600	Property, plant, and equipment		-	-	25	-
1840	Deferred income tax assets	VI (XVI)	6	-	1,869	-
1900	Other non-current assets		5	-	5	-
15XX	**Total non-current assets**		455,196	23	366,372	19
1XXX	**Total Assets**		$ 2,006,520	100	$ 1,975,593	100

(Continued)

Chaintech Technology Corp.
Parent Company Only Balance Sheets
For the Years Ended December 31, 2018 and 2017

Unit: NT$ thousand

	Liabilities and equity	Note	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities					
2170	Accounts payable		$ 156,859	8	$ 212,284	11
2200	Other payables	VII	63,174	3	35,372	2
2230	Current income tax liabilities		52,170	3	4,081	-
2300	Other current liabilities		193	-	229	-
21XX	**Total current liabilities**		272,396	14	251,966	13
2XXX	**Total liabilities**		272,396	14	251,966	13
	Equity					
	Share capital	VI (IX)				
3110	Capital of ordinary shares		1,014,988	51	1,092,488	55
	Retained earnings	VI (X)				
3310	Legal reserve		97,859	5	97,859	5
3320	Special reserve		88,481	4	84,131	4
3350	Retained earnings		645,310	32	478,452	24
	Other equity					
3400	Other equity		(112,514)	(6)	(29,303)	(1)
3XXX	**Total equity**		1,734,124	86	1,723,627	87
	Significant contingent liabilities and unrecognized contract commitments	IX				
3X2X	**Total liabilities and equity**		$ 2,006,520	100	$ 1,975,593	100

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman：Shu-Jung Kao　　Manager：Shu-Jung Kao　　Accounting Officer：Yu-Nu Lai

Chaintech Technology Corp.

Parent Company Only Statements of Comprehensive Income

For the Years Ended December 31, 2018 and 2017

Unit: NT$ thousand

(Except for earnings per share expressed in New Taiwan Dollar)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue**	VI (XI) and VII	$ 3,755,138	100	$ 5,276,351	100
5000	**Operating costs**	VI (V)	(3,397,183)	(91)	(5,195,527)	(98)
5950	**Net operating profit**		357,955	9	80,824	2
	Operating expenses	VI (XV) and VII				
6100	Selling expenses		(52,272)	(1)	(30,252)	(1)
6200	Administrative expenses		(31,691)	(1)	(15,667)	-
6300	Research and development expenses		(3,164)	-	(2,744)	-
6000	**Total operating expenses**		(87,127)	(2)	(48,663)	(1)
6900	**Operating profit**		270,828	7	32,161	1
	Non-operating income and expenses					
7010	Other income	VI (XII)	6,854	-	6,490	-
7020	Other gains and losses	VI (XIII)	29,978	1	(87,138)	(2)
7050	Financial cost	VI (XIV)	(2,165)	-	(1,567)	-
7070	Share of profit or loss of subsidiaries, associates, and joint ventures accounted for using equity method	VI (VII)	(11,061)	-	(8,117)	-
7000	**Total non-operating income and expenses**		23,606	1	(90,332)	(2)
7900	**Net profit (loss) before tax**		294,434	8	(58,171)	(1)
7950	Income tax (expense) benefit	VI (XVI)	(50,130)	(2)	1,257	-
8200	**Net income (loss)**		$ 244,304	6	($ 56,914)	(1)

(Continued)

Chaintech Technology Corp.
Parent Company Only Statements of Comprehensive Income
For the Years Ended December 31, 2018 and 2017

Unit: NT$ thousand
(Except for earnings per share expressed in New Taiwan Dollar)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive income (loss), net					
	Items that will not be reclassified to profit or loss					
8316	Unrealized valuation gain (loss) on equity instruments measured at fair value through other comprehensive income	VI (III)	($ 75,999)	(2)	$ -	-
8310	**Total amount of items that will not be reclassified to profit or loss**		(75,999)	(2)	-	-
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of financial statements of Foreign operation.		(7,212)	-	(4,350)	-
8360	**Total amount of items that may be reclassified subsequently to profit or loss**		(7,212)	-	(4,350)	-
8300	**Other comprehensive income (loss), net**		($ 83,211)	(2)	($ 4,350)	-
8500	**Total comprehensive income (loss)**		$ 161,093	4	($ 61,264)	(1)
	Basic earnings (deficit) per share	6 (17)				
9750	**Net income (loss)**		$ 2.39		($ 0.52)	
	Diluted earnings (deficit) per share					
9850	**Net income (loss)**		$ 2.39		($ 0.52)	

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman：Shu-Jung Kao　　Manager：Shu-Jung Kao　　Accounting Officer：Yu-Nu Lai

Chaintech Technology Corp.

Parent Company Only Statements of Changes in Equity

For the Years Ended December 31, 2018 and 2017

Unit: NT$ thousand

	Notes	Share capital-common stock	Retained earnings: Legal reserve	Retained earnings: Capital surplus	Retained earnings: Unappropriated retained earnings	Other equity: Exchange difference arising from translation of foreign operation financial statements	Other equity: Unrealized gains/losses on financial assets at fair value through other comprehensive income	Treasury stocks	Total equity
2017 Year									
Balance as of January 1, 2017		$ 1,092,488	$ 88,696	$ 59,178	$ 585,869	($ 24,953)	$ -	$ -	$ 1,801,278
Net income (loss)		-	-	-	(56,914)	-	-	-	(56,914)
Other comprehensive income (loss)		-	-	-	-	(4,350)	-	-	(4,350)
Total comprehensive income		-	-	-	(56,914)	(4,350)	-	-	(61,264)
Appropriation and distribution of surplus in 2016	VI (X)								
Appropriation of legal reserve		-	9,163	-	(9,163)	-	-	-	-
Appropriation of special reserve		-	-	24,953	(24,953)	-	-	-	-
Cash dividends		-	-	-	(16,387)	-	-	-	(16,387)
Balance as of December 31, 2017		$ 1,092,488	$ 97,859	$ 84,131	$ 478,452	($ 29,303)	$ -	$ -	$ 1,723,627
2018									
Balance as of January 1		$ 1,092,488	$ 97,859	$ 84,131	$ 478,452	($ 29,303)	$ -	$ -	$ 1,723,627
Effect of modified retrospective adjustments		-	-	-	(323)	-	-	-	(323)
Balance after adjustment on January 1, 2018		1,092,488	97,859	84,131	478,129	(29,303)	-	-	1,723,304
Net income		-	-	-	244,304	-	-	-	244,304
Other comprehensive income (loss)		-	-	-	-	(7,212)	(75,999)	-	(83,211)
Total comprehensive income (loss)		-	-	-	244,304	(7,212)	(75,999)	-	161,093
Appropriation and distribution of surplus in 2017	VI (X)								
Reservation of legal reserve				4,350	(4,350)				
Treasury stock repurchase		-	-	-	-	-	-	(150,273)	(150,273)
Cancellation of treasury stock		(77,500)	-	-	(72,773)	-	-	150,273	-
December 31		$ 1,014,988	$ 97,859	$88,481	$645,310	($ 36,515)	($ 75,999)	$ -	$ 1,734,124

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman：Shu-Jung Kao　　Manager：Shu-Jung Kao　　Accounting Officer：Yu-Nu Lai

Chaintech Technology Corp.

Parent Company Only Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

Unit: NT$ thousand

	Notes	2018	2017
Cash flows from operating activities			
Net income (loss) before tax		$ 294,434	($ 58,171)
Adjustments			
Income charges (credits)			
Depreciation expense	VI (XV)	25	147
Valuation adjustment for financial assets at fair value through profit or loss		(185)	-
Interest income	VI (XII)	(2,335)	(1,027)
Interest expenses	VI (XIV)	2,165	1,567
Dividend income	VI (XII)	(4,340)	-
Share of loss of subsidiaries accounted for using equity method		11,061	8,117
Changes in assets and liabilities related to operating activities			
Net changes in assets related to operating activities			
Financial assets at fair value through profit or loss		(1,570)	-
Accounts receivable (including affiliates)		134,292	509,499
Other receivables		(145)	(6)
Inventories		18,957	69,865
Other current assets		(1,828)	(361)
Net changes in liabilities related to operating activities			
Accounts payable (including related parties)		(55,425)	(187,456)
Other payables		27,802	(19,267)
Other current liabilities		(36)	117
Cash inflow from operations		422,872	323,024
Interest received		2,335	1,027
Capital bonus received		4,340	-
Interest paid		(2,165)	(1,567)
Income tax paid		(178)	(13,186)
Net cash inflow from operating activities		427,204	309,298

(Continued)

Chaintech Technology Corp.

Parent Company Only Statements of Cash Flows

For the Years Ended December 31, 2018 and 2017

Unit: NT$ thousand

	Notes	2018	2017
Cash flows from investing activities			
Acquisition of other comprehensive income at fair value through other comprehensive income		(184,984)	-
Decrease (increase) in other current assets		(823)	(2,845)
Net cash outflow from investing activities		(185,807)	(2,845)
Cash flows from financing activities			
Decrease in short-term loans		-	(76,533)
Cash dividends	VI (X)	-	(16,387)
Cost of redemption of treasury stocks		(150,273)	-
Net cash outflow from financing activities		(150,273)	(92,920)
Increase in cash and cash equivalents for the current period		91,124	213,533
Cash and cash equivalents at beginning of the period		390,087	176,554
Cash and cash equivalents at end of the period		$ 481,211	$ 390,087

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman：Shu-Jung Kao Manager：Shu-Jung Kao Accounting Officer：Yu-Nu Lai

Chaintech Technology Corp.,

Notes to the Parent Company Only Financial Statements

For the Years Ended December 31, 2018 and 2017

Unit: NT$ thousand

(Unless otherwise stated)

I. Company History

(I) The original East Chaintech Technology Co., Ltd. was established in November 1986 and was renamed as Chaintech Technology Corp. (hereinafter referred to as the "Company") in January 2013. Approved by the Securities and Futures Bureau as an OTC-listed company in December 1997, the Company was transferred to be a listed company and was listed at the stock exchange market on August 17, 2000. The Company is principally engaged in the business of buying and selling and manufacturing of motherboards, display cards, and computer peripherals.

(II) Colorful Group Ltd. (hereinafter referred to as "the Colorful Group") acquired 10% equity in the Company indirectly through Zhongjie Xingye Co., Ltd., and acquired 100% equity in Yicheng International Development Co., Ltd. (which held 36.2% equity of the Company) in June 2014. Therefore, Colorful Group held 46.2% equity in the Company indirectly, and obtained more than half of the seats in the Company's Board of Directors. In June 2017, Zhongjie Xingye Co., Ltd. sold all the equity of the Company it held. In July 2016, Yicheng International Development Co., Ltd. sold the equity of the Company to 26.11%. As of December 31, 2018, the Colorful Group indirectly held 28.11% of the equity in the Company through Yicheng International Development Co., Ltd.

II. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on March 21, 2019.

III. Application of New and Amended Standards and Interpretations

(I) The impact of adopting new and amended International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C ("FSC")

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

New Standards, Interpretations, and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Amended by applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Annual Improvements in IFRSs 2014-2016 Cycle- IFRS 1 "First-time Adoption of International Financial Reporting Standards"	January 1, 2018
Annual Improvements in IFRSs 2014-2016 Cycle - IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017

New Standards, Interpretations, and Amendments	Effective date by International Accounting Standards Board
Annual Improvements in IFRSs 2014-2016 Cycle - IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018

Except for the following, the aforementioned standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The affected amount shall be disclosed upon the completion of assessment:

1. IFRS 9 "Financial Instruments"

    (1) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial assets at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

    (2) The impairment losses of debt instruments are assessed using an expected credit loss approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e., net of credit allowance). Accounts receivable (excluding significant financial components) should be measured for allowance losses based on expected credit losses during the duration of the period.

    When applying the IFRSs endorsed and issued into effect by FSC in 2018, the Company applies the modified retrospective adjustment for International Financial Reporting Standard No. 9 (hereinafter referred to as the "IFRS 9"). The impact on January 1, 2018 is summarized as follows:

1. The Company proposes an impairment loss requirement in accordance with IFRS 9, reducing the accounts receivable by $323 and reducing the retained earnings by $323.

2. Please refer to Note XXII (III) for the disclosure of initial application of IFRS 9.

2. Amendments to IAS 7 "Disclosure Initiative"

The amendment requires companies to increase the disclosure of changes in liabilities related to (from) financing activities, including changes from cash and non-cash.

It is evaluated that this amendment will allow the Group to increase the disclosures related to (from) the changes in liabilities from financing activities.

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

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

New Standards, Interpretations, and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendments, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019

Except for the following, the aforementioned standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Company's assessment.

IFRS 16 "Leases"

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

The Group will treat the lessee's lease contract in accordance with International Financial Reporting Standard No. 16, but will adopt the non-restatement of the previous financial statements (hereinafter referred to as "modified retrospective method"), which may respectively increase of the right-of-use asset and lease liability of $4,440 and $4,440, respectively, on January 1, 2019.

(III) Impact of IFRSs issued by IASB but not yet endorsed by the FSC

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

New Standards, Interpretations, and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8 "Disclosure Initiative - Definition of Materiality"	January 1, 2020
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by International Accounting Standards Board
IFRS 17 "Insurance Contracts"	January 1, 2021

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

IV. Summary of Significant Accounting Policies

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

(I) Compliance statement

These parent company only financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(II) Basis of preparation

1. The parent company only financial statements have been prepared based on historical cost convention.

2. The financial statements prepared in accordance with IFRSs, international accounting standards, interpretations and interpretations (hereinafter referred to as the IFRSs) are required to be used for the preparation of financial statements. The financial statements of the Company shall also require the use of certain critical accounting estimates. The management requires the use of judgment in applying the Company's accounting policies. For items involving a higher degree of judgment or complexity, or items where assumptions and estimates are significant to the consolidated financial statements, please refer to Note V for details.

3. The Group initially applied IFRS 9 on January 1, 2018. The amendments are applied retrospectively to recognize the retained earnings and other equity as of January 1, 2018. The Group did not restate the financial statements and notes in the financial statements for the year ended December 31, 2017. The financial statements for the year ended December 31, 2017 was prepared in accordance with International Accounting Standard No. 39 (hereinafter referred to as "IAS 39") and its related interpretations and announcements. For the description of significant accounting policies adopted and significant accounting items, please refer to Note XII (IV) for details.

(III) Foreign currency translation

The Company's items listed in the parent company only financial statements are measured and presented in the currency of the primary economic environment in which the Company operates (i.e., functional currency).

1. Foreign currency transactions and balances

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

   (2) Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date. Exchange differences arising upon the re-transaction at the balance sheet date are recognized in profit or loss.

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

   (4) All exchange gains and losses are presented in the earnings statement of profit or loss within "Other gains and losses."

2. Translation of foreign operations

   The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

   (1) Assets and liabilities for each balance sheet presented are re-translated at the closing rate prevailing at the balance sheet date;

   (2) Income and expenses for each composite income sheet are re-translated at the average exchange rates for the period;

   (3) All resulting exchange differences are recognized in other comprehensive income.

   (4) When a foreign operation is partially disposed of or sold, the cumulative exchange differences that were recognized in other comprehensive income are reclassified to the non-controlling interests in the foreign operation. However, if the Group still retains partial interests in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(IV) <u>Standard of assets and liabilities being classified as current and non-current</u>

1. Assets that meet one of the following criteria are classified as current assets:

(1) Assets arising from operating activities that are expected to be realized or are intended to be sold or consumed within the normal operating cycle.

(2) Assets held mainly for trading purposes.

(3) Assets that are expected to be realized within twelve months from the balance sheet date.

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

Assets that do not meet the aforementioned conditions are classified as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

(1) Liabilities that are expected to be paid off within the normal operating cycle.

(2) Liabilities held mainly for trading purposes.

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

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

Liabilities that do not meet the aforementioned conditions are classified as non-current.

(V) <u>Cash equivalents</u>

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

(VI) <u>Financial assets at fair value through profit or loss</u>

1. Financial assets at fair value through profit or loss refer to financial assets not measured at amortized cost nor measured at fair value through other comprehensive income.

2. Financial assets at fair value through profit or loss that follow regular way purchase or sale are recognized by the Group using trade date accounting.

3. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

4. Dividend income is recognized in profit or loss when the right to receive payment is established, and it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of dividends can be measured reliably.

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

1. Changes in fair value of investments in equity instruments that are not held for trading purpose at initial recognition presented in other comprehensive income; or, financial assets meeting the criteria listed below are classified as debt instrument:

    (1) The financial asset is held for the purpose of obtaining the contractual cash flows and the sales of the contract.

    (2) Cash flow generated form the said contractual terms of the financial asset at specific date are solely payments of principal and interest on the principal amount outstanding.

2. The Group adopts trade date accounting for financial assets measured at fair value through other comprehensive income.

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

(VIII) Accounts receivable

1. Accounts receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

2. Short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(IX) Impairment of financial assets

Considering all reasonable and provable information (including forward-looking information), the Company measured the credit risk that increased insignificantly since original recognition vie the 12-month expected credit loss amount through financial debt instrument at fair value through other comprehensive income, financial asset at amortized cost and accounts receivable significant financial components. For those credit risk increased significantly since original recognition, the allowance loss is measured by the expected amount of credit loss during the existence period; for accounts receivable that do not contain significant financial components, the allowance loss is measured by the amount of expected credit losses during the duration of the period.

(X) Derecognition of financial assets

Financial assets are derecognized when the Company's contractual rights to receive cash flows from financial assets are lapsed.

(XI) Operating lease (lessor)

Lease income from operating leases is recognized in gain or loss on a straight-line basis over the term of the lease, as follows:

(XII) Inventories

Inventories are measured at the lower of cost and net realizable value, and cost are is determined using the weighted average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production burden (allocated based on normal operating capacity). It excludes borrowing costs. Goods on hand are stated at the lower of comparative cost and net realizable value. The item by item approach is used in applying the lower of comparative cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(XIII) Investment accounted for using equity method - subsidiary

1. Subsidiaries refer to all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

2. Unrealized gains and losses resulting from transactions between the Company and its subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

3. The share of gain or loss and other comprehensive income generated from the subsidiary was recognized as profit or loss of the period and other comprehensive income (loss), respectively. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognize the loss according to its shareholding ratio.

4. In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", profit or loss and other comprehensive income of the current period and other comprehensive income shall be shared with the consolidated financial statements. The parent equity of the parent company only financial statements shall be the same as the owner's equity in the financial statements prepared on the basis of the consolidated financial statements.

(XIV) Property, plant, and equipment

1. Property, plant and equipment are recorded as the foundation of acquisition cost.

2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replacement is derecognized. All other repairs and maintenance are recognized as current gain or loss when incurred.

3. Property, plant and equipment apply the cost model. Except for land, other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is material, it is depreciated separately

4. The assets' residual values, useful lives and depreciation methods are reviewed,

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

Wealth-generating equipment	3 ~ 5 years
Other equipment	3 years

(XV) Operating lease (lessee)

The deduction of the operating leases, net of any incentives received from the lessor, is amortized and recognized in profit or loss using the straight-line method within the lease term.

(XVI) Impairment of non-financial assets

The Company estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount is lower than its book value, the impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Where an impairment loss of assets recognized in previous years does not exist or decrease, the impairment loss is reversed. However, the carrying amount of the asset increased by the impairment loss shall not exceed the book value of the asset after abatement the depreciation or amortization if the impairment loss is unrecognized.

(XVII) Borrowings

Borrowings refer to short-term loans from banks. The initial recognition of loans measured at fair value less transaction cost. Any subsequent difference between the price and the redemption value after deducting the transaction cost shall be recognized as interest expense in gain and loss by applying amortization procedure of effective interest method during the circulation period.

(XVIII) Accounts payable

1. Account payable is the liabilities arising from the purchase of raw materials, commodities or services are taken.

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

(XIX) Derecognition of financial liabilities

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

(XX) Employee benefits

1. Short-term employee benefits

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

2. Pensions

   For the defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual foundation.

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

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

(XXI) Income tax

1. Income tax expense comprises current and deferred income tax. Income tax is recognized in gain or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country domicile where the Company operates and generates taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities are recorded in tax liability. Undistributed earnings are subject to income tax credit. After the distribution of earnings is approved by the shareholders' meeting in the following year, the Company shall recognize the distribution of earnings and expenses, and recognize the earnings and expenses for the actual earnings.

3. Deferred income tax adopts the balance sheet approach, and is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. Deferred income tax is not recognized, if the temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income (loss). Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company, and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

5. Current income tax assets and liabilities are offset and the net amount reported

in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXII) Share capital

1. Ordinary shares are classified as equity. The incremental cost directly attributable to the issue of new shares or options is deducted from the equity in equity after deducting the income tax.

2. When the Company bought back the issued stocks, the consideration paid includes any incremental costs that are directly attributable to the incremental costs, net of any directly attributable incremental costs. When the shares are subsequently reissued, the difference between the consideration received net of any directly attributable incremental costs and the carrying amount is recorded in the adjustment of stockholder's equity.

(XXIII) Dividend distribution

Dividends are recognized in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities. Stock dividends are recognized as stock dividends to be distributed and transferred to ordinary shares on the base date of issuance of new shares.

(XXIV) Revenue recognition

1. Sales of goods

(1) The Company manufactures and sells products related to motherboards, display cards, and computer peripherals. The sales revenue is recognized when the control of the products is transferred to customers. That is, when the product is delivered to the customer, the customer has discretion in the access and price of the product, and the Group has no outstanding performance obligations that may affect the customer's acceptance of the product. When the product is shipped to a designated location, the risk of obsolete and lost risks has been transferred to the customer, and the customer is required to obtain the products in accordance with the sales contract, or when there is objective evidence that all acceptance criteria have been met, the goods are delivered.

(2) Sales revenue is recognized the net amount of contract price minus estimated sales allowance. The amount of revenue recognition is limited to the extent that it is very unlikely to see a significant reversal in the future, and is updated on the balance sheet date. The terms of sales transactions are mainly due to the expiry of 30 to 90 days after the transfer date. It is consistent with the market practice. Therefore, it is judged that the contact does not contain significant financial component.

(3) Accounts receivable are recognized when the control right of commodities is transferred to the customs; that is because the Group has

unconditional rights to the contract price since that point in time, and the Group can collect the consideration from the customer once upon the contractual time is expired.

2. Service revenue

The Group provides services related to processing. Revenue is recognized as revenue in the reporting period in which the services are rendered to customers.

3. Financial composition

The duration of commitment to transfer commodities or services to customer and the payment period in the contracts between the Company and customers are all less than one year. Therefore, the Company has not adjusted the transaction price to reflect the time value of money.

4. Costs to acquire contracts from customers

The Company recognizes the incremental costs incurred in the contracts with the customers and that are expected to be recoverable. However, such costs are recognized in expense as incurred since the contracts are less than one year.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

The preparation of the Company's financial statements requires management to make critical judgments in applying the Company's accounting policies and make critical assumptions and estimates concerning future events according to the conditions on balance sheet date. Material accounting assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such estimates and assumptions possess a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Uncertainties in material accounting judgments, estimates, and assumptions are addressed below:

(I) Significant judgments in applying accounting policies

None.

(II) Significant accounting estimates and assumptions

Revenue recognition

Allowance of liability reserve for sales revenue is recognized based on the historical experience and other known reasons to estimate product discount and is recorded as the deduction of sales revenue in the current period of product turnover. In addition, the Company regularly reviews the reasonableness of the estimates.

VI. Descriptions of Material Accounting Items

(I) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 93	$ 106
Checking deposits and demand deposits	396,652	360,221
Time deposits	84,466	29,760
	$ 481,211	$ 390,087

1. The Company associates with a variety of financial institutions, all with high credit quality to disperse credit risk, so it is expected that the probability of counterparty default is extremely low.

2. The Company does not provide any cash and cash equivalents as pledges to others.

(II) Financial assets at fair value through profit or loss - current

Items	December 31, 2018
Publicly traded stocks	$ 2,598
Adjustments of valuation	(843)
Total	$ 1,755

1. The breakdown of profit or loss for financial assets at fair value through profit or loss - current is as follows:

Items	2018
Equity instruments	$ 185

2. The Company's financial assets at fair value through profit or loss - current have never been provided as pledged assets or guarantees.

3. For related credit risk information, please refer to Note XII (II).

(III) Financial Assets measured at fair value through other comprehensive income

Items	December 31, 2018	December 31, 2017
Non-current project:		
Equity instruments		
Publicly traded stocks	$ 169,634	$ -
Non-publicly traded stocks	15,350	-
	184,984	-
Adjustments of valuation	(75,999)	-
Total	$ 108,985	$ -

1. The Group determined to classify the strategic investment as financial assets at fair value through other comprehensive income, which is at $108,985 as of December 31, 2018.

2. The breakdown in profit or loss and other comprehensive income of financial assets at fair value through other comprehensive income is as follows:

	2018	2017
Equity instruments at fair value through other comprehensive income		
Fair value changes recognized in other comprehensive income	$ 75,999	$ -
Dividend income recognized in profit or loss at end of current period	$ 4,312	$ -

3. Without considering the collateral held or other credit enhancements, the most representative of the Group's financial assets at fair value through other comprehensive income, the maximum exposure amount of credit risk was $108,985 as of December 31, 2018.

4. For financial assets credit risk information that is measured at fair value through other comprehensive income, please refer to Note XII (III).

(IV) Accounts receivable

	December 31, 2018		
	Total	Allowance for loss	Net
Accounts receivable	$ 232,704	($ 117)	$ 232,587
Accounts receivable - related parties	686,183	(206)	685,977
	$ 918,887	($ 323)	$ 918,564

	December 31, 2017		
	Total	Allowance for loss	Net
Accounts receivable	$ 292,418	$ -	$ 292,418
Accounts receivable - related parties	760,762	-	760,762
	$ 1,053,180	$ -	$ 1,053,180

1. The following is an analysis of the overdue days based on the number of overdue days:

	December 31, 2018	December 31, 2017
Within 30 days	$ -	$ 1,594

The above is an analysis of the number of days overdue for the past due periods.

2. No accounts receivable pledged as collateral by the Company.

3. Without consideration the collateral held or other credit enhancements, the maximum credit risk amount of the Company's accounts receivable for the years ended December 31, 2018 and 2017 was $918,888 and $1,053,180, respectively.

4. For related credit risk information on accounts receivable, please refer to Note XII (II).

(V) Inventories

	December 31, 2018		
	Cost	Allowance for inventory market valuation decline	Book value
Raw materials	$ 64,424	($ 29)	$ 64,395
Work in process	31,438	-	31,438
Final goods	1,599	(1,599)	-
	$ 97,461	($ 1,628)	$ 95,833

	December 31, 2017		
	Cost	Allowance for inventory market valuation decline	Book value
Raw materials	$ 59,406	($ 688)	$ 58,718
Work in process	54,006	-	54,006
Final goods	1,601	(1,601)	-
Raw materials and supplies in transit	2,066	-	2,066
	$ 117,079	($ 2,289)	$ 114,790

Cost of inventories is recognized by the Group as expenses in the current period:

	2018	2017
Cost of goods sold	$ 3,397,844	$ 5,196,211
Gain on reversal of allowance for inventories	(661)	(684)
	$ 3,397,183	$ 5,195,527

The Company's cost of sales recognized in 2018 and 2017 was reduced due to the increase in the net realizable value of inventories in result of the inventory obsolescence.

(VI) Other current assets

	December 31, 2018	December 31, 2017
Restricted bank deposits	$ 4,615	$ 23,808
Tax overpaid retained	28,034	26,808
Advance cost of goods	20,016	-
Other advance expenses	1,141	538
	$ 53,806	$ 51,154

The details of the pledges of other current assets of the Group are set out in Note VIII.

(VII) Investment using equity method

	December 31, 2018			December 31, 2017		
	Accounting		Shareholding ratio (%)	Accounting		Shareholding ratio (%)
Bahamas Federal Shanghai Co., Ltd.	$	124,503	100	$	139,445	100
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.		215,843	100		219,343	100
Wise Providence Limited		5,854	100		5,685	100
	$	346,200		$	364,473	

1. The share of profit and loss of subsidiaries (losses) recognized by the Company using the equity method is derived from the evaluation of the financial report data from the audited financial statement for the same period. The breakdown is as follows:

	2018		2017	
Bahamas Federal Shanghai Co., Ltd.	($	12,340)	($	8,532)
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.		988		867
Wise Providence Limited		291	(	452)
	($	11,061)	($	8,117)

2. For information on the Company's subsidiaries, please refer to Note IV (III) of the Company's consolidated financial statements for 2018.

3. The Company invested US$5 million in the subsidiary, Shenzhen City Jinghong Digital Research & Development Service Co., Ltd., approved by the Ministry of Economic Affairs Investment Commission on November 26, 2015. The Group has remitted US$3 million (equivalent to $96,760), and remitted the balance of US$2 million (equivalent to $61,430) on January 3, 2019.

4. The Company increased the investment to US$6.4 million as the share capital to the subsidiary, Shenzhen City Jinghong Digital Research & Development Service Co., Ltd., approved by the Ministry of Economic Affairs Investment Commission on January 31, 2019, and the investment amount has not remitted out as of March 21, 2019.

(VIII) Pension

1. The Company has established a defined contribution retirement plan ("the New Plan") in accordance with the Labor Pension Act, which is applicable to employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

2. The pension costs recognized by the Company in accordance with the pension regulations in 2018 and 2017 were $616 and $391, respectively.

(IX) Share capital

1. As of December 31, 2018, the Company's authorized capital was NT$2,500,000

(of which $100,000 was issued for issuance of the stock option, preferred stock or the corporate bond with the attached stock), with the paid-in capital of NT$1,014,988, and the number of outstanding shares was 101,499 thousand shares.

2. The changes in the number of treasury stock in 2018 are as follows:

Reason for reclamation	Name of company holding shares	Number of shares at the beginning of the period (in thousand shares)	Increase in the period	Decrease in the period	Number of shares at the end of the period (in thousand shares)
	For the year ended December 31, 2018				
Maintenance of the Company's credit and shareholders' equity	This Company	-	7,750	(7,750)	-

3. On May 3, 2018, the Board of Directors has approved to cancel 7,750 thousand repurchased treasury shares. The cancellation of repurchased treasury stock and registration of change have been completed on May 23, 2018.

(X) Retained earnings

1. Under the Company's Articles of Incorporation, if there is a surplus in the annual final accounts, in addition to the income tax payable according to law, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the earnings left over. However, when the accumulated legal capital surplus has equaled the total paid-up capital of the Company, the said restriction does not apply. After the Company has set aside or reversed the special capital reserve in accordance with relevant laws or the competent authority, along with the earnings not distributed at the beginning of the period, and after retaining part of the surplus depending on the situation, the Board of Directors may propose a surplus distribution proposal and submit it to the shareholders' meeting to distribute bonus to the shareholders.

2. The Company is in stable growth and expands in line with sales development in the future. The future capital expenditures and capital requirement are necessary to be considered first when the Company distribute the earnings. The Board of Directors proposes the distribution plan and distributes the earnings after being approved at the shareholders' meeting. In the annual distribution of shareholder dividends, cash dividend shall not be less than 5%, but if the cash dividend is less than NT$0.1 per share, it may not be issued, and the stock dividend will be distributed instead.

3. The legal reserve shall not be used except for offsetting the loss of the Company and issuing new shares or cash in proportion to the original number of shares held by the shareholders. However, if it is issued to issue new shares or cash, the said legal reserve shall only exceed 25% at most of the paid-up capital.

4. (1) When the company distributes the surplus, it is required by law to provide a special surplus reserve for the debit balance of other equity items on the balance sheet date of the current year. After that, when the debit balance of other equity projects is reversed, the amount of

revolving will be included in the surplus available for distribution.

(2) When the Company adopted IFRSs at first time, for the special reserve listed in the Official Letter of the Financial Management Certificate No. 1010012865 issued on April 6, 2012, the Company reversed the original portion of the said special reserve, and when the Company subsequently uses, disposes of, or reclassifies related assets, they are reversed according to the ratio of the recognized special reserve.

5. The Company's shareholders' meeting resolved on May 3, 2018 to fully retain the undistributed earnings of 2017. The Company's shareholders' meeting resolved on June 15, 2017 to distribute $16,387 (i.e., NT$0.15 of dividend per share) of earnings as cash dividend for 2016.

6. Please refer to Note VI (XVI) for information on employees' and directors' remuneration.

(XI) Operating revenue

	2018	2017
Sales revenue:		
Computer peripherals	3,923,553	5,540,895
Others	313	7,208
Less: Sales return and allowances	(168,728)	(271,752)
	3,755,138	5,276,351

(XII) Other revenue

	2018	2017
Dividend income	$ 4,340	$ -
Interest income	2,335	1,027
Other income	179	5,463
	$ 6,854	$ 6,490

(XIII) Other gain and loss

	2018	2017
Net foreign currency exchange gain (loss)	$ 29,793	($ 87,138)
Others	185	-
	$ 29,978	($ 87,138)

(XIV) Financial cost

	2018	2017
Interest expenses:		
Bank loans	$ 2,165	$ 1,567

(XV) Employee benefits and depreciation

Nature \ Functions	2018			2017		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total
Employee benefit expenses						
Wages and salaries	$ -	$ 18,146	$ 18,146	$ -	$ 11,058	$ 11,058
Labor and health insurance expenses	-	1,076	1,076	-	834	834
Pension expense	-	616	616	-	391	391
Directors' remuneration	-	9,816	9,816	-	282	282
Other employment cost	-	2,623	2,623	-	3,182	3,182
Depreciation	-	25	25	-	147	147

Note: As of December 31, 2018 and 2017, the number of employees of the Company was 23 and 14, respectively, of which the number of Directors who were not employees at the same time was 4 in both years.

1. According to the Company's Articles of Incorporation, after deducting the accumulated losses based on the profitability of the current year, if there are still some earnings left, the employee shall be granted no less than 0.1% as compensation, and the directors and supervisors shall not be paid more than 6% as remuneration

2. The amount of employee bonus estimated for 2018 and 2017 is $3,723 and $0; the estimated amount of remuneration to directors and supervisors is NT$9,539 and NT$0, respectively, and the amount of compensation expenses stated above shall be listed as remuneration expense.

   It has been determined by the Board of Directors that due to the net loss before tax in the year of 2017, it is not necessary to assess and allocate any remuneration to the employees, Directors, and Supervisors.

3. Information regarding employee compensation and Directors' and Supervisors' remuneration approved by the Board of Directors is available on the Market Observation Post System (MOPS).

(XVI) Income tax

1. Income tax (expense) benefits

Income tax (expense) benefit component:

	2018	2017
Current income tax:		
Income tax incurred in current period	$ 52,380	$ -
Surtax on undistributed profit	-	(4,113)
Overestimation of prior years' income tax payable	(4,113)	5
Total income tax in the period	48,267	(4,108)
Deferred income tax:		
The origination and reversal of temporary differences	2,193	5,365
Effect of tax rate changes	(330)	-
Income tax expense (gain)	$ 50,130	$ 1,257

2. Income tax expense and accounting profit

	2018	2017
Income tax calculated based on profit before tax and statutory rate	$ 58,867	$ 9,889
Expenses that should be excluded pursuant to the taxation law	(5)	86
Tax effects of temporary differences	2,895	(1,203)
Tax effects of deducting impairment loss	(7,184)	(3,407)
Surtax on undistributed profit	-	(4,113)
Overestimation of prior years' income tax payable	(4,113)	5
Effect of tax rate changes	(330)	-
Income tax expense (gain)	$ 50,130	$ 1,257

3. The amount of deferred tax assets or liabilities that arise from temporary differences and losses from the taxable financial assets are set out below:

	2018			
	January 1	Recognized in profit and loss	Recognized in other comprehensive profit and loss	December 31
Temporary differences:				
Deferred income tax assets				
Allowance for inventory valuation and obsolescence loss	$ 117	($ 111)	$ -	$ 6
Unrealized exchange loss	1,752	1,752	-	-
	$ 1,869	($ 1,863)	$ -	$ 6

	2017			
	January 1	Recognized in profit and loss	Recognized in other comprehensive profit and loss	December 31
Temporary differences:				
Deferred income tax assets				
Allowance for inventory valuation and obsolescence loss	$ 72	$ 45	$ -	$ 117
Unrealized exchange loss	-	1,752	-	1,752
	72	1,797	-	1,869
Deferred income tax liabilities				
Unrealized exchange gains	(3,568)	3,568	-	-
	$ 3,496	$ 5,365	$ -	$ 1,869

4. There was no unused taxation loss for the Company on December 31, 2018. The effective period of the tax losses that have not been used by the Company and the related amounts of the unrecognized deferred tax assets on December 31, 2017 are as follows:

Year of occurrence	Reported/Approval Number	Non-deductible Amount	Unrecognized deferred income tax assets	Final deductible year
2011 (Approved)	$ 58,040	$ 36,663	$ 36,663	2021
2016 (Reported)	12,200	12,200	12,200	2026
2017 (Estimated)	20,044	20,044	20,044	2027
	$ 90,284	$ 68,907	$ 68,907	

5. Deductible temporary differences not recognized as deferred income tax assets:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 433,399	$ 418,923

6. The taxing authorities have audited and ensured the profit-seeking enterprise income tax of the Company through 2016.

7. The amendment to the Income Tax Act was announced and came into force on February 7, 2018. The tax rate for the profit-seeking enterprise income tax increased from 17% to 20%, and the amendment is applicable from 2018. The Company has assessed the impact of income tax on the change of the said tax rate.

(XVII) Earnings (loss) per share

	2018		
	After-tax amount	Weighted average number of common shares outstanding (in thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net income attributable to ordinary shareholders	$ 244,304	102,096	$ 2.39
Diluted earnings per share			
Effects of dilutive potential ordinary shares			
Employees' compensation	-	98	
Net income attributable to ordinary shareholders plus effects of potential ordinary shares	$ 244,304	102,194	$ 2.39

	2017		
	After-tax amount	Weighted average number	Earnings (loss) per share

		of common shares outstanding (in thousand shares)	(NT$)
Basic loss per share			
Net loss attributable to ordinary shareholders	($ 56,914)	109,249	($ 0.52)

(XVIII) Changes in liabilities from financing activities

Changes in the Company's liabilities from financing activities in 2018 are all changes in cash flow; please refer to the parent company only statement of cash flows for details.

VII. Related Party Transactions

(I) Parent company and the ultimate controller

The Company is controlled by Yicheng International Development Co., Ltd. (incorporated in the Republic of China), which owns 28.11% of the shares of the Company. The rest is held by the public. The ultimate controller of the Company is the Colorful Group.

(II) Name and relationship of related parties

Name of related party	Relationship with the Company
Colorful Technology Co, Ltd (Colorful)	100% re-investment by Colorful Group

(III) Material transactions with related parties

1. Operating revenue

	2018	2017
Colorful	$ 2,069,738	$ 3,187,676

The Company's transaction prices to related parties are not significantly different from those of the unrelated parties. The payment terms are OA 45~125 days depending on the different transaction object.

2. Accounts receivable from related parties

	December 31, 2018	December 31, 2017
Colorful	$ 685,977	$ 760,762

Accounts receivable from related parties mainly arise from sales transactions. Payment for sales transactions is made in accordance with the payment terms after the date of sale. The receivables are unsecured and not interest-bearing.

3. Operating expenses

	2018	2017
Subsidiary	$ 6,690	$ 6,455

The Company has commissioned a subsidiary to assist the Company in providing technical assistance such as market research and after-sales services and testing and business expansion. Expenses incurred in the aforementioned transactions shall be recorded in the operating expenses. As of December 31, 2018 and 2017, the amount not paid was $1,712 and $1,680, respectively, as shown in "Other Payables."

4. Advertising fees

After the launch of the products jointly developed by the Company and Colorful, both sides have agreed to pay no more than US$60,000 per month as advertising expenses for the related parties. The amount of advertising fees incurred in 2018 and 2017 were $13,366 and $5,379, respectively; the amount not yet paid as of December 31, 2018 and 2017 was NT$8,911 and $447, respectively, as shown in "Other Payables."

(IV) Key management compensation information

	2018	2017
Salary and other short-term employees' benefits	$ 14,739	$ 5,000

VIII. Pledged Assets

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

	Book value		
Pledged assets	December 31, 2018	December 31, 2017	Guarantee use
Other current assets			
Bank deposits	$ 4,615	$ 23,808	Loan-to-deposit account and purchase guarantee

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) Contingencies

None.

(II) Commitments

1. As of December 31, 2018, the Company's guaranteed letter of credit for the purchase was NT$1,500 thousand.

2. The Company opened a promissory note for the purchase of goods as a guarantee for the purchase of loan claims. The Company had written promissory notes totaling $200,000 as of December 31, 2018.

X. Significant Disaster Losses

None.

XI. Significant Events after the End of the Financial Reporting Period

None.

XII. Others

(I) Capital management

The Company's objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to maintain optimal capital structure in order to minimize the cost of funding and to provide remuneration for its shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(II) Financial Instruments

1. Category of financial instruments

For the information on the Company's financial assets (cash and cash equivalents, accounts receivable and other receivables) and financial liabilities (short-term loans, accounts payable and other payables), please refer to Note VI and the consolidated balance sheet.

2. Risk management policies

(1) The Company's daily operations are affected by a number of financial risks, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk.

(2) The risk management is carried out by the Company's finance department according to the policies approved by the Board of Directors. The finance department of the Company is responsible for identifying, evaluating and avoiding financial risks in close co-operation with the operating units of the Company. The Board has established written principles for overall risk management, and provides written policies for specific areas and matters such as exchange rate risk, interest rate risk, credit risk and remaining liquidity.

3. The nature and degrees of significant financial risks

(1) Market risk

Exchange rate risk

A. The Company is a multinational operation and is exposed to exchange rate risk, which is mainly denominated in USD and CNY. The related exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

B. Business of the Company is involved in a number of non-functional currency (the functional currency of the Company is NTD) and deeply affected by the exchange rate fluctuation. The information of significant impact affected by exchange rate fluctuation for foreign assets and liabilities is as follow:

(Foreign currency: Functional currency)	December 31, 2018 Foreign Currency (in thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 45,877	30.715	$ 1,409,112
Non-monetary items			
CNY:NTD	$ 77,415	4.472	$ 346,200
Financial liabilities			
Monetary items			
USD:NTD	$ 5,107	30.715	$ 156,862

(Foreign currency: Functional currency)	December 31, 2017 Foreign Currency (in thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 49,197	29.760	$ 1,464,103
Non-monetary items			
CNY:NTD	$ 79,841	4.565	$ 364,473
Financial liabilities			
Monetary items			
USD:NTD	$ 7,064	29.760	$ 210,225

C. The Company's material monetary projects affected by the exchange rate fluctuation have been recognized as net exchange (loss) gain and aggregated in the consolidated financial statements for the years ended December 31, 2018 and 2017 (including realized and unrealized). The aggregated amount is $29,793 and ($87,138), respectively.

D. The Company's foreign currency market risk analysis due to significant exchange rate fluctuations is as follows:

	2018		
	Sensitivity analysis		
(Foreign currency: Functional currency)	Range of change	Effects on profit and loss	Other comprehensive income of the year
Financial assets			
Monetary items			
USD:NTD	1%	$ 14,091	$ -
Non-monetary items			
CNY:NTD	1%	$ 3,462	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 1,569	$ -

	2017				
	Sensitivity analysis				
(Foreign currency: Functional currency)	Range of change	Effects on profit and loss		Other comprehensive income of the year	
Financial assets					
Monetary items					
USD:NTD	1%	$	14,641	$	-
Financial liabilities					
Monetary items					
USD:NTD	1%	$	2,102	$	-

Price risk

A. The Company's equity instruments exposed to price risk are those financial assets held at fair value through profit or loss and financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage the price risk of investments in equity instruments, the Company diversifies its portfolio with its diversification method based on limits set by the Company.

B. The Company's equity instruments issued by the Company are mainly invested in equity instruments issued by the domestic companies, which are affected by the uncertainty of the future value of the investment underlying the investment target. If the prices of these equity instruments increased or decreased by 1%, while all other factors remained unchanged, the net profit after tax for the year ended December 31, 2018 would have increased or decreased by $18 measured at fair value through profit and loss. The gain or loss of the other comprehensive income which was classified to the equity investment at fair value through other comprehensive income would have increased or decreased by $1,090.

Cash flow and fair value interest rate risk

A. The Company's interest rate risk arises primarily from short-term borrowings issued at variable rates, which expose the Group to cash flow interest rate risk. For the years ended December 31, 2018 and 2017, the Company's borrowings issued at variable rates were mainly denominated in USD.

B. The Company's borrowings are measured at amortized cost and are re-priced at the contract annual rate every year. Therefore, the Group is exposed to the risk of changes in future market interest rates.

(2) Credit risk

A. The Company's credit risk is primarily attributable to the risk of financial loss from customers or the counterparty of financial instruments who are unable to fulfill the contract obligation. That credit risk is mainly from the fact that the counterparty is unable to pay off the accounts receivable payable on the terms of the payment.

B. The Company has established credit risk management in the Group's corporate policy. For banks and financial institutions that are in the process of setting up, only those with good credit rating can be accepted as the transaction target. In accordance with the internal defined credit policy, the Group's operating entities and each new customer shall be subject to the management and credit risk analysis before making payment and delivery of the agreed payment and delivery. Internal risk control is evaluated by considering its financial position, historical experience and other factors to assess the credit quality of customers. Limits on individual risks are formulated by the Board of Directors based on internal or external ratings and regularly monitored by the Board of directors.

C. The Company adopts IFRS 9 to make the following assumptions as to whether the credit risk on financial instruments since initial recognition has increased by the following:

(A) When the contract amount is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk has been significantly increased since the original recognition of the financial assets.

(B) There are actual or expected significant changes in external credit ratings of financial instruments.

D. The Company adopts IFRS 9 to make assumptions that if the contract amount is overdue for more than 90 days in accordance with the agreed payment terms, it is regarded that a default has taken place.

E. The Company will group the customer's accounts receivable based on the characteristics of the customer's rating and customer type, and use the simplified method to estimate the expected credit loss based on the preparation matrix.

F. The Company includes the forward-looking consideration to adjust the loss rate established by historical and current information for a specific period so as to estimate the allowance loss for accounts receivable by the said loss rate. The provision matrix on December 31, 2018 is as follows:

December 31, 2018	Not overdue	Total
Expected loss rate	0.03%	
Total book value	$ 918,887	$ 918,887
Allowance for loss	$ 323	$ 323

G. The statement of allowance loss for accounts receivable of the Company using simplified approach is as follows:

	2018	
	Accounts receivable	
January 1_IAS 39	$	323
Adjustments under new standards		-
January 1_IFRS 9	$	323
Provision of impairment loss		-
December 31	$	323

H. For the credit risk information as of December 31, 2017, please refer to Note XII (III).

(3) Liquidity risk

A. Cash flow prediction is performed by individual operating entities within the Group and are aggregated by the Group finance department. The Group's finance department monitors the Group's liquidity requirements predict to ensure that it has sufficient funds to support its operational needs and maintains sufficient unencumbered borrowing commitments at all times so that the Group does not violate the relevant borrowing limits or terms.

B. The surplus cash held by each operating entity will be transferred back to the Group finance department when it exceeds the management needs of the working capital. The Group finance department invests the surplus funds in interest-bearing demand deposits and fixed deposits, and the selected instruments have appropriate maturity dates or sufficient liquidity to meet the above forecasts and provide sufficient water and effluents.

C. The Company's non-derivative financial liabilities are due within the next year except for guarantee deposit received (listed in other non-current liabilities).

(III) Fair Value Information

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

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

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

2. For financial instruments not measured at fair value, including cash and cash equivalents, accounts receivable (including related parties), other receivables, short-term loans, accounts and other payables, their carrying amounts are a reasonable approximation of their fair value.

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

   (1) The Company classifies its assets and liabilities according to the nature of assets and liabilities as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss				
Equity securities	$ 1,755	$ -	$ -	$ 1,755
Financial assets measured at FVTOCI				
Equity securities	93,635	-	15,350	108,985
Total	$ 95,390	$ -	$ 15,350	$ 110,740

   (2) Methods and assumptions the Company used to measure the fair value are as follow:

      A. The instruments that the Company uses market-quoted prices as their fair values (i.e. Level 1) are listed below by characteristics:

	Listed shares
Market quoted price	Closing price

      B. In addition to the aforementioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained by means of evaluation techniques or reference to counterparty quotes. The fair value obtained through evaluation techniques can refer to the current fair value of other substantial financial instruments with similar conditions and characteristics, discounted cash flow method or other evaluation techniques, including calculations based on the market information utilization model available on the date of the consolidated balance sheet (e.g., the reference yield curve offered by Taipei Exchange or the average offer price of Reuters commercial paper interest rate).

      C. Outputs from valuation models are estimates and valuation techniques may not be able to reflect all the relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policy and related control procedures, the management believes that the adjustment is appropriate and necessary to recognize the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameter used in the valuation process are carefully evaluated and adjusted appropriately based on current market conditions.

D. The Company absorbs the adjustment of credit risk assessment into the fair value measurement of financial and non-financial instruments to reflect the credit risk of counterparties and the credit quality of the Company.

4. There was no transfer between Level 1 and Level 2 in 2018 and 2017.

5. The following table presents changes in Level 3 in the year of 2018:

	2018	
	Equity instruments	
January 1	$	-
Acquired in the period		15,350
December 31	$	15,350

6. There were no transfers into and out of Level 3 in 2018 and 2017.

7. The finance department of the Company is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable, and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model, and making any other necessary adjustments to the fair value.

8. Quantitative information and sensitivity analysis of significant unobservable inputs to the valuation models used in the valuation models for Level 3 fair value measurement and the sensitivity analysis of changes in significant unobservable inputs are as follows:

	Fair value on December 31, 2018		Valuation technique	Significant unobservable inputs	Relationship between inputs and fair value
Non-derivative equity instruments:					
Unlisted shares	$	15,350	Discounted cash flow method	Long-term revenue growth rate, weighted average cost of capital, net operating profit before tax, lack of marketability discount, discount price discount	The higher the long-term revenue growth rate and long-term operating net profit before tax, the higher the fair value; the higher the lack of marketability discount; the lower the fair value

9. The Company carefully evaluates the valuation models and inputs used in selecting the valuation models and inputs that the valuation models may result in different valuation models. For financial assets classified as Level 3, if the evaluation parameters change, the impact on other comprehensive gains and losses is as follows:

			December 31, 2018	
			Recognized in other comprehensive profit and loss	
	Input	Change	Favorable change	Unfavorable change
Financial assets				
Equity instruments	Long-term revenue growth rate, weighted average growth rate of capital, long-term operating net income before tax, lack of marketability discount	±1%	$ 154	$ 154

(IV) Impact on initial application of IFRS 9 and information on the application of IAS 39 for the year ended December 31, 2017

1. The significant accounting policies adopted as of December 31, 2017 are described below:

(1) Loans and receivables

Accounts receivable are the original loans and receivables that are due from customers in the normal course of business for the sale of commodities or services. At initial recognition, they are measured at fair value, and subsequently measured at amortized cost using the effective interest method, less any impairment. However, short-term accounts receivable that are not paid for interest shall be measured by the amount of the original invoice amount.

(2) Impairment of financial assets

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

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

(A) Significant financial difficulty of the issuer or debtor;

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

(C) The Company gives the debtor a concession that cannot be considered reliably due to the economic or legal reasons relating to the financial difficulty of the debtor;

(D) The probability that the debtor will enter bankruptcy or other financial reorganization;

(E) The disappearance of an active market for that financial asset because of financial difficulties;

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

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

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

2. The reconciliation of allowance loss that has been transferred from the loss pattern based on IAS 39 on December 31, 2017 to the expected credit loss model based on IFRS 9 on January 1, 2018 are as follows:

The amount of the allowance loss for accounts receivables assessed in accordance with IAS 39 is $0. The amount of the allowance loss for accounts receivables assessed in accordance with IFRS 9 is $323. The difference between the allowance losses is to adjust the retained surplus as of January 1, 2018.

3. The risk information adopted as of December 31, 2017 is described as follows:

(1) Credit risk is the risk of financial loss to the Company due to failure to meet its contractual obligations by customers or counterparties of financial instruments. The Company has established a management and credit risk analysis for each new customer, before making the payment and delivery of the Company's individual business within the stipulated payment and delivery of delivery policies according to the internal defined credit policy. Internal risk control is evaluated by considering its financial position, historical experience and other factors to assess the

credit quality of customers. Limits on individual risks are formulated by the Board of Directors based on internal or external ratings and regularly monitored by the Board of Directors. The principal credit risk arises from cash and cash equivalents and accounts receivable.

(2) In the year ended December 31, 2017, there was no excess of the credit limit, and the management did not expect any significant losses due to the non-compliance of the counterparty.

(3) The Company's accounts receivable that are neither past due nor impaired are fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business, and profitability.

(4) The aging analysis of financial assets that are past due but not impaired is as follows:

	December 31, 2017
Within 30 days	$ 1,594

(5) Analysis in the changes of the Company's provision for impairment of accounts receivable are as follows:

a. As of December 31, 2017, the Company's impairment for accounts receivable was $0.

b. The table of changes in allowance for bad debts of the Group's accounts receivable for the year ended December 31, 2017 is as follows:

	2017		
	Impairment loss by individual assessment	Impairment loss by balance group assessment	Total
Balance at the beginning of the period (i.e., balance at the end of the period)	$ -	$ -	$ -

XIII. Supplementary Disclosures

(I) Information on significant transactions

1. Capital loans to others: None.

2. Endorsements/guarantees made for others: None.

3. Marketable securities held at the end of the period (excluding investment in subsidiaries): Please refer to Table 1.

4. Accumulated purchase or disposal of the same securities amount reaching NT$300 million or 20% of the paid-in capital: None.

5. Acquisition of real estate reaches NTD300 million or 20% of the paid-in capital: None.

6. Disposal of real estate reaches NT$300 million or 20% of the paid-in capital: None.

7. For purchases and sales with related parties, the amount of sales and purchase transactions with the related party reaches NT$ 100 million or 20% of the paid-in capital: Please refer to Table 2.

8. Accounts receivable from related parties reaches NT$ 100 million or 20% of the paid-in capital: Please refer to Table 3.

9. Derivative transactions: None.

10. Business relations and significant transactions between the parent company and its subsidiaries and significant transactions and amount: Please refer to Table 4.

(II) Reinvestment Information of Invested Companies

Name of investee company and location of the location (excluding investee companies in Mainland China): Please refer to Table 5.

(III) Investment information in Mainland China

1. Basic information: Please refer to Table 6.

2. Material transactions that occur directly or indirectly through a third-region business and an investment company that invests in Mainland China, please refer to Table 7.

XIV. Segment Information

Exempt from disclosure.

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Chaintech Technology Corp.

Marketable Securities Held at End of Period (excluding subsidiaries, associates, and joint ventures)

FOR YEAR ENDED DECEMBER 31, 2018

Table 1

Unit: NT$ thousand

(Unless specified otherwise)

Company holding shares	Type and name of securities	Relationship with the issuer of the securities	Accounting item	End of the period				Remarks
				Number of shares	Carrying amount	Shareholding ratio	Fair value	
Chaintech Technology Corp.	Stocks of Accton Technology Corporation	-	Financial asset at fair value through profit and loss - current	60,000	$ 1,755	0.04%	$ 1,755	
Chaintech Technology Corp.	Stocks of APAQ Technology Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	3,050,000	93,635	3.53%	93,635	
Chaintech Technology Corp.	Stock of CloudMile Co., Ltd. (Cayman Islands)	-	Financial asset at fair value through other comprehensive income - non-current	510,204	15,350	3.93%	15,350	

Chaintech Technology Corp.

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

FOR YEAR ENDED DECEMBER 31, 2018

Table 2

Unit: NT$ thousand

(Unless specified otherwise)

			Transaction				Unusual trade conditions and its reasons		Notes/Accounts payable or receivable		
Company of purchases/sales	Name of transaction counterparty	Relations	Purchases/Sales	Amount	% to total purchases/sales	Credit period	Unit price	Credit period	Balance	% to total notes/accounts payable or receivable	Remarks
Chaintech Technology Corp.	Colorful Technology Co., Ltd.	100% reinvestment business by Colorful Group	Sales	$ 2,069,738	55%	OA45 ~ 125 days	Not applicable	Not applicable	$ 685,977	75%	-

Chaintech Technology Corp.

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

FOR YEAR ENDED DECEMBER 31, 2018

Table 3

Unit: NT$ thousand

(Unless specified otherwise)

Company with accounts receivable	Name of transaction counterparty	Relations	Balance of accounts receivable from related party	Turnover rate	Overdue accounts receivable from related party		Accounts receivable from related party	Amount of Allowance for Doubtful Accounts
					Amount	Handling method	Amount recoverable after period	
Chaintech Technology Corp.	Colorful Technology Co., Ltd.	100% reinvestment business by Colorful Group	Accounts receivable $ 685,977	2.86	$ -	-	$ 183,226	($ 206)

Chaintech Technology Corp.

Significant inter-company relationship and transactions between the parent company and subsidiaries and between subsidiaries during the reporting period

FOR YEAR ENDED DECEMBER 31, 2018

Table 4

Unit: NT$ thousand

(Unless specified otherwise)

				Transaction status			
No. (Note 1)	Company name	Counterparty	Relationship with counterparty (Note 2)	Account	Amount	Transaction terms	Percentage accounted for in consolidated revenue or total assets ratio (Note 3)
0	Chaintech Technology Corp.	Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	Parent company to a subsidiary	Operating expenses	$ 6,690	Agreed by both parties	-
0	Chaintech Technology Corp.	Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	Parent company to a subsidiary	Other payables	1,712	-	-

Note 1: Information of business contacts between the parent company and subsidiaries shall be specified in No. column. Please fill in the No. column following the instruction:

(1) The parent company is coded "0".

(2) The subsidiaries are coded starting from 1 in sequence.

Note 2: Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is calculated based on the ending balance to consolidated total assets for balance sheet items; it is calculated based on interim accumulated amount to consolidated net revenue for profit or loss items.

Chaintech Technology Corp.

Information on investee companies (not including investee companies in Mainland China)

FOR YEAR ENDED DECEMBER 31, 2018

Table 5

Unit: NT$ thousand

(Unless specified otherwise)

Investor company	Investee company	Location	Main businesses and products	Initial amount of investment: December 31, 2018	Initial amount of investment: December 31, 2017	Possession by the end of the period: Number of shares	Possession by the end of the period: Ratio	Possession by the end of the period: Carrying amount	Investee company current profit or loss	Investment gain or loss recognized in the current period (Note)	Remarks
Chaintech Technology Corp.	Bahamas Federal Shanghai Co., Ltd.	Bahamas	Investments	$ 343,327	$ 343,327	10,428,985	100	$ 124,503	($ 12,340)	($ 12,340)	Subsidiary
Chaintech Technology Corp.	Wise Providence Ltd.	British Virgin Islands	Investments	5,783	5,783	1,500,000	100	5,854	291	291	Subsidiary

Note: The Company is only required to list the amount of profit and loss of each of the subsidiaries and each investee accounted for using the equity method. The rest of the information can be exempted.

Chaintech Technology Corp.

Information on investee companies (not including investee companies in Mainland China)

FOR YEAR ENDED DECEMBER 31, 2018

Table 6

Unit: NT$ thousand

(Unless specified otherwise)

Name of investee in Mainland China	Main businesses and products	Actual paid-in capital	Method of investment	Accumulated investment amount remitted from Taiwan at the beginning of the period	Accumulated outflow or recovery: Outflow	Accumulated outflow or recovery: Recover	Accumulated investment amount of remittance from Taiwan to Mainland China at the end of the period	Investee company current profit or loss	Percentage of ownership (direct or indirect)	Investment gain or loss recognized in the current period (Note)	Carrying amount of investments in Mainland China at the end of the period	Accumulated inward remittance of income from investment as of the end of the period	Remarks
Dongguan Chang'an Kede Electronic Co., Ltd.	Production and manufacturing of motherboards, graphics cards, and computer peripherals	$ 589,053	Investing in a third region to set up a company to reinvest in companies in Mainland China (through the investment of Bahamas Federal Shanghai Co., Ltd.)	$ 343,327	$ -	$ -	$ 343,327	($ 12,228)	100	($ 12,228)	$ 124,460	$ -	-
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	Technology research and development and trading of electronic products, computer hardware, and peripheral devices	212,842	Direct investment	239,456	-	-	239,456	988	100	988	215,843	-	-

Note: The valuation is recognized on the financial statements audited and certified by the CPAs of the parent company in Taiwan.

Company name	Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period	Investment amount approved by Ministry of Economic Affairs Investment Commission	Ceiling on investment in Mainland China regulated by Ministry of Economic Affairs Investment Commission
Chaintech Technology Corp.	$ 582,783	$ 936,333	$ 1,040,474

Note: The Group invested US$5 million in the subsidiary, Shenzhen City Jinghong Digital Research & Development Service Co., Ltd., which was approved by the Ministry of Economic Affairs Investment Commission on November 26, 2015. The Group has remitted US$3 million (equivalent to $96,780 in NTD); the remaining US$2 million was remitted on January 3, 2019.

Note: The Group increased the investment to US$6.4 million as the capital to the subsidiary of Shenzhen City Jinghong Digital Research & Development Service Co., Ltd., which was approved by the Investment Commission of the Ministry of Economic Affairs Investment Commission on January 31, 2019. The investment amount has not been remitted as of March 21, 2019.

Chaintech Technology Corp.

Information on investments in Mainland China - significant transactions with investee companies in Mainland China, either directly or indirectly through a third area

FOR YEAR ENDED DECEMBER 31, 2018

Table 7

Unit: NT$ thousand

(Unless specified otherwise)

	Sales (Purchase)		Property transactions		Accounts receivable (payable)		Endorsement or guarantee provided or provided for the guarantee		Financing				
Name of investee in Mainland China	Amount	%	Amount	%	Balance	%	Balance at the end of the period	Purpose	Highest balance within the period	Balance at the end of the period	Interest range	Interest in the current period	Others
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	$ -	-	$ -	-	($ 1,712)	-	$ -	-	$ -	$ -	-	$ -	Operating expenses $ 6,690

Chaintech Technology Co., Ltd.

Cash Statement

December 31,2018

Statement 1 Unit: NT$ thousand

Items	Description	Amount
Cash on hand and petty cash		$ 93
Checking deposits and demand deposits		
- NTD deposits		9,921
- Foreign currency deposits	US$12,566,898.68, exchange rate at 30.71	385,992
	HK$168,168.16, exchange rate at 3.92	659
	CNY17,439.57, exchange rate at 4.47	78
	EUR59.91, exchange rate at 35.19	2
Time deposits - foreign currency deposits	US$2,750,000, exchange rate at 30.71	84,466
		$ 481,211

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Chaintech Technology Co., Ltd.

Statement of Changes in Financial Assets at Fair Value through Other comprehensive Income-Non-Currrent

From January 1, 2018 to December 31,2018

Statement 2 | Unit: NT$ thousand

Title	Beginning of the period		Increase in the period		Decrease in the period		End of the period		Collateral or Pledge
	Number of shares	Fair value	Number of shares	Amount	Number of shares	Amount	Number of shares	Fair value	
Shares of APAQ Technology Co., Ltd.	-	$ -	3,050,000	$ 169,634	-	$ -	3,050,000	$ 169,634	None
Shares of CloudMile Co., Ltd. (Cayman Islands)	-	-	510,204	15,350	-	-	510,204	15,350	None
		-		184,984		-		184,984	
Adjustments of valuation		-		-		75,999		(75,999)	
		$ -		$ 184,984		$ -		$ 108,985	

Chaintech Technology Co., Ltd.

Statement of Accounts Receivable

December 31,2018

Statement 3 Unit: NT$ thousand

Name	Description	Amount	Remarks
Non-related parties			
16L002		$ 70,279	
16S010		55,016	
16N002		39,570	
16W003		36,313	
16S001		16,230	
Others		15,296	
Less: Allowance for bed debts		(117)	
		232,587	
Related parties			
Colorful Technology Co., Ltd		686,183	
Less: Allowance for bed debts		(206)	
		685,977	
		$ 918,564	

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Chaintech Technology Co., Ltd.
Inventory Breakdown
December 31,2018

Statement 4 Unit: NT$ thousand

Items	Amount		Remarks
	Cost	Market price	
Raw materials	$ 64,424	$ 64,534	Net realizable value as the market price
Work in process	31,438	35,312	
Final goods	1,599	-	
	97,461	$ 99,846	
Less: Allowance to inventory market value decline	(1,628)		
	$ 95,833		

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Chaintech Technology Co., Ltd.

Statement of Change in Investment Accounted for Using Equity Method

From January 1, 2018 to December 31,2018

Statement 5

Unit: NT$ thousand

Title	Beginning of the period: Number of shares	Beginning of the period: Book value	Increase in the period: Number of shares	Increase in the period: Amount	Decrease in the period: Number of shares	Decrease in the period: Amount	Investment income (loss) recognized by the Company for the period ended September 30, 2018	Accumulated translation adjustments	Balance at the end of the period: Number of shares	Balance at the end of the period: Equity %	Balance at the end of the period: Book value	Market value or net equity value: Unit price (NT$)	Market value or net equity value: Total	Collateral or Pledge
Bahamas Federal Shanghai Co., Ltd.	10,428,985	$ 139,445	-	$ -	-	$ -	($ 12,340)	($ 2,602)	10,428,985	100%	$ 124,503	$ 12	$ 124,503	None
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	-	219,343	-	-	-	-	988	(4,488)	-	100%	215,843	-	215,843	None
Wise Providence Limited	1,500,000	5,685	-	-	-	-	291	(122)	1,500,000	100%	5,854	4	5,854	None
		$ 364,473		$ -		$ -	($ 11,061)	($ 7,212)			$ 346,200		$ 346,200	

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Chaintech Technology Co., Ltd.

Accounts Payable

From January 1, 2018 to December 31,2018

Statement 6 | Unit: NT$ thousand

Name	Description	Amount		Remarks
Non-related parties				
005507		$	64,550	
002884			33,365	
002883			31,646	
005505			26,821	
Others			477	
		$	156,859	

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Chaintech Technology Co., Ltd.

Statement of Operating Revenue

From January 1, 2018 to December 31,2018

Statement7 Unit: NT$ thousand

Items	Quantity	Amount	Remarks
Operating revenue:			
Computer peripherals	1,237 thousand pieces	$ 3,923,553	
Others		313	
		3,923,866	
Less: Sales return and allowances		(168,728)	
Net operating revenue		$ 3,755,138	

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Chaintech Technology Co., Ltd.

Statement of Operating Costs

From January 1, 2018 to December 31,2018

Statement 8 Unit: NT$ thousand

Items	Amount
Raw materials and materials and supplies at the beginning of the period (including goods in transit)	$ 61,472
Plus: Input amount, net	2,522,552
Less: Disposal of raw materials	(142,820)
Raw materials and materials and supplies at the end of the period (including goods in transit)	(64,424)
Raw materials consumed during the current period (1)	2,376,780
Manufacturing costs - processing cost (2)	65,548
Total manufacturing costs (1)+(2)	2,442,328
Add: Work-in-progress at the beginning of the period	54,006
Less: Transferred form finished goods	(2,576,393)
Work in process at the end of the period	(31,438)
Cost of finished goods	(111,497)
Add: Finished products at the beginning of the period	1,601
Acquired during the period	791,574
Transferred form finished goods	2,576,393
Less: Finished products at the end of the period	(1,599)
Others	(1,448)
Cost of finished goods	3,255,024
Loss on inventory market value decline	(661)
Sale of raw materials	142,820
Total operating costs	$ 3,397,183

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Chaintech Technology Co., Ltd.
Statement of Operating Expenses
From January 1, 2018 to December 31,2018

Statement 9 Unit: NT$ thousand

Items	Selling expenses	General and administrative expenses	Research and development expenses	Total
Payroll expenses	$ 7,478	$ 19,276	$ 1,824	$ 28,578
Advertisements	20,311	-	-	20,311
Labor fees	8,676	4,161	-	12,837
Employee benefits/welfare	868	782	313	1,963
Freight expenses	4,037	23	1	4,061
Public relations allowances	1,651	4,345	-	5,996
Rent expenses	523	523	523	1,569
Other expenses (Note)	8,728	2,581	503	11,812
	$ 52,272	$ 31,691	$ 3,164	$ 87,127

Note: The amount of each individual item does not exceed 5% of the total amount of the account

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Appendix II: Consolidated Financial Report for the Most Recent Year

Chaintech Technology Corp. and Subsidiaries

Declaration of Consolidated Financial Statements of Affiliated Companies

The entities that are required to be included in the Consolidated Financial Statements of Chaintech Technology Corp. as of and for the year ended December 31, 2018, under the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10 "Consolidated Financial Statements." In addition, the information required to be disclosed in the Consolidated Financial Statements is included in the Consolidated Financial Statements. Consequently, Chaintech Technology Corp. and subsidiaries do not prepare a separate set of consolidated financial statements.

Hereby declared by

Company Name: Chaintech Technology Corporation

Person in Charge: Shu-Jung Kao

March 22, 2019

Independent Auditors' Report

(108) Financial Review Reference No.18004488

To Chaintech Technology Corp.:

Audit Opinions

The independent auditors have audited the accompanying consolidated balance sheets of Chaintech Technology Corp. and Subsidiaries (hereinafter referred to as "the Group") as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and notes to the consolidated financial statements (including summary of significant accounting policies) for the annual period ended December 31, 2018 and 2017.

Based on our opinions, the accompanying consolidated financial statements are presented fairly in all material respects. The consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), International Financial Reporting Interpretations Committee (IFRIC) Interpretations, and Standing Interpretations Committee (SIC) Interpretations endorsed by the Financial Supervisory Commission of the Republic of China, as well as the consolidated financial performance and the consolidated cash flows for the years ended December 31, 2018 and 2017, respectively.

Basis of Audit Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Individual Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards (GAAS) of the Republic of China. Our responsibilities under those standards are further described in the section of Responsibilities of Certified Public Accountants for Auditing Financial Statements. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as the foundation of our audit opinion.

Key Audit Matters

Key Audit Matters refer to matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statement of the Group for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming out opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Consolidated Financial Statement of the Group for the year ended December 31, 2018 are stated as follows:

Assessment of sales allowance estimate

<u>Description</u>

Regarding the accounting policy of recognition for sales allowance, please refer to Notes IV (XXIV) of the consolidated financial statements; the accounting estimate and assumption of the sales allowance refer to Notes V (II) of the consolidated financial statements; the accounting description of the sales allowance refer to Notes VI (XII) of the consolidated financial statements.

The Group's calculation of the sales allowance based on the content of the sales allowance agreement is based on historical experience and other known reasons to estimate the possible product discount, which is included in the sales of the product in the current period of sales, and is classified as deduction of accounts receivable. As a result of the reduction, the accountant has listed the estimate of sales allowance as one of the most important matters for the year.

Corresponding audit procedures

The independent auditors have performed the following key audit procedures for the matter mentioned above:

1. Understand the nature of the company's operations and industry and inspect the contents of the sales allowance agreement in the sales contract, confirming that there are no significant changes in the terms of the sales allowance agreement.

2. Inspect the estimated breakdown of current sales allowance, sampled and inspected the foundation of sales allowance to individual agreement to verify the accuracy of calculation.

3. There are no material differences between the historical estimates and actual sales allowance.

Sales revenue cut-off

Description

Regarding the recognition of accounting policy for sales revenues, please refer to Notes IV (XXIV) of the consolidated financial statements. For accounting description for sales revenue, please refer to Note VI (XII) of the consolidated financial statements.

The Group has engaged in the trading and manufacturing of computer peripherals. Sales turnover of goods is recognized when the goods are delivered out. However, the sales revenue will not be recognized until the customer take the delivery of goods and the transfer control has passed. The Group mainly relies on the statements or other information provided by the depositary of the delivery warehouse, then uses the actual shipment made by the warehouse to the customer as the basis for recognizing the income.

The recognition of the turnover from the warehouse is based on the information and report provided by the depositary as the basis for recognizing the sales revenue. These revenue recognitions generally involve a large number of manual operations. Considering that the volume of the shipments of the Group is large, and the amount of transaction before and after the financial date has a significant impact on the financial statements, the independent auditors have thus listed the sales revenue as the most important matter for this year's audit.

Corresponding audit procedures

The independent auditors have performed the following key audit procedures for the matter mentioned above:

1. Understand Revenue recognition and adjustment procedures for revenue cut-off for shipment from the depositary of warehouse of the Group. Then, inspect the appropriateness of the revenue's recognition from the warehouse, including understanding of the relevant internal control procedures, obtaining information and the statements provided by the depositary.

2. Carry out an internal control test for the sales revenue from the warehouse in order to make sure that the Group determine the sales recognition when the customer receives the delivery of goods and the right of control is transferred.

3. Perform a closing test for sales revenue from delivery of warehouses for a certain period

before and after the balance sheet date, including the verification of shipment certificates and that revenue recognition is recorded in the appropriate period.

4. Perform random checks on physical stock taking and on-site inventory observation in the warehouse and check if the inventory quantity on the record is correct.

Other Matters – Parent Company Only Financial Statements

The independent auditors have also audited the parent company only financial statements of Chaintech Technology Corp. for 2018 and 2017, on which we have issued reports with unmodified opinion for reference.

Responsibility of the Management and the Governing Body 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, the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the responsibility of the management includes assessing the Group's ability to continue as a going concern, disclosing going concern related matters, as well as adopting going concern basis of accounting unless the management intends to liquidate the Group or terminate the business, 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.

Responsibilities of Certified Public Accountants for Auditing 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 Generally Accepted Auditing Standards (GAAS) of Republic of China will always detect a material misstatement when it exists. Misstatements may arise from fraud and error. If it could be reasonably anticipated that the misstated individual amounts or aggregated sum could have influence on the economic decisions made by the users of the consolidated financial statements, it will be deemed as material.

As part of an audit in accordance with GAAS of Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also execute the following tasks:

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 that 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 adopted by the management and the reasonableness of the accounting estimates and related disclosures made accordingly.

4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, determine 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, we are required 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 circumstances may cause the Group to no longer continue as a going concern.

5. Evaluate the overall expression, structure, and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence with regard to the financial information of the entities within the Group to express an opinion about 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 The Norm of Professional Ethics for Certified Public Accountant of the Republic of China 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 for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

PwC Taiwan

Patrick Hsu

Certified Public Accountants

Han Chi Wu

Financial Supervisory Commission

Approved Certification Number: Financial Control Certificate No. 1010034097

Former Securities and Futures Bureau Committee Approved Certification No.: (2011)TCZ(6)Z157088

March 22, 2019

Chaintech Technology Corp. and Subsidiaries
Consolidated Balance Sheets
For the years ended in December, 2018 and 2017

Unit: NT$ thousand

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	VI (I)	$ 652,911	32	$ 596,533	30
1110	Financial assets at fair value through profit or loss - current	VI (II)	1,755	-	-	-
1170	Accounts receivable, net	VI (IV)	237,458	12	316,341	16
1180	Net accounts receivable - affiliated	VI (IV) and VII	685,977	34	760,762	38
130X	Inventories	VI (V)	95,833	5	114,790	6
1470	Other current assets	VI (VI) and VIII	54,727	3	53,014	3
11XX	**Total current assets**		1,728,661	86	1,841,440	93
	Non-current assets					
1517	Financial assets at fair value through other comprehensive income - non-current	VI (III)	108,985	5	-	-
1600	Property, plant and equipment	VI (VII)	122,073	6	134,335	7
1840	Deferred income tax assets	VI (XVII)	6	-	1,869	-
1900	Other non-current assets	VI (VIII)	54,778	3	10,596	-
15XX	**Total non-current assets**		285,842	14	146,800	7
1XXX	**Total assets**		$ 2,014,503	100	$ 1,988,240	100

(Continued)

Chaintech Technology Corp. and Subsidiaries
Consolidated Balance Sheets
For the years ended in December, 2018 and 2017

Unit: NT$ thousand

	Liabilities and equity	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities					
2170	Accounts payable		$ 156,858	8	$ 212,724	11
2200	Other payables	VII	69,782	3	45,407	2
2230	Current income tax liabilities		52,170	3	4,374	-
2300	Other current liabilities		193	-	685	-
21XX	**Total current liabilities**		279,003	14	263,190	13
	Non-current liabilities					
2600	Other non-current liabilities		1,376	-	1,423	-
25XX	**Total non-current liabilities**		1,376	-	1,423	-
2XXX	**Total liabilities**		280,379	14	264,613	13
	Equity					
	Equity attributable to owners of the parent					
	Share capital	VI (X)				
3110	Capital of ordinary shares		1,014,988	51	1,092,488	55
	Retained earnings	VI (XI)				
3310	Legal reserve		97,859	5	97,859	5
3320	Special reserve		88,481	4	84,131	4
3350	Retained earnings		645,310	32	478,452	24
	Other equity					
3400	Other equity		(112,514)	(6)	(29,303)	(1)
31XX	**Total equity attributable to owners of the parent**		1,734,124	86	1,723,627	87
3XXX	**Total equity**		1,734,124	86	1,723,627	87
	Material contingent liabilities and unrecognized contractual commitments	IX				
	Significant events after the end of the financial reporting period	XI				
3X2X	**Total liabilities and equity**		$ 2,014,503	100	$ 1,988,240	100

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman：Shu-Jung Kao Manager：Shu-Jung Kao Accounting Officer：Yu-Nu Lai

Chaintech Technology Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended in December, 2018 and 2017

Unit: NT$ thousand

(Except for earnings per share expressed in New Taiwan Dollar)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue**	VI (XII) and VII	$ 4,083,032	100	$ 5,772,839	100
5000	**Operating costs**	VI (V) (XV)	(3,715,016)	(91)	(5,668,505)	(98)
5950	**Net operating profit**		368,016	9	104,334	2
	Operating expenses	VI (XVI) and VII				
6100	Selling expenses		(51,956)	(1)	(31,839)	(1)
6200	Administrative expenses		(50,797)	(1)	(35,505)	(1)
6300	Research and development expenses		(22,370)	(1)	(20,159)	-
6000	**Total operating expenses**		(125,123)	(3)	(87,503)	(2)
6900	**Operating profit**		242,893	6	16,831	-
	Non-operating income and expenses					
7010	Other income	VI (XIII)	23,895	-	15,182	-
7020	Other gains and losses	VI (XIV)	30,206	1	(88,271)	(1)
7050	Financial cost	VI (XV)	(2,165)	-	(1,567)	-
7000	**Total non-operating income and expenses**		51,936	1	(74,656)	(1)
7900	**Net profit (loss) before tax**		294,829	7	(57,825)	(1)
7950	Income tax (expense) benefit	VI (XVII)	(50,525)	(1)	911	-
8200	**Net income (loss)**		$ 244,304	6	($ 56,914)	(1)

(Continued)

Chaintech Technology Corp. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended in December, 2018 and 2017

Unit: NT$ thousand

(Except for earnings per share expressed in New Taiwan Dollar)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive income (loss), net					
	Items that will not be reclassified to profit or loss					
8316	Unrealized valuation gain (loss) on equity instruments measured at fair value through other comprehensive income	VI (III)	($ 75,999)	(2)	$ -	-
8310	**Total amount of items that will not be reclassified to profit or loss**		(75,999)	(2)	-	-
	Items that may be reclassified subsequently to profit or loss					
8361	Exchange differences on translation of financial statements of Foreign operation.		(7,212)	-	(4,350)	-
8360	**Total amount of items that may be reclassified subsequently to profit or loss**		(7,212)	-	(4,350)	-
8300	**Other comprehensive income (loss), net**		($ 83,211)	(2)	($ 4,350)	-
8500	**Total comprehensive income (loss)**		$ 161,093	4	($ 61,264)	(1)
	Net profit (loss) attributable to:					
8610	Owners of the parent		$ 244,304	6	($ 56,914)	(1)
	Total comprehensive income attributable to:					
8710	Owners of the parent		$ 161,093	4	($ 61,264)	(1)
	Basic surplus (deficit) per share	VI (XVIII)				
9750	**Basic surplus (deficit) per share**		$ 2.39		($ 0.52)	
	Diluted surplus (deficit) per share					
9850	**Diluted surplus (deficit) per share**		$ 2.39		($ 0.52)	

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman：Shu-Jung Kao　　Manager：Shu-Jung Kao　　Accounting Officer：Yu-Nu Lai

Chaintech Technology Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended in December, 2018 and 2017

Unit: NT$ thousand

		Attributable to the equity of parent company							
			Retained earnings			Other equity			
	Notes	Share capital-common stock	Legal reserve	Capital surplus	Unappropriated retained earnings	Exchange difference arising from translation of foreign operation financial statements	Unrealized gains/losses on financial assets at fair value through other comprehensive income	Treasury stocks	Total equity
2017									
Balance as of January 1, 2017		$ 1,092,488	$ 88,696	$ 59,178	$ 585,869	($ 24,953)	$ -	$	$ 1,801,278
Net income (loss)		-	-	-	(56,914)	-	-	-	(56,914)
Other comprehensive income (loss)		-	-	-	-	(4,350)	-	-	(4,350)
Total comprehensive income (loss)		-	-	-	(56,914)	(4,350)	-	-	(61,264)
Appropriation and distribution of surplus in 2016									
Appropriation of legal reserve		-	9,163	-	(9,163)	-	-	-	-
Appropriation of special reserve		-	-	24,953	(24,953)	-	-	-	-
Cash dividends		-	-	-	(16,387)	-	-	-	(16,387)
Balance as of December 31, 2017		$ 1,092,488	$ 97,859	$ 84,131	$ 478,452	($ 29,303)	$ -	$	$ 1,723,627
2018									
Balance as of January 1, 2018		$ 1,092,488	$ 97,859	$ 84,131	$ 478,452	($ 29,303)	$ -	$	$ 1,723,627
Amount of adjustment caused by modified retrospective method	XII	-	-	-	(323)	-	-	-	(323)
Balance after adjustment on January 1, 2018		1,092,488	97,859	84,131	478,129	(29,303)	-	-	1,723,304
Net income		-	-	-	244,304	-	-	-	244,304
Other comprehensive income (loss)		-	-	-	-	(7,212)	(75,999)	-	(83,211)
Total comprehensive income (loss)		-	-	-	244,304	(7,212)	(75,999)	-	161,093
Appropriation and distribution of surplus in 2017									
Reservation of legal reserve				4,350	(4,350)				
Treasury stock repurchase		-	-	-	-	-	-	(150,273)	(150,273)
Cancellation of treasury stock	VI (X)	(77,500)	-	-	(72,773)	-	-	150,273	-
Balance as of December 31, 2018		$ 1,014,988	$ 97,859	$88,481	$645,310	($ 36,515)	($ 75,999)	$	$ 1,734,124

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman：Shu-Jung Kao　　Manager：Shu-Jung Kao　　Accounting Officer：Yu-Nu Lai

Chaintech Technology Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended in December, 2018 and 2017

Unit: NT$ thousand

	Notes	2018	2017
Cash flows from operating activities			
Net profit (loss) before tax		$ 294,829	($ 57,825)
Adjustments			
Income charges (credits)			
Depreciation expense	VI (VII) (XVI)	11,953	12,183
Loss on disposal of property, plant, and equipment	VI (VII)	17	429
Valuation adjustment for financial assets at fair value through profit or loss	VI (II)	(185)	-
Interest expenses	VI (XV)	2,165	1,567
Interest income	VI (XIV)	(7,252)	(1,531)
Dividend income	VI (XIV)	(4,340)	-
Changes in assets and liabilities related to operating activities			
Net changes in assets related to operating activities			
Financial assets at fair value through profit or loss		(1,570)	-
Accounts receivable (including affiliates)		153,345	537,555
Inventories		18,957	69,865
Other current assets		(890)	6,453
Other non-current assets		538	329
Net changes in liabilities related to operating activities			
Accounts payable		(55,866)	(187,507)
Other accounts payable		24,375	(16,076)
Other current liabilities		(492)	326
Cash inflow from operations		435,584	365,768
Interest received		7,252	1,531
Capital bonus received		4,340	-
Interest paid		(2,165)	(1,567)
Income tax paid		(866)	(13,472)
Net cash inflow from operating activities		444,145	352,260

(Continued)

Chaintech Technology Corp. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended in December, 2018 and 2017

Unit: NT$ thousand

	Notes	2018	2017
Cash flows from investing activities			
Acquisition of fair value through other comprehensive income financial assets		(184,984)	-
Acquisition of property, plant, and equipment	6(7)	(2,213)	(3,745)
Disposal of property, plant, and equipment		-	18
(Increase) Decrease in restricted assets		19,193	-
Advanced investment payment		(44,720)	-
Advanced design payment		(20,016)	-
Net cash outflow from investing activities		(232,740)	(3,727)
Cash flows from financing activities			
Decrease in short-term loans		-	(76,533)
Deposits received		(47)	665
Cash dividends distributed	VI (XI)	-	(16,387)
Cost of treasury stocks repurchase	VI (X)	(150,273)	-
Net cash outflow from financing activities		(150,320)	(92,255)
Effect of exchange rate		(4,707)	(2,433)
Increase in cash and cash equivalents in the current period		56,378	253,845
Cash and cash equivalents balance at beginning of the period		596,533	342,688
Cash and cash equivalents balance at end of the period		$ 652,911	$ 596,533

The accompanying notes are an integral part of these parent company only financial statements. Please refer to it as well.

Chairman：Shu-Jung Kao　　Manager：Shu-Jung Kao　　Accounting Officer：Yu-Nu Lai

Chaintech Technology Corp. and Subsidiaries
Notes to the Consolidated Financial Statements
For the years ended in December, 2018 and 2017
Unit: NT$ thousand
(Unless otherwise stated)

I. Company History

(I) The original East Chaintech Technology Corp. (hereinafter referred to as "the Company") was established in November 1986, and was renamed as Chaintech Technology Corp. in January 2013. Approved by the Securities and Futures Bureau as an OTC-listed company in December 1997, the Company was transferred to be a listed company and was listed at the stock exchange market on August 17, 2000. The Company and its subsidiaries (hereinafter referred to as "the Group") are principally engaged in the business of buying and selling and manufacturing of motherboards, display cards, and computer peripherals.

(II) Colorful Group Ltd. (hereinafter referred to as "the Colorful Group") acquired 10% equity in the Company indirectly through Zhongjie Xingye Co., Ltd., and acquired 100% equity in Yicheng International Development Co., Ltd. (which held 36.2% equity of the Company) in June 2014. Therefore, Colorful Group held 46.2% equity in the Company indirectly, and obtained more than half of the seats in the Company's Board of Directors. In June 2017, Zhongjie Xingye Co., Ltd. sold all the equity of the Company it held. In July 2016, Yicheng International Development Co., Ltd. sold the equity of the Company to 26.11%. As of December 31, 2018, the Colorful Group indirectly held 28.11% of the equity in the Company through Yicheng International Development Co., Ltd.

II. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on March 21, 2019.

III. Application of New and Amended Standards and Interpretations

(I) The impact of adopting new and amended International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C ("FSC")

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

New/revised/amended standards, interpretations, and amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying the IFRS 9 'Financial Instruments' under IFRS 4 'Insurance Contracts'"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 'Revenue from Contracts with Customers'"	January 1, 2018
Amendments to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

New/revised/amended standards, interpretations, and amendments	Effective date by International Accounting Standards Board
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Annual Improvements in IFRSs 2014-2016 Cycle - IFRS 1 "First-time Adoption of International Financial Reporting Standards"	January 1, 2018
Annual Improvements to IFRSs 2014-2016 Cycle - IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
Annual Improvements in IFRSs 2014-2016 Cycle - IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018

Except for the following, the aforementioned standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment. The affected amount shall be disclosed upon the completion of assessment:

1. IFRS 9 "Financial Instruments"

   (1) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial assets at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

   (2) The impairment losses of debt instruments are assessed using an expected credit loss approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e., net of credit allowance). Accounts receivable (excluding significant financial components) should be measured for allowance losses based on expected credit losses during the duration of the period.

2. Amendment to IAS 7 "Disclosure Initiative"

   The amendment requires companies to increase the disclosure of changes in liabilities related to (from) financing activities, including changes from cash and non-cash.

   It is evaluated that this amendment will allow the Group to increase the disclosures related to (from) the changes in liabilities from financing activities.

When applying the 2018 version of IFRSs endorsed and issued into effect by FSC, the Group applies the modified retrospective adjustment for International Financial Reporting Standards No. 9 (hereinafter referred to as "IFRS 9"). The impact on January 1, 2018 is summarized as follows:

1. The Group proposes an impairment loss requirement in accordance with IFRS 9, reducing the accounts receivable by $323 and reducing the retained earnings by $323.

2. Please refer to Note XXII (IV) for the disclosure of initial application of IFRS 9.

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

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

New/revised/amended standards, interpretations, and amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019

Except for the following, the aforementioned standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16 "Leases"

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

The Group will treat the lessee's lease contract in accordance with International Financial Reporting Standard No. 16, but will adopt the non-restatement of the previous financial statements (hereinafter referred to as "modified retrospective method"), which may respectively increase $20,504 of the right-of-use asset (including long-term advance rent reclassification) and $10,898 of lease liability on January 1, 2019.

(III) Impact of IFRSs issued by IASB but not yet endorsed by the FSC

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

New/revised/amended standards, interpretations, and amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8 "Disclosure Initiative - Definition of Materiality"	January 1, 2020
Amendments to IFRS 3 "Definition of Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by International Accounting Standards Board
IFRS 17 "Insurance Contracts"	January 1, 2021

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

IV. Summary of Significant Accounting Policies

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

(I) Compliance statement

These consolidated financial statements are prepared by the Group in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC Interpretations endorsed by the FSC (collectively referred to as "IFRSs").

(II) Basis of preparation

1. The consolidated financial statements have been prepared based on historical cost convention.

2. The preparation of financial statements in conformity with IFRSs for financial reporting purposes requires the use of certain critical accounting estimates. The application of the Group's accounting policies requires the management to exercise its judgment in the process of applying the Group's accounting policies. For items involving a higher degree of judgment or complexity, or items where assumptions and estimates are significant to the consolidated financial statements, please refer to Note V for details.

3. The Group initially applied IFRS 9 on January 1, 2018. The amendments are applied with modified retrospective method to recognize the retained earnings and other equity as of January 1, 2018. The Group did not restate the financial statements and notes in the financial statements for the year ended December 31, 2017. The financial statements for the year ended December 31, 2017 was prepared in accordance with International Accounting Standard No. 39 (hereinafter referred to as "IAS 39") and its related interpretations and announcements. For the description of significant accounting policies adopted and significant accounting items, please refer to Note XII (IV) for details.

(III) Basis of consolidation

1. Principles for preparation of consolidated financial statements

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

(2) Inter-company transactions, balances and unrealized gains or losses on transactions between companies within the Group have been eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(3) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(4) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e., transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity.

(5) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognized in profit or loss. For all amounts previously recognized in other comprehensive income, they shall be reclassified from equity to profit or loss.

2. Subsidiaries included in the consolidated financial statements:

Name of investor company	Name of subsidiaries	Business activities	Percentage owned by the Company		Details
			December 31, 2018	December 31, 2017	
The Company	Bahamas Federal Shanghai Co., Ltd. (Bahamas Federal Shanghai)	General investment business	100%	100%	-
The Company	Shenzhen City King-Tech Digital Research & Development Service Co., Ltd. (Shenzhen Jinhong)	Technology R&D and support and trading of electronic products, computer hardware, and peripheral devices	100%	100%	-
The Company	Wise Providence Ltd.	General investment business	100%	100%	-
Bahamas Federal Shanghai	Dongguan Chang'an Fortech Electronics Co., Ltd. (Fortech Electronics)	Manufacture and manufacturing of motherboards, graphics cards, and computer peripherals	100%	100%	-

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

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

5. Significant restrictions: None.

6. Subsidiaries with significant non-controlling interests to the Group: None.

(IV) Foreign currency translation

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

1. Foreign currency transactions and balances

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

   (2) Foreign currency monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date. Exchange differences arising upon the re-transaction at the balance sheet date are recognized in profit or loss.

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

   (4) All exchange gains and losses are presented in the earnings statement of profit or loss within "Other gains and losses."

2. Translation of foreign operations

   The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

   (1) Assets and liabilities for each balance sheet presented are re-translated at the closing rate prevailing at the balance sheet date;

   (2) Income and expenses for each composite income sheet are re-translated at the average exchange rates for the period; and

   (3) All resulting exchange differences are recognized in other comprehensive income.

(4) When a foreign operation is partially disposed of or sold, the cumulative exchange differences that were recognized in other comprehensive income are reclassified to the non-controlling interests in the foreign operation. However, if the Group still retains partial interests in the former foreign associate after losing significant influence over the former foreign associate, such transactions should be accounted for as disposal of all interest in these foreign operations.

(V) Standard of assets and liabilities being classified as current and non-current

1. Assets that meet one of the following criteria are classified as current assets:

   (1) Assets arising from operating activities that are expected to be realized or are intended to be sold or consumed within the normal operating cycle.

   (2) Assets held mainly for trading purposes.

   (3) Assets that are expected to be realized within twelve months from the balance sheet date.

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

   Assets that do not meet the aforementioned conditions are classified as non-current.

2. Liabilities that meet one of the following conditions are classified as current liabilities:

   (1) Liabilities that are expected to be paid off within the normal operating cycle.

   (2) Liabilities held mainly for trading purposes.

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

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

   Liabilities that do not meet the aforementioned conditions are classified as non-current.

(VI) Cash equivalents

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

(VII) Financial assets at fair value through profit or loss

1. Financial assets at fair value through profit or loss refer to financial assets not measured at amortized cost nor measured at fair value through other comprehensive income.

2. Financial assets at fair value through profit or loss that follow regular way purchase or sale are recognized by the Group using trade date accounting.

3. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

4. Dividend income is recognized in profit or loss when the right to receive payment is established, and it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of dividends can be measured reliably.

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

1. Changes in fair value of investments in equity instruments that are not held for trading purpose at initial recognition presented in other comprehensive income; or, financial assets meeting the criteria listed below are classified as debt instrument:

   (1) The financial asset is held for the purpose of obtaining the contractual cash flows and the sales of the contract.

   (2) Cash flow generated form the said contractual terms of the financial asset at specific date are solely payments of principal and interest on the principal amount outstanding.

2. The Group adopts trade date accounting for financial assets measured at fair value through other comprehensive income.

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

(IX) Accounts receivable

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

2. Short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(X) Impairment of financial assets

Considering all reasonable and provable information (including forward-looking information), the Group measured the credit risk that increased insignificantly since original recognition vie the 12-month expected credit loss amount through financial debt instrument at fair value through other comprehensive income, financial asset at amortized cost and accounts receivable significant financial components. For those credit risk increased significantly since original recognition, the allowance loss is measured by the expected amount of credit loss during the existence period; for accounts receivable that do not contain significant financial components, the allowance loss is measured by the amount of expected credit losses during the duration of the period.

(XI) Derecognition of financial assets

Financial assets are derecognized when the Group's contractual rights to receive cash flows from financial assets are lapsed.

(XII) Operating lease (lessor)

Lease income from operating leases is recognized in gain or loss on a straight-line basis over the term of the lease, as follows:

(XIII) Inventories

Inventories are measured at the lower of cost and net realizable value, and cost are is determined using the weighted average method. The cost of finished goods and work in process comprises raw materials, direct labor, other direct costs and related production burden (allocated based on normal operating capacity). It excludes borrowing costs. Goods on hand are stated at the lower of comparative cost and net realizable value. The item by item approach is used in applying the lower of comparative cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(XIV) Property, plant and equipment.

1. Property, plant and equipment are recorded as the foundation of acquisition cost.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replacement is derecognized. All other repairs and maintenance are recognized as current gain or loss when incurred.
3. Property, plant and equipment apply the cost model. Except for land, other property, plant and equipment are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is material, it is depreciated separately
4. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, ‘Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Building and construction	50years
Machinery and equipment	5 to 10 years
Transportation equipment	5 to 15 years
Wealth equipment	3 ~ 10 years

Other equipment 1 year ~ 10 years

(XV) Operating lease (lessee)

The deduction of the operating leases, net of any incentives received from the lessor, is amortized and recognized in profit or loss using the straight-line method within the lease term.

(XVI) Impairment of non-financial assets

The Group estimates the recoverable amount of assets with signs of impairment on the balance sheet date. When the recoverable amount is lower than its book value, the impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Where an impairment loss of assets recognized in previous years does not exist or decrease, the impairment loss is reversed. However, the carrying amount of the asset increased by the impairment loss shall not exceed the book value of the asset after abatement the depreciation or amortization if the impairment loss is unrecognized.

(XVII) Borrowings

Borrowings refer to short-term loans from banks. The initial recognition of loans measured at fair value less transaction cost. Any subsequent difference between the price and the redemption value after deducting the transaction cost shall be recognized as interest expense in gain and loss by applying amortization procedure of effective interest method during the circulation period.

(XVIII) Accounts payable

1. Account payable is the liabilities arising from the purchase of raw materials, commodities or services are taken.

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

(XIX) Derecognition of financial liabilities

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

(XX) Employee benefits

1. Short-term employee benefits

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

2. Pensions

   For the defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual foundation.

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

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

(XXI) Income tax

1. Income tax expense comprises current and deferred income tax. Income tax is recognized in gain or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country domicile where the Group operates and generates taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate, on the basis of amounts expected to be paid to the tax authorities are recorded in tax liability. Undistributed earnings are subject to income tax credit. After the distribution of earnings is approved by the shareholders' meeting in the following year, the Company shall recognize the distribution of earnings and expenses, and recognize the earnings and expenses for the actual earnings.

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

4. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred income tax assets are reassessed.

5. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

(XXII) Share capital

1. Ordinary shares are classified as equity. The incremental cost directly

attributable to the issue of new shares or options is deducted from the equity in equity after deducting the income tax.

2. When the Company bought back the issued stocks, the consideration paid includes any incremental costs that are directly attributable to the incremental costs, net of any directly attributable incremental costs. When the shares are subsequently reissued, the difference between the consideration received net of any directly attributable incremental costs and the carrying amount is recorded in the adjustment of stockholder's equity.

(XXIII) Dividend distribution

Dividends are recognized in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities. Stock dividends are recognized as stock dividends to be distributed and transferred to ordinary shares on the base date of issuance of new shares.

(XXIV) Revenue recognition

1. Sales of goods

(1) The Group manufactures and sells products related to motherboards, display cards, and computer peripherals. The sales revenue is recognized when the control of the products is transferred to customers. That is, when the product is delivered to the customer, the customer has discretion in the access and price of the product, and the Group has no outstanding performance obligations that may affect the customer's acceptance of the product. When the product is shipped to a designated location, the risk of obsolete and lost risks has been transferred to the customer, and the customer is required to obtain the products in accordance with the sales contract, or when there is objective evidence that all acceptance criteria have been met, the goods are delivered.

(2) Sales revenue is recognized the net amount of contract price minus estimated sales allowance. The amount of revenue recognition is limited to the extent that it is very unlikely to see a significant reversal in the future, and is updated on the balance sheet date. The terms of sales transactions are mainly due to the expiry of 30 to 90 days after the transfer date. It is consistent with the market practice. Therefore, it is judged that the contact does not contain significant financial component.

(3) Accounts receivable are recognized when the control right of commodities is transferred to the customs; that is because the Group has unconditional rights to the contract price since that point in time, and the Group can collect the consideration from the customer once upon the contractual time is expired.

2. Service revenue

The Group provides services related to processing. Revenue is recognized as revenue in the reporting period in which the services are rendered to customers.

3. Financial composition

The duration of commitment to transfer commodities or services to customer and the payment period in the contracts between the Group and customers are all less than one year. Therefore, the Group has not adjusted the transaction price to reflect the time value of money.

4. Costs to acquire contracts from customers

The Group recognizes the incremental costs incurred in the contracts with the customers and that are expected to be recoverable. However, such costs are recognized in expense as incurred since the contracts are less than one year.

(XXV) Operating segments

The Group's operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources to the operating segments and assessing the performance of the Group, has been identified as the members of the Board of Directors.

V. Primary Sources of Uncertainties in Material Accounting Judgments, Estimates, and Assumptions

The preparation of the Group's financial statements requires management to make critical judgments in applying the Group's accounting policies and make critical assumptions and estimates concerning future events according to the conditions on balance sheet date. Material accounting assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such estimates and assumptions possess a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Uncertainties in material accounting judgments, estimates, and assumptions are addressed below:

(I) Significant judgments in applying accounting policies

None.

(II) Significant accounting estimates and assumptions

Revenue recognition

Allowance of liability reserve for sales revenue is recognized based on the historical experience and other known reasons to estimate product discount and is recorded as the deduction of sales revenue in the current period of product turnover. In addition, the Group regularly reviews the reasonableness of the estimates.

VI. Description of significant accounting items

(I) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and revolving funds	$ 356	$ 270
Checking deposits and demand deposits	568,089	551,623
Fixed deposits	84,466	44,640
	$ 652,911	$ 596,533

1. The Company associates with a variety of financial institutions, all with high credit quality to disperse credit risk, so it is expected that the probability of counterparty default is extremely low.

2. The Group do not provide any cash and cash equivalents as pledges to others.

(II) Financial assets at fair value through profit or loss - current

Items	December 31, 2018	December 31, 2017
Stocks of listed companies	$ 2,598	$ - -
Valuation adjustments	(843)	- -
Total	$ 1,755	$ - -

1. The breakdown of profit or loss for financial assets at fair value through profit or loss - current is as follows:

Items	For the year ended December 31, 2018
Equity instruments	$ 185

2. The Group's financial assets at fair value through profit or loss - current have never been provided as pledged assets or guarantees.

3. For related credit risk information, please refer to Note XII (II).

(III) Financial Assets measured at fair value through other comprehensive income

Items	December 31, 2018	December 31, 2017
Non-current items:		
Equity instruments		
Stocks of listed companies	$ 169,634	$ -
Stocks unlisted at stock exchange market, over counter market or emerging stock market	15,350	-
	184,984	-
Valuation adjustments	(75,999)	-
Total	$ 108,985	$ -

1. The Group determined to classify the strategic investment as financial assets at fair value through other comprehensive income, which is at $108,985 as of December 31, 2018.

2. The breakdown in profit or loss and other comprehensive income of financial assets at fair value through other comprehensive income is as follows:

Equity instruments measured at fair value through other comprehensive income	For the year ended December 31, 2018	For the year ended December 31, 2017
Changes in fair value recognised in other comprehensive income	($ 75,999)	$ -
Dividends income recognized in profit or loss at end of current period	$ 4,312	$ -

3. Without considering the collateral held or other credit enhancements, the most representative of the Group's financial assets at fair value through other comprehensive income, the maximum exposure amount of credit risk was $108,985 as of December 31, 2018.

4. For financial assets credit risk information that is measured at fair value through other comprehensive income, please refer to Note XII (II).

(IV) Accounts receivable

December 31, 2018		
Total	Allowance loss	Net

Accounts receivable	$ 237,575	($ 117)	$ 237,458
Accounts receivable - related parties	686,183	(206)	685,977
	$ 923,758	($ 323)	$ 923,435

	December 31, 2017		
	Total	Allowance loss	Net
Accounts receivable	$ 316,341	$ - -	$ 316,341
Accounts receivable - related parties	760,762	- -	760,762
	$ 1,077,103	$ - -	$ 1,077,103

1. The following is an analysis of the overdue days based on the number of overdue days:

	December 31, 2018	December 31, 2017
Within 30 days	$ - -	$ 1,594

2. No accounts receivable are pledged by the Group.

3. Without consideration the collateral held or other credit enhancements, the maximum credit risk amount of the Group's accounts receivable for the years ended December 31, 2018 and 2017 was $923,758 and $1,077,103, respectively.

4. For related credit risk information on accounts receivable, please refer to Note XII (II).

(V) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Carrying Amount
Raw materials	$ 64,424	($ 29)	$ 64,395
Work in progress	31,438	- -	31,438
Finished goods	1,599	(1,599)	- -
	$ 97,461	($ 1,628)	$ 95,833

	December 31, 2017		
	Cost	Allowance for valuation loss	Carrying Amount
Raw materials	$ 59,406	($ 688)	$ 58,718
Work in progress	54,006	- -	54,006
Finished goods	1,601	(1,601)	- -
Materials and supplies in transit	2,066	- -	2,066
	$ 117,079	($ 2,289)	$ 114,790

Cost of inventories is recognized by the Group as expenses in the current period:

	For the year ended December 31, 2018	For the year ended December 31, 2017
Cost of inventories sold	$ 3,715,677	$ 5,669,188
Gain on inventories (Note)	661	(683)
	$ 3,715,016	$ 5,668,505

Note: The Company has generated gain from the inventory due to de-stocking.

(VI) Other current assets

	December 31, 2018	December 31, 2017
Restricted bank deposits	$ 4,615	$ 23,808
Tax reserve	28,033	26,808
Others	22,079	2,398
	$ 54,727	$ 53,014

The details of the pledges of other current assets of the Group are set out in Note VIII.

(VII) Property, plant, and equipment

	Buildings and structures	Machinery equipment	Transportation equipments	Derivative instruments	Others	Total
January 1, 2018						
Cost	$ 125,056	$ 62,025	$ 11,356	$ 6,305	$ 54,280	$ 259,022
Accumulated depreciation	(35,810)	(37,989)	(4,732)	(5,757)	(26,103)	(110,391)
Accumulated impairment	(4,024)	(2,939)	-	(11)	(7,322)	(14,296)
	$ 85,222	$ 21,097	$ 6,624	$ 537	$ 20,855	$ 134,335
2018						
January 1	$ 85,222	$ 21,097	$ 6,624	$ 537	$ 20,855	$ 134,335
Additions	-	-	-	-	2,213	2,213
Disposal	-	(4)	-	-	(13)	(17)
Depreciation	(2,154)	(3,682)	(2,437)	(80)	(3,600)	(11,953)
Net exchange differences	(1,694)	(359)	(88)	(9)	(355)	(2,505)
December 31	$ 81,374	$ 17,052	$ 4,099	$ 448	$ 19,100	$ 122,073
December 31, 2018						
Cost	$ 122,509	$ 60,721	$ 11,124	$ 6,249	$ 55,288	$ 255,891
Accumulated depreciation	(36,846)	(40,286)	(7,025)	(5,791)	(31,134)	(121,082)
Accumulated impairment	(4,289)	(3,383)	-	(10)	(5,054)	(12,736)
	$ 81,374	$ 17,052	$ 4,099	$ 448	$ 19,100	$ 122,073

	Buildings and structures	Machinery equipment	Transportation equipments	Derivative instruments	Others	Total
January 1, 2017						
Cost	$ 126,481	$ 63,413	$ 11,485	$ 6,337	$ 52,116	$ 259,832
Accumulated depreciation	(33,679)	(34,691)	(2,256)	(5,700)	(22,661)	(98,987)
Accumulated impairment	(4,428)	(3,493)	-	(11)	(7,900)	(15,832)
	$ 88,374	$ 25,229	$ 9,229	$ 626	$ 21,555	$ 145,013
2017						
January 1	$ 88,374	$ 25,229	$ 9,229	$ 626	$ 21,555	$ 145,013
Additions	-	-	-	-	3,745	3,745
Disposal	-	(68)	-	-	(379)	(447)
Depreciation	(2,129)	(3,732)	(2,469)	(80)	(3,773)	(12,183)
Net exchange differences	(1,023)	(332)	(136)	(9)	(293)	(1,793)
December 31	$ 85,222	$ 21,097	$ 6,624	$ 537	$ 20,855	$ 134,335
December 31, 2017						
Cost	$ 125,056	$ 62,025	$ 11,356	$ 6,305	$ 54,280	$ 259,022
Accumulated depreciation	(35,810)	(37,989)	(4,732)	(5,757)	(26,103)	(110,391)
Accumulated impairment	(4,024)	(2,939)	-	(11)	(7,322)	(14,296)
	$ 85,222	$ 21,097	$ 6,624	$ 537	$ 20,855	$ 134,335

(VIII) Other noncurrent assets

	December 31, 2018	December 31, 2017
Long-term prepaid rental payments		
Land use rights	$ 9,606	$ 10,134
Refundable deposits	452	462
Prepaid long-term investments	44,720	- -
	$ 54,778	$ 10,596

1. The Group has leased land from the PRC government, with the use of land use right for a period of 50 years and is fully paid at the time of signing of the lease. It is recognized as a rental expense of $328 and $324 for 2018 and 2017, respectively.

2. Jinhong, a subsidiary in Mainland China, invested in Absolute Wise (Tianjin) Technology Co., Ltd. in December 2018 to acquire expected 51% of the equity interest. The total transaction amount was CNY86.36 million. The amount of investment paid was CNY10 million as of December 31, 2018. The change of incorporation of Absolute Wise (Tianjin) Technology Co., Ltd. was completed on March 1, 2019.

(IX) Pension

1. The Company has established a defined contribution retirement plan ("the New Plan") in accordance with the Labor Pension Act, which is applicable to employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

2. The Company's subsidiaries in Mainland China have a defined contribution plan. Monthly contributions to an independent fund administered by the government

in accordance with the pension regulations in the People's Republic of China are based on certain percentage of employees' monthly salaries and wages The pension funds of each employee are managed and arranged by the government, and the Group has no further obligations except the monthly contributions.

3. The pension costs recognized by the Group in accordance with the pension regulations in 2018 and 2017 were $1,904 and $1,631, respectively.

(X) Share capital

1. As of December 31, 2018, the Company's authorized capital was NT$2,500,000 (of which $100,000 was issued for issuance of the stock option, preferred stock or the corporate bond with the attached stock), with the paid-in capital of NT$1,014,988, and the number of outstanding shares was 101,499 thousand shares.

2. The changes in the number of treasury stock in 2018 are as follows:

	For the year ended December 31, 2018				
Reason for recovery	Name of company holding shares	Number of shares at the beginning of the period (in thousands of shares)	Increase during the period	Decrease during the period	Number of shares at the end of the period (in thousands of shares)
Maintenance of company credit and shareholders' equity	The Company	- -	7,750	(7,750)	- -

3. On May 3, 2018, the Board of Directors has approved to cancel 7,750 thousand repurchased treasury shares. The cancellation of repurchased treasury stock and registration of change have been completed on May 23, 2018.

(XI) Retained earnings

1. Under the Company's Articles of Incorporation, if there is a surplus in the annual final accounts, in addition to the income tax payable according to law, the Corporation shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the earnings left over. However, when the accumulated legal capital surplus has equaled the total paid-up-capital of the Company, the said restriction does not apply. After the Company has set aside or reversed the special capital reserve in accordance with relevant laws or the competent authority, along with the earnings not distributed at the beginning of the period, and after retaining part of the surplus depending on the situation, the Board of Directors may propose a surplus distribution proposal and submit it to the shareholders' meeting to distribute bonus to the shareholders.

2. The Company is in stable growth and expands in line with sales development in the future. The future capital expenditures and capital requirement are necessary to be considered first when the Company distribute the earnings. The Board of Directors proposes the distribution plan and distribute the earnings after being approved at the shareholders' meeting. In the annual distribution of shareholder dividends, cash dividend shall not be less than 5%, but if the cash dividend is less than NT$0.1 per share, it may not be issued, and the stock dividend will be

distributed instead.

3. The legal reserve shall not be used except for offsetting the loss of the Company and issuing new shares or cash in proportion to the original number of shares held by the shareholders. However, if it is issued to issue new shares or cash, the said legal reserve shall only exceed 25% at most of the paid-up capital.

4. (1) When the company distributes the surplus, it is required by law to provide a special surplus reserve for the debit balance of other equity items on the balance sheet date of the current year. After that, when the debit balance of other equity projects is reversed, the amount of revolving will be included in the surplus available for distribution.

   (2) When the Company adopted IFRSs at first time, for the special reserve listed in the Official Letter of the Financial Management Certificate No. 1010012865 issued on April 6, 2012, the Company reversed the original portion of the said special reserve, and when the Company subsequently uses, disposes of, or reclassifies related assets, they are reversed according to the ratio of the recognized special reserve.

5. The Company's shareholders' meeting resolved on May 3, 2018 to fully retain the undistributed earnings of 2017. The Company's shareholders' meeting resolved on June 15, 2017 to distribute $16,387 (i.e., NT$0.15 of dividend per share) of earnings as cash dividend for 2016.

6. Please refer to Note VI (XVI) for information on employees' and directors' remuneration.

(XII) Operating revenue

	For the year ended December 31, 2018	For the year ended December 31, 2017
Sales revenue:		
Computer peripherals	$ 4,208,671	$ 5,977,065
Others	32,721	15,609
Service income	10,368	51,917
Less: Sales returns and allowances	(168,728)	(271,752)
	$ 4,083,032	$ 5,772,839

(XIII) Other revenue

	For the year ended December 31, 2018	For the year ended December 31, 2017
Rental income	$ 12,283	$ 8,254
Interest income from bank deposits	7,252	1,531
Dividend income	4,340	- -
Other income	20	5,397
	$ 23,895	$ 15,182

(XIV) Other gain and loss

	For the year ended December 31, 2018	For the year ended December 31, 2017
Net foreign exchange gain (loss)	$ 30,104	($ 87,834)

Disposal of property, plant, and equipment		
Loss	(17)	(429)
Others	119	(8)
	$ 30,206	$ 88,271

(XV) Financial cost

	For the year ended December 31, 2018	For the year ended December 31, 2017
Interest expenses:		
Bank borrowings	$ 2,165	$ 1,567

(XVI) Employee benefits and depreciation

Function / Nature	For the year ended December 31, 2018			For the year ended December 31, 2017		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits costs						
Salary expenses	$ 10,021	$ 51,194	$ 61,215	$ 18,708	$ 34,886	$ 53,594
Labor and health insurance premiums	165	1,893	2,058	173	1,567	1,740
Pension costs	598	1,306	1,904	551	1,080	1,631
Directors' remuneration	-	9,816	9,816	-	282	282
Other personnel costs	775	2,937	3,712	162	3,569	3,731
Depreciation	7,756	4,197	11,953	7,506	4,677	12,183

1. According to the Company's Articles of Incorporation, after deducting the accumulated losses based on the profitability of the current year, if there are still some earnings left, the employee shall be granted no less than 0.1% as compensation, and the directors and supervisors shall not be paid more than 6% as remuneration.

2. The amount of employee bonus estimated for 2018 and 2017 is $3,723 and $0; the estimated amount of remuneration to directors and supervisors is NT$9,539 and NT$0, respectively, and the amount of compensation expenses stated above shall be listed as remuneration expense.

   It has been determined by the Board of Directors that due to the net loss before tax in the year of 2017, it is not necessary to assess and allocate any remuneration to the employees, directors, and supervisors.

3. Information regarding employee compensation and directors' and supervisors' remuneration approved by the Board of Directors is available on the Market Observation Post System (MOPS).

(XVII) Income tax

1. Income tax (expense) benefits

   Components of Income tax (expense) benefit:

	For the year ended	For the year ended

	December 31, 2018	December 31, 2017
Current income:	$ 52,775	($ 289)
Income tax incurred in the current period	- -	(4,113)
Surtax on unappropriated retained earnings	(4,113)	(52)
Overestimated/Underestimated income tax for the previous year	48,662	(4,454)
Total current income tax		
Deferred income tax:		
Origination and reversal of temporary differences	2,193	5,365
Effect of change in tax rate	(330)	- -
Income tax (expense) benefit	$ 50,525	$ 911

2. Income tax (expense) benefit and accounting profit

	For the year ended December 31, 2018	For the year ended December 31, 2017
Net loss (gain) before income tax calculated at statutory tax rate	$ 59,252	$ 9,772
Expenses that should be excluded from the tax law	5	(86)
Tax effect of temporary differences	2,895	(1,203)
Tax effect of loss deductible	(7,184)	(3,407)
Surtax on unappropriated retained earnings	- -	(4,113)
Overestimation of income tax of prior years	(4,113)	(52)
Effect of change in tax rate	(330)	- -
Income tax (expense) benefit	$ 50,525	$ 911

3. The amount of deferred tax assets or liabilities that arise from temporary differences and losses from the taxable financial assets are set out below:

	2018			
	January 1	Recognized in profit and loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets				
Allowance for inventory valuation and obsolescence loss	$ 117	($ 111)	$ -	$ 6
Unrealized exchange gain	1,752	(1,752)	-	-
	1,869	(1,863)	-	6
Deferred income tax liabilities				
Unrealized exchange gain	-	-	-	-
	$ 1,869	($ 1,863)	$ -	$ 6

	2017			
	January 1	Recognized in profit and loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred income tax assets				
Allowance for inventory valuation and obsolescence loss	$ 72	$ 45	$ -	$ 117
Unrealized exchange gain	-	1,752	-	1,752
	72	1,797	-	1,869
Deferred income tax liabilities				
Unrealized exchange gain	(3,568)	3,568	-	-
	($ 3,496)	$ 5,365	$ -	$ 1,869

4. The effective period of the tax losses that have not been used by the Group and the related amounts of the unrecognized deferred tax assets are as follows:

   (1) Companies established in Taiwan:

   There were no used tax losses on December 31, 2018. The valid period of the tax losses and that have not been used and the unrecognized deferred income tax assets on December 31, 2017 are as follows:

Year of occurrence	Reported/Approved amount	Amount not deductible	Unrecognized deferred income tax assets	Final deduction
2011 (Approved amount)	$ 58,040	$ 36,663	$ 36,663	2021
2016 (Reported amount)	12,200	12,200	12,200	2026
2017 (Estimated amount)	20,044	20,044	20,044	2027
	$ 90,284	$ 68,907	$ 68,907	

   (2) Companies established in China:

December 31, 2018

Year of occurrence	Reported amount	Amount not deductible	Unrecognized deferred income tax assets	Final deduction
2014	305	305	305	2018
2015	449	449	449	2019
2016	246	246	246	2020
2017	267	267	267	2021
	$ 1,267	$ 1,267	$ 1,267	

December 31, 2017

Year of occurrence	Reported amount	Amount not deductible	Unrecognized deferred income tax assets	Final deduction
2013	545	545	545	2017
2014	305	305	305	2018
2015	449	449	449	2019
2016	246	246	246	2020
	$ 1,545	$ 1,545	$ 1,545	

5. Deductible temporary differences of assets that have not been recognized as deferred tax assets:

	December 31, 2018	December 31, 2017
Deductible temporary differences	$ 433,399	$ 418,923

6. The taxing authorities have audited and ensured the profit-seeking enterprise income tax of the Company through 2016.

7. The amendment to the Income Tax Act was announced and came into force on February 7, 2018. The tax rate for the profit-seeking enterprise income tax increased from 17% to 20%, and the amendment is applicable from 2018. The Group has assessed the impact of income tax on the change of the said tax rate.

(XVIII) Earnings (loss) per share

	For the year ended December 31, 2018		
	After-tax amount	Weighted average number of shares outstanding (in thousands of shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit attributable to ordinary equity holders of the parent	$ 244,304	$ 102,096	$ 2.39
Diluted earnings per share			
Effect of dilutive potential ordinary shares			
Employee remuneration	- -	98	
Net income attributable to ordinary shareholders of the parent plus potential ordinary shares	$ 244,304	$ 102,194	$ 2.39

	For the year ended December 31, 2017		
	After-tax amount	Weighted average number of shares outstanding (in thousands of shares)	Earnings per share (NT$)
Basic deficit per share			
Net loss attributable to ordinary equity holders of the parent	($ 56,914)	$ 109,249	($ 0.52)

(XIX) Operating leases

The Group leases the office by operating lease; the lease term is between September 2014 and April 2023. The future aggregate minimum lease payments receivable are as follows:

	December 31, 2018	December 31, 2017
Not more than 1 year	$ 3,993	$ 4,494
More than 1 year but not more than 5 years	12,599	14,768
Over 5 years	- -	1,226
	$ 16,592	$ 20,488

(XX) Changes in liabilities from financing activities

Changes in the Group's liabilities from financing activities in 2018 are all changes in cash flow; please refer to the consolidated statement of cash flows for details.

VII. Related Party Transactions

(I) Parent company and the ultimate controller

The Company is controlled by Yicheng International Development Co., Ltd. (incorporated in the Republic of China), which owns 28.11% of the shares of the Company. The rest is held by the public. The ultimate controller of the Company is the Colorful Group.

(II) Name and relationship of related parties

Name of related party	Relationship with the Group
Colorful Technology Co., Ltd. (Colorful)	100% re-investment by The Colorful Group

(III) Material transactions with related parties

1. Operating revenue

	For the year ended December 31, 2018	For the year ended December 31, 2017
Sales of goods:		
Colorful	$ 2,069,738	$ 3,187,676

The Group's transaction prices to related parties are not significantly different from those of the unrelated parties. The payment terms are OA 45~125 days depending on the different transaction object.

2. Accounts receivable from related parties

	December 31, 2018	December 31, 2017
Accounts receivable:		
Colorful	$ 685,977	$ 760,762

Accounts receivable from related parties mainly arise from sales transactions. Payment for sales transactions is made in accordance with the payment terms after the date of sale. The receivables are unsecured and not interest-bearing.

3. Advertising fees

	For the year ended December 31, 2018	For the year ended December 31, 2017
Salaries and other short-term employee benefits	$ 14,739	$ 5,000

After the launch of the products jointly developed by the Group and Colorful, both sides have agreed to pay no more than US$60,000 per month as advertising expenses for the related parties. The amount of advertising fees incurred in 2018 and 2017 were $13,366 and $5,379, respectively; the amount not yet paid was NT$8,911 and $447, respectively, as shown in "Other Payables."

(IV) Key management compensation information

	For the year ended December 31, 2018	For the year ended December 31, 2017
Salaries and other short-term employee benefits	$ 14,739	$ 5,000

VIII. Pledged Assets

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

Name of assets	Carrying amount December 31, 2018	Carrying amount December 31, 2017	Guarantee use
Other current assets			
Bank deposits	$ 4,615	$ 23,808	Loan-to-deposit account and purchase performance bond

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) Contingencies

None.

(II) Commitments

1. As of December 31, 2018, the Company's guaranteed letter of credit for the purchase was NT$1,500 thousand.

2. The Company opened a promissory note for the purchase of goods as a guarantee for the purchase of loan claims. The Company had written promissory notes totaling $200,000 as of December 31, 2018.

3. For details of operating lease, please refer to Note VI (XVIII)

X. Significant Disaster Losses

None.

XI. Significant Events after the End of the Financial Reporting Period

The Group has completed the equity incorporation of the investment to Absolut Wise (Tianjin) Technology Co., Ltd, and the registration was completed on March 1, 2019. The Group has received 51% equity interest from Absolute Wise (Tianjin) Technology Co., Ltd., The amount of investment transaction was CNY86.36 million, and the investment amount paid amounted to CNY42 million as of 21 March 2019.

XII. Others

(I) Capital management

The Group's objectives in capital management are to safeguard the Group's ability to continue as a going concern in order to maintain optimal capital structure in order to minimize the cost of funding and to provide remuneration for its shareholders. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(II) Financial instruments

1. Category of financial instruments

For the information on the Group's financial assets (cash and cash equivalents, accounts receivable and other receivables) and financial liabilities (short-term loans, accounts payable and other payables), please refer to Note VI and the consolidated balance sheet.

2. Risk management policies

(1) The Group's daily operations are affected by a number of financial risks, including market risk (including exchange rate risk, interest rate risk, and price risk), credit risk, and liquidity risk.

(2) The risk management is carried out by the Group's finance department according to the policies approved by the Board of Directors. The finance department of the Group is responsible for identifying, evaluating, and avoiding financial risks in close co-operation with the Group's operating units. The Board of Directors has established written principles for overall risk management, and provides written policies for specific areas and matters such as exchange rate risk, interest rate risk, credit risk, and investment of the remaining current capital.

3. The nature and degrees of significant financial risks

(1) Market risk

Exchange rate risk

A. The Group is a multinational operation and is exposed to exchange rate risk arising from transactions with the Company and its subsidiaries, which is mainly denominated in USD and CNY. The related exchange rate risk arises from future commercial transactions and recognized assets and liabilities.

B. Business of the Group is involved in a number of non-functional currency (the functional currency of the Company is NTD; for certain subsidiaries, the functional currency is CNY) and deeply affected by the exchange rate fluctuation. The information of significant impact affected by exchange rate fluctuation for foreign assets and liabilities is as follow:

	December 31, 2018		
(Foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Book Amount (NT$)
Financial assets			
Monetary items			
USD: NTD	$ 45,932	30.715	$ 1,410,801
Non-monetary projects			
CNY: NTD	$ 77,415	4.472	$ 346,200
Financial liabilities			
Monetary items			
USD: NTD	$ 5,107	30.715	$ 156,862

(Foreign currency: functional currency)	December 31, 2017				
	Foreign currency (in thousands)		Exchange rate	Book Amount (NT$)	
Financial assets					
Monetary items					
USD: NTD	$	49,197	29.760	$	1,464,103
USD: CNY		157	6.519		1,023
Non-monetary projects					
CNY: NTD	$	79,841	4.565	$	364,473
Financial liabilities					
Monetary items					
USD: NTD	$	7,064	29.760	$	210,225

C. The Group's material monetary projects affected by the exchange rate fluctuation have been recognized as net exchange (loss) gain and aggregated in the consolidated financial statements for the years ended December 31, 2018 and 2017 (including realized and unrealized). The aggregated amount is $30,104 and ($87,834), respectively.

D. The Group's foreign currency market risk analysis due to significant exchange rate fluctuations is as follows:

(Foreign currency: functional currency)	For the year ended December 31, 2018				
	Sensitivity analysis				
	Range of change	Impact Profit and Loss		Other comprehensive income	
Financial assets					
Monetary items					
USD: NTD	1%	$	14,108	$	-
Non-monetary projects					
CNY: NTD	1%	$	3,462	$	-
Financial liabilities					
Monetary items					
USD: NTD	1%	$	1,569	$	-

(Foreign currency: functional currency)	For the year ended December 31, 2017				
	Sensitivity analysis				
	Range of change	Impact Profit and Loss		Other comprehensive income	
Financial assets					
Monetary items					
USD: NTD	1%	$	14,641	$	-
USD: CNY	1%		10		-
Financial liabilities					
Monetary items					
USD: NTD	1%	$	2,102	$	-

Price risk

A. The Group's equity instruments exposed to price risk are those financial assets held at fair value through profit or loss and financial assets at fair value through other comprehensive income. To manage the price risk of investments in equity instruments, the Group diversifies its portfolio with its diversification method based on limits set by the Group.

B. The Group's equity instruments issued by the Company are mainly invested in equity instruments issued by the domestic companies, which are affected by the uncertainty of the future value of the investment underlying the investment target. If the prices of these equity instruments increased or decreased by 1%, while all other factors remained unchanged, the net profit after tax for the year ended December 31, 2018 would have increased or decreased by $18 measured at fair value through profit and loss. The gain or loss of the other comprehensive income which was classified to the equity investment at fair value through other comprehensive income would have increased or decreased by $1,090.

Cash flow and fair value interest rate risk

A. The Group's interest rate risk arises primarily from short-term borrowings issued at variable rates, which expose the Group to cash flow interest rate risk. For the years ended December 31, 2018 and 2017, the Group's borrowings issued at variable rates were mainly denominated in USD.

B. The Group's borrowings are measured at amortized cost and are re-priced at the contract annual rate every year. Therefore, the Group is exposed to the risk of changes in future market interest rates.

(2) Credit risk

A. The Group's credit risk is primarily attributable to the risk of financial loss from customers or the counterparty of financial instruments who are unable to fulfill the contract obligation. That credit risk is mainly from the fact that the counterparty is unable to pay off the accounts receivable payable on the terms of the payment.

B. The Group has established credit risk management in the Group's corporate policy. For banks and financial institutions, only those with good credit rating can be accepted as our transaction counterparties. In accordance with our clear internal credit policy, the Group's operating entities and each new customer shall be subject to the management and credit risk analysis before making payment and delivery of the agreed payment and delivery. Internal risk control is evaluated by considering its financial position, historical experience and other factors to assess the credit quality of customers. Limits on individual risks are formulated by the Board of Directors based on internal or external ratings and regularly monitored by the Board of Directors.

C. The Group adopts IFRS 9 to make the following assumptions as to whether the credit risk on financial instruments since initial recognition has increased by the following:

(A) When the contract amount is overdue for more than 30 days in accordance with the agreed payment terms, the credit risk has been significantly increased since the original recognition of the financial assets.

(B) There are actual or expected significant changes in external credit ratings of financial instruments.

D. The Group adopts IFRS 9 to make assumptions that if the contract amount is overdue for more than 90 days in accordance with the agreed payment terms, it is regarded that a default has taken place.

E. The Group will group the customer's accounts receivable based on the characteristics of the customer's rating and customer type, and use the simplified method to estimate the expected credit loss based on the preparation matrix.

F. The Group includes the forward-looking consideration to adjust the loss rate established by historical and current information for a specific period so as to estimate the allowance loss for accounts receivable by the said loss rate. The provision matrix on December 31, 2018 is as follows:

December 31, 2018	Not overdue	Total
Expected loss rate	0.03%	
Total carrying amount	$ 923,758	$ 923,758
Allowance loss	$ 323	$ 323

G. The statement of allowance loss for accounts receivable of the Group using simplified approach is as follows:

	For the year ended December 31, 2018
	Accounts receivable
January 1_IAS 39	$ -
Adjustments for new standards	323
January 1_IFRS 9	$ 323
Provision for impairment loss	-
December 31	$ 323

H. For the credit risk information as of December 31, 2017, please refer to Note XII (III).

(3) Liquidity risk

A. Cash flow prediction is performed by individual operating entities within the Group and are aggregated by the Group finance department. The Group's finance department monitors the Group's liquidity requirements predict to ensure that it has sufficient funds to support its operational needs and maintains sufficient unencumbered borrowing commitments at all times so that the Group does not violate the relevant borrowing limits or terms.

B. The surplus cash held by each operating entity will be transferred back to the Group finance department when it exceeds the management needs of the working capital. The Group finance department invests the surplus funds in interest-bearing demand deposits and fixed deposits, and the selected instruments have appropriate maturity dates or sufficient liquidity to meet the above forecasts and provide sufficient water and effluents.

C. The Group's non-derivative financial liabilities are due within the next year except for guarantee deposit received (listed in other non-current liabilities).

(III) Fair value information

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

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

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

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active markets is of Level 3.

2. For financial instruments not measured at fair value, including cash and cash equivalents, accounts receivable (including related parties), other receivables, short-term loans, accounts and other payables, their carrying amounts are a reasonable approximation of their fair value.

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

(1) The Group classifies its assets and liabilities according to their nature; the information is as follows:

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss				
Equity securities	$ 1,755	$ -	$ -	$ 1,755
Financial assets at fair value through other comprehensive income				
Equity securities	93,635	-	15,350	108,985
Total	$ 95,390	$ -	$ 15,350	$ 110,740

(2) Methods and assumptions the Group used to measure the fair value are as follows:

A. The instruments that the Group uses market-quoted prices as their fair values (i.e. Level 1) are listed below by characteristics:

	Stocks of listed companies
Market price	Closing price

B. In addition to the aforementioned financial instruments with active markets, the fair value of the remaining financial instruments is obtained by means of evaluation techniques or reference to counterparty quotes. The fair value obtained through evaluation techniques can refer to the current fair value of other substantial financial instruments with similar conditions and characteristics, discounted cash flow method or other evaluation techniques, including calculations based on the market information utilization model available on the date of the consolidated balance sheet (e.g., the reference yield curve offered by Taipei Exchange or the average offer price of Reuters commercial paper interest rate).

C. Outputs from valuation models are estimates and valuation techniques may not be able to reflect all the relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value of the evaluation model will be adjusted according to additional parameters, such as model risk or liquidity risk. According to the Group's fair value evaluation model management policy and related control procedures, the management believes that the adjustment is appropriate and necessary to recognize the fair value of financial instruments and non-financial instruments in the consolidated balance sheet. The price information and parameter used in the valuation process are carefully evaluated and adjusted appropriately based on current market conditions.

D. The Group absorbs the adjustment of credit risk assessment into the fair value measurement of financial and non-financial instruments to reflect the credit risk of counterparties and the credit quality of the Group.

4. There was no transfer between Level 1 and Level 2 in 2018 and 2017.

5. The following table presents changes in Level 3 in 2018:

	For the year ended December 31, 2018	
	Equity instruments	
January 1	$	-
Purchase during the period		15,350
December 31	$	15,350

There were no changes in Level 3 in 2017.

6. There were no transfers into and out of Level 3 in 2018 and 2017.

7. The finance department of the Group is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable, and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model,

performing back-testing, updating inputs used to the valuation model, and making any other necessary adjustments to the fair value.

8. Quantitative information and sensitivity analysis of significant unobservable inputs to the valuation models used in the valuation models for Level 3 fair value measurement and the sensitivity analysis of changes in significant unobservable inputs are as follows:

	Fair value as of December 31, 2018	Valuation techniques	Significant unobservable inputs	Relationship of inputs and fair value
Non-derivative equity instruments:				
Shares of unlisted companies	$ 15,350	Discounted cash flow method	Long-term revenue growth rate, weighted average cost of funds, net operating profit before tax, lack of marketability discount	The higher the long-term revenue growth rate and long-term operating net profit before tax, the higher the fair value; the higher the lack of marketability discount, the lower the fair value

9. The Group carefully evaluates the valuation models and inputs used in selecting the valuation models and inputs that the valuation models may result in different valuation models. For financial assets classified as Level 3, if there are changes in evaluation parameters, the impact on other comprehensive gains and losses is as follows:

			December 31, 2018	
			Recognized in other comprehensive income	
	Input value	Change	Favorable changes	Unfavorable changes
Financial assets				
Equity instruments	Long-term revenue growth rate, weighted average cost of funds, net operating profit before tax, lack of marketability discount	±1%	$ 154	$ 154

(IV) Impact on initial application of IFRS 9 and information on the application of IAS 39 for the year ended December 31, 2017

1. The significant accounting policies adopted as of December 31, 2017 are described below:

(1) Loans and receivables

Accounts receivable are the original loans and receivables that are due from customers in the normal course of business for the sale of commodities or services. At initial recognition, they are measured at fair value, and subsequently measured at amortized cost using the effective interest method, less any impairment. However, short-term accounts receivable that are not paid for interest shall be measured by the amount of the original invoice amount.

(2) Impairment of financial assets

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

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

(A) Significant financial difficulty of the issuer or debtor;

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

(C) The Group gives the debtor a concession that cannot be considered reliably due to the economic or legal reasons relating to the financial difficulty of the debtor;

(D) The probability that the debtor will enter bankruptcy or other financial reorganization;

(E) The disappearance of an active market for that financial asset because of financial difficulties;

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

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

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

2. The reconciliation of allowance loss that has been transferred from the loss pattern based on IAS 39 on December 31, 2017 to the expected credit loss model based on IFRS 9 on January 1, 2018 are as follows:

The amount of the allowance loss for accounts receivables assessed in accordance with IAS 39 is $0. The amount of the allowance loss for accounts receivables assessed in accordance with IFRS 9 is $323. The difference between the allowance losses is to adjust the retained surplus as of January 1, 2018.

3. The risk information adopted as of December 31, 2017 is described as follows:

(1) Credit risk is the risk of financial loss to the Group due to failure to meet its contractual obligations by customers or counterparties of financial instruments. Each individual operating entities within the Group is required to conduct management and credit risk analysis for each of its new customers before the terms and conditions of the payment and delivery are set out in accordance with the internal credit policy. Internal risk control is evaluated by considering its financial position, historical experience and other factors to assess the credit quality of customers. Limits on individual risks are formulated by the Board of Directors based on internal or external ratings and regularly monitored by the Board of Directors. The principal credit risk arises from cash and cash equivalents and accounts receivable.

(2) In the year ended December 31, 2017, there was no excess of the credit limit, and the management did not expect any significant losses due to the non-compliance of the counterparty.

(3) The Group's accounts receivable that are neither past due nor impaired are fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business, and profitability.

(4) The aging analysis of financial assets that are past due but not impaired is as follows:

	December 31, 2017
Within 30 days	$ 1,594

(5) Analysis in the changes of the Group's provision for impairment of accounts receivable are as follows:

a. As of December 31, 2017, the Group's impairment for accounts receivable was $0.

b. Changes in allowance for bad debts are as follows:

	2017		
	Impairment loss on individual assessment	Impairment loss on group assessment	Total
Beginning balance (i.e., end balance)	$ -	$ -	$ -

XIII. Supplementary Disclosures

(I) Information on significant transactions

1. Capital loans to others: None.

2. Endorsements/guarantees made for others: None.

3. Marketable securities held at the end of the period (excluding investment in subsidiaries): Please refer to Table 1.

4. Accumulated purchase or disposal of the same securities amount reaching NT$300 million or 20% of the paid-in capital: None.

5. Acquisition of real estate reaches NT$300 million or 20% of the paid-in capital: None.

6. Disposal of real estate reaches NT$300 million or 20% of the paid-in capital: None.

7. For purchases and sales with related parties, the amount of sales and purchase transactions with the related party reaches NT$100 million or 20% of the paid-in capital: Please refer to Table 2.

8. Accounts receivable from related parties reaches NT$100 million or 20% of the paid-in capital: Please refer to Table 3.

9. Derivative transactions: None.

10. Business relations and significant transactions between the parent company and its subsidiaries and significant transactions and amount: Please refer to Table 4.

(II) Information on investees

Name of investee companies and location of the location (excluding investee companies in Mainland China): Please refer to Table 5.

(III) Investment information in Mainland China

1. Basic information: Please refer to Table 6.

2. Significant transactions that occur directly or indirectly through a third-region business and an investment company that invests in Mainland China: Please refer to Table 7.

XIV. Segment Information

(I) General information

The Group only operates a single industry and the Group is in a position to assess the performance and allocate resources of the Group as a single reporting entity.

(II) Information on product and service

The breakdown of the revenue balance is as follows:

	For the year ended December 31, 2018		For the year ended December 31, 2017	
Sales revenue:				
Computer peripherals	$	4,039,943	$	5,705,313
Others		32,721		15,609
Service income		10,368		51,917
	$	4,083,032	$	5,772,839

(III) Geographical information

	For the year ended December 31, 2018				For the year ended December 31, 2017			
	Revenue		Non-current assets		Revenue		Non-current assets	
Taiwan	$	-	$	-	$	-	$	25
China		4,083,032		176,399		5,772,839		144,444
	$	4,083,032	$	176,399	$	5,772,839	$	144,469

(IV) Key accounts information

	For the year ended December 31, 2018		For the year ended December 31, 2017	
10C001	$	2,069,738	$	3,187,676
16L002		363,858		364,942
16S010		306,810		262,384
16S001		215,199		626,860
16N001		213,136		657,441
	$	3,168,741	$	5,099,303

Chaintech Technology Corp.

Marketable Securities Held at End of Period (excluding subsidiaries, associates, and joint ventures)

FOR YEAR ENDED DECEMBER 31, 2018

Table 1

Unit: NT$ thousand

(Unless specified otherwise)

Company holding shares	Type and name of securities	Relationship with the issuer of the securities	Accounting item	End of the period				Remarks
				Number of shares	Carrying amount	Shareholding ratio	Fair value	
Chaintech Technology Corp.	Stocks of Accton Technology Corporation	-	Financial asset at fair value through profit and loss - current	60,000	$ 1,755	0.04%	$ 1,755	
Chaintech Technology Corp.	Stocks of APAQ Technology Co., Ltd.	-	Financial asset at fair value through other comprehensive income - non-current	3,050,000	93,635	3.53%	93,635	
Chaintech Technology Corp.	Stock of CloudMile Co., Ltd. (Cayman Islands)	-	Financial asset at fair value through other comprehensive income - non-current	510,204	15,350	3.93%	15,350	

Chaintech Technology Corp.

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

FOR YEAR ENDED DECEMBER 31, 2018

Table 2

Unit: NT$ thousand

(Unless specified otherwise)

			Transaction				Unusual trade conditions and its reasons		Notes/Accounts payable or receivable		
Company of purchases/sales	Name of transaction counterparty	Relations	Purchases/Sales	Amount	% to total purchases/sales	Credit period	Unit price	Credit period	Balance	% to total notes/accounts payable or receivable	Remarks
Chaintech Technology Corp.	Colorful Technology Co., Ltd.	100% reinvestment business by Colorful Group	Sales	$ 2,069,738	55%	OA45 ~ 125 days	Not applicable	Not applicable	$ 685,977	75%	-

Chaintech Technology Corp.

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

FOR YEAR ENDED DECEMBER 31, 2018

Table 3

Unit: NT$ thousand

(Unless specified otherwise)

					Overdue accounts receivable from related party		Accounts receivable from related party	
Company with accounts receivable	Name of transaction counterparty	Relations	Balance of accounts receivable from related party	Turnover rate	Amount	Handling method	Amount recoverable after period	Amount of Allowance for Doubtful Accounts
Chaintech Technology Corp.	Colorful Technology Co., Ltd.	100% reinvestment business by Colorful Group	Accounts receivable $ 685,977	2.86	$ -	-	$ 183,226	($ 206)

Chaintech Technology Corp.

Significant inter-company relationship and transactions between the parent company and subsidiaries and between subsidiaries during the reporting period

FOR YEAR ENDED DECEMBER 31, 2018

Table 4

Unit: NT$ thousand

(Unless specified otherwise)

				Transaction status			
No. (Note 1)	Company name	Counterparty	Relationship with counterparty (Note 2)	Account	Amount	Transaction terms	Percentage accounted for in consolidated revenue or total assets ratio (Note 3)
0	Chaintech Technology Corp.	Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	Parent company to a subsidiary	Operating expenses	$ 6,690	Agreed by both parties	-
0	Chaintech Technology Corp.	Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	Parent company to a subsidiary	Other payables	1,712	-	-

Note 3: Information of business contacts between the parent company and subsidiaries shall be specified in No. column. Please fill in the No. column following the instruction:

(3) The parent company is coded "0".

(4) The subsidiaries are coded starting from 1 in sequence.

Note 4: Regarding the percentage of transaction amount to consolidated net revenue or total assets, it is calculated based on the ending balance to consolidated total assets for balance sheet items; it is calculated based on interim accumulated amount to consolidated net revenue for profit or loss items.

Chaintech Technology Corp.

Information on investee companies (not including investee companies in Mainland China)

FOR YEAR ENDED DECEMBER 31, 2018

Table 5

Unit: NT$ thousand

(Unless specified otherwise)

				Initial amount of investment		Possession by the end of the period					
Investor company	Investee company	Location	Main businesses and products	December 31, 2018	December 31, 2017	Number of shares	Ratio	Carrying amount	Investee company current profit or loss	Investment gain or loss recognized in the current period (Note)	Remarks
Chaintech Technology Corp.	Bahamas Federal Shanghai Co., Ltd.	Bahamas	Investments	$ 343,327	$ 343,327	10,428,985	100	$ 124,503	($ 12,340)	($ 12,340)	Subsidiary
Chaintech Technology Corp.	Wise Providence Ltd.	British Virgin Islands	Investments	5,783	5,783	1,500,000	100	5,854	291	291	Subsidiary

Note: The Company is only required to list the amount of profit and loss of each of the subsidiaries and each investee accounted for using the equity method. The rest of the information can be exempted.

Chaintech Technology Corp.

Information on investee companies (not including investee companies in Mainland China)

FOR YEAR ENDED DECEMBER 31, 2018

Table 6

Unit: NT$ thousand

(Unless specified otherwise)

Name of investee in Mainland China	Main businesses and products	Actual paid-in capital	Method of investment	Accumulated investment amount remitted from Taiwan at the beginning of the period	Accumulated outflow or recovery: Outflow	Accumulated outflow or recovery: Recover	Accumulated investment amount of remittance from Taiwan to Mainland China at the end of the period	Investee company current profit or loss	Percentage of ownership (direct or indirect)	Investment gain or loss recognized in the current period (Note)	Carrying amount of investments in Mainland China at the end of the period	Accumulated inward remittance of income from investment as of the end of the period	Remarks
Dongguan Chang'an Kede Electronic Co., Ltd.	Production and manufacturing of motherboards, graphics cards, and computer peripherals	$ 589,053	Investing in a third region to set up a company to reinvest in companies in Mainland China (through the investment of Bahamas Federal Shanghai Co., Ltd.)	$ 343,327	$ -	$ -	$ 343,327	($ 12,228)	100	($ 12,228)	$ 124,460	$ -	-
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	Technology research and development and trading of electronic products, computer hardware, and peripheral devices	212,842	Direct investment	239,456	-	-	239,456	988	100	988	215,843	-	-

Note: The valuation is recognized on the financial statements audited and certified by the CPAs of the parent company in Taiwan.

Company name	Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period		Investment amount approved by Ministry of Economic Affairs Investment Commission		Ceiling on investment in Mainland China regulated by Ministry of Economic Affairs Investment Commission	
Chaintech Technology Corp.	$	582,783	$	936,333	$	1,040,474

Note: The Group invested US$5 million in the subsidiary, Shenzhen City Jinghong Digital Research & Development Service Co., Ltd., which was approved by the Ministry of Economic Affairs Investment Commission on November 26, 2015. The Group has remitted US$3 million (equivalent to $96,780 in NTD); the remaining US$2 million was remitted on January 3, 2019.

Note: The Group increased the investment to US$6.4 million as the capital to the subsidiary of Shenzhen City Jinghong Digital Research & Development Service Co., Ltd., which was approved by the Investment Commission of the Ministry of Economic Affairs Investment Commission on January 31, 2019. The investment amount has not been remitted as of March 21, 2019.

Chaintech Technology Corp.

Information on investments in Mainland China - significant transactions with investee companies in Mainland China, either directly or indirectly through a third area

FOR YEAR ENDED DECEMBER 31, 2018

Table 7

Unit: NT$ thousand
(Unless specified otherwise)

	Sales (Purchase)		Property transactions		Accounts receivable (payable)		Endorsement or guarantee provided or provided for the guarantee		Financing				
Name of investee in Mainland China	Amount	%	Amount	%	Balance	%	Balance at the end of the period	Purpose	Highest balance within the period	Balance at the end of the period	Interest range	Interest in the current period	Others
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	$ -	-	$ -	-	($ 1,712)	-	$ -	-	$ -	$ -	-	$ -	Operating expenses $ 6,690