Stock Code: 2425

CHAINTECH Technology Corporation
2019 Annual Report

Date of publication: May 10, 2020
Annual Report Website: http://mops.twse.com.tw
Company Website: http://www.chaintech.com.tw

I. Company Spokesperson, Acting Spokesperson
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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
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II. Company Address: 3F, No. 48-3, Minchuan Rd., Xindian Dist., New Taipei City
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III. Stock Transfer Institution
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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. 2019 Business Results

The Company's consolidated operating revenue for 2019 was NT$4,738,182,000, an increase of 16.98% from the consolidated operating revenue of NT$4,050,310,000 in 2018. Net profit after tax was NT$106,942,000, net income attributable to owners of parent Company was NT$106,942,000, and net profit after tax was NT$1.06 per share.

The Company's business results for 2019 and business plan for 2020 are summarized below:

(I) Implementation results of business plans: Unit

Unit: NT$1,000, %

Items	2019	2018	Increases (decreases)	Increase (Decrease) %
Operating revenue	4,738,182	4,050,310	687,872	16.98
Gross profit	332,636	372,418	(39,782)	(10.68)
Operating Margin	132,133	267,295	(135,162)	(50.57)
Net Profit (Loss) After Tax	128,679	244,304	(115,625)	(47.33)
Net income attributed to the shareholders of the company	106,942	244,304	(137,362)	(56.23)
Non-controlling interest Net income	21,737	-	21,737	-
Earnings per share (NT$)	1.06	2.39	(1.33)	(55.65)

(II) Financial income and expenditure and profitability analysis:

Items	Year	2019	2018
Financial structure %	Liability-to-asset ratio	27.77	13.92
	Ratio of long-term capital in property, plant and equipment	2774.45	1420.56
Solvency (%)	Current ratio	302.73	619.59
	Quick ratio	241.47	584.66
	Interest coverage ratio	26.82	137.18
Profitability %	Return on Assets %	6.07	12.29
	Return on Shareholders' Equity %	7.45	14.13
	Net Profit Ratio	2.72	5.98
	Earnings Per Share (NT$)	1.06	2.39

II. Summary of the 2020 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 server cluster management, container management, and maintenance management system based on Docker, Kubernetes, and Hadoop, and focus on the AI module to develop multiple integrated developing tools, to establish high-efficiency information processing solutions.

(II) Estimated sales volume and supporting information

In the first quarter of 2020, due to the impact of COVID-19, our production line, supply chain, and sales channels were on suspension in February, the revenue and results for the first quarter were substantially affected even though the production line, supply chain, and sales channels have consecutively resumed working in March. It is estimated that the overall market will gradually recover in the second quarter, and it is probable that the sales standard and economic scale will restore as the past in the third quarter.

(III) Important Production and Marketing Policies

Maintain relationships with various suppliers to secure the raw materials and ensure the manufacturing capacity. 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, continue increasing the investment in the blockchain industry, passive components industry, the AI industry, and 5G industry, and expand the manpower for senior software R&D, with a view to improving product items and quality of technology 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 a 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 from 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 a subsidiary in Germany and established a 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 Changan Kede processing plant.
- 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 as the Chairman of the Company and Ms. Zhang, Bi-Lan appointed as 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 the 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 7.9月7日
- 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 a strategic alliance cooperation agreement with Shenzhen Colorful Group Limited in March, establishing strategic partnership incorporating production, sales, and research, for joint marketing of mainboard, 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.

2016
- The status of Zhongjie Properties as a major shareholder was revoked on October 2.

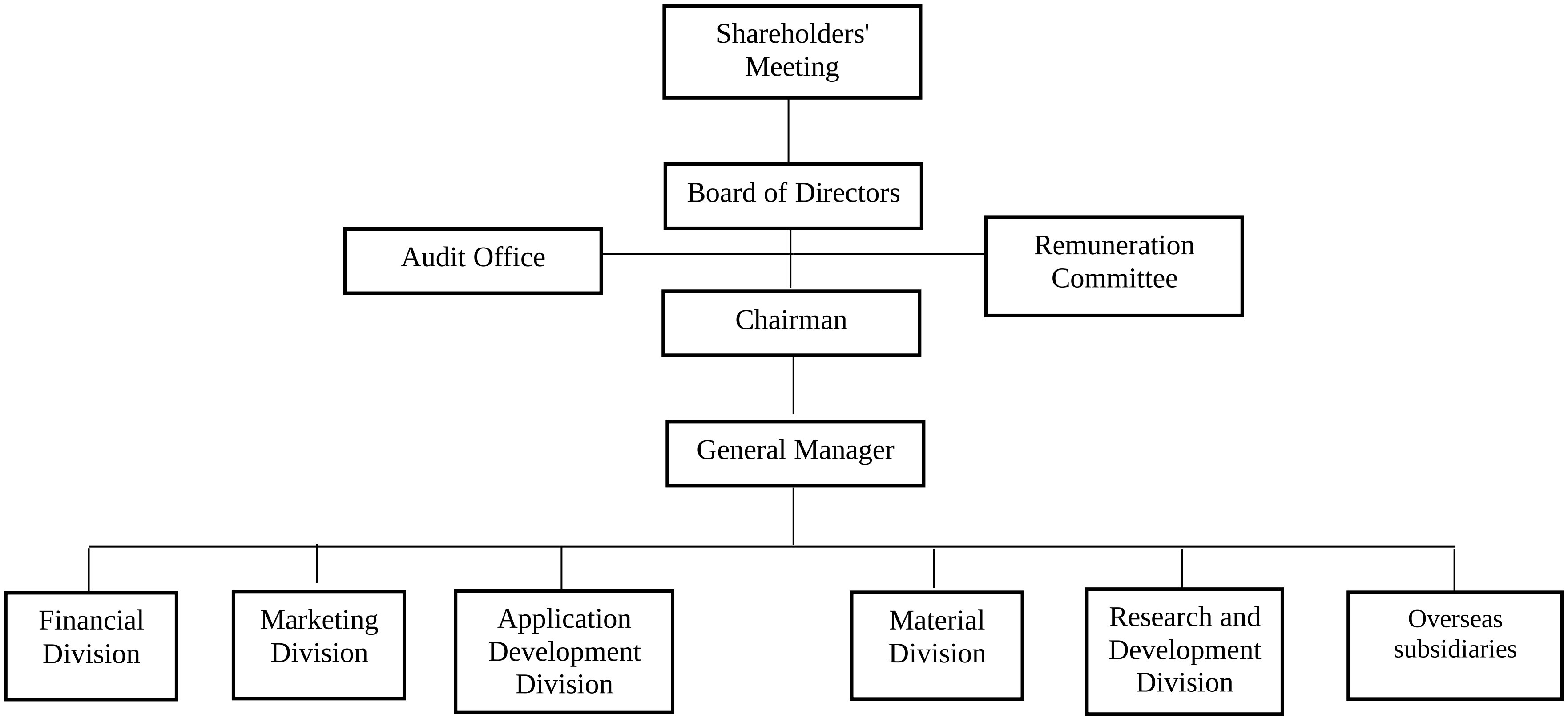
2018
- After the re-election of directors and supervisors, two independent directors were elected in addition to implementing corporate governance.
- Capital reduction of NT$77,500,000 on May 3, the base date for the capital reduction of treasury stock, with paid-in capital reaching NT$1,014,988,310.
- Established the 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.
- Closed the Wise Providence Limited overseas company in April.
- Sold Bahamas Federal Shanghai Co., Ltd. and Dongguan Kede plant in August.

2020
- Invested in uSenlight Corporation in March for the 5G product layout.

I. Organization

(I) Organizational Structure



(II) Businesses of Major Departments

Department	Responsible Business
Audit 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 a 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 and marketing activities 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.
Application Development Division	1. Responsible for the AI server cluster management and module development, and the development for plug-in tools software/hardware solution and business promotion. 2. R&D for leading-edge industry application.
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 product 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 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 20, 2020

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		Education and Work 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:			Remarks
							Number of shares	Shareholding ratio	Number of shares	Percentage of shares ratio Ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relations	
Chairman	The Republic of China	Yiland International Ltd. Representative: Kao, Shu-Jung	Male	2019.6.14	3	2012.1.18 2013.6.21	28,532,080 -	28.11 -	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	-	-	-	Note 1
Director	The Republic of China	Yiland International Ltd. Representative: Lu, Li-Cheng	Male	2019.6.14	3	2012.1.18 2012.1.18	28,532,080 -	28.11 -	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	Chun Electronics Co., Ltd., Independent Director of Walton Advanced Engineering, Inc., and the supervisor and legal representative of Fullerton.	-	-	-	
Director	The Republic of China	Yiland International Ltd. Representative: Wang, Mu-Tien	Male	2019.6.14	3	2012.1.18 2013.6.21	28,532,080 -	28.11 -	28,532,080 -	28.11 -	- -	- -	- -	- -	College of Law in Taiwan University, 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.	CEO of Shanghai Himalaya Financial Information Service Co., Ltd.	-	-	-	
Independent Director	The Republic of China	Chen, Kuo-Chin	Male	2019.6.14	3	2016.6.14	-	-	-	-	-	-	-	-	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	2019.6.14	3	2016.6.14	-	-	-	-	-	-	-	-	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	2019.6.14	3	2012.1.18	30,000	0.03	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 China	Hsu, Sheng-Chin	Male	2019.6.14	3	2014.2.21	1,151,048	1.13	1,151,048	1.13	-	-	-	-	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	Chairman of Win-Way Advance Technology Ltd.	-	-	-	

2. Major Shareholders of the Corporate Shareholders

April 20, 2020

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: Fill in the names of major shareholders with top-10 ownership of the institutional shareholders and their individual holding percentage. 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 20, 2020

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: Fill in the names of major shareholders with top-10 ownership of the institutional shareholders and their individual holding percentage.

4. Information on Independence of Directors and Supervisors
December 31, 2019

Conditions / Name	together with at least five years of work experience Meets one of the following professional qualification requirements,			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	11	12	
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:
Note 2: Directors or Supervisors, during the two years before being elected and during the term of office, meet any of the following situations, please tick [ ] the appropriate corresponding boxes.

(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 as the managerial officers in paragraph (1) or any person listed in paragraphs (2) and (3).
(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, or that are assigned by the corporate shareholders to be the director or supervisor of the Company according to paragraph 1 or 2 of Article 17 under the Company Act (however, for independent directors of the Company and its parent company, subsidiary, or subsidiary of the same parent company set according to the law or the laws and regulations of the local country shall be excluded).
(6) Not a director, supervisor, or employee of another company where more than 50% of the company's number of director's seats or shares with voting rights is controlled by one person (however, for independent directors of the Company and its parent company, subsidiary, or subsidiary of the same parent company set according to the law or the laws and regulations of the local country shall be excluded).
(7) Not a director (a member of the governing board), supervisor (a member of the supervising board), or employee of another company or institution who is or is a spouse of the corporate's Chairman, general manager, or personnel holding an equivalent position (however, for independent directors of the Company and its parent company, subsidiary, or subsidiary of the same parent company set according to the law or the laws and regulations of the local country shall be excluded).
(8) 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 (however, for independent directors of the Company and its parent company, subsidiary, or subsidiary of the same parent company set according to the law or the laws and regulations of the local country that is a special company or institution that is holding more than 20% but less than 50% of the total issued shares of the Company shall be excluded).
(9) Is not a professional, sole proprietor, partner, owner of company or institution that offers accounting or business administration, legal, or financing, services or consulting services for the Company or its affiliated companies with compensation received during the past two years less than NT$500,000, 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. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.
(10) Not a spouse or a relative within the second degree of kinship with any director.
(11) No condition defined in Article 30 of the Company Law has appeared.
(12) 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 20, 2020 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			Remarks End of this section
					Number of shares	Shareholding ratio Ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Acting General Manager	The Republic of China	Kao, Shu-Jung	Male	2013.7.31	-	-	-	-	-	-	Department of Electronic Engineering, National Chin-Yi University of Technology General Manager of AIEN 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	None	-	-	-	(Note 1)
Assistant Manager of Marketing and Planning Department	The Republic of China	Chou, Tzu-An	Male	2016.5.1	-	-	-	-	-	-	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 Manager	The Republic of China	Lai, Yu-Nu	Female	2005.9.7	-	-	-	-	-	-	Department of Business Administration, GLYJ Accountant of Haiji Shipping Forwarding Inc.	None	-	-	-	-

Note 1: Where the Chairman and the general manager is the same person, explain the reason, rationality, necessity, and responding measures: (1) The Chairman is also the general manager of the Company, which allows the Board of Directors to grasp the operating status of the Company and delayer the management capacity to improve the efficiency and decision-making capacity. (2) To improve the independence of the Board of Directors, the Company actively trains proper candidates and estimates to increase the number of seats for Independent Directors upon the next re-election for realizing corporate governance. (3) Among the members of the Board of Directors, less than half of the Directors are also an employee or managerial personnel.

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

1. Remuneration of general Directors and Independent Directors (disclose the name and remuneration individually) 2019 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 or parent company
		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																					
Director	Yiland International Ltd. Representative: Lu, Li-Cheng	-	-	-	-	1,482	1,482	108	108	1.49	1.49	3,180	3,180	-	-	575	-	575	-	3.51	3.51	950
Director	Representative of Yiland International Ltd.: Wang, Mu-Tien																					
Independent Director	Tang, Han-Yu	-	-	-	-	400	400	82	82	0.45	0.45	-	-	-	-	-	-	-	-	0.45	0.45	-
Independent Director	Chen, Kuo-Chin																					

1. Please describe the remuneration payment policy, system, standard, and structure of Independent Directors, and describe the connectivity with the amount of the remuneration paid according to factors such as duties, risks assumed, and time invested: For the remuneration of Independent Directors, except for referring to Directors' performance evaluation results, the Company also refer to Article 16-1 of the Company's Articles of Association, where the Board of Directors are authorized to determine the remuneration of Directors and Supervisors according to the level of participation with the Company's operations and the value of their contribution, with reference to the standard within the industry.
2. 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 Director			
	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$ 1,000,000	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$1,000,000 (inclusive) to NT$2,000,000				
NT$2,000,000 (inclusive) to NT$3,500,000				
NT$3,500,000 (inclusive) to NT$5,000,000	Kao, Shu-Jung	Same as left	Kao, Shu-Jung	Same as left
NT$ 5,000,000 (inclusive) to NT$10,000,000				
NT$ 10,000,000 (inclusive) to NT$15,000,000				
NT$ 15,000,000 (inclusive) to NT$30,000,000				
NT$ 30,000,000 (inclusive) to NT$50,000,000				
NT$ 50,000,000 (inclusive) to NT$100,000,000				
Over NT$100,000,000				
Total	5	5	5	5

2. Supervisors' remuneration (disclose the name and remuneration individually)

2019 Unit: NT$ 1,000/share

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 or parent company
		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	-	-	350	350	72	72	0.39	0.39	-
Supervisor	Hsu, Sheng-Chin									

3. Remuneration for the General Manager and Deputy General Manager (disclose the name and remuneration individually)

2019 Unit: NT$ 1,000/share

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 or parent company
		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	Kao, Shu-Jung	2,616	2,616	-	-	600	600	575	-	575	-	3.54	3.54	-

Table of range of remuneration

Levels of compensation paid to each individual President and Vice Presidents of the Company	Name of General Manager and Deputy General Manager	
Remuneration Brackets	The Company	All companies listed in this financial report E
Less than NT$ 1,000,000		
NT$1,000,000 (inclusive) to NT$2,000,000		
NT$2,000,000 (inclusive) to NT$3,500,000		
NT$3,500,000 (inclusive) to NT$5,000,000	Kao, Shu-Jung	Same as left
NT$ 5,000,000 (inclusive) to NT$10,000,000		
NT$ 10,000,000 (inclusive) to NT$15,000,000		
NT$ 15,000,000 (inclusive) to NT$30,000,000		
NT$ 30,000,000 (inclusive) to NT$50,000,000		
NT$ 50,000,000 (inclusive) to NT$100,000,000		
Over NT$100,000,000		
Total	1	1

4. Remuneration for the Five Senior Officers with the Highest Remuneration (disclose the name and remuneration individually)

2019 Unit: NT$ 1,000/share

<table>
<tr><th rowspan="3">Title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Severance Pay (B)</th><th colspan="2">Bonuses and Allowances (C)</th><th colspan="4">Employees' Remuneration (D)</th><th colspan="2">Percentage of the total of four items A, B, C and D to net income after taxes (Note 8)</th><th rowspan="3">Whether or not to have received remunerations from an invested company other than the Company’s subsidiary or parent company</th></tr>
<tr><th rowspan="2">The Company .</th><th rowspan="2">All companies listed in this financial report</th><th rowspan="2">The Company .</th><th rowspan="2">All companies listed in this financial repor</th><th rowspan="2">The Company .</th><th rowspan="2">All companies listed in this financial report</th><th colspan="2">The Company</th><th colspan="2">All companies listed in this financial report</th><th rowspan="2">The Company .</th><th rowspan="2">All companies listed in this financial report</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Director and General Manager</td><td>Kao, Shu-Jung</td><td rowspan="3">4,912</td><td rowspan="3">4,912</td><td rowspan="3">-</td><td rowspan="3">-</td><td rowspan="3">1,030</td><td rowspan="3">1,030</td><td rowspan="3">1,095</td><td rowspan="3">-</td><td rowspan="3">1,095</td><td rowspan="3">-</td><td rowspan="3">6.58</td><td rowspan="3">6.58</td><td rowspan="3">-</td></tr>
<tr><td>Assistant Manager of Marketing and Planning</td><td>Chou, Tzu-An</td></tr>
<tr><td>Financial/Accounting Manager</td><td>Lai, Yu-Nu</td></tr>
</table>

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

December 31, 2019

	Title	Name	Stock	Cash	Total	Ratio of total amount to net income (%)
Manager	Director and General Manager	Kao, Shu-Jung	-	1,095	1,095	1.02
	Assistant Manager of Marketing and Planning	Chou, Tzu-An				
	Financial/Accounting Manager	Lai, Yu-Nu				

(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:

Items / Title	Ratio of total remunerations to net profit (loss) after taxes			
	2019		2018	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Directors (including independent directors)	3.96	3.96	5.06	5.06
Supervisor	0.39	0.39	0.32	0.32
General Managers and Deputy General Manager	3.54	3.54	1.39	1.39

2. Description of policies, standards, and packages for payment of remuneration of the Company, as well as procedures for determining remuneration, and its linkage to business performance and future risk exposure relevance:
   (1) The remuneration of the Company's Directors comprise of remuneration and allowances:
      Directors' remuneration: According to Article 19 of the Company's Articles of Association, where the Company has any profit for the year, the Board of Directors shall pass the resolution to allocate no more than 6% of the profit as the remuneration of Directors and Supervisors; however, where the Company still has accumulated losses, the amount of loss shall be preserved, and the allocation shall be made according to the percentage in the previous paragraph.
      Allowances: Primarily comprise of traffic allowance, which is determined according to the payment standards for listed companies or within the industry.
   (2) The remuneration for managers shall comply with paragraph 2, Article 3 of the Company's Regulations Governing the Remuneration of Managers, and shall consider the value of their contributions to the Company's operations 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 based on the evaluation according to the Company's Regulations Governing the Evaluation for Directors and Managers. Except for referring to the overall operating efficiency of the Company, the future operating risks and development trend of the industry, the Company also refers to the individual performance achievement and the contribution made to the Company's performance to provide reasonable compensation. Relevant performance audit and rationality of remuneration are reviewed by the Remuneration Committee and the Board of Directors, and they shall review the remuneration system at any time according to the actual operating status and relevant laws and regulations to pursue the balances between the sustainable operations and risk control of the Company.

III. Implementation of corporate governance

(I) Implementation of Board of Directors

The Board of Directors convened 8 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)	Times of Attendance by Proxy	Actual attendance (attendance as nonvoting delegate) % [B/A]	Remarks
Chairman	Representative of Yiland International Ltd.: Kao, Shu-Jung	8	0	100%	Re-elected (required to attend 8 meetings) Re-election Date: June 21, 2013
Chairman	Representative of Yiland International Ltd.: Lu, Li-Cheng	6	2	75%	Re-elected (required to attend 8 meetings) Re-election Date: January 18, 2012
Director	Representative of Yiland International Ltd.: Wang, Mu-Tien	7	0	88%	Re-elected (required to attend 8 meetings) Re-election Date: June 21, 2013
Independent Director	Tang, Han-Yu	8	0	100%	Newly elected (required to attend 8 meetings) Re-election Date: June 14, 2016
Independent Director	Chen, Kuo-Chin	5	3	63%	Newly elected (required to attend 8 meetings) Re-election Date: June 14, 2016

Attendance of Independent Directors at each Board Meeting in 2019 ◎: Attendance in Person ☆: Attendance by Proxy *: On Leave

2019	1/30	3/21	5/3	5/9	6/14	8/12	10/14	11/11
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.

Board of Directors	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 21st meeting 2019.1.30	Proposal of Investment in Mainland China AI Server Plant by Jinghong Subsidiary	V	None	None	All the directors present unanimously approved the proposal.

The 13th session The 22nd meeting 2019.3.21	Approved the proposal of the amendment to the Company's "Handling Procedures for Acquisition or Disposal of Assets."	V	None	None	All the directors present unanimously approved the proposal.
	Approved the proposal of the amendments to the Company's "Endorsement/ Guarantee Operating Procedures."	V	None	None	All the directors present unanimously approved the proposal.
	Approved the proposal of the amendment to the Company's "Operation Procedures of Capital Loan to Others."	V	None	None	All the directors present unanimously approved the proposal.
	Approved the proposal of the Company's "Evaluation of the Effectiveness of Internal Control Systems" and "Statement on Internal Control System" for 2018.	V	None	None	All the directors present unanimously approved the proposal.
The 13th session The 24th meeting 2019.5.9	Approved the disposal of Bahamas Federal Shanghai Co., Ltd. and its subsidiary Dongguan Chang'an Kede Electronic Co., Ltd..	V	None	None	All the directors present unanimously approved the proposal.
The 14th session The 3rd Meeting 2019.10.14	Approved the Company's shares buyback for transfer to employees.	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. There were a total of two such occasions.

Name of Director	Proposal Content	Reasons of recusal	Participation in Voting	Remarks
Kao, Shu-Jung	Discussion on the proposal of 2019 managers' remuneration	Kao, Shu-Jung, Chairman of the Board, is the Manager of the Company.	Recusal from law Not participate in voting	January 30, 2019 The 13th session The 21st meeting Board of Directors
Kao, Shu-Jung	Discussion of the 2018 managers' year-end bonus and special leaves bonus proposal	Kao, Shu-Jung, Chairman of the Board, is the Manager of the Company.	Recusal from law Not participate in voting	
Kao, Shu-Jung/Lu, Li-Cheng/Wang, Mu-Tien/Tang, Han-Yu/Chen, Kuo-Chin	Discussion of the proposal for the Company's 2018 remuneration to Directors and Supervisors.	All Directors of the Company are the stakeholders for the proposal.	Recusal from law and not participate in voting regarding the personal remuneration	March 21, 2019 The 13th session The 22nd meeting Board of Directors
Kao, Shu-Jung	Discussion for the proposal for the Company's remuneration to managers for 2018	Kao, Shu-Jung, Chairman of the Board, is the Manager of the Company.	Recusal from law Not participate in voting	

III. Disclose the evaluation cycle and period, scope of evaluation, method, and content of evaluation for the Board of Directors' self (or peer) evaluation

Implementation of Board of Directors' Evaluation

Evaluation cycle	Period of evaluation	Scope of evaluation	Evaluation method	Content of evaluation
Execute once a year.	From January 1, 2019 to December 1, 2019	Board of Directors, Individual Directors, and Functional Committee	Internal self-evaluation of the Board of Directors and self-evaluation of Directors	Please see the following explanations for details

(I) Internal performance evaluation for 2019:

1. Performance audit for the Board of Directors: (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
2. Performance audit for the individual Directors: (1) mastery of the Company's objectives and tasks; (2) cognition of Directors' duties.; (3) the degree of participation in the Company's operations; (4) internal relationship management and communication; (5) professional and continuous education of directors; (6) internal control
3. Performance audit for functional committees: (1) the degree of participation in the Company's operations; (2) cognition of functional committees's duties; (3) enhancement of decision-making quality of the functional committees; (4) composition of the functional committees and the election of committee members; (5) internal control

(II) Evaluation results:

For the evaluation in 2019, the achieving rate for the measuring items for self-evaluation of members of functional committees and Board of Directors were over 90%, representing a healthy rating, and the results were reported to the Board of Directors of the Company on January 21, 2020.

IV. 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:

(I) The Board of Directors approved the formulation of the Standard Operating Procedures for Handling Directors' Requirements of the Company on March 21, 2019.

(II) The Board of Directors approved the amendments to the Regulations Governing the Evaluation of the Performance of the Board of Directors of the Company on March 21, 2019.

(III) The Company has purchased liability insurance for all Directors and Supervisors and has reported according to the requirements.

(IV) Proactively provide various training programs and encourage Directors and Supervisors to participate in all corporate governance programs to enhance the function of the Board of Directors.

V. Communications between the Independent Directors, the internal audit supervisor and the CPAs:

(I) The Independent Directors and internal audit supervisor of the Company regularly report to the Independent Directors at the regular Board meetings regarding the implementation of the Company and its subsidiaries' audit operations and follow-up, and fully communicate during the meeting. The auditors also regularly submit the results of the audit report and follow-up report to Independent Directors.

(II) Previous communications between the Independent Directors and the internal audit supervisor are summarized as below:

Date of the Board Meeting	Summary of the communication with the internal audit supervisor
2019.3.21	1. Operation audit report for October to December in 2018 2. Approved the proposal of the Company's "Evaluation of the Effectiveness of Internal Control Systems" and "Statement on Internal Control System" for 2018
2019.5.9	Operation audit report for January to March in 2019
2019.8.12	Operation audit report for April to June in 2019
2019.11.11	1. Operation audit report for July to September in 2019 2. Approved the Company's audit plan for 2020.

2020.3.27	Operation audit report for October to December in 2019

(III) Previous communication between Independent Directors and CPAs:
The CPA had communicated with independent directors and supervisors before the Board Meetings on March 21, 2019 and March 27, 2020 upon the following items:

Date of Communication Meeting	Proposal Content	Independent Directors' Opinion
March 21, 2019	The CPA explained and discussed the scope of audit, findings, other communication matters and independence in 2018.	Disclaimer of Opinion
March 27, 2020	The CPA explained and discussed the scope of audit, findings, other communication matters and independence in 2019.	Disclaimer of Opinion

Financial and accounting supervisor and audit supervisor also attended the meetings as non-voting delegates; if the independent directors and supervisors raised any questions, they have and obtained immediate response.

(IV) The Company's Independent Directors, internal audit supervisor, and CPAs maintain healthy communication.

(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:

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

Title	Name	Times of actual attendance as non-voting delegate (B)	Actual rate of attendance as non-voting delegate (%) [B/A]	Remarks
Supervisor	Chou, Chun-Tsun	7	87.5%	Re-elected (required to attend 8 meetings) Re-election Date: June 21, 2013
Supervisor	Hsu, Sheng-Chin	6	75%	Re-elected (required to attend 8 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 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 21, 2019 and March 27, 2020 before the Board Meeting:

Date of Communication Meeting	Proposal Content	Supervisors' Opinion
March 21, 2019	The CPA explained and discussed the scope of audit, findings, other communication matters and independence in 2018.	Disclaimer of Opinion
March 27, 2020	The CPA explained and discussed the scope of audit, findings, other communication matters and independence in 2019.	Disclaimer of Opinion

   Financial and accounting supervisor and audit supervisor also attended the meetings as non-voting delegates; if the independent directors and supervisors raised any questions, they 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 non-voting 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, and has made disclosures on its Company website and MOPS.</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. Furthermore, the Company also provides a mailbox exclusive for handling shareholders' recommendations or disputes on the Company's website. 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 the Supervisory Methods for the Group to supervise the operation of subsidiaries, so as to implement the risk control and management mechanism over them. The Company also established effective risk management for the Management of Related Party Transaction.
(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 developed, and does it implement, a diversity policy for the composition of its members?
(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? Has the Company submitted the results of the performance evaluation to the Board of Directors and used such results as the reference for the remuneration and compensation for individual Directors and for their nomination for re-election.</td><td>V

V</td><td>
V</td><td>(I) The Company has established the "corporate governance Practice Principles" and "Election Procedures for the Directors and Supervisors" to stipulate the 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. The Company has 5 Directors and 14% is also an employee 29% is also an Independent Director therein. The re-election of 2 Independent Directors has not continued for over three sessions. The age of the Company's Directors is ranging from 54 to 60. The implementation of the diversity of all members of the Board of Directors is as follow:
<table>
<tr><th>Name of Director</th><th>Gender</th><th>Business Leadership</th><th>Industrial Knowledge</th><th>International Vision</th><th>Marketing Ability</th></tr>
<tr><td>General Director: Kao, Shu-Jung</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>General Director: Lu, Li-Cheng</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>General Director: Wang, Mu-Tien</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td></tr>
<tr><td>Independent Director: Tang, Han-Yu</td><td>Male</td><td>V</td><td>V</td><td>V</td><td>V</td></tr>
<tr><td>Independent Director: Chen, Kuo-Chin</td><td>Male</td><td>V</td><td></td><td>V</td><td>V</td></tr>
</table>
(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. The scope of evaluation includes the overall operation of the Board, the performance of individual Directors, and the performance evaluation of functional committees' members. The evaluation period: From January 1, 2019 to December 31, 2019. The Company completed the overall evaluation of the Board of Directors for 2019 at the beginning of 2020, the evaluation results achieved over 90 points, representing a healthy rating. The results of the Company's 2019 Board of Directors' performance evaluation are as follows:</td><td>None
Not yet voluntarily established. Currently under planning
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	
(IV) Does the Company regularly implement assessments on the independence of CPA?	V		1. The Board of Directors had a total of 92 points for self-evaluation (out of 100 points). 2. The individual Directors had an average of 95 points for self-evaluation (out of 100 points). 3. The Remuneration Committee had an average of 92 points for self-evaluation (out of 100 points). 4. The results of the Board of Directors' performance evaluation have been reported to the Board of Directors on January 21, 2020. The Company will benefit from the evaluation in helping the Company and the Board of Directors to gain continual improvements and advances, and the evaluation may serve as the reference for nominating Directors in the future. (IV) The Company's Accounting Department assesses the competence and independence of CPAs once every year. The results of the evaluation were reported to the Board Meeting on November 11, 2019, 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)	
IV. Does the listed Company have an adequate number of qualified corporate governance personnel and assign a corporate governance executive to handle corporate governance matters (including but not limited to the provision of data to Directors and Supervisors for business execution, assisting Directors and Supervisors in legal compliance, matters related to Board Meeting and Shareholders' Meeting, preparation of minutes for Board Meeting and Shareholders' Meeting)?		V	The Company has established the “Standard Operating Procedures for Handling Directors' Requirements” the management division is responsible for the corporate governance-related matters, including the provision of data to Board of Directors and Independent Directors for business execution, assisting Directors and Supervisors in legal compliance, 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. However, the Company has not assigned a corporate governance executive, but the establishment of such position is now under planning.	Not yet voluntarily established. Currently under planning
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 (including employees, suppliers, customers, investors, community and complaint channels) for stakeholders and has a mailbox and contact number in place. 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' meetings.	None
VII. Information Disclosure				
(I) Does the Company establish a website to disclose information on financial operations and corporate governance?	V		(I) The Company has set up its Company website (www.chaintech.com.tw) to disclose relevant information at any time and publish and declare its Company profile and various financial and business information on the MOPS according to the requirements of the competent authority.	None
(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		(II) 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.	None
(III) Does the Company publish and declare its annual report within two months from the end of a fiscal year and publish and declare its financial reports for the first, second, and third quarters and the operating status of each month within the prescribed time.	V		(III) The Company publishes and declares its annual report, its financial reports for the first, second, and third quarters and the operating status of each month within the prescribed time; for details, please see the content of declaration on the MOPS (website: https://mops.twse.com.tw/)	None

Evaluation Items	State of Operations			Deviations from the Practice Principles for TWSE/TPEx Listed Companies, and the Reasons
	Yes	No	Summary	
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 liability insurance for the Directors and Supervisors)?	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 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 a special zone for different stakeholders on 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 the professional knowledge education course hosted by the relevant units. (Please see Note 2 for details)	None
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. More than half of directors (including at least one independent director) and at least one of the supervisors shall attend the regular Shareholders' Meeting.			
Preferential enhancement items	1. Complete uploading the English annual report in advance. 2. The Company expects to simultaneously announce material information in English from 2021. 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	2019 evaluation results (Y/N)	Whether in line with 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 the 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 acted as the Director, manager, or Supervisor of the Company currently or in the most recent two years. Positions that have a 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 the 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 2019:

Title	Name	Date of participation	Organizer	Course Name	Training Hours
Chairman	Kao, Shu-Jung	2019.3.21	Securities and Futures Institute	The Explanation, Analysis and Decision-Making Application of Enterprise Financial Information	3 hours
Chairman	Kao, Shu-Jung	2019.7.11	Corporate Operation Association of the Republic of China	2019 M&A and Corporate Governance Practices and Operations	3 hours
Chairman	Kao, Shu-Jung	2019.7.12	Taiwan Corporate Governance Association	How to Understand Financial Statements	3 hours
Chairman	Kao, Shu-Jung	2019.8.20	Corporate Operation Association of the Republic of China	Introduce Corporate Governance and Social Responsibility Into the Corporate Culture	3 hours
Chairman	Kao, Shu-Jung	2019.11.27	Taiwan Corporate Governance Association	Strengthen Corporate Governance Ecology and Implement the Independent Director System	6 hours
Director	Lu, Li-Cheng	2019.7.11	Corporate Operation Association of the Republic of China	2019 M&A and Corporate Governance Practices and Operations	3 hours
Director	Lu, Li-Cheng	2019.8.20	Corporate Operation Association of the Republic of China	Introduce Corporate Governance and Social Responsibility Into the Corporate Culture	3 hours
Director	Wang, Mu-Tien	2019.7.12	Taiwan Corporate Governance Association	How to Understand Financial Statements	3 hours
Director	Wang, Mu-Tien	2019.9.27	Taiwan Corporate Governance Association	Introduction to Legal Due Diligence and Business Contract for M&A	2 hours
Independent Director	Tang, Han-Yu	2019.3.21	Securities and Futures Institute	The Explanation, Analysis and Decision-Making Application of Enterprise Financial Information	3 hours
Independent Director	Tang, Han-Yu	2019.3.15	Taiwan Corporate Governance Association	Key messages and responsibilities analysis of annual report: From a director/supervisor's perspective	3 hours

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

1. Information on the members of the Remuneration Committee

Category of identity (Note 1)	Conditions / Name	Meets one of the following professional qualification requirements, together with at least five years of work experience			Compliant to the requirements of independence (Note 2)										Number of Other Taiwanese Public Companies Concurrently Served as an Independent director	Remarks (Note 3) End of this section
		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	9	10		
Independent Director	Tang, Han-Yu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chen, Kuo-Chin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Others	Ke, Cong-Yuan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	

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 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 as the managerial officers in paragraph (1) or any person listed in paragraphs (2) and (3).

(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, or that are assigned by the corporate shareholders to be the director or supervisor of the Company according to paragraph 1 or 2 of Article 17 under the Company Act (however, for independent directors of the Company and its parent company, subsidiary, or subsidiary of the same parent company set according to the law or the laws and regulations of the local country shall be excluded).

(6) Not a director, supervisor, or employee of another company where more than 50% of the company's number of director's seats or shares with voting rights is controlled by one person (however, for independent directors of the Company and its parent company, subsidiary, or subsidiary of the same parent company set according to the law or the laws and regulations of the local country shall be excluded).

(7) Not a director (a member of the governing board), supervisor (a member of the supervising board), or employee of another company or institution who is or is a spouse of the corporate's Chairman, general manager, or personnel holding an equivalent position (however, for independent directors of the Company and its parent company, subsidiary, or subsidiary of the same parent company set according to the law or the laws and regulations of the local country shall be excluded).

(8) 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 (however, for independent directors of the Company and its parent company, subsidiary, or subsidiary of the same parent company set according to the law or the laws and regulations of the local country that is a special company or institution that is holding more than 20% but less than 50% of the total issued shares of the Company shall be excluded).

(9) Is not a professional, sole proprietor, partner, owner of company or institution that offers accounting or business administration, legal, or financing, services or consulting services for the Company or its affiliated companies with compensation received during the past two years less than NT$500,000, 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. However, members of the special committee on remuneration, public acquisition review, or merger and acquisition who perform their functions and powers in accordance with the provisions of the Securities and Exchange Act or Business Mergers and Acquisitions Act and other relevant regulations shall not be subject to this provision.

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

2. Information on Operation of the Remuneration Committee

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

(2) Term of office: June 14, 2019 to June 13, 2022. 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%	Re-elected (required to attend 2 meetings) Re-election Date: June 14, 2016
Members	Chen, Kuo-Chin	–	–	–	Newly elected (required to attend 0 meeting) Re-election Date: June 14, 2019
Members	Ke, Cong-Yuan	2	0	100%	Re-elected (required to attend 2 meetings) Re-election Date: June 21, 2013
Members	Chen, Jian-Wei	2	0	100%	Dismissal (required to attend 2 meetings) Date of dismissal: June 14, 2019

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 were higher than the suggested levels from the Remuneration Committee, please state the differences and reasons): None.

II. If a member has a dissenting or qualified opinion, if a member has a dissenting or qualified opinion, that a member has a record or reservation that is recorded or stated in a written statement, the date and session of the Remuneration Committee, the content of the proposal, all members' opinions, and the handling of the opinions of the member of the Remuneration Committee shall be stated.

Date/Session	Proposal Content	Resolution	The Company's actions in response to the opinions of the Remuneration Committee
2019.1.30 4th session, 5th meeting	I. Passed the 2019 individual managers' remuneration proposal II. Passed the 2018 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
2019.3.21 4th session, 6th meeting	I. Passed the proposal of 2018 Bonus distribution to Directors and Supervisors II. Passed the proposal for the Company's remuneration to managers for 2018. III. Passed the proposal of the establishment of the Company's Board of Directors' Performance Evaluation Regulations.	Passed by all attending committee members	Submitted to the Board and passed by all attending directors

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 and the deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and reasons (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	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
I. Has the company assessed the environmental, social, and corporate governance risks related to its operations based on the principle of materiality and established related risk management policies or strategies? (Note 3)	V		The Company has established the “Corporate Social Responsibility Practice Principles,” executed corporate governance, facilitated the development of a sustainable environment, to safeguard social welfare. The Company has also established its Regulations for the Prevention of Insider Trading, Procedures and Code of Conducts for Integrity Management, and Procedures for Self-Evaluation of the Internal Control System for the realization of its risk management policy.	None
II. 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	The Management Department is a dedicated (or parttime) 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
III. Environmental Issues				
(I) Has the Company established a suitable environmental management system based on the characteristics of its industry?	V		(I) 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 its subsidiary Siteng Heli (Tianjin) Technology Co. has obtained ISO9001 certification.	None
(II) Is the company committed to improving the efficient use of resources and utilize renewable resources to reduce environmental impact?	V		(II) Due to the energy shortage and the carbonization of the earth in recent years, the Company continued to promote measures for energy conservation and carbon reduction, such as the implementation of garbage separation and paper box recycling. The toner cartridges used by the printing machine are returned to the original supplier for recycling. Encourage employees to bring their own cups and lunchboxes to reduce the use of disposable tableware. The Company also encourages employees to turn off the light when leaving and adopt paperless operations to minimize the impacts of the Company's operations on the natural environment.	None
(III) Has the Company evaluated the current and future potential risks and opportunities for the Company arising from climate change and adopted corresponding measures according to aspects related to climate?	V		(III) As the carbonization of the earth has been worsening, the Company faces potential risks related to aspects of operation and environment, such as resource shortage and an increase in costs for raw materials, which would cause impacts on the Company's operations. The Company will develop green energy technology to create opportunities for the Company.	None
(IV) Has the Company calculated the greenhouse gas emissions, water consumption, and total weight of waste for the past two years and established the policies with regard to energy conservation and carbon reduction, greenhouse gas reduction, water consumption reduction, and other waste management?	V		(IV) The Company has not calculated the greenhouse gas emissions, water consumption, and total weight of waste for the past two years; however, the Company attach attention to and care for energy conservation and carbon reduction. The Company continues to promote electronic measures and reduction in use of paper, water and electricity conversation and targets energy conservation and carbon reduction.	None
IV. Social Issues				
(I) Has the Company set up management policy and procedures according to related laws and regulations 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 and implemented reasonable employee's welfare measures (including remuneration, leave, and other benefits) and reflect the operating performance or results in employee's remuneration?	V		(II) The Company conveys its working rules to its employees through internal educational training, and it implements an employee audit system regardless of age and gender. Furthermore, according to the Articles of Association, where there is any profit of the Company for the year, the Company shall allocate no less than 0.1 of such surplus to employees and employees' remuneration.	None

Evaluation Items	State of Operations			Deviations from the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-Listed Companies and Reasons
	Yes	No	Summary	
(III) Has the company provided employees with a safe and healthy working environment, and routinely implemented safety and health education for employees?			(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 established an effective competency development career training program for employees?	V		(IV) The Company organizes education and training from time to time to provide employees with effective career ability.	None
(V) Has the Company complied with relevant regulations and international standards regarding customers' health and safety, customer privacy, marketing and labeling for products and services, and established relevant policy and appeal procedures to protect consumers' rights?	V		(V) The Company attaches great attention to customers' opinions. Except for maintaining communication with customers at any time, the Company also provides product information, contact window, and mailbox on its website, and set up a special zone for stakeholders as the channel for customers to make inquiries and appeal.	None
(VI) Has the Company established the management policies for suppliers and required suppliers to comply with relevant requirements in terms of environmental protection, occupational safety and hygiene, or laborers' human rights.	V		(VI) Before engaging in commercial dealings with the suppliers, the Company shall evaluate whether the suppliers had negative records of affecting environment and society in the past as the significant references for selecting suppliers, and shall stipulate that the suppliers shall provide qualified products made with environmental-friendly raw materials to duly fulfill its corporate social responsibility. If the Company's 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
V. Does the Company prepare and publish reports such as its Corporate Social Responsibility (CSR) report to disclose non-financial information of the Company with reference to internationally recognized standards or guidelines for the preparation of reports? Has the company received assurance or certification of the aforesaid reports from a third party accreditation institution?		V	Even though the Company has not prepared its CSR report and has not obtained the assurance or guarantee from a third-party certifying department, the Company has established the "Corporate Social Responsibility Practice Principles" to fulfill its corporate social responsibility. The Company considers the interests of its stakeholders and treat its customers and suppliers in fair and reasonable manners, and has complied with the regulations under the agreement on social and environmental responsibility.	Has not prepared the CSR report
VI. 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 regulations in the future according to actual needs.				
VII. 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: As the Company has no plant in Taiwan, it focuses on environment protection in its offices. 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, the fulfillment of social responsibilities, and participation in public welfare in the past two years: In 2015, NT$150,000 was donated to the Social Welfare Fund of the Charity Society of the Financial Group and NT$100,000 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 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. In 2019, the Company continuously donated to Youth Development Society of Dream House, totaling NT$100,000. (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 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 fulfillment of the responsibility for employees' life safety. Meanwhile, the Company regularly provides 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.				

(VI) Implementation of Ethical Corporate Management and Discrepancies with the Ethical Corporate Management of TWSE/TPEx Listed Companies and the Reasons

Items assessed	State of Operations	Discrepancies with the Ethical

	Yes	No	Summary	Corporate Management of TWSE/TPEx Listed Companies and the Reasons
I. Formulating policies and plans for Ethical Corporate Management				
(I) Has the Company established the ethical corporate management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the Board of Directors and senior management to rigorously and thoroughly implement such policies?	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. Relevant rules and regulations are disclosed on the MOPS and the Company's website.	None
(II) Has the Company established a risk evaluation mechanism against unethical conduct, regularly analyze and assess the business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		(II) The Company stipulates in its "Code of Ethical Conduct" not to request or accept any unjust profits or carry out any other unethical conducts that violate integrity, or are illegal, or breach of fiduciary 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 contract. Moreover, the Company avoids carrying on transactions with the parties having records of dishonest conduct. The auditors of the Company shall periodically examine the Company's compliance with the foregoing systems according to the annual audit plan and prepare audit reports and submit the same to the Board of Directors.	None
(III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	V		(III) The Company has established and implemented the Code of Conduct for Directors, Supervisors and Managerial Officers and the Code of Ethical Conduct. For any unethical conduct or conducts violating integrity, the Company would impose punishments according to Rule 8.3 of its Rules for Personnel Management and provide employee's appeal channels to deal with any unreasonable treatments. The Company shall at all times monitor the development of relevant local and international regulations concerning ethical corporate management and encourage their Directors, Supervisors, managers, and employees to make suggestions, based on which, the adopted ethical corporate management policies will be reviewed and improved with a view to achieving better implementation of ethical management.	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 in charge of corporate integrity, and regularly reports (at least once a year) to the Board of Directors the implementation of the ethical corporate management policies and prevention programs against unethical conduct?		V	(II) The Company's auditors are responsible for the formulation and implementation of ethical corporate management policies, but they are not urged to regularly report to the Board of Directors.	Under planning
(III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement such policy properly?	V		(III) The Company stipulates policies for preventing the conflict of interests in its Code of Conduct for Directors, Supervisors and Managerial Officers and its Code of Ethical Conduct. If the Board of Directors has various proposals, the Director who has a conflict of interest shall abstain from voting. If the employees have a conflict of interest over business execution, supervisors shall be notified to abstain from answering. The Company has set up a whistle-blowing mailbox for its internal and external systems to provide unobstructed channels for report and appeal.	None
(IV) Has the Company established an effective accounting system and internal control systems to implement ethical corporate management, and has the	V		(IV) The Company has established the accounting system and internal control system according to relevant laws and regulations. Internal auditors regularly review	None

Items assessed	State of Operations			Discrepancies with the Ethical Corporate Management of TWSE/TPEx Listed Companies and the Reasons
	Yes	No	Summary	
internal audit unit prepared relevant audit plans according to the evaluation results for the risk of unethical conduct, and based on which, audited the compliance with the prevention programs for unethical conduct, or has the Company engaged CPAs for performing such audits?			their compliance, perform project audits from time to time according to the requirements, and report the audit results to the Board of Directors.	
(V) Does the Company host routine internal and external training geared towards business integrity practices?	V		(V) Relevant personnel of the Company participates in educational training related to ethical management organized by the competent authority or external professional institutions according to the requirements, and the Company communicate on ethical management at departments' internal meeting from time to time	None
III. Operation of the whistle-blowing system				
(I) Has the company established a specific whistle-blowing and reward system, set up convenient whistle-blowing channels and designated appropriate personnel?	V		(I) For anybody violating honest conduct in the Company, employees can report to heads of the departments, auditors or supervisors in any form. Furthermore, the Company has also set up a whistle-blowing mailbox on its website for relevant personnel to report on illegal conduct.	None
(II) Does the Company establish standard investigation operation and procedure for whistle-blowing matters, follow-up measures to be adopted after the investigation, and relevant confidential mechanisms?	V		(II) According to rule 6.7 under the Code of Conduct for Employees, the Company keeps the identity of the whistle-blower and the content of the report confidential, where any material violation is found after investigation, a report would be made immediately and notify Independent Directors and Supervisors in writing.	None
(III) Has the Company established protection measures for whistle-blower from mishandling against them?	V		(III) According to rule 6.7 under the Code of Conduct for Employees, the identity of 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.

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 any interest in 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 directors.
3. The Company's "Procedures for Preventing Insider Trading" stipulates that those who have 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 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 the Articles of Association, Corporate Governance Practice Principles, Rules of Procedure for Shareholders' Meeting, Rules of Procedure for Shareholders' Meeting for Board Meeting, Handling Procedures for Acquisition or Disposal of Assets, Operation Procedures of Capital Loan to Others, Endorsement/ Guarantee Operating Procedures, Remuneration Committee Organization Charter, Ethical Corporate Management Regulations, and Standards for Practices of Corporate Social Responsibility. The rules and regulations 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
General Manager	Kao, Shu-Jung	July 11, 2019	Corporate Operation Association of the Republic of China	2019 M&A and Corporate Governance Practices and Operations	3
General Manager	Kao, Shu-Jung	August 20, 2019	Taiwan Corporate Governance Association	Introduce Corporate Governance and Social Responsibility Into the Corporate Culture	3
General Manager	Kao, Shu-Jung	November 27, 2019	Corporate Operation Association of the Republic of China	Strengthen Corporate Governance Ecology and Implement the Independent Director System	6
General Manager	Kao, Shu-Jung	April 14, 2020	Taiwan Corporate Governance Association	Corporate Operations and Crisis Management for Public Opinions and News	3
Financial/Accounting Manager	Lai, Yu-Nu	November 28-29, 2019	Accounting Research and Development Foundation, the Republic of China	Continuous Education for Accounting Supervisors	12
Financial/Accounting Manager	Lai, Yu-Nu	March 13, 2019	Taiwan Stock Exchange	Corporate Governance Evaluation Presentation	3
Audit Supervisor	Chang, Ya-Ling	March 13, 2019	Taiwan Stock Exchange	Corporate Governance Evaluation Presentation	3
Assistant Manager of Marketing and Planning	Chou, Tzu-An	February 21, 2019	Fubon Securities	Effects of the Latest Amendments to the Company Act on Corporate Governance and Responsibility of Directors and Supervisors	3

(IX) Implementation of Internal Control System

1. Internal Control Statement

Chaintech Technology Corp.

Statement on Internal Control System

Date: March 27, 2020

The Company's internal control system for 2019 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 the internal control system lies in providing a 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 a 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 take corrective actions upon identification of any deficiency thereof.

III. The Company has made judgments on the design of internal control systems 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, 2019 (covering the supervision and management over the subsidiaries), including realization degree of operation effect and efficiency, report liability, 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 27, 2020. Amongst the five Directors present in the meeting (including one proxy), 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 the 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 the 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 2019

(1) Approved the proposal for the Company's 2018 Business Report and Financial Statements.
Implementation status: Resolved as passed.

(2) Approved the Company's 2018 earnings distribution proposal.
Implementation status: The distribution of cash dividends amounted to NT$152,248,246 (a distribution of cash dividends of NT$1.50 per share) was distributed to the shareholders. The ex-dividend date was July 7, 2019 and the distribution was fully made on July 31, 2019.

(3) Approved the proposal of the amendment to "Handling Procedures for Acquisition or Disposal of Assets."
Implementation status: Published on the Company's website on June 25, 2019, and implemented the amended procedures.

(4) Approved the proposal of the amendments to the Company's "Endorsement/ Guarantee Operating Procedures."
Implementation status: Published on the Company's website on June 25, 2019, and implemented the amended procedures.

(5) Approved the proposal of the amendment to the Company's "Operation Procedures of Capital Loan to Others."
Implementation status: Published on the Company's website on June 25, 2019, and implemented the amended procedures.

(6) Election of the 14th Board of Directors and Supervisors.

Implementation status: The name list for the elected 14th Board of Directors and Supervisors is as follow:

General Director (3 seats): Representative of E Cheng Technology Limited: Kao, Shu-Jung, Lu, Li-Cheng, and Wang, Mu-Tien.

Independent Directors (2 seats): Tang, Han-Yu and Chen, Kuo-Chin.

Supervisors (2 seats): Chou, Chun-Tsun and Hsu, Sheng-Chin.

Approved by the Ministry of Economic Affairs and registered on July 4, 2019.

2. Important resolutions of the Board Meeting from January 1, 2019 to May 10, 2020

Date	Meeting Type	Important Resolutions
2019.1.30	21st Meeting of the 13th Board of Directors	1. Approved the proposal of the Company's 2019 operation plan. 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.
2019.3.21	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 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, the 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.
2019.5.3	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 the 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.
2019.5.9	24th Meeting of the 13th Board of Directors	1. Approved the proposal for the Company's consolidated financial report for Q1 2019. 2. Approved the proposal for the disposal of its subsidiary Bahamas Federal Shanghai Co., Ltd. and its subsidiary Dongguan Chang'an Kede Electronic Co., Ltd.

2019.6.14	1st Meeting of the 14th Board of Directors	1. Election of the 14th Chairman of the Board of Directors.
2019.8.12	2nd Meeting of the 14th Board of Directors	1. Approved the proposal of transferring the R&D design expenses to fixed assets regarding the R&D and manufacturing of E-sports AIO of the Company. 2. Approved the proposal of the Company's Consolidated Financial Statements for Q2 2019. 3. Approved the member list and term of office for members of the Company's 5th Remuneration Committee. 4. Approved the authorization of Chairman of the Board to interact with banks and securities and financial companies in the name of the Company. 5. Approval of the endorsements and guarantees to the invested companies.
2019.10.14	3rd Meeting of the 14th Board of Directors	1. Approved the proposal of the 7th share buyback and transfer to employees by the Company.
2019.11.11	4th Meeting of the 14th Board of Directors	1. Approved the proposal of the Company's Consolidated Financial Statements for Q3 2019. 2. Approved the Company's audit plan for 2020. 3. Approved the proposal of the evaluation over CPAs independence. 4. Approved the endorsements and guarantees to the invested companies and canceled the original endorsements and guarantees.
2020.1.21	5th Meeting of the 14th Board of Directors	1. Approved the proposal of the Company's 2020 operation plan. 2. Approved the change in the CPA. 3. Approved the remuneration of individual remuneration for managers of the Company for 2020. 4. Approved the proposal for the Company's 2019 year-end bonus and special leave bonus distribution for managers. 5. Approved the proposal for the Board of Directors to authorize the Chairman in signing a letter of endorsement/guarantee for overseas (subsidiaries) companies. 6. Approved the proposal for the investment in domestic opto-electronics industry (Usenlight Corp.) 7. Approved the plan to improve the Company's ability regarding the in-house preparation for financial reports. 8. Approved the authorization of Chairman of the Board to interact with banks and securities and financial companies in the name of the Company.
2020.3.27	6th Meeting of the 14th Board of Directors	1. Approved the Company's 2019 Business Report and Financial Statements. 2. Approved the proposal for the Company's 2019 remuneration to Directors and Supervisors. 3. Approved the proposal for the Company's remuneration to managers for 2019. 4. Approved the proposal for the amendment to the Company's "Remuneration Committee Organization Charter." 5. Approved the proposal for the amendment to the Company's Rules of Procedure for Board Meeting. 6. Approved the proposal for the amendment to the Company's Articles of Association. 7. Approved the proposal of the Company's "Evaluation of the Effectiveness of Internal Control Systems" and "Statement on Internal Control System" for 2019. 8. Approved the ratification authorizing the Chairman in signing an external letter of endorsement/guarantee for the subsidiary SITONHOLY (Tianjin) on behalf of the Company. 9. Approved the matters concerning the convening date, time, place and content of the Company's 2020 regular Shareholders' Meeting.
2020.5.5	7th Meeting of the 14th Board of Directors	1. Approved the proposal for the Company's consolidated financial report for Q1 2020. 2. Approved the proposal for the earning distribution for 2019.

(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, 2019 to December 31, 2019	

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		800	800
2	NT$ 2,000 to NT$ 3,999	3,530		3,530
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					Certified Public Accountants Audit Period	Remarks
			System Design	Business Registered	Human Resources	The Company's transfer pricing	Sub-total		
PwC Taiwan	Wu, Han-Chi Hsu, Sheng-Chin	3,530				800	800	2019.01.01 ~ 2019.12.31	Explanation
Explanation	The increase in fees for 2019 as compared to the previous year was mainly due to the increase in the audit fees for our new subsidiary. Non-audit service items: The Company's transfer pricing and transfer pricing report: NT$800,000								

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 10% 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">Related Parties
Condition</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>Description</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	2013.9.23
Opinion inquiry on the accounting methods or principles for certain transactions and financial reporting and results possible arise before appointment	Not applicable
Successor CPA to former CPA Written views on disagreements	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 the 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	2019		Current year as of April 20	
		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	-	-	-	-
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 BY THE PERSON Number of Shares Held		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	6,759,000	6.66	-	-	-	-	-	-	-
Treasury share account of Chaintech Technology Corporation	5,000,000	4.93							
APAQ Technology Co., Ltd	4,710,000	4.64	-	-	-	-	-	-	-
Account of Morgan Stanley & Co. International Plc	4,651,457	4.58							
Borai Hong Kong Customer Account of Yuanta Securities under custody of Citibank	3,990,000	3.93	-	-	-	-	-	-	-
Lin, Wei-Ling	2,189,468	2.16	-	-	-	-	-	-	-
PG Rental Corp.	2,189,000	2.16	-	-	-	-	-	-	-
Yang, Shun-Hsing	2,071,000	2.04	-	-	-	-	-	-	-
Wu, Ming-Wei	1,979,000	1.95							

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, 2019; 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
Shenzhen Jinghong Digital R&D Service Co., Ltd.	(Note 2)	100	-	-	(Note 2)	100
Sitonholy (Tianjin) Technology Co., Ltd.	(Note 2)	51%	-	-	(Note 2)	51%
Beijing Sitonholy Technology Co., Ltd. (Note 3)	(Note 2)	100	-	-	(Note 2)	100

Note 1: Investment by using the equity method

Note 2: The invested company is a company with limited liability, which has no issued stock, and has no number of shares in holding.

Note 3: The investee company is a 100% reinvestment of Sitonholy (Tianjin) Technology Co., Ltd.

Chapter 4 Funding Overview

I. Capital and Shares

(I) Sources of share capital:

1. Formation of share capital

Year Month	Issued Price	Authorized Share Capital		Paid-in Capital		Remarks		
		Number of Shares	Amount	Number of shares	Amount	Source 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 20, 2020 (Shares)

Type of Shares	Authorized capital stock			Remarks
	Outstanding Shares	Unissued shares	Total	
Common Share	101,498,831	148,501,169	250,000,000	The Company has repurchased 5,000,000 treasury shares, and has not transferred to its employees as of the date of printing the annual report.

(II) Shareholder Structure

April 20, 2020

Shareholder Structure / Quantity	Government Agencies	Financial Institutions	Other Legal Persons	Individual	Foreign Institutions and Foreigners	Chinese Capital	Total
Number of Individuals	0	0	21	7,764	27	1	7,813
Shares Held	0	0	13,957,676	31,889,388	27,119,687	28,532,080	101,498,831
Shareholding Ratio (%)	0	0	13.75	31.42	26.72	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 20, 2020

Levels of shareholding	Number of shareholders	Shares held	Shareholding Ratio (%)
1 to 999	4,786	1,035,047	1.02
1,000 to 5,000	2,329	4,698,515	4.63
5,001 to 10,000	354	2,793,097	2.75
10,001 to 15,000	94	1,194,614	1.18
15,001 to 20,000	62	1,134,487	1.12
20,001 to 30,000	60	1,476,778	1.45
30,001 to 40,000	29	994,515	0.98
40,001 to 50,000	16	720,681	0.71
50,001 to 100,000	39	2,691,555	2.65
100,001 to 200,000	13	1,794,260	1.77
200,001 to 400,000	8	2,469,976	2.43
400,001 to 600,000	5	2,705,340	2.67
600,001 to 800,000	3	1,997,072	1.97
800,001 to 1,000,000	0	0	0
1,000,001 and more Create new ranges as needed	15	75,792,894	74.67
Total	7,813	101,498,831	100.00

2. Preferred Shares: Not applicable.

(IV) List of Major Shareholders

April 20, 2020

Shareholding / Name of Major Shareholders	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			2018	2019	Current year up to March 31, 2020 (Note 8)
Market price per share (Note 1)	Highest		54.20	39.20	32.30
	Lowest		14.90	25.70	22.90
	Average		31.75	30.38	28.75
Net value per share (Note 2)	Before distribution		17.09	XXX	XXX
	After distribution		17.09	XXX	—
Earnings (loss) per Share	Weighted Average Shares		101,499	101,499	101,499
	Earnings (loss) per Share (Note 3)	Before adjustment	2.39	1.06	XXX
		After adjustment	2.39	1.06	XXX
Dividends per share	Cash Dividends		-	-	-
	Stock Grants	Dividend for paid-in capital	-	-	-
		Earnings Grants	-	-	-
	Accumulated dividend not paid out (note 4)		-	-	-
Investments Remuneration Analysis	Price-to-earning ratio (Note 5)		75.88	28.66	-
	Price-to-dividend ratio (Note 6)		21.17 (Note)	21.17 (Note)	-
	Cash dividend yield (Note 7)		4.72 (Note 9)	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 2019 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 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 a 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 2019 was approved by the Board of Directors on May 5, 2020, to issue NT$0.3 per share on May 5, 2020. 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 2020 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 items 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 2019 remuneration distribution for employees, Directors, and Supervisors on March 27, 2020, as follows:

A. Remuneration for employees of NT$2,231,867.

B. Remuneration for Directors and Supervisors of NT$2,231,867.

C. All the above amounts have been paid in cash, which has no difference with the estimated amounts that were found in 2019.

(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:

Unit: NT$

Items	Actual Distribution in 2019	Amount Recorded in 2018	Discrepancies
Employee's compensation in cash	3,723,118	3,723,118	0
Employee compensation in shares	0	0	0
Rewards for Directors and Supervisors	9,538,565	9,538,565	0

(IX) Repurchase of Shares by the Company

(1) Completed

April 20, 2020

Term of repurchase	7th term
Purpose of repurchase	Transfer to employees
Repurchase period	From October 15, 2019 to December 12, 2019
Repurchase price	Average repurchase price of NT$30.35
Type and number of repurchased shares	Common shares/5,000,000 shares
Monetary amount of shares bought	NT$151,745,862
Ratio of repurchased quantity on intended repurchased quantity (%)	100%
Number of shares eliminated and transferred	0
Cumulative number of shares held	5,000,000 shares
Percentage of accumulated shares Held in the total number of shares issued (%)	4.93%

(2) Undergoing: None.

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$ thousand

Items	2019 Operating Revenue	
	Amount	Percentage
Computer peripherals	4,716,750	99.55%
Others	21,432	0.45%
Total	4,738,182	100.00%

3. Current products and services

(1) Display cards

(2) Motherboard

(3) High-performance data computing solutions

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

(1) Display cards

A. The subsequent development plans will be prepared for the development of NVIDIA Ampere new high-end chips that cover the series of Kudan, Vulcan, Neptune, Advanced, Ultra, and so on.

B. The high-end chip of NVIDIA Turing architecture has been fully released in Q1 2020. Medium and low-end display cards will be developed, covering the series of Tomahawk, GeForce, Gaming, Shark, and Golden Version.

(2) Motherboard

A. Develop the iGame series of high-end game motherboards, including the series of iGame, CVN, and BATTLE-AX, which use the latest Intel 500 series high-end chip and support Intel new generation LGA 1200 architecture processor, Comet Lake, and the latest Intel Optane data transmission technology.

B. In 2020, in the AMD AM4 architecture, B5XX and A5XX of AMD 500 series are added. The main products planned are "CVN" series and "Tomahawk" series.

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

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

(3) High-performance data computing solutions

A. High-performance data computing solutions were officially released in the Q3 2019. Built on the basis of Docker, Kubernetes, and Hadoop, high-performance data computing solutions are the server cluster management, container management, maintenance management systems, integrated with multiple development tools especially designed for artificial intelligence (AI). At the management system level, the solutions enable resource virtualization, stable and optimized scheduling, and streamlined user privacy and intellectual property rights management; in terms of development tools, the solutions realize effective AI model training and intuitive development tool operations and are compatible with mainstream AI development frameworks and application environments such as TensorFlow, Keras, Pytorch, Caffe, and MXNET; they also provide users with high flexibility for custom tuning.

B. Following the development plan for high-performance data computing solutions in 2019, the Company will continue to support users' AI model development in 2020 by strengthening data computing infrastructure server and cluster management, software/hardware performance of AI model development tools, including NVLink and RDMA, to improve computing and transmission speed; supporting multiple shared and distributed storage systems to meet users' diverse storage needs; and adding and upgrading multiple cluster management and development tool sets such as optimizing the privacy access of big data users, updating the visualization and automation features of model training, adding multiple data pre-processing and model deployment application tool sets, etc.

(II) Industry Overview

1. Current State and Development of the Industry

According to the primary investigation results of an international research and consultant institute, Gartner, the global PC computer (PC) shipment in the Q4 2019 stood at 70,600,000 sets, representing an increase of 2.3% YoY, and the global PC computer (PC) shipment throughout 2019 stood at 261,000,000 sets, representing an increase of 0.6% from 2018.

Primary estimated shipment of global PC manufacturers in Q4 2019

(Unit: thousand sets)

Manufacturer	**4Q19** Shipment	**4Q19** Market share (%)	**4Q18** Shipment	**4Q18** Market share (%)	**4Q19-4Q18** Growth Rate (%)
Lenovo	17,498	24.8	16,418	23.8	6.6
HP	16,129	22.8	15,301	22.2	5.4
Dell	12,114	17.2	10,805	15.7	12.1
Apple	5,262	7.5	5,425	7.9	-3.0
Asus	4,062	5.8	4,100	5.9	-0.9
Acer	3,994	5.7	3,861	5.6	3.5
Others	11,553	16.4	13,104	19.0	-11.8
Total	**70,612**	**100.0**	**69,014**	**100.0**	**2.3**

Data Source: Gartner (January 2020)

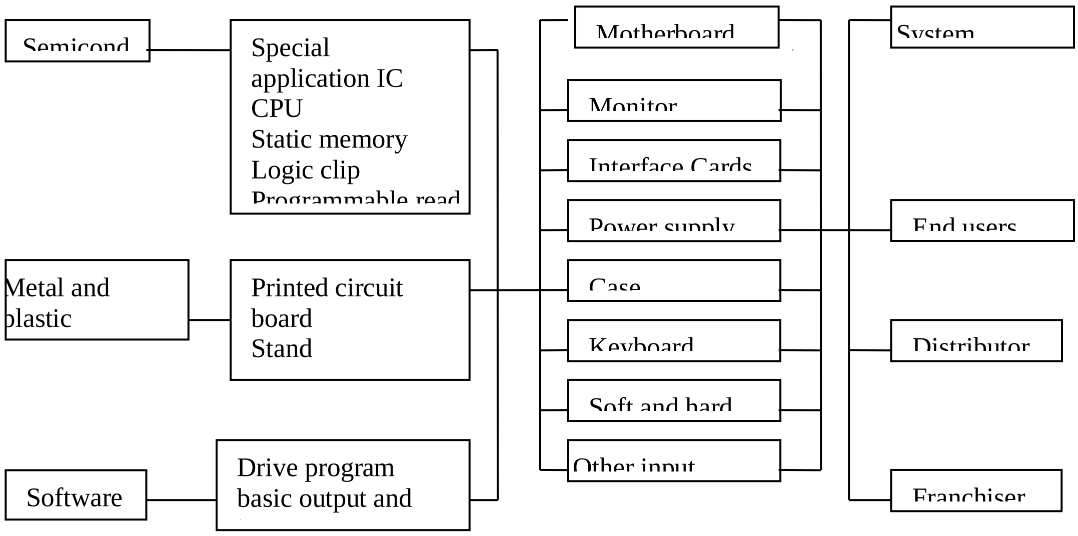
Note: The above data covers desktop PC, laptop PC, and top-level ultramobile types (such as Microsoft Surface), excluding Chromebook and iPad. All data are estimated based on the results of the preliminary investigation, and the final valuation may change. The shipment sold onto the sales channels prevails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

Gartner's senior chief analyst indicated that compared with the continued weak demand for consumer PCs, the demand for business PCs drove the growth of unit shipments in the five of the past seven quarters; especially, Intel's CPU had been out of stock since the middle of last year, which once again became the key to the supply of top three PC manufacturers to corporate customers. If it were not for shortage, the growth rate of shipments would be higher than the current statistics.

The Asia-Pacific PC shipment in the Q4 2019 stood at 22,000,000 sets, representing a decrease of 6.1% YoY and a decline for a fifth consecutive quarter, mainly due to a sluggish market in China (accounting for 60% of the overall Asia-Pacific PC market) against the political and trade unrest. The US PC shipment in the Q4 2019 grew by 4.6%, and desktop computers showed first double-digit growth since 2014.

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

Motherboard and display cards:



3. Product development trends and competition status

(1)Continuing to roll out new display cards to maintain unit prices and gross profits

The average unit price of display cards increased as a result of NVIDIA's continuous promotion of RTX and consumers' increased spending power. It is estimated that the launch of NVIDIA's new products in 2020 will once again raise the average price of display cards; however, due to the outbreak of COVID-19, consumers are inclined to take a dovish stance. The overall strategy for product development is to continuously roll out new display cards to maintain unit prices and gross profits.

(2) Increasing competition in the display card market

The outbreak of COVID-19 in early 2020 has aggravated the market uncertainty; especially after COVID-19 spread worldwide, the sales of various brands in the global market has screeched to a halt. Given the fierce competition in Mainland China, there will be a greater impact on the profit of display cards before the launch of new products.

(3) Supply and demand in market of Mainland China

Due to strict control over the COVID-19 pandemic in Mainland China for two months in the Q1 2020, the market turned sluggish. After the ban is lifted, retaliatory consumption is expected to happen; however, as the COVID-19 pandemic continues to rage around the world, it will lead to oversupply and further an unfavorable development in Mainland China. In March, NVIDIA announced that a new product rollout was postponed due to the COVID-19 pandemic, which would extend the life cycle of the products on the market. Oversupply in Mainland China is expected to subsist until the Q3 2020.

(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$ thousand

Year	Research Project	Results	Expenditure
108	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	16,627
109 Q1	Display cards Motherboard Application software	Development plans for NVIDIA Ampere new high-end chips Intel 500 series high-end chips strengthening data computing infrastructure server and cluster management, software/hardware performance of AI model development tools, including NVLink and RDMA, to improve computing and transmission speed	3,730

(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$ thousand

Items	2017		2018		2019	
	Sub-total	Total	Sub-total	Total	Sub-total	Total
Domestic sales revenue	-	-	-	-	-	-
Foreign sales revenue	-	5,772,839	-	4,050,310	-	4,738,182
Mega		-	-	-	-	-
Asia Pacific Region	5,772,839	-	4,050,310	-	4,738,182	-
Europe		-	-	-	-	-
Total	-	5,772,839		4,050,310	-	4,738,182

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 an international research and consultant institute, Gartner, showed that the global PC computer (PC) shipment in the Q4 2019 stood at 70,600,000 sets, representing an increase of 2.3% YoY, and the global PC computer (PC) shipment throughout 2019 stood at

261,000,000 sets, representing an increase of 0.6% from 2018.

(1) Display cards:

The global add-in-board (AIB) graphics processing unit (GPU) market is expected to continuously grow. The market scale reached US$16.1 billion in 2019 and is expected to increase to US$16.3 billion in 2023. The global AIB GPU shipment in the Q4 2019 grew by 12.2% from the previous quarter, which was significantly better than the 10-year average of -2.3% and up by 33.4% YoY. The global AIB GPU shipment in the Q4 2019 exceeded US$3.9 billion.

In July 2019, original display card manufacturers launched new products successively. NVIDIA launched the RTX 20 Super series and AMD launched the Radeon 5700 series in hopes of stimulating demand and maintaining prices.

The market share of AMD's AIB GPU shipment rebounded significantly to 31.08% in the Q4 2019, up 4 percentage points from the previous quarter and also up 12.31 percentage points from 18.77% YoY, eroding NVIDIA's market share. The global market share of NVIDIA's AIB GPU shipment fell to 68.92% in the Q4 2019, down 12.31 percentage points YoY and also down 4 percentage points from 72.92% in the previous quarter.

According to Jon Peddie Research (JPR), a market research institute, the global AIB GPU shipment showed growth in the Q4 2019, for a 3rd consecutive quarter. In the Q1 2020, however, the outbreak of COVID-19 has caused a supply chain disruption. There is a possibility that the global AIB GPU shipment in the Q1 2020 may experience a greater decline than the usually flat or decreased shipment in the same period over the past years.

(2) 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.

(3) 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

(1) 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.

(2) 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.

(3) 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.

(4) 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

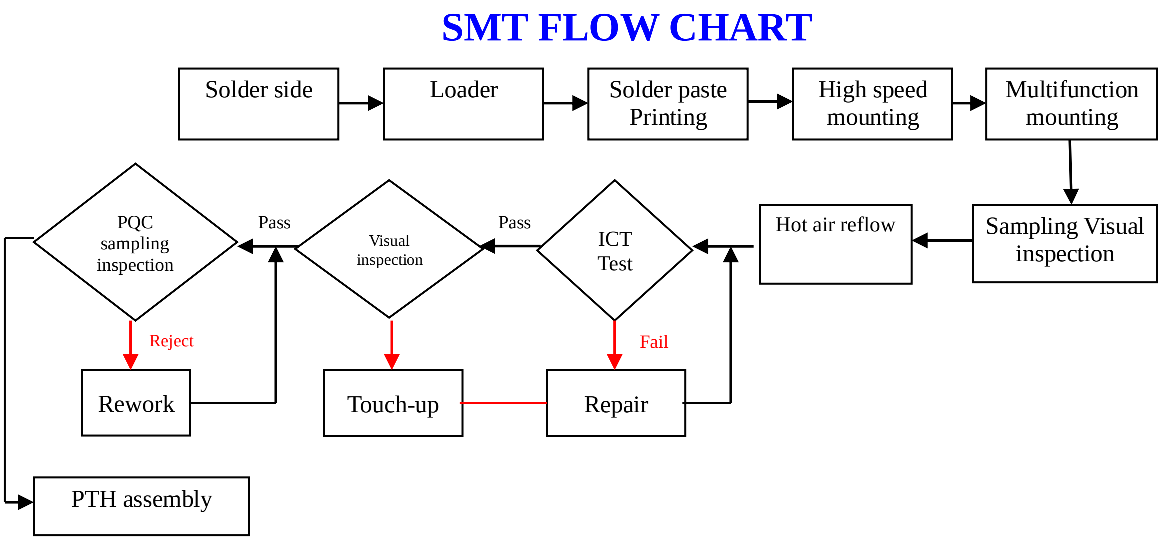
B. Computer workstation, use: engineering design, financial information, image processing and editing, desk top publishing

C. Server, use: video servers, internet servers, file servers, database servers

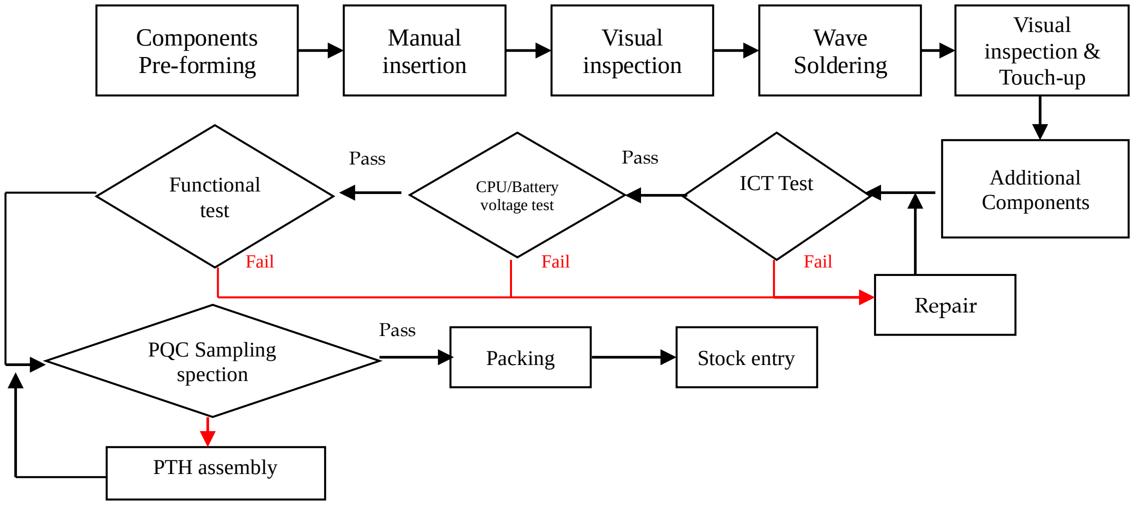
D. Multi-user and multi-tasking computer system mainframe

E. Computer-aided design CAD system and computer auxiliary manufacturing CAM system

2. Production processes of the main products



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

	2018				2019				As of Q1 2020			
Item	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	1,806,969	50	-	005505	2,099,232	46	-	005505	334,088	48	-
2	005507	783,232	22	-	005507	744,097	16	-	005507	94.488	14	-
3	002883	313,136	9	-	002883	280,812	6	-	002883	49,694	7	-
4	Others	689.256	19	-	Others	1,412,318	32	-	Others	221,466	31	-
	Net purchases	3,592,593	100		Net purchases	4,536,459	100		Net purchases	699,736	100%	

Explanation of changes: Not applicable

Major sales customers for the most recent two fiscal years

Materials unit: NT$ thousands

Year	2018				2019				As of Q1 2020			
Item	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	2,069,738	51	Related parties	COLORFUL	1,877,101	40	Related parties	COLORFUL	229,944	46	Related parties
2	16L002	363,858	9	-	16L002	473,508	10	-	16L002	63,698	13	-
3	16N002	241,610	6	-	16N002	457,435	10	-	16N002	64,948	13	-
	Others	1,407,826	34	-	Others	1,930,138	40	-	Others	144,906	28	-
	Net sales	4,083,032	100		Net sales	4,738,182	100		Net sales	503,496	100%	

Explanation of changes: Not applicable

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

Unit: Pcs, NT$ thousands

Year	2018			2019		
Production volume and value / Main Products	Production Capacity	Production Volume	Production Value	Production Capacity	Production Volume	Production Value
Computer peripherals	800,000	534,950	2,576,392	800,000	565,100	2,338,810
Total	800,000	534,950	2,576,392	800,000	565,100	2,338,810

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

Unit: Pcs, NT$ thousands

Year	2018				2019			
Sales volume / Main Products	Domestic Sales		Foreign Sales		Domestic Sales		Foreign Sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Computer peripherals	0	0	1,236,738	4,039,942	0	0	1,213,236	4,716,750
Others	0	0	0	10,368	0	0	0	21,432
Total	0	0	1,236,738	4,050,310	0	0	1,213,236	4,738,182

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

Year		2018	2019	As of March 31, 2020
Employees Number of People	Direct employees	0	0	0
	Indirect employees	19	17	16
	Total	19	17	16
Average age		41.76	42.92	41.76
Average work tenure		8.59	9.37	10.17
Education distribution ratio (%)	Doctor	0	0	0
	Master	37	35	38
	University/College	58	59	56
	Senior High School	5	5	6
	Below Senior High School	0	0	0

IV. Information on Environmental Protection Expenditure

(I) Loss and disposal caused by environmental pollution in the most recent year and as of the date of the annual report: 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): The Company outsources the production of its products and there had been no pollution to the environment. However, the Company still stringently requests the processing plants shall comply with relevant environmental laws and regulations to join hands in solving the environmental issues of scarcer energy on earth.

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	Total time (hours)	Training fees	Number of participants
Explanation Session for the Adoption of IFRS in the Republic of China	9	None	3
Seminar on Related Party and Related Party Transaction 11/18	3	None	1
5G and AI technologies Development Trend and 2020 Technology Prospect	6	None	1
Highlight for the Material Information, Suspension of Transaction, and Regulation Amendments	6	None	2
Effects of the Latest Amendments to the Company Act on Corporate Governance and Responsibility of Directors and Supervisors	3	None	1
Asia Pacific Social Enterprise Summit	18	None	3
Corporate Governance Evaluation Presentation	6	None	2
Forum for the Improvement of Institutional Investor's Due Governance and Investor Relations	3	None	1

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

Course Content	Total time (hours)	Training fees	Number of participants
Rapid Comprehension for Analysis of Financial Reports	15	None	5
Occupational Security and Health Management Lecture	13	None	13
Crisis Prevention Security Lecture	20	None	10
How to Manage Retirement Plans with the Effects of Annuity Reform and Sub-replacement Fertility	14	None	10

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

Course Content	Total time (hours)	Training fees	Number of participants
Basic Training for New Employees	4	None	2

3. Implementation of retirement system

The Company has established retirement regulations for the employees with 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 the 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 to 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	2019.01.01~2023.12.31

Chapter 6 Financial Overview

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

(I) Condensed Balance Sheet - Adoption of IFRS

Unit: NT$ thousand

Items \ Year		2015	2016	2017	2018	2019	2020 As of March 31
Current assets		2,617,031	1,971,840	1,609,221	1,551,324	1,412,661	Since the first quarter is the time to issue the consolidated review report, it is not applicable.
Property, Plant, and Equipment (Note 2)		384	172	25	-	55.272	
Intangible assets		-	-	-	-	-	
Other assets		5	77	1,874	11	9,413	
Total assets		2,952,945	2,349,029	1,975,593	2,006,520	2,086,740	
Non-current liabilities	Before distribution	1,178,986	544,183	251,966	272,396	534,693	
	After distribution	1,211,761	564,830	251,966	424,645	(Note 1)	
Non-current liabilities		-	-	-	-	-	
Total liabilities	Before distribution	1,178,986	547,751	251,966	272,396	534,693	
	After distribution	1,211,761	586,251	251,966	424,645	(Note 1)	
Equity attributable to owners of parent company		1,773,959	1,801,278	1,723,627	1,734,124	1,552,047	
Capital		1,092,488	1,092,488	1,092,488	1,014,988	1,014,988	
Capital reserve		-	-	-	-	-	
Retained earnings	Before distribution	674,887	733,743	660,442	831,650	786,346	
	After distribution	642,112	717,356	251,966	679,404	(Note 1)	
Other equity		6,584	(24,953)	(29,301)	(112,514)	(97,541)	
Treasury stock		-	-	-			
Non-controlling Equity		-	-	-			
Total shareholder equity	Before distribution	1,773,959	1,801,278	1,723,627	1,734,124	1,552,047	
	After distribution	1,741,184	1,784,891	1,723,627	1,734,124	(Note 1)	

Note 1: The proposal of the Company's 2019 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$ thousand

Items \ Year		2015	2016	2017	2018	2019	2020 As of March 31
Current assets		2,789,053	2,201,468	1,841,440	1,728,661	1,970,057	2,195,675
Property, Plant, and Equipment (Note 2)		153,536	145,013	134,335	122,073	62,003	123,140
Intangible assets		-	-	-	-	188,971	221,283
Other assets		26,482	11,121	12,465	163,769	160,584	140,632
Total assets		2,969,071	2,357,602	1,988,240	2,014,503	2,381,615	2,680,730
Non-current liabilities	Before distribution	1,193,316	551,998	263,190	279,003	650,766	631,367
	After distribution	1,226,091	572,645	263,190	431,249	(Note 1)	631,367
Non-current liabilities		1,796	4,326	1,423	1,376	10,606	49,667
Total liabilities	Before distribution	1,195,112	556,324	264,613	280,379	661,372	706,907
	After distribution	1,227,887	576,971	264,613	432.625	(Note 1)	-
Equity attributable to owners of parent company		1,773,959	1,801,278	1,723,627	1,734,124	1,552,047	1,764,207
Capital		1,092,488	1,092,488	1,092,488	1,014,988	1,014,988	1,014,988
Capital reserve		-	-	-	-	-	-
Retained earnings	Before distribution	674,887	733,743	660,442	831,650	786,346	848,447
	After distribution	642,112	717,356	660,442	679,402	(Note 1)	848,447
Other equity		6,584	(24,953)	(29,303)	(112,514)	(97,541)	(99,228)
Treasury stock		-	-	-	-	(151,746)	-
Non-controlling Equity		-	-	-	-	168,196	209,616
Total shareholder equity	Before distribution	1,773,959	1,801,278	1,732,627	1,734,124	1,720,243	1,973,823
	After distribution	1,741,184	1,784,891	1,732,627	1,734,124	(Note 1)	1,973,823

Note 1: The proposal of the Company's 2019 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$ thousand

Items \ Year	2015	2016	2017	2018	2019	2020 As of March 31
Operating revenue	7,287,341	6,201,316	5,276,351	3,755,138	3,591,114	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	297,955	226,619	80,824	357,955	158,267	
Operating (loss) profit	200,156	138,778	32,161	270.828	79.694	
Non-operating income and expenses	3,038	(30,484)	(90,332)	23,606	26,054	
Pretax profit	203,194	108,294	(58,171)	294,434	105,748	
Net Income for Continuing Operations	-	-	-	-	-	
Loss from discontinued operations	-	-	-	-	-	
Net profit (loss) for current period	182,712	91,631	(56,914)	244,304	106,942	
Other comprehensive income (loss) (net amount after tax)	(6,844)	(31,537)	(4,350)	(83,121)	14,973	
Total comprehensive income (loss)	175,868	60,094	(61,264)	161,093	121,915	
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	1.67	0.84	(0.52)	2.39	1.06	

Note 1: The proposal of the Company's 2019 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$ thousand

Items \ Year	2015	2016	2017	2018	2019	2020 As of March 31
Operating revenue	7,384,601	6,687,790	5,772,839	4,050,310	4,738,182	853,094
Operating margin including (unrealized) realized profits of affiliated companies	310,460	241,040	104,334	372,418	332,636	45,598
Operating (loss) profit	162,788	110,632	16,831	267,295	132,133	13,274
Non-operating income and expenses	40,602	(1,916)	(74,656)	39,808	19,772	7,064
Pretax net profit (loss)	203,390	108,716	(57,825)	307,103	151,905	20,338
Net Income for Continuing Operations	-	-	-	256,644	137,224	-
Loss from discontinued operations	-	-	-	(12,340)	(8,545)	
Net profit (loss) for current period	182,712	91,631	(56,914)	244,304	128,679	15,801
Other comprehensive income (loss) (net amount after tax)	(6,844)	(31,537)	(4,350)	(83,211)	14,973	12,225
Total comprehensive income (loss)	175,868	60,094	(61,264)	161,093	143,652	28,026
Net profit attributable to owners of the parent company	182,712	91,631	(56,914)	244,304	106,942	16,797
Net profit attributable to non-controlling equity	-	-	-	-	21,737	(996)
Total comprehensive income or loss attributable to the owner of the parent company	175,868	60,094	(61,264)	161,093	121,915	30,083
Total comprehensive income or loss attributable to non-controlling equity	-	-	-	-	21,737	(2,057)
Earnings (loss) per share	1.67	0.84	(0.52)	2.39	1.06	0.17

Note 1: The proposal of the Company's 2019 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
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	Hsu, Sheng-Chung, Wu, Han-Chi	No retained opinions
2019	PwC Taiwan	Hsu, Sheng-Chung, Wu, Han-Chi	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	2015	2016	2017	2018	2019	2020 As of March 31
Financial structure %	Liability-to-asset ratio	39.93	23.32	12.75	13.58	25.62	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	461,968.49	1,047,254.65	6,894,508	-	2,808.02	
Solvency (%)	Current ratio	221.97	362.35	638.67	569.51	264.20	
	Quick ratio	182.36	328.42	593.11	533.91	208.26	
	Interest coverage ratio	28.92	16.25	(36.12)	137.00	19.61	
Operating Ability	Receivables Turnover Rate (Times)	4.45	3.57	4.03	3.81	4.07	
	Average Collection Days	82.02	102.24	90.57	95.80	89.68	
	Inventory Turnover Rate (times)	20.69	18.34	34.70	32.26	17.35	
	Payables Turnover Rate (Times)	11.67	10.27	16.98	18.41	14.42	
	Average days of sales	17.64	19.90	10.51	11.31	21.03	
	Property, Plant and Equipment Turnover Rate (Times)	9,626.61	22,306.89	53,567.02	300,411.04	129.94	
	Total Asset Turnover Rate (Times)	2.47	2.64	2.67	1.87	1.72	
Profitability	Return on assets (%)	7.34%	3.68%	(2.57)	12.36	5.45	
	Return on shareholder equity (%)	10.71%	5.13%	(3.23)	14.13	6.51	
	Ratio of net income before tax in paid-in capital (%) (Note 7)	18.60%	9.91%	(5.32)	29.01	10.42	
	Net profit rate (%)	2.51%	1.48%	(1.08)	6.51	2.98	
	Earnings per share (NT$)	1.67	0.84	(0.52)	2.39	1.06	
Cash flow	Cash flow ratio (%)	Note 2	73.05	122.75	156.83	6.45	
	Cash flow adequacy ratio	Note 2	Note 2	64.41	383.93	124.48	
	Cash flow reinvestment ratio (%)	Note 2	20.15	16.96	26.21	(8.22)	
Degree of leverage	Degree of operating leverage	1	1	1	1	1.19	
	Degree of financial leverage	1.04	1.05	1.05	1.01	1.08	

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 solvency for the year was primarily due to the decrease in current assets and net income for the year. 2. Operating ability: The decrease in inventory turnover ratio and fixed asset turnover ratio for the period is mainly due to the decrease in sales revenue for the current period. 3. Decrease in various ratios of profitability: It is mainly due to the decrease 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 decrease 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		2015	2016	2017	2018	2019	2020 As of March 31
Financial structure %	Liability-to-asset ratio	40.25	23.60	13.31	13.92	27.77	26.22
	Ratio of long-term capital in property, plant and equipment	1155.40	1242.15	1283.08	1420.56	2774.45	2,994.00
Solvency (%)	Current ratio	233.72	398.82	699.66	619.59	302.73	304.26
	Quick ratio	194.26	364.82	655.21	584.66	240.02	198.76
	Interest coverage ratio	28.95	16.31	(35.90)	137.18	26.82	8.30
Operating Ability	Receivables Turnover Rate (Times)	4.43	3.76	4.29	4.08	5.04	2.68
	Average Collection Days	82.39	97.07	85.08	89.46	72.42	136.19
	Inventory Turnover Rate (times)	20.94	19.78	37.86	35.28	19.42	4.00
	Payables Turnover Rate (Times)	12.10	11.12	18.50	20.10	16.74	6.02
	Average days of sales	17.43	18.45	9.64	10.34	18.79	91.25
	Property, Plant and Equipment Turnover Rate (Times)	46.09	44.80	41.33	31.85	51.48	34.29
	Total Asset Turnover Rate (Times)	2.49	2.84	2.90	2.03	1.99	0.90
Profitability	Return on assets (%)	7.31	3.66	(2.56)	12.29	6.07	(0.17)
	Return on shareholder equity (%)	10.71	5.13	(3.23)	14.13	7.45	(0.14)
	Ratio of net income before tax in paid-in capital (%) (Note 7)	18.62	9.95	(5.29)	29.05	14.97	(0.22)
	Net profit rate (%)	2.47	1.37	(0.99)	5.98	2.72	(0.46)
	Earnings per share (NT$)	1.67	0.84	(0.52)	2.39	1.06	(0.01)
Cash flow	Cash flow ratio (%)	註 1	62.56	134.92	159.19	(10.93)	8.76
	Cash flow adequacy ratio	註 1	註 1	60.17	335.40	107.13	229.82
	Cash reinvestment ratio (%)	註 1	註 1	18.33	25.23	註 1	3.30
Degree of leverage	Degree of operating leverage	1.08	1.13	1.72	1.05	4.24	0.10
	Degree of financial leverage	1.05	1.07	1.10	1.01	1.05	1.52

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 increase in inventory, account payable, and short-term borrowings.
   Decrease in interest coverage ratio is mainly due to a decrease in net profit for the current period
2. Operating ability: The increase in accounts receivable turnover ratio and fixed asset turnover ratio is mainly due to the increase in sales revenue and inventory for the current period.
3. Decrease in various ratios of profitability: It is mainly due to the decrease 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 decrease 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 – 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, 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 it 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 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 the 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 it 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 proposed the Company's 2019 Financial Statements and Consolidated Financial Statements that have been audited by CPA Hsu Sheng-Chung and CPA Wu Han-Chi of the CPA firm Pricewaterhouse Coopers (PwC) Taiwan. In conjunction with the proposal of the business report, it has been reviewed by the supervisor and it is considered that there is no disagreement. The report is prepared in accordance with Article 219 of the Company Act.

Please proceed to examine

Sincerely,

2020 Annual Shareholders' Meeting

Chaintech Technology Corp.

Supervisor: Chou Chun-Tsun

Supervisor: Hsu Sheng-Chin

March 30, 2020

Chaintech Technology Corp.
Supervisors' Review Report

Whereas
The proposal of the Board of Directors to send the Company's 2019 annual surplus distribution was reviewed by the supervisor and it is considered that there is no disagreement. The report is prepared in accordance with Article 219 of the Company Act.
Please proceed to examine

Sincerely,

2020 Annual Shareholders' Meeting

Chaintech Technology Corp.

Supervisor: Chou Chun-Tsun

Supervisor: Hsu Sheng-Chin

May 6, 2020

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	2019	2018	Difference	
			Amount	%
Current assets	1,970,057	1,728,661	241,396	13.96
Investment using equity method	-	-	-	-
Property, plant, and equipment	62,003	122,073	(60,070)	(49.21)
Intangible assets	188,971	-	-	-
Other assets	23,539	54,784	(31,245)	(57.03)
Total assets	2,381,615	2,014,503	367,112	18.22
Current liabilities	650,766	279,003	371,763	133.25
Non-current liabilities	10,606	1,376	9,230	670.78
Total liabilities	661,372	280,379	380,993	135.88
Capital	1,014,988	1,014,988	-	-
Capital reserve	-	-	-	-
Retained earnings	786,346	831,650	(45,304)	(5.45)
Other equity	(97,541)	(112,514)	14,973	(13.31)
Treasury stock	(151,746)	-	-	-
Total equity attributable to owners of parent company	1,552,047	1,734,124	(182,077)	(10.50)
Non-controlling equity	168,196	-	-	-
Total equity	1,720,243	1,734,124	(13,881)	(0.80)

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

1. The increase in current assets: It is mainly due to the increase in inventory during the year.
2. The increase in intangible assets: It is mainly due to the intangible assets arising from the business combination during the year.
3. The decrease in property, plant and equipment: It is mainly due to the disposal of Bahamas Federal Shanghai Co., Ltd. during the year.
4. The decrease in other assets: It is mainly due to the decrease in long-term investment prepayment.
5. The increase in liabilities: It is mainly due to the increase in short-term borrowings and accounts payable during the year.
6. The decrease in retained earnings: It is mainly due to the decrease in net income during the current period.
7. The decrease in other equity: It is mainly due to unrealized evaluation equity at fair value through other comprehensive income and exchange differences 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$ thousand

Items \ Year	2019	2018	Increases (decreases)	Change ratio %
Net operating revenue	4,738,182	4,050,310	687,872	16.98
Operating costs	4,405,546	3,677,892	727,654	19.78
Gross profit	332,636	372,418	(39,782)	(10.68)
Operating expenses	200,503	105,123	95,380	90.73
Operating profit	132,133	267,295	(135,162)	(50.57)
Non-operating income and expenses	19,772	39,808	(20,036)	(50.33)
Pretax profit	151,905	307,103	(155,198)	(50.54)
Income tax expenses	(14,681)	(50,459)	35,778	(70.91)
Net income	128,679	244,304	(115,625)	(47.33)

Increase or decrease of change analysis:

1. The decrease in gross profit: It is mainly due to the decrease in gross profit as compared with the same period last year resulting from the different product profile sold during the year
2. The increase in operating expenses: The increase in operating expenses for the current year is mainly due to the company combination.
3. The decrease in operating profit: The decrease in operating profit for the current period is mainly due to the increase in gross profit and expenses during the year.
4. The decrease in non-operating income: The increase in non-operating income during the current year is due to the exchange losses recorded during the current period, while an exchange revenue was recorded for the same period last year.
5. The decrease in income tax expense: The decrease in income tax expense for the current period is mainly due to the decrease in net income for the year.
6. The decrease in net income: The decrease in net income is mainly due to the decrease in net income for the period resulting from the decrease in gross profit and the increase in operating expenses.

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	2019	2018	Increases (decreases) ratio %
Cash flow ratio	(10.93)	159.19	(106.87)
Cash flow adequacy ratio	107.13	335.40	(68.06)
Cash reinvestment ratio	(4.51)	25.23	(117.88)

Increase or decrease of change analysis:

Increase/decrease in various cash flow ratios compared to the previous year: Due to the decrease in net cash inflow during the year as compared with the previous period.

(II) Cash liquidity analysis for the following year.

Cash Flow Analysis

Unit: NT$ thousand

Cash balance at the beginning of the period ①	Net cash flow from operating activities for the year②	Cash outflow for the year ③	Amount of cash surplus (inadequacy) ①+②-③	Remedial measures for cash inadequacy	
				Investment plans	Financial plan
360,088	234,650	68,298	663,036	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:
   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" on March 1, 2019, and obtained 100% equity of AI server manufacturer "Beijing SITEN HELY." The total investment amount is RMB 86,300,000, and the Company possesses 51% equity of Tianjin company.
2. Reasons for the profit or loss from reinvestment and improvement plans:

Unit: NT$ thousand

Name of reinvestment companies	The initial amount of investment	Investee Profit or loss for the current period	Reason	Improvement Plan
	December 31, 2018			
Bahamas Federal Shanghai Co., Ltd.	343,327	(8,545)	Failure to meet the Company's operating expenses by OEM	The disposals of Bahamas Shanghai and Kede Electronic were approved at the Board meeting on May 9, 2019, and the transfer of equity interests was completed on July 2019, the consideration for the disposal was USD4.88 million.
Shenzhen Jinghong Digital R&D Service Co., Ltd.	499,065	19,717	-	-
WISE PROVIDENCE LIMITED	5,783	-	-	The Company has approved the winding-up at the Board meeting on January 30, 2019, and completed the cancellation of registration in April 2019.

3. Investment plan for the coming year: In the hope to tap into the fields of 5G and optical communication module industry, the Company approved the proposal for investing in Usenlight Corporation for its 5G product layout at the Board meeting on January 21, 2020. The number of shares invested is 5,000,000 shares with each share at the amount of NT$30, totaled NT$150 million, accounting for 13% of the equity interests. The investment has been made in March.

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 relevant affairs, 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 the 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, 2019, the balance of the Company's bank loan was NT$156,597 thousand, and if the market interest rate increased or reduced by 1%, the Company's net loss before tax would decrease or increase by NT$1,566 thousand on the condition that other factors remain unchanged, which accounted for 0.033% of our consolidated net revenue, having no significant effect on the overall net income after tax.

   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 rates. The future countermeasures are as below:

   (1) Effects on the Company's profit or loss: The Company's consolidated profit (loss) from the exchange in 2019 was NT$(7,086), accounting for 0.15% of the consolidated net income of the year; there overall exchange profit or loss would not result in any significant effect.

   (2) Future response measures:

      A. 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.

      B. 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.

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

      D. 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 product transaction in 2019.

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. In 2019, as the invested subsidiaries or sub-subsidiaries have capital requirements, sub-subsidiaries had provided loans for subsidiaries according to the "Procedures for Acquisition and Disposal of Assets" formulated by the Company.
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. The endorsement and guarantee provided by the Company during 2019 were made according to the "Endorsement/ Guarantee Operating Procedures" formulated by the Company.

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

1. Future R&D plans:

(1) Display cards

Develop high, medium and low end gaming graphics cards by using the latest NVIDIA Ampere series chipset. For high-end gamers, we will develop e-sports graphics cards with core overclocking, high power consumption and outstanding heat dissipation performance.

(2) Motherboard

A. Develop iGame series gaming motherboard, including Vulcan and Gaming MINI iTX series by using the latest Intel 500 series high-end chipset.

B. Develop the Intel 500 LGA1200/AMD AM4 B5XX, A5XX series mid-end motherboard, including the plan for CVN, Tomahawk, and GeForce series product line.

C. Development of UEFI multi-language graphical BIOS enhanced version.

(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 2020, the expenditure related to R&D is expected to maintain at a similar level to 2019, 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 connections, 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 any 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 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 partnerships 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, nonlitigation 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:

(1) Risk evaluation for information security: Some time ago, the production line of TSMC crashed and incurred significant losses due to the partial infection of its machines by ransomware. Chaintech's production line is fully outsourced, and the outsourced production line machines are not connected to Internet, rendering relatively lower risks for such crashes. Furthermore, all personal PCs and laptops in our offices have installed antivirus software and the virus scans are regularly performed. The Company back-up its data on a daily basis and install firewall devices. To date, no material information security event had occurred due to any virus.

In 2019, the Company audited its cybersecurity operating systems and had not found any material anomaly; therefore, no improvement nor countermeasure is required.

(2) Effect arising from the outbreak of COVID-19 (coronavirus): Recently, the supply chain of products have been impacted by the effects of COVID-19, which accelerates the transfer and dispersion trend of the supply chain, causing risks of downwards development for economic growth in China and worldwide. The primary sales region of the Company is China. In the future, the Company will adjust its structure and business with flexibility and enhance its control over the working capital, so as to respond to various market changes.

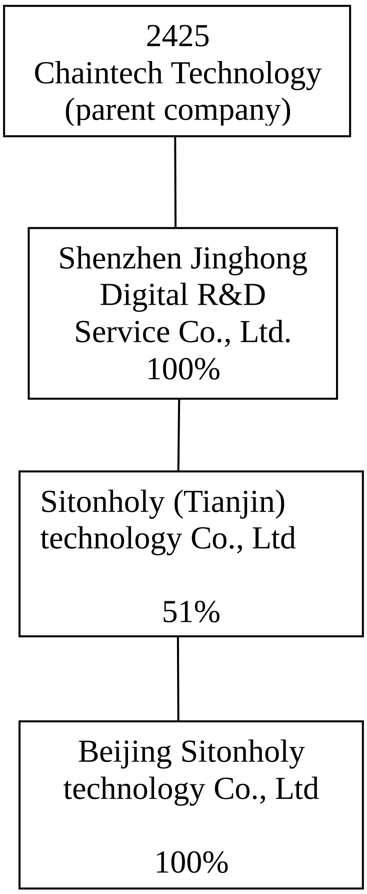
VII. Other important items: None.

Chapter 8 Special Notes

I. Information on Affiliated Companies

(I) Consolidated Business Report of Affiliated Companies

1. Organization chart of affiliated companies



2. Basic information of affiliated companies

Unit: NT$ thousand

Name of business	Date of Incorporation	Address	Actual paid-in capital	Main business or production items
Shenzhen Jinghong Digital R&D Service Co., Ltd.	2012.08	3A, 3F., Aozhihao Parking Complex, Xinzhou Fourth Street, Futian District, Shenzhen	NT$499,045	Technology research and development and trading of electronic products, computer hardware, and peripheral devices
Sitonholy (Tianjin) technology Co., Ltd	2018.07	Floor 1, D Building, Zhongshan Road East, Yixianyuan Science Industrial Park, Wuqing District, Tianjin City, PRC	NT$93,677	Manufacturing and sales of electronics and computers, servers, and high-performance computing server
Beijing Sitonholy technology Co., Ltd	2012.05	Room 317, Jintaifudi Mansion, Anningzhuang West Road, Haidian District. Beijing City, PRC	NT$34,440	Manufacturing and sales of electronics and computers, servers, and high-performance computing server

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. The Company invested in Sitonholy (Tianjin) technology Co., Ltd, responsible for the production and manufacturing of server products, through Jinghong.

d. The Company invested in Beijing Sitonholy technology Co., Ltd, responsible for the production and manufacturing of server products, through Sitonholy (Tianjin) technology Co., Ltd.

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
Shenzhen City Jinghong Digital Research & Development Service Co., Ltd.	Chairman	Chaintech Technology Corporation Representative: Chu, Ping	Note	100%
Sitonholy (Tianjin) technology Co., Ltd	Chairman Director Director Supervisor Supervisor	Wang, Wei Shenzhen Jinghong Digital R&D Service Co., Ltd. Representative: Chu, Ping Representative: Tan, Li-Ing Guo, Rui-Ling Shenzhen Jinghong Digital R&D Service Co.,Ltd Representative: He, Bo	Note	51%
Beijing Sitonholy technology Co., Ltd	Chairman Supervisor	Sitonholy (Tianjin) technology Co., Ltd Representative: Wang, Wei Sitonholy (Tianjin) technology Co., Ltd Representative: Wang, Shou-Zheng	Note	100%

Note: A company with limited liability; therefore, no number of shares.

6. Operation Overview of Affiliated Companies

Unit: NT$ thousand

Name of business	Capital	Total assets	Total liabilities	Net Value	Operating revenue	Operating profit	Profit or loss for the current period (after tax)	Earnings (loss) per Share (NT$) (after tax)
Shenzhen Jinghong Digital R&D Service Co., Ltd.	499,045	494,788	22,439	472,349	175,332	(4,799)	19,717	-
Sitonholy (Tianjin) technology Co., Ltd	93,677	432,300	118,603	313,697	905,342	74,022	52,000	-
Beijing Sitonholy technology Co., Ltd	34,440	59,386	10,475	48,911	103,212	(6,600)	(8,189)	-

(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: None.

Chapter 9 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
(109)Financial Review Reference No.19004698

To Chaintech Technology Corp.,

Audit Opinions

The independent auditors have audited the accompanying auditors have audited the accompanying parent company only balance sheets of Chaintech Technology Corp. as of December 31, 2019 and 2018, 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 years ended December 31, 2019 and 2018.

In our opinions, the accompanying parent company only financial statements, in all material respects, give a true and fair view of the parent company only financial position of Chaintech Technology Corp. as of December 31, 2019 and 2018, and of its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

Basis for Audit Opinion

For the parent company only financial statements for the year ended December 31, 2019, we conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants," "Financial Supervisory Commission Letter Jin-Guan-Zheng-Shen-Zi No. 1090360805 dated February 25, 2020," and Generally Accepted Auditing Standards (GAAS) of the Republic of China. For the parent company only financial statements for the year ended December 31, 2018, we conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants," and GAAS of the Republic of China. Our responsibility under such standards will be further explained in the section titled "Responsibilities of Certified Public Accountants for Auditing Parent Company Only Financial Statements." We are independent of Chaintech Technology Corp. 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 Parent Company Only Financial Statements of Chaintech Technology Corp. for the year ended December 31, 2019. These matters were addressed in the context of our audit of the parent company only 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 Parent Company Only Financial Statements of Chaintech Technology Corp. for the year ended December 31, 2019 are stated as follows:

Sales revenue cut-off

Description

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

Chaintech Technology Corp. 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. Chaintech Technology Corp. 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 Chaintech Technology Corp. 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 Chaintech Technology Corp. 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 Chaintech Technology Corp. 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.

Assessment of purchase price allocation

Description

Chaintech Technology Corp. acquired a 51% equity interest in Sitonholy (Tianjin) Technology Co., Ltd. through Shenzhen Jinghong Digital R&D Service Co., Ltd. at the amount of RMB 86,360 thousand (including contingent consideration of RMB 44,360 thousand).

This merger and acquisition (M&A) case was accounted for using the acquisition method. The purchase price was measured based on the purchase price allocation (PPA) report issued by Chaintech Technology Corp.'s designated external expert, and identifiable assets of Sitonholy (Tianjin) Technology Co., Ltd. acquired and its liabilities assumed were allocated accordingly. As the amount of M&A is large and PPA assumption involves management's estimates, it has a material impact on the financial statements; therefore, we have included the M&A case in the key audit matters for this year.

Corresponding audit procedures

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

1. Audit the internal control procedures for M&A transactions, including reviewing the M&A contract and checking relevant vouchers.
2. Obtain the acquiree's financial information and assess management's identification of the acquiree's net identifiable assets and liabilities assumed on the acquisition date in accordance

with relevant accounting standards.

3. Review the rationality of management's valuation model for identifiable intangible assets or contingent consideration and its cash flow forecasting, including the following procedures:
   (1) Check the settings of the valuation model's parameters and formulas.
   (2) Compare the revenue growth rate, gross profit margin, and operating profit margin used by the model with historical results and industry data.
   (3) Compare the discount rate used with other comparable targets in the market.

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 parent company only 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 the 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 Chaintech Technology Corp.'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 Chaintech Technology Corp. or terminate the business, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing Chaintech Technology Corp.'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 auditors' 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 Chaintech Technology Corp.'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 Chaintech Technology Corp.'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 Chaintech Technology Corp. 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 Chaintech Technology Corp. to express an opinion about the parent company only financial statements. We are responsible for the guidance, supervision and performance of the parent company 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 for the year ended December 31, 2019 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

Sheng-Chung 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 27, 2020

Chaintech Technology Corp.

Parent Company Only Balance Sheets

For the Years Ended December 31, 2019 and 2018

Unit: NT$ thousand

	Assets	Notes	December 31, 2019		December 31, 2018	
			Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	VI (I)	$ 187,565	9	$ 481,211	24
1110	Current financial assets at fair value through profit or loss	VI (II)	2,172	-	1,755	-
1170	Accounts receivable, net	VI (IV)	227,710	11	232,587	11
1180	Accounts receivable due from related parties, net	VI (IV) and VII	616,786	30	685,977	34
1200	Other receivables		-	-	155	-
1220	Current tax assets		24,267	1	-	-
130X	Current inventories	VI (V)	290,324	14	95,833	5
1470	Other current assets	VI (VI) and VIII	63,837	3	53,806	3
11XX	**Total current assets**		1,412,661	68	1,551,324	77
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	VI (III)	137,045	6	108,985	6
1550	Investment accounted for using equity method	VI (VII)	472,349	23	346,200	17
1600	Property, plant and equipment	VI (VIII)	55,272	3	-	-
1755	Right-of-use assets	VI (IX)	5,925	-	-	-
1840	Deferred tax assets	VI (XX)	3,435	-	6	-
1900	Other non-current assets		53	-	5	-
15XX	**Total non-current assets**		674,079	32	455,196	23
1XXX	**Total assets**		$ 2,086,740	100	$ 2,006,520	100

(Continued)

Chaintech Technology Corp.

Parent Company Only Balance Sheets

For the Years Ended December 31, 2019 and 2018

Unit: NT$ thousand

	Liabilities and equity	Notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities					
2100	Current borrowings	VI (X)	$ 156,597	8	$ -	-
2150	Notes payable		24	-	-	-
2170	Accounts payable		319,099	15	156,859	8
2200	Other payables	VII	52,839	3	63,174	3
2230	Current tax liabilities		-	-	52,170	3
2280	Current lease liabilities		6,040	-	-	-
2300	Other current liabilities		94	-	193	-
21XX	**Total current liabilities**		534,693	26	272,396	14
2XXX	**Total liabilities**		534,693	26	272,396	14
	Equity					
	Share capital	VI (XII)				
3110	Ordinary share		1,014,988	49	1,014,988	51
	Retained earnings	VI (XIII)				
3310	Legal reserve		122,290	6	97,859	5
3320	Special reserve		112,514	5	88,481	4
3350	Retained earnings		551,542	26	645,310	32
	Other equity interest					
3400	Other equity interest		(97,541)	(5)	(112,514)	(6)
3500	Treasury shares	VI (XXII)	(151,746)	(7)	-	-
3XXX	**Total equity**		1,552,047	74	1,734,124	86
	Significant contingent liabilities and unrecognized contract commitments	IX				
	Significant events after the end of the financial reporting period	XI				
3X2X	**Total liabilities and equity**		$ 2,086,740	100	$ 2,006,520	100

The accompanying notes are an integral part of the 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, 2019 and 2018

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

	Items	Notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	**Operating revenue**	VI (XIV) and VII	$ 3,591,114	100	$ 3,755,138	100
5000	**Operating costs**	VI (V) (XVIII) (XIX)	(3,432,847)	(96)	(3,397,183)	(91)
5950	**Gross profit from operations**		158,267	4	357,955	9
	Operating expenses	VI (XVIII) (XIX) and VII				
6100	Selling expenses		(50,243)	(1)	(52,272)	(1)
6200	Administrative expenses		(24,926)	(1)	(31,691)	(1)
6300	Research and development expenses		(3,404)	-	(3,164)	-
6000	**Total operating expenses**		(78,573)	(2)	(87,127)	(2)
6900	**Net operating income**		79,694	2	270,828	7
	Non-operating income and expenses					
7010	Other income	VI (XV)	5,683	-	6,854	-
7020	Other gains and losses	VI (XVI)	14,881	1	29,978	1
7050	Financial costs	VI (XVII)	(5,682)	-	(2,165)	-
7070	Share of profit or loss of subsidiaries, associates, and joint ventures accounted for using equity method	VI (VII)	11,172	-	(11,061)	-
7000	**Total non-operating income and expenses**		26,054	1	23,606	1
7900	**Profit before tax**		105,748	3	294,434	8
7950	Tax income (expense)	VI (XX)	1,194	-	(50,130)	(2)
8200	**Profit**		$ 106,942	3	$ 244,304	6
	Other comprehensive income, net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	VI (III)	$ 28,060	1	($ 75,999)	(2)
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		28,060	1	(75,999)	(2)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		(13,087)	(1)	(7,212)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(13,087)	(1)	(7,212)	-
8300	**Other comprehensive income, net**		$ 14,973	-	($ 83,211)	(2)
8500	**Total comprehensive income**		$ 121,915	3	$ 161,093	4
	Basic earnings per share	VI (XXI)				
9750	**Basic earnings per share**		$ 1.06		$ 2.39	
	Diluted earnings per share	VI (XXI)				
9850	**Diluted earnings per share**		$ 1.06		$ 2.39	

The accompanying notes are an integral part of the 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, 2019 and 2018

Unit: NT$ thousand

	Notes	Share capital - Ordinary shares	Retained earnings: Legal reserve	Retained earnings: Special reserve	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 shares	Total equity
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 (Note)		-	-	-	(323)	-	-	-	(323)
Balance after adjustment as of January 1, 2018		1,092,488	97,859	84,131	478,129	(29,303)	-	-	1,723,304
Profit		-	-	-	244,304	-	-	-	244,304
Other comprehensive income		-	-	-	-	(7,212)	(75,999)	-	(83,211)
Total comprehensive income		-	-	-	244,304	(7,212)	(75,999)	-	161,093
Earnings appropriation and distribution:	VI (XIII)								
Special reserve appropriated		-	-	4,350	(4,350)	-	-	-	-
Purchase of treasury shares		-	-	-	-	-	-	(150,273)	(150,273)
Retirement of treasury shares		(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
2019									
Balance as of January 1, 2019		$ 1,014,988	$ 97,859	$ 88,481	$ 645,310	($ 36,515)	($ 75,999)	$ -	$ 1,734,124
Profit		-	-	-	106,942	-	-	-	106,942
Other comprehensive income		-	-	-	-	(13,087)	28,060	-	14,973
Total comprehensive income		-	-	-	106,942	(13,087)	28,060	-	121,915
Earnings appropriation and distribution:	VI (XIII)								
Legal reserve appropriated		-	24,431	-	(24,431)	-	-	-	-
Special reserve appropriated		-	-	24,033	(24,033)	-	-	-	-
Cash dividends		-	-	-	(152,246)	-	-	-	(152,246)
Purchase of treasury shares		-	-	-	-	-	-	(151,746)	(151,746)
Balance as of December 31, 2019		$ 1,014,988	$ 122,290	$ 112,514	$ 551,542	($ 49,602)	($ 47,939)	($ 151,746)	$ 1,552,047

Note: For IFRS 9, the Group made adjustments as at January 1, 2018 using the modified retrospective method.

The accompanying notes are an integral part of the 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, 2019 and 2018

Unit: NT$ thousand

	Notes	2019	2018
Cash flows from (used in) operating activities			
Profit before tax		$ 105,748	$ 294,434
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	VI (VIII) (IX) (XVIII)	14,822	25
Valuation adjustment for financial assets at fair value through profit or loss	VI (II) and (XVI)	(447)	(185)
Interest income		(2,437)	(2,335)
Interest expense	VI (XVII)	5,682	2,165
Dividend income	VI (XV)	(3,053)	(4,340)
Share of (profit) loss of subsidiaries accounted for using equity method		(11,172)	11,061
Gain on disposal of investments accounted for using equity method		(25,943)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		30	(1,570)
Accounts receivable (including related parties)		74,068	134,292
Other receivables		155	(145)
Inventories		(194,491)	18,957
Other current assets		(1,657)	(1,828)
Changes in operating liabilities			
Notes payable		24	-
Accounts payable (including related parties)		162,240	(55,425)
Other payables		(10,511)	27,802
Other current liabilities		(99)	(36)
Cash inflow generated from operations		112,959	422,872
Interest received		2,437	2,335
Dividends received		3,053	4,340
Interest paid		(5,302)	(2,165)
Income tax paid		(78,672)	(178)
Net cash flows from operating activities		34,475	427,204
Cash flows from (used in) investing activities			
Acquisition of financial assets at fair value through other comprehensive income		-	(184,984)
Acquisition of investments accounted for using equity method	VI (VII)	(259,609)	-
Disposal of investments accounted for using equity method	VI (VII)	157,539	-
Acquisition of property, plant and equipment	VI (XXII)	(48,597)	(20,016)
Increase (decrease) in other current assets		(28,390)	19,193
Increase in other non-current assets		(48)	-
Net cash flows used in investing activities		(179,105)	(185,807)
Cash flows from (used in) financing activities			
Increase in short-term loans		156,597	-
Payments of lease liabilities		(1,570)	-
Cash dividends paid	VI (XIII)	(152,246)	-
Payments to acquire treasury shares		(151,746)	(150,273)
Net cash flows used in financing activities		(148,965)	(150,273)
Effect of exchange rate changes		(51)	-
Net increase (decrease) in cash and cash equivalents		(293,646)	91,124
Cash and cash equivalents at beginning of period		481,211	390,087
Cash and cash equivalents at end of period		$ 187,565	$ 481,211

The accompanying notes are an integral part of the 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, 2019 and 2018

Unit: NT$ thousand
(Unless specified otherwise)

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 "Chaintech") in January 2013. Approved by the Securities and Futures Bureau as an OTC-listed company in December 1997, Chaintech was transferred to be a listed company and was listed at the stock exchange market on August 17, 2000. Chaintech 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 Chaintech indirectly through Zhongjie Xingye Co., Ltd., and acquired 100% equity in Yicheng International Development Co., Ltd. (which held 36.2% equity of Chaintech) in June 2014. Therefore, Colorful Group held 46.2% equity in Chaintech indirectly, and obtained more than half of the seats in Chaintech's Board of Directors. In June 2017, Zhongjie Xingye Co., Ltd. sold all the equity of Chaintech it held. In July 2016, Yicheng International Development Co., Ltd. sold the equity of Chaintech to 26.11%. As of December 31, 2019, the Colorful Group indirectly held 28.11% of the equity in Chaintech through Yicheng International Development Co., Ltd.

II. Approval Date and Procedures of the Parent Company Only Financial Statements

The parent company only financial statements were approved by the Board of Directors on March 27, 2020.

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 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 Chaintech's financial condition and financial performance based on the Chaintech's assessment.

IFRS 16 "Leases"

1. IFRS 16 "Leases" supersedes IAS 17 "Leases" and its relevant IFRIC interpretations and SIC 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.

2. When applying the 2019 version of IFRSs as endorsed by the FSC, Chaintech elects to adopt IFRS 16 without restating the comparative information ("modified retrospective approach" hereinafter) and made adjustments to lessee lease contracts by increasing the right-of-use assets by NT$7,406 and increasing lease liabilities by NT$7,406 on January 1, 2019.
3. Upon initial adoption of IFRS 16, Chaintech adopts the following practical expedients:
   (1) Contracts that have previously been identified as leases under IAS 17 and IFRIC 4 are not reassessed as to whether they are (or contain) leases but are treated by applying related IFRS 16 requirements.
   (2) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
   (3) Applying the short-term lease method to leases that end before December 31, 2019. The rental expense recognized for these leases in 2019 was NT$168.
   (4) Excluding the initial direct costs from the measurement of the right-of-use assets.
   (5) Using hindsight in determining the lease term when the contracts contain options to extend or terminate the leases.
4. Chaintech applied Chaintech's incremental borrowing rate to calculate the present value of lease liabilities. The interest rate was 3%.
5. Chaintech discloses the amounts of its operating lease commitments pursuant to IAS 17. Below is the reconciliation of the present value after discount using the incremental borrowing rate upon the initial application date and the lease liability recognized on January 1, 2019.

Operating lease commitments applying IFRS 17 "Disclosures" as at December 31, 2018	$	7,848
Add: Reassessment of lease contracts that were originally identified as a service contract		141
Total value of lease contracts for which the recognition of a lease liability is required pursuant to IFRS 16 as at January 1, 2019		7,989
Chaintech's incremental borrowing rate as at the initial application date	3%	
Lease liability recognized pursuant to IFRS 16 as at January 1, 2019	$	7,406

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

New standards, interpretations and amendments endorsed by the FSC effective from 2020 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 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020

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

(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 IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by International Accounting Standards Board
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2022

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

IV. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these parent company only 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 Chaintech shall also require the use of certain critical accounting estimates. The management requires the use of judgment in applying Chaintech’s accounting policies. For items involving a higher degree of judgment or complexity, or items where assumptions and estimates are significant to the parent company only financial statements, please refer to Note V for details.

(III) Foreign currency translation

The Chaintech's items listed in the parent company only financial statements are measured and presented in the currency of the primary economic environment in which Chaintech 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 Chaintech 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) 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) Liabilities 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) 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.

(VI) 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 Chaintech using trade date accounting.
3. At initial recognition, Chaintech measures the financial assets at fair value and recognizes the transaction costs in profit or loss. Chaintech 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 Chaintech 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. Chaintech adopts trade date accounting for financial assets measured at fair value through other comprehensive income.
3. At initial recognition, Chaintech measures the financial assets at fair value plus transaction costs; Chaintech 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 Chaintech and the amount of the dividend can be measured reliably.

(VIII) Accounts receivable

1. Accounts receivable entitle Chaintech 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), Chaintech 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 Chaintech's contractual rights to receive cash flows from financial assets are lapsed.

(XI) Operating leases – Lessor

Lease income from operating leases less any incentives given to lessees is recognized in profit or loss on a straight-line basis over the term of the lease.

(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 Chaintech. Chaintech controls an entity when Chaintech 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 Chaintech and its subsidiaries are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Chaintech.
3. The share of gain or loss and other comprehensive income generated from the subsidiary is recognized as profit or loss of the period and other comprehensive income, respectively. If Chaintech's share of loss recognized on the subsidiary is equal to or exceeds the equity interest in the subsidiary, Chaintech will not recognize further losses unless Chaintech has statutory obligations or deferred obligations or has paid for the subsidiary.
4. When Chaintech disposes its investment in an subsidiary and loses significant influence over the subsidiary, the amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over the subsidiary, the amounts previously recognized in other comprehensive income in relation to the subsidiary are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
5. 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 Chaintech 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 equipment	3 ~ 5 years
Other equipment	3 ~ 10 years

(XV) Lease transaction in the capacity of a lessee - Right-of-use assets/Lease liabilities

Applicable for the annual periods beginning on or after January 1, 2019

1. A right-of-use asset and a lease liability are recognized for a leased asset on the date when it becomes readily available for Chaintech's use. When a lease contract is a short-term lease or when it is a lease of which the underlying asset is of low value, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. On the commencement date, Chaintech measures lease liabilities by the present value of outstanding lease payments, using Chaintech's incremental borrowing rate. Lease payments include fixed payments less any lease incentives receivable. In subsequent periods, Chaintech measures lease liabilities at amortized cost using the effective interest method and recognizes interest expenses during the lease term. When a change in the lease term or lease payments occurs due to reasons other than lease modifications, lease liabilities are reassessed and the remeasurements are adjusted to the right-of-use assets.
3. Right-of-use assets are recognized at cost on the commencement date. Costs include the originally measured amount of lease liabilities. In subsequent periods, Chaintech measures right-of-use assets at cost and recognizes depreciation expenses at the earlier of the end of useful life of right-of-use assets or the end of the lease term. When a lease liability is reassessed, the right-of-use asset is adjusted for any remeasurements of the lease liability.

(XVI) Impairment of non-financial assets

Chaintech 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 Chaintech 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, Chaintech 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 parent company only balance sheets. 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 Chaintech, 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 Chaintech buys 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 Chaintech's financial statements in the period in which they are approved by Chaintech'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) Chaintech 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 Chaintech 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 Chaintech has unconditional rights to the contract price since that point in time, and Chaintech can collect the consideration from the customer once upon the contractual time is expired.

2. Service revenue

Chaintech 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 Chaintech and customers are all less than one year. Therefore, Chaintech has not adjusted the transaction price to reflect the time value of money.

4. Costs to acquire contracts from customers

Chaintech 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 Chaintech's financial statements requires management to make critical judgments in applying Chaintech'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, Chaintech regularly reviews the reasonableness of the estimates.

VI. Descriptions of Material Accounting Items

(I) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 105	$ 93
Checking deposits and demand deposits	187,460	396,652
Time deposits	-	84,466
	$ 187,565	$ 481,211

1. Chaintech 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. Chaintech does not provide any cash and cash equivalents as pledges to others.

(II) Current financial assets at fair value through profit or loss

Items	December 31, 2019	December 31, 2018
Stocks of listed companies	$ 2,568	$ 2,598
Valuation adjustments	(396)	(843)
Total	$ 2,172	$ 1,755

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

Items	2019	2018
Equity instruments	$ 447	$ 185

2. Chaintech's current financial assets at fair value through profit or loss were not provided as pledged assets or guarantees as of December 31, 2019 and 2018.
3. For related credit risk information, please refer to Note XII (II).

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

Items	December 31, 2019	December 31, 2018
Non-current items:		
Equity instruments		
Stocks of listed companies	$ 169,634	$ 169,634
Stocks unlisted at stock exchange market, over the counter market or emerging stock market	15,350	15,350
	184,984	184,984
Valuation adjustments	(47,939)	(75,999)
Total	$ 137,045	$ 108,985

1. Chaintech elects to classify the strategic investment as financial assets at fair value through other comprehensive income, which were at NT$137,045 and NT$108,985 as of December 31, 2019 and 2018 respectively.
2. The breakdown in profit or loss and other comprehensive income of financial assets at fair value through other comprehensive income is as follows:

	2019	2018
Equity instruments at fair value through other comprehensive income		
Changes in fair value recognized in other comprehensive income	$ 28,060	($ 75,999)
Dividend income recognized in profit or loss at end of current period	$ 3,005	$ 4,312

3. Without consideration of the collateral held or other credit enhancements, the maximum credit risk that best represent Chaintech's financial assets at fair value through other comprehensive income as of December 31, 2019 and 2018 amounted to NT$137,045 and NT$108,985 respectively.
4. For more information on credit risk for financial assets at fair value through other comprehensive income, please refer to Note XII (II).

(IV) Accounts receivable

	December 31, 2019		
	Total	Allowance for loss	Net
Accounts receivable	$ 227,847	($ 137)	$ 227,710
Accounts receivable due from related parties	616,972	(186)	616,786

	Total	Allowance for loss	Net
	$ 844,819	($ 323)	$ 844,496

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

1. Aging analysis of accounts receivable is stated as follows:

	December 31, 2019	December 31, 2018
Not overdue	$ 844,819	$ 918,887
Overdue for 1 to 90 days	-	-
91 to 180 days past due	-	-
	$ 844,819	$ 918,887

The aging analysis above is based on past due date.

2. The balance of receivables on contracts with customers as at December 31, 2019, December 31, 2018, and January 1, 2018 was NT$844,496, NT$918,564, and NT$1,053,180 respectively.
3. Without consideration of the collateral held or other credit enhancements, the maximum credit risk that best represent Chaintech's accounts receivable as of December 31, 2019 and 2018 amounted to NT$844,819 and NT$918,887 respectively.
4. For more information on credit risk for accounts receivable, please refer to Note XII (II).

(V) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Carrying amount
Raw materials	$ 203,353	($ 6,435)	$ 196,918
Work in process	78,771	-	78,771
Finished goods	16,234	(1,599)	14,635
	$ 298,358	($ 8,034)	$ 290,324

	December 31, 2018		
	Cost	Allowance for valuation loss	Carrying amount
Raw materials	$ 64,424	($ 29)	$ 64,395
Work in process	31,438	-	31,438
Finished goods	1,599	(1,599)	-
	$ 97,461	($ 1,628)	$ 95,833

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

	2019	2018
Cost of goods sold	$ 3,426,441	$ 3,397,844
Loss (gain) on inventories	6,406	(661)
	$ 3,432,847	$ 3,397,183

Note: Chaintech's reported the gain on inventories in 2018 as a result of destocking.

(VI) Other current assets

	December 31, 2019	December 31, 2018
Restricted bank deposits	$ 33,005	$ 4,615

Tax overpaid retained	30,080	28,034
Advance on equipment		20,016
Other advance expenses	752	1,141
	$ 63,837	$ 53,806

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

(VII) Investment accounted for using equity method

	December 31, 2019		December 31, 2018	
	Accounting	Shareholding ratio (%)	Accounting	Shareholding ratio (%)
Bahamas Federal Shanghai Co., Ltd.	$ -	-	$ 124,503	100
Shenzhen Jinghong Digital R&D Service Co., Ltd.	472,349	100	215,843	100
Wise Providence Limited	-	-	5,854	100
	$ 472,349		$ 346,200	

1. The share of profit and loss of subsidiaries (losses) recognized by Chaintech 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:

	2019	2018
Bahamas Federal Shanghai Co., Ltd.	($ 8,545)	($ 12,340)
Shenzhen Jinghong Digital R&D Service Co., Ltd.	19,717	988
Wise Providence Limited	-	291
	$ 11,172	($ 11,061)

2. For information on Chaintech's subsidiaries, please refer to Note IV (III) of Chaintech's consolidated financial statements for the year ended December 31, 2019.
3. Chaintech invested US$5 million in the subsidiary, Shenzhen Jinghong Digital R&D Service Co., Ltd., approved by the Investment Commission, Ministry of Economic Affairs on November 26, 2015. US$3 million (equivalent to NT$96,760) was remitted in April 2016, and remaining US$2 million (equivalent to NT$61,430) was remitted on January 3, 2019.
4. Chaintech increased capital of Shenzhen Jinghong Digital R&D Service Co., Ltd. by US$6.4 million, which was approved by the Investment Commission, Ministry of Economic Affairs on January 31, 2019. US$4.9 million (equivalent to NT$151,116) was remitted on April 1, 2019, and US$1.5 million (equivalent to NT$47,063) was remitted on August 26, 2019.
5. On May 9, 2019, Chaintech's Board of Directors resolved to dispose of its 100% equity interest in Bahamas Federal Shanghai Co., Ltd. Chaintech completed the transfer of equity in July 2019. Proceeds from disposal amounted to US$4,880,000 (equivalent to NT$151,565), with a gain on disposal of NT$26,313 recognized.
6. Wise Providence Limited was liquidated on April 25, 2019, and an investment fund of HK$1,483,184 (equivalent to NT$5,974) was remitted back, with a loss on disposal of NT$370 recognized.

(VIII) Property, plant and equipment

	Derivative instruments	Tooling equipment	Others	Total
January 1, 2019				
Cost	$ 3,540	$ -	$ 1,385	$ 3,540
Accumulated depreciation	(3,540)	-	(1,385)	(3,540)
	$ -	$ -	$ -	$ -
2019				
January 1	$ -	$ -	$ -	$ -
Additions	-	68,613	-	68,613
Depreciation expense	-	(13,341)	-	(13,341)
December 31	$ -	$ 55,272	$ -	$ 55,272
December 31, 2019				
Cost	$ 3,540	$ 68,613	$ 1,385	$ 72,153
Accumulated depreciation	(3,540)	(13,341)	(1,385)	(16,881)
	$ -	$ 55,272	$ -	$ 55,272

	Derivative instruments	Others	Total
January 1, 2018			
Cost	$ 3,540	$ 1,385	$ 4,925
Accumulated depreciation	(3,540)	(1,360)	(4,900)
	$ -	$ 25	$ 25
January 1, 2018			
January 1	$ -	$ 25	$ 25
Depreciation expense	-	(25)	(25)
December 31	$ -	$ -	$ -
December 31, 2018			
Cost	$ 3,540	$ 1,385	$ 4,925
Accumulated depreciation	(3,540)	(1,385)	(4,925)
	$ -	$ -	$ -

(IX) Lease transaction – Lessee

Applicable for the annual periods beginning on or after January 1, 2019

1. Chaintech's leased underlying assets are buildings, of which the lease term is usually 5 years. Lease contracts are individually negotiated and include various terms and conditions. Except for the term where the leased assets cannot be used as collateral for loans, there are no other restrictions.
2. Below is the carrying amounts of right-of-use assets and their recognized depreciation expenses:

	December 31, 2019	2019
	Carrying amount	Depreciation expense
Housing	$ 5,925	$ 1,481

3. In 2019, Chaintech's addition of right-of-use assets was NT$0.
4. Profit or loss items in connection with lease contracts are stated as follows:

	2019
Items that affect profit or loss	
Interest expense on lease liabilities	204
Expense on short-term leases	168

5. Chaintech's cash outflow from leases amounted to NT$1,942 in 2019.

(X) Current borrowings

Loan type	December 31, 2019	Interest range	Collateral
Bank loans			
Secured loans	$ 127,317	2.706%~3.298%	Other current assets
Unsecured loans	29,280	3.167%	None
	$ 156,597		

December 31, 2018: None.

Interest expense recognized in profit or loss as of December 31, 2019 and 2018 was NT$5,478 and NT$2,165 respectively.

(XI) Pension

1. Chaintech 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, Chaintech contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
2. The pension costs recognized by Chaintech in accordance with the aforesaid pension regulations in 2019 and 2018 were NT$733 and NT$616 respectively.

(XII) Share capital

1. As of December 31, 2019, Chaintech's authorized capital was NT$2,500,000 (of which NT$100,000 was for the issuance of stock options, preferred shares or corporate bonds with warrants), with paid-in capital of NT$1,014,988 and the face value of NT$10 per share, and the number of outstanding shares was 96,499 thousand.
2. Changes in the number of treasury shares for the years ended December 31, 2019 and 2018 are stated as follows:

For the year ended December 31, 2019

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)
Maintenance of Chaintech's credit and shareholders' equity	Chaintech	-	5,000	-	5,000

For the year ended December 31, 2018

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)
Maintenance of Chaintech's credit and shareholders' equity	Chaintech	-	7,750	(7,750)	-

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

(XIII) Retained earnings

1. Under Chaintech's Articles of Incorporation, if there is a surplus in the annual final accounts, in addition to the income tax payable according to law, Chaintech 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 Chaintech, the said restriction does not apply. After Chaintech 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. Chaintech 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 Chaintech 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 Chaintech 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 Chaintech 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 Chaintech 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, Chaintech reversed the original portion of the said special reserve, and when Chaintech subsequently uses, disposes of, or reclassifies related assets, they are reversed according to the ratio of the recognized special reserve.
5. By a resolution in the shareholders' meeting on June 14, 2019, Chaintech adopted the earnings distribution plan for the year ended December 31, 2018 as follows: Chaintech's shareholders' meeting resolved on May 3, 2018 to fully retain the unappropriated earnings for the year ended December 31, 2017.

	2018	
	Amount (NT$ thousands)	Dividend per share (NT$)
Legal reserve	$ 24,431	
Special reserve	24,033	
Cash dividends	152,246	$ 1.5

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

(XIV) Operating revenue

	2019	2018
Sales revenue:		
Computer peripherals	$ 3,778,635	$ 3,923,553
Others	681	313
Less: Sales returns, discounts and allowances	(188,202)	(168,728)
	$ 3,591,114	$ 3,755,138

(XV) Other income

	2019	2018
Dividend income	$ 3,053	$ 4,340
Interest income	2,437	2,335
Other income	193	179
	$ 5,683	$ 6,854

(XVI) Other gains and losses

	2019	2018
Gain on financial assets at fair value through profit or loss, net	$ 447	$ 185
Gain on disposal of investments	25,943	-
Gain (loss) on foreign exchange, net	(11,509)	29,793
	$ 14,881	$ 29,978

(XVII) Financial costs

	2019	2018
Interest expense:		
Bank loans	$ 5,478	$ 2,165
Lease liabilities	204	-
	$ 5,682	$ 2,165

(XVIII) Expenses by nature

	2019	2018
Employee benefit expenses	$ 26,090	$ 32,277
Depreciation expense on property, plant and equipment	13,341	25
Depreciation expense on leased assets	1,481	-
	$ 40,912	$ 32,302

(XIX) Employee benefit expenses

	2019	2018
Wages and salaries	$ 21,269	$ 27,962
Labor and health insurance expenses	1,472	1,076
Pension expense	733	616
Other employment cost	2,616	2,623
	$ 26,090	$ 32,277

1. According to Chaintech'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. For the years ended December 31, 2019 and 2018, the estimated amount of employee compensation was NT$2,232 and NT$3,723 respectively, and the

estimated amount of remuneration to directors and supervisors was NT$2,232 and NT$9,539 respectively; the aforesaid amounts were recognized as salary expenses.

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

(XX) Income tax

1. Tax (gain) expense

Components of tax (gain) expense:

.	2019	2018
Current income tax:		
Income tax incurred in the period	$ -	$ 52,380
Surtax on unappropriated retained earnings	2,180	-
Underestimated (overestimated) income tax in previous years	55	(4,113)
Total income tax in the period	2,235	48,267
Deferred income tax:		
Origination and reversal of temporary differences	(3,429)	2,193
Effect of tax rate changes	-	(330)
Total deferred income tax	(3,429)	1,863
Tax (gain) expense	($ 1,194)	$ 50,130

2. Tax expense and accounting profit

	2019	2018
Income tax calculated based on profit before tax and at the statutory rate	$ 21,150	$ 58,867
Expenses that should be excluded pursuant to the taxation law	546	694
Tax exempted income pursuant to the taxation law	(701)	(699)
Tax effects of temporary differences	(24,424)	2,895
Tax effects of deducting impairment loss	-	(7,184)
Surtax on unappropriated retained earnings	2,180	-
Underestimated (overestimated) income tax in previous years	55	(4,113)
Effect of tax rate changes	-	(330)
Tax (gain) expense	($ 1,194)	$ 50,130

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:

2019	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets				
Allowance for valuation loss and slow-moving loss	$ 6	$ 1,281	$ -	$ 1,287
Unrealized exchange loss	-	2,148	-	2,148
	$ 6	$ 3,429	$ -	$ 3,435

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

4. The amounts of deductible temporary differences not recognized as deferred tax assets are as follows:
5. The revenue service authority has assessed the profit-seeking enterprise income tax of Chaintech through 2017.
6. The amendment to the Income Tax Act came into force on February 7, 2018. The tax rate for the profit-seeking enterprise income tax was raised from 17% to 20%. The amendment became effective from 2018. Chaintech has assessed the impact of income tax on the change of the said tax rate.

(XXI) Earnings per share

	2019		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Basic earnings per share from common shareholders of parent	$ 106,942	100,703	$ 1.06
Diluted earnings per share			
Effect of dilutive potential ordinary shares			
Employees' compensation	-	73	
Diluted earnings per share from common shareholders plus effect of potential ordinary shares	$ 106,942	100,776	$ 1.06

	2018		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Basic earnings per share from common shareholders of parent	$ 244,304	102,096	$ 2.39
Diluted earnings per share			
Effect of dilutive potential ordinary shares			
Employees' compensation	-	98	
Diluted earnings per share from common shareholders plus effect of potential ordinary shares	$ 244,304	102,194	$ 2.39

(XXII) Supplemental cash flow information

Investing activities with partial cash payments:

	2019	2018
Purchase of property, plant and equipment	$ 68,613	$ -
Add: Advance on equipment, end of year	-	20,016
Less: Advance on equipment, beginning of year	(20,016)	-
Cash paid in the period	$ 48,597	$ 20,016

(XXIII) Changes in liabilities from financing activities

Changes in liabilities from financing activities in 2019 and 2018 were all changes in cash flows. Please refer to the parent company only statements of cash flows for details.

VII. Related Party Transactions

(I) Parent company and the ultimate controller

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

(II) Name and relationship of related parties

Name of related party	Relationship with Chaintech
Colorful Technology Co, Ltd (Colorful)	100% reinvestment business by Colorful Group
Shenzhen Colorful Yugong Technology and Development Co., Ltd. (Yugong)	The same person in charge as the Colorful Group
Shenzhen Jinghong Digital R&D Service Co., Ltd. (Jinghong)	Subsidiary of Chaintech
Sitonholy (Tianjin) Technology Co., Ltd. (Tianjin Sitonholy)	Subsidiary of Chaintech

(III) Material transactions with related parties

1. Operating revenue

	2019	2018
Sales of goods:		
Colorful	$ 2,026,018	$ 2,203,467
Yugong	120,700	-
Sales allowance		
Colorful	(148,917)	(133,729)
	$ 1,997,801	$ 2,069,738

Chaintech'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, 2019	December 31, 2018
Colorful	$ 614,072	$ 685,977
Yugong	2,714	-
	$ 616,786	$ 685,977

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 accounts receivable are unsecured and not interest-bearing.

3. Operating expenses

	2019	2018
Subsidiary		
Jinghong	$ 7,328	$ 6,690

Chaintech has commissioned a subsidiary to assist Chaintech 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, 2019 and 2018, the amount not paid was NT$2,011 and NT$1,712 respectively, as shown in "Other Payables."

4. Advertising fees

After the launch of the products jointly developed by Chaintech and Colorful, both sides have agreed to pay no more than US$60,000 per month as advertising expenses for the related parties. The amounts of advertising expense incurred in 2019 and 2018 were NT$10,740 and NT$13,366 respectively; the amounts not yet paid were NT$5,886 and NT$8,911 respectively and recognized as "Other Payables."

5. Endorsements and guarantees made by related parties

	December 31, 2019	December 31, 2018
Subsidiary		
Tianjin Sitonholy	$ 55,965	$ -

(IV) Key management compensation information

	2019	2018
Salary and other short-term employees' benefits	$ 7,437	$ 14,739

VIII. Pledged Assets

Chaintech's assets pledged as collateral were as follows:

	Book value		
Pledged assets	December 31, 2019	December 31, 2018	Guarantee use
Other current assets			
Bank deposits	$ 33,005	$ 4,615	Reserve accounts

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) Contingencies

None.

(II) Commitments

1. As of December 31, 2019, Chaintech's guaranteed letter of credit for the purchase was US$1,500 thousand.
2. Chaintech opened a promissory note for the purchase of goods as a guarantee for the purchase of loan claims. Chaintech had written promissory notes totaling NT$200,000 as of December 31, 2019.

X. Significant Disaster Losses

None.

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

On January 21, 2020, Chaintech's Board of Directors resolved to acquire a 13% equity interest in uSenlight Corporation at the amount of NT$150,000. The investment was completed on March 16, 2020.

XII. Others

(I) Capital management

Chaintech's objectives in capital management are to safeguard its 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, Chaintech 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 Chaintech's financial assets (cash and cash equivalents, accounts receivable, and other receivables) and financial liabilities (current borrowings, accounts payable, and other payables), please refer to Note VI and the parent company only balance sheets.

2. Risk management policies

(1) Chaintech'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 Chaintech's finance department according to the policies approved by the Board of Directors. Chaintech's finance department identifies, evaluates and hedges financial risks in close cooperation with Chaintech's internal operating units. 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. Chaintech 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 Chaintech is involved in a number of non-functional currency (the functional currency of Chaintech 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:

	December 31, 2019		
(Foreign currency: Functional currency)	Foreign currency (in thousands)	Exchange rate	Carrying amount (NT$)
Financial assets			
Monetary items			
USD:NTD	$ 35,387	29.980	$ 1,060,902
Non-monetary items			
CNY:NTD	$ 109,721	4.305	$ 472,349
Financial liabilities			
Monetary items			
USD:NTD	$ 15,867	29.980	$ 475,693

(Foreign currency: Functional currency)	December 31, 2018 Foreign currency (in thousands)	Exchange rate	Carrying amount (NT$)
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

C. Chaintech's material monetary items affected by the exchange rate fluctuations for the years ended December 31, 2019 and 2018 were recognized as net exchange (loss) gain (including realized and unrealized) at the aggregated amount of NT($11,509) and NT$29,793 respectively.

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

		2019 Sensitivity analysis	
(Foreign currency: Functional currency)	Range of change	Effects on profit or loss	Effects on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 10,609	$ -
Non-monetary items			
CNY:NTD	1%	$ 4,723	
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 4,757	$ -

		2018 Sensitivity analysis	
(Foreign currency: Functional currency)	Range of change	Effects on profit or loss	Effects on other comprehensive income
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	$ -

Price risk

A. Chaintech's equity instruments exposed to price risk are financial assets 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, Chaintech diversifies its portfolio with its diversification method based on limits set by Chaintech.

B. Chaintech's equity instruments issued by Chaintech 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 increase or decrease by 1%, with all other factors remaining unchanged, profit after tax for the years ended December 31, 2019 and 2018 will increase or decrease by NT$22 and NT$18 respectively due to gain or loss on equity instruments at fair value through profit or loss, and other comprehensive income for the same years will increase or decrease by NT$1,370 and NT$1,090 respectively due to gain or loss on equity instruments at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

A. Chaintech's interest rate risk arises primarily from short-term borrowings issued at variable rates, which expose Chaintech to cash flow interest rate risk. For the years ended December 31, 2019 and 2018, Chaintech's borrowings issued at variable rates were mainly denominated in USD.

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

C. If the borrowing interest rate increases/decreases by 1%, with all other variables held constant, profit before tax for the years ended December 31, 2019 and 2018 will decrease or increase by NT$1,253 and NT$0 respectively. Changes in interest expense mainly result from floating-rate borrowings.

(2) Credit risk

A. Chaintech'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. Chaintech manages their credit risk taking into consideration Chaintech's concern. 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. For credit policies established internally, the individual operating entities within Chaintech shall undergo management and credit risk analysis before setting the terms and proposing the shipment terms and conditions for each new customer. 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. Chaintech 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. Chaintech 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. Chaintech 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. Chaintech 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 as of December 31, 2019 and 2018 is as follows:

	Not overdue	Total
December 31, 2019		
Expected loss rate	0.03%	
Total book value	$ 844,819	$ 844,819
Allowance for loss	$ 323	$ 323

	Not overdue	Total
December 31, 2018		
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 Chaintech using simplified approach is as follows:

	2019 Accounts receivable
January 1	$ 323
Provision of impairment loss	-
December 31	$ 323

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

(3) Liquidity risk

A. Cash flow prediction is performed by individual operating entities within the Group and are aggregated by the Group's 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. Chaintech'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 Chaintech'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. Chaintech's investment in equity instruments without active market is included.

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) Chaintech classifies its assets and liabilities according to the nature of assets and liabilities as follows:

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss				
Equity securities	$ 2,172	$ -	$ -	$ 2,172
Financial assets at fair value through other comprehensive income				
Equity securities	121,695	-	15,350	137,045
Total	$123,867	$ -	$ 15,350	$139,217

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 Chaintech used to measure the fair value are as follow:

A. The instruments that Chaintech 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 sheets (e.g., the reference yield curve offered by Taipei Exchange or the average offer price of Reuters commercial paper interest rate).

C. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of Chaintech'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 Chaintech'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 sheets. The price information and parameter used in the valuation process are carefully evaluated and adjusted appropriately based on current market conditions.

D. Chaintech 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 Chaintech.

4. There was no transfer between Level 1 and Level 2 for the years ended December 31, 2019 and 2018.
5. The following chart indicates the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019	2018
	Equity instruments	Equity instruments
January 1	$ 15,350	$ -
Acquired in the period	-	15,350
December 31	$ 15,350	$ 15,350

6. There were no transfer into and out of Level 3 for the years ended December 31, 2019 and 2018.
7. The finance department of Chaintech 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, 2019	Valuation technique	Significant unobservable inputs	Relationship between inputs and fair value
Non-derivative equity instruments:				
Shares of unlisted companies	$ 15,350	Market price method	Lack of marketability discount, expected equity volatility	The higher the lack of marketability discount and expected equity volatility, the lower the fair value

	Fair value on December 31, 2018	Valuation technique	Significant unobservable inputs	Relationship between 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 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. Chaintech 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, 2019	
			Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change
Financial assets				
Equity instruments	Lack of marketability discount, expected equity volatility	±1%	$ 154	$ 154

			December 31, 2018	
			Recognized in other comprehensive income	
	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

XIII. Supplementary Disclosures

(I) Information on significant transactions

1. Capital loans to others: None.
2. Endorsements and guarantees: Please refer to Table 1.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries): Please refer to Table 2.
4. Accumulated acquisition or disposal of the same securities reaching NT$300

million or 20% of paid-in capital or more: Please refer to Table 3.

5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
7. Purchases and sales with related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to Table 4.
8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to Table 5.
9. Derivative transactions: None.
10. Parent-subsidiary and subsidiary-subsidiary business relations and significant transactions and amounts thereof: Please refer to Table 6.

(II) Information on investees

Information on investee companies (not including investee companies in Mainland China): None.

(III) Investment information in Mainland China

1. Basic information: Please refer to Table 7.
2. Significant transactions between Chaintech and investees in Mainland China directly or indirectly through entities in a third area: Please refer to Table 8.

XIV. Segment Information

Exempt from disclosure.

Chaintech Technology Corp.

Cash Statement

December 31, 2019

Statement 1 Unit: NT$ thousand

Items	Description	Amount
Cash on hand and petty cash		$ 105
Checking deposits and demand deposits		
- NTD deposits		3,747
- Foreign currency deposits	US$6,106,204.5, exchange rate at 29.98	183,064
	HK$85,054.31, exchange rate at 3.84	327
	RMB 74,318.97, exchange rate at 4.30	320
	EUR 59.91, exchange rate at 33.55	2
		$ 187,565

Chaintech Technology Corp.

Statement of Changes in Non-current Financial Assets at Fair Value through Other Comprehensive Income

For the Year Ended December 31, 2019

Statement 2 Unit: NT$ thousand

Name	Beginning of period		Increase in the period		Decrease in the period		End of 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	
Valuation adjustments		(75,999)		28,060		-		(47,939)	
		$ 108,985		$ 28,060		$ -		$ 137,045	

Chaintech Technology Corp.

Statement of Accounts Receivable

December 31, 2019

Statement 3 Unit: NT$ thousand

Name	Description	Amount	Remarks
Non-related parties			
16N002		$ 75,770	
16L002		64,013	
16W003		56,981	
Others		31,083	Each customer's balance did not exceed 5% of the account balance.
Less: Allowance for loss		(137)	
		227,710	
Related parties			
Colorful Technology Co., Ltd.		614,258	
Shenzhen Colorful Yugong Technology and Development Co., Ltd.		2,714	
Less: Allowance for loss		(186)	
		616,786	
		$ 844,496	

Chaintech Technology Corp.

Inventory Breakdown

December 31, 2019

Statement 4

Unit: NT$ thousand

Items	Amount: Cost	Amount: Market price	Remarks
Raw materials	$ 203,353	$ 196,918	Net realizable value as the market price
Work in process	78,771	78,771	
Finished goods	16,234	14,635	
	298,358	$ 290,324	
Minus: Allowance for loss in inventory valuation	(8,034)		
	$ 290,324		

Chaintech Technology Corp.

Statement of Changes in Investment Accounted for Using Equity Method

For the Year Ended December 31, 2019

Statement 5

Unit: NT$ thousand

Name	Balance, beginning of period		Increase in the period		Decrease in the period		Investment income (loss)	Others (Note)	Balance, end of period			Market value or net equity value		Collateral or
	Number of shares	Book value	Number of shares	Amount	Number of shares	Amount	recognized in the period		Number of shares	Equity %	Book value	Unit price (NT$)	Total	or pledge
Bahamas Federal Shanghai Co., Ltd.	10,428,985	$ 124,503	-	$ -	10,428,985	$ 117,396	($ 8,545)	$ 1,438	-	-	$ -	$ -	$ -	None
Shenzhen Jinghong Digital R&D Service Co., Ltd.	-	215,843	-	259,609	-	-	19,717	(22,820)	-	100%	472,349	-	472,349	None
Wise Providence Limited	1,500,000	5,854	-	-	1,500,000	5,994	-	140	-	-	-	-	-	None
		$ 346,200		$ 259,609		$ 123,390	$ 11,172	($ 21,242)			$ 472,349		$472,349	

Note: Including the share of other comprehensive income and gains (losses) on disposal of the subsidiary accounted for using equity method.

Chaintech Technology Corp.

Statement of Accounts Payable

December 31, 2019

Statement 6 Unit: NT$ thousand

Name	Description	Amount	Remarks
Non-related parties			
005505		$ 209,218	
005507		62,295	
002884		31,277	
Others		16,309	Each customer's balance did not exceed 5% of the account balance.
		$ 319,099	

Chaintech Technology Corp.

Statement of Operating Revenue

For the Year Ended December 31, 2019

Statement 7 Unit: NT$ thousand

Items	Quantity	Amount	Remarks
Operating revenue:			
Computer peripherals	1,473 thousand pieces	$ 3,778,635	
Others		681	
		3,779,316	
Less: Sales return and allowances		(188,202)	
Net operating revenue		$ 3,591,114	

Chaintech Technology Corp.

Statement of Operating Costs

For the Year Ended December 31, 2019

Statement 8 Unit: NT$ thousand

Items	Amount
Raw materials and materials and supplies at the beginning of the period (including goods in transit)	$ 64,424
Add: Input amount, net	2,733,154
Less: Disposal of raw materials	(388,545)
Raw materials and materials and supplies at the end of the period (including goods in transit)	(203,353)
Raw materials consumed during the current period (1)	2,205,680
Manufacturing costs - processing cost (2)	76,469
Total manufacturing costs (1)+(2)	2,282,149
Add: Work-in-progress at the beginning of the period	31,438
Acquired during the period	70,419
Less: Transferred form finished goods	(2,455,524)
Work-in-process at the end of the period	(78,771)
Cost of finished goods	(150,289)
Add: Finished products at the beginning of the period	1,599
Acquired during the period	747,643
Transferred form finished goods	2,455,524
Less: Finished products at the end of the period	(16,234)
Others	(347)
Cost of finished goods	3,037,896
Loss on inventory market value decline	6,406
Sale of raw materials	388,545
Total operating costs	$ 3,432,847

Chaintech Technology Corp.

Statement of Operating Expenses

For the Year Ended December 31, 2019

Statement 9 Unit: NT$ thousand

Items	Selling expenses	Administrative expenses	Research and development expenses	Total
Payroll expenses	$ 9,665	$ 11,540	$ 797	$ 22,002
Advertising fees	17,021	-	-	17,021
Labor fees	9,167	5,450	-	14,617
Employee benefits	1,170	514	205	1,889
Freight	4,237	10	-	4,247
Public relations allowances	2,095	3,143	-	5,238
Other expenses (Note)	6,888	4,269	2,402	13,559
	$ 50,243	$ 24,926	$ 3,404	$ 78,573

Note: The amount of each individual item did not exceed 5% of the total amount of the account.

Chaintech Technology Corp.

Summary Statement of Current Period Employee Benefits, Depreciation, Depletion and Amortization Expenses by Function

For the Year Ended December 31, 2019

Statement 10 | Unit: NT$ thousand

Function / Type	2019 Operating costs	2019 Operating expenses	2019 Total	2018 Operating costs	2018 Operating expenses
Employee benefit expenses					
Salary expenses	$ -	$ 18,755	$ 18,755	$ -	$ 18,146
Labor and health insurance premiums	-	1,472	1,472	-	1,076
Pension costs	-	733	733	-	616
Directors' remuneration	-	2,514	2,514	-	9,816
Other personnel costs	-	2,616	2,616	-	2,623
Depreciation expense	13,341	1,481	14,822	-	25

Note:

1. The number of employees for the current and previous years was 21 and 23 respectively, of which 4 employees were not directors concurrently.
2. Companies listed on the Taiwan Stock Exchange Corporation or Taipei Exchange are required to disclose the following information:
   (1) The average employee benefit expense for the current year was NT$1,387 (Total employee benefit for the current year - Directors' remuneration / "Number of employees for the current year - Number of employees who are not directors concurrently").
   (2) The average employee benefit expense for the previous year was NT$1,182 (Total employee benefit for the previous year - Directors' remuneration / "Number of employees for the previous year - Number of employees who are not directors concurrently").
   (3) The average salary expense for the current year was NT$1,103 (Total salary expense for the current year / "Number of employees for the current year - Number of employees who are not directors concurrently").
   (4) The average salary expense for the previous year was NT$955 (Total salary expense for the previous year / "Number of employees for the previous year - Number of employees who are not directors concurrently").
   (5) The rate of adjustment in average salary expenses was 15.5% ("Average salary expense for the current year - Average salary expense for the previous year" / Average salary expense for the previous year).

Chaintech Technology Corp.

Endorsements and Guarantees

For the Year Ended December 31, 2019

Table 1

Unit: NT$ thousand

(Unless specified otherwise)

No. (Note 1)	Endorser/Guarantor Company name	Subject of endorsements and guarantees Company name	Relationship (Note 2)	Ceiling limit on endorsements and guarantees for a single enterprise (Note 3)	Maximum balance of endorsements and guarantees for the current period	Balance of endorsements and guarantees at the end of current period	Endorsements and guarantees used	Endorsements and guarantees secured with collateral	Ratio of aggregated endorsements and guarantees to net value in the most recent financial statements	Ceiling limit on endorsements and guarantees (Note 3)	Parent providing endorsements and guarantees for subsidiary	Subsidiary providing endorsements and guarantees for parent	Endorsements and guarantees involving Mainland China	Remarks
0	Chaintech Technology Corp.	Sitonholy (Tianjin) Technology Co., Ltd.	2	$ 776,024	$ 55,965	$55,965	$55,965	$ -	3.61	$776,024	Y	N	Y	

Note 1: Explanations are as follows:
(1) The issuer shall fill in 0.
(2) The investees are numbered in alphabetical order beginning with the Arabic numeral 1.

Note 2: Listed below are the 7 types of companies to which Chaintech may provide endorsement/guarantee:
(1) A company with which it does business.
(2) A company in which Chaintech directly and indirectly holds more than 50% of the voting shares.
(3) A company that directly and indirectly holds more than 50% of the voting shares in Chaintech.
(4) Among companies Chaintech directly and indirectly holds 90% or more of the voting shares
(5) A company with contractual mutual-endorsement requirement for construction contracts.
(6) Companies endorsement guaranteed by all contributing shareholders according to their shareholding ratio for joint investment relation.
(7) Joint and several guarantee for performance in engaging in preselling house contract among counterparts in accordance with consumer protection law.

Note 3: The ceiling limit on endorsements and guarantees provided by Chaintech, on endorsements and guarantees for a single enterprise, and on endorsements and guarantees provided by Chaintech and its subsidiaries should be 50% of the net value in the most recent financial statements respectively.

Chaintech Technology Corp.

Marketable Securities Held at the End of the Period (excluding Subsidiaries, Associates, and Joint Ventures)

For the Year Ended December 31, 2019

Table 2

Unit: NT$ thousand
(Unless specified otherwise)

Company holding securities	Type and name of securities	Relationship with the issuer of securities	Accounting item	End of period: Number of shares	End of period: Carrying amount	End of period: Shareholding ratio	End of period: Fair value	Remarks
Chaintech Technology Corp.	Shares of INPAQ Technology Co., Ltd.	-	Current financial assets at fair value through profit or loss	57,000	$ 2,172	0.04%	$ 2,172	
Chaintech Technology Corp.	Shares of APAQ Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	3,050,000	121,695	3.61%	121,695	
Chaintech Technology Corp.	Shares of CloudMile Co., Ltd. (Cayman Islands)	-	Non-current financial assets at fair value through other comprehensive income	510,204	15,350	2.77%	15,350	
Sitonholy (Tianjin) Technology Co., Ltd.	Beneficiary certificates_Tianlibao net-value wealth management product	-	Current financial assets at fair value through profit or loss	-	135,607	-	135,607	
Beijing Sitonholy Technology Co., Ltd.	Beneficiary certificates_Gongying Wenjian Tiantianli wealth management product	-	Current financial assets at fair value through profit or loss	-	46,494	-	46,494	

Chaintech Technology Corp.

Accumulated Acquisition or Disposal of the Same Securities Reaching NT$300 Million or 20% of Paid-in Capital or More

For the Year Ended December 31, 2019

Table 3

Unit: NT$ thousand
(Unless specified otherwise)

					Beginning of period		Acquisition (Note 3) (Note 4)		Disposal (Note 3)				End of period	
Investor	Type and name of securities (Note 1)	Accounting item	Counterparty (Note 2)	Relationship (Note 2)	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Carrying value	Gain or loss on disposal	Number of shares	Amount
Shenzhen Jinghong Digital R&D Service Co., Ltd.	Sitonholy (Tianjin) Technology Co., Ltd.	Long-term equity investments - Tianjin	Non-related party, capital increase by cash	Subsidiary of Chaintech's subsidiary	-	$ -	-	$ 384,570	-	$ -	$ -	$ -	-	$ 342,073

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Fill in two separate columns if the marketable securities are recorded in investments using equity method. Others can be left blank.
Note 3: The accumulated cost of purchase and sales shall be calculated separately based on market value to see if the amount exceed NT$300 million or 20% of Chaintech's paid-in capital.
Note 4: The amount of disposal includes contingent consideration.

Chaintech Technology Corp.

Purchases and Sales with Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More

For the Year Ended December 31, 2019

Table 4

Unit: NT$ thousand
(Unless specified otherwise)

			Transaction				Unusual trade conditions and its reasons		Ratio of notes and accounts receivable (payable)		
Company	Counterparty	Relationship	Purchase (sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	to total notes and accounts receivable (payable)	Remarks
Chaintech Technology Corp.	Colorful Technology Co., Ltd.	100% reinvestment business by Colorful Group	Sales	$ 1,877,101	52%	OA45 ~ 125 days	Not applicable	Not applicable	$ 614,072	73%	-
Chaintech Technology Corp.	Shenzhen Colorful Yugong Technology and Development Co., Ltd.	The same person in charge as the Colorful Group	Sales	120,700	3%	OA 30 days	Not applicable	Not applicable	2,714	-	-
Sitonholy (Tianjin) Technology Co., Ltd.	Shenzhen Colorful Yugong Technology and Development Co., Ltd.	The same person in charge as the Colorful Group	Purchases	117,368	3%	OA 30 days	Not applicable	Not applicable	10,741	3%	-

Chaintech Technology Corp.

Receivables from Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More

For the Year Ended December 31, 2019

Table 5

Unit: NT$ thousand
(Unless specified otherwise)

Company name	Counterparty	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties		Receivables from related parties recoverable after period	Allowances for losses
					Amount	Handling method		
Chaintech Technology Corp.	Colorful Technology Co., Ltd.	100% reinvestment business by Colorful Group	$ 614,072	2.89	$ -	-	$ 70,783	($ 186)

Chaintech Technology Corp.

Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof

For the Year Ended December 31, 2019

Table 6

Unit: NT$ thousand
(Unless specified otherwise)

No. (Note 1)	Company name	Counterparty	Relationship with counterparty (Note 2)	Transaction status			
				Account	Amount	Transaction terms	Percentage of consolidated revenue or total assets
0	Chaintech Technology Corp.	Shenzhen Jinghong Digital R&D Service Co., Ltd.	Parent company to a subsidiary	Operating expenses	$ 7,328	Agreed by both parties	-
0	Chaintech Technology Corp.	Shenzhen Jinghong Digital R&D Service Co., Ltd.	Parent company to a subsidiary	Other payables	2,011	-	-

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 from "1" in the order presented in the table above.

Note 2: Regarding the percentage of transaction amount to consolidated 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 investments in Mainland China - Basic Information

For the Year Ended December 31, 2019

Table 7

Name of investee in Mainland China	Main businesses and products	Actual paid-in capital	Investment method (Note 1)	Accumulated investment amount remitted from Taiwan at beginning of period	Accumulated outflow or recovery: Outflow	Accumulated outflow or recovery: Recovery	Accumulated investment amount remitted from Taiwan at end of period
Dongguan Changan Fortech Electronics Co., Ltd.	Production of motherboards, graphics cards, and computer peripherals	$343,327	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)	$ -
Shenzhen Jinghong Digital R&D Service Co., Ltd.	Technology research and development and trading of electronic products, computer hardware, and peripheral devices	499,045	Direct investment	239,456	########	-	499,065

Note 1: The method of investment in Mainland China includes the three following types:
(1) Direct investment
(2) Investment in Mainland China through a company set up in a third area (Bahamas Federal Shanghai)
(3) Others
Note 2: The valuation is recognized in the financial statements audited by the CPAs of the parent company in Taiwan.
Note 3: In July 2019, the Group disposed of Bahamas Federal Shanghai and its subsidiary, Fortech Electronics. Proceeds from disposal amounted to US$4,880 thousand.

Company name	Accumulated investment amount remitted from Taiwan to Mainland China at end of period	Investment amount authorized by Investment Commission, MOEA	Ceiling on investment in Mainland China regulated by Investment Commission, MOEA
Chaintech Technology Corp.	$ 499,065	$ 1,022,416	$ 1,032,146

Note: Chaintech invested US$5 million in Shenzhen Jinghong Digital R&D Service Co., Ltd., which was approved by the Investment Commission, Ministry of Economic Affairs on November 26, 2015.
US$3 million (equivalent to NT$96,780) was remitted in April 2016, and remaining US$2 million was remitted on January 3, 2019.
Note: Chaintech increased capital of Shenzhen Jinghong Digital R&D Service Co., Ltd. by US$6.4 million, which was approved by the Investment Commission, Ministry of Economic Affairs on February 1, 2019.
The full investment was remitted in 2019.

Chaintech Technology Corp.

Information on Investments in Mainland China - Significant Transactions between Chaintech and Investees in Mainland China Directly or Indirectly through Entities in a Third Area

For the Year Ended December 31, 2019

Table 8

Name of investee in Mainland China	Sales (purchases)		Property transactions		Accounts receivable (payable)		Endorsements and guarantees or collateral provided		Financing				Others
	Amount	%	Amount	%	Balance	%	Balance at end of period	Purpose	Highest balance within the period	Balance at end of period	Interest range	Interest in the current period	
Shenzhen Jinghong Digital R&D Service Co., Ltd.	$ -	-	$ -	-	($ 2,011)	-	$ -	-	$ -	$ -	-	$ -	Operating expenses $7,328

Appendix II: Consolidated Financial Report for the Most Recent Year

Chaintech Technology Corp. and Subsidiaries
Declaration of Consolidated Financial Statements of Affiliated Companies

The companies required to be included in the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are all the same as companies required to be included in the consolidated financial statements of Chaintech Technology Corp. and subsidiaries for the year ended December 31, 2019 as provided in the IFRS 10 Consolidated Financial Statements. In addition, relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of Chaintech and subsidiaries. Consequently, Chaintech does not prepare separate consolidated financial statements of affiliates.

Hereby declared by

Company Name: Chaintech Technology Corporation

Person in Charge: Shu-Jung Kao

March 27, 2020

Independent Auditors' Report

(109)Financial Review Reference No.19004963

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, 2019 and 2018, 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 years ended December 31, 2019 and 2018.

In our opinions, the accompanying consolidated financial statements, in all material respects, give a true and fair view of the consolidated financial position of the Group as of December 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards (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.

Basis for Audit Opinion

For consolidated financial statements for the year ended December 31, 2019, we conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants," "Financial Supervisory Commission Letter Jin-Guan-Zheng-Shen-Zi No. 1090360805 dated February 25, 2020," and Generally Accepted Auditing Standards (GAAS) of the Republic of China. For consolidated financial statements for the year ended December 31, 2018, we conducted our audit in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants," and 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, 2019. 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, 2019 are stated as follows:

Sales revenue cut-off

Description

Regarding the recognition of accounting policy for sales revenues, please refer to Notes IV (XXV) of the consolidated financial statements. For accounting description for sales revenue, please refer to Note VI (XVI) 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.

Assessment of purchase price allocation

Description

Chaintech Technology Corp. acquired a 51% equity interest in Sitonholy (Tianjin) Technology Co., Ltd. through Shenzhen Jinghong Digital R&D Service Co., Ltd. at the amount of RMB 86,360 thousand (including contingent consideration of RMB 44,360 thousand).

This merger and acquisition (M&A) case was accounted for using the acquisition method. For more information, please refer to Note IV (XXVI) of the consolidated financial statements. The purchase price was measured based on the purchase price allocation (PPA) report issued by Chaintech Technology Corp.'s designated external expert, and identifiable assets of Sitonholy (Tianjin) Technology Co., Ltd. acquired and its liabilities assumed were allocated accordingly. For more information, please refer to Note VI (XXIV) of the consolidated financial statements. As the amount of M&A is large and PPA assumption involves management's estimates, it has a material impact on the financial statements; therefore, we have included the M&A case in the key audit matters for this year.

Corresponding audit procedures

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

1. Audit the internal control procedures for M&A transactions, including reviewing the M&A contract and checking relevant vouchers.
2. Obtain the acquiree's financial information and assess management's identification of the acquiree's net identifiable assets and liabilities assumed on the acquisition date in accordance with relevant accounting standards.
3. Review the rationality of management's valuation model for identifiable intangible assets or contingent consideration and its cash flow forecasting, including the following procedures:
   (1) Check the settings of the valuation model's parameters and formulas.
   (2) Compare the revenue growth rate, gross profit margin, and operating profit margin used by the model with historical results and industry data.
   (3) Compare the discount rate used with other comparable targets in the market.

Other Matters – Parent Company Only Financial Statements

The independent auditors have also audited the parent company only financial statements of Chaintech Technology Corp. for the years ended December 31, 2019 and 2018, for which we have issued the audit report with an unqualified 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, 2019 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

Sheng-Chung 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 27, 2020

Chaintech Technology Corp.
Parent Company Only Balance Sheets
For the Years Ended December 31, 2019 and 2018

Unit: NT$ thousand

	Assets	Notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current assets					
1100	Cash and cash equivalents	VI (I)	$ 360,088	15	$ 652,911	32
1110	Current financial assets at fair value through profit or loss	VI (II)	184,273	8	1,755	-
1170	Accounts receivable, net	VI (IV)	335,326	14	237,458	12
1180	Accounts receivable due from related parties, net	VI (IV) and VII	616,786	26	685,977	34
1200	Other receivables		2,778	-	441	-
1220	Current tax assets		9,044	-	-	-
130X	Current inventories	VI (V)	346,795	15	95,833	5
1410	Prepayments		51,882	2	21,638	1
1470	Other current assets	VI (VI) and VIII	63,085	3	32,648	2
11XX	**Total current assets**		1,970,057	83	1,728,661	86
	Non-current assets					
1517	Non-current financial assets at fair value through other comprehensive income	VI (III)	137,045	6	108,985	5
1600	Property, plant and equipment	VI (VII)	62,003	3	122,073	6
1755	Right-of-use assets	VI (VIII)	11,364	-	-	-
1780	Intangible assets	VI (IX)	188,971	8	-	-
1840	Deferred tax assets	VI (XXII)	3,435	-	6	-
1900	Other non-current assets		8,740	-	54,778	3
15XX	**Total non-current assets**		411,558	17	285,842	14
1XXX	**Total Assets**		$ 2,381,615	100	$ 2,014,503	100

The accompanying notes are an integral part of the 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 Balance Sheets
For the Years Ended December 31, 2019 and 2018

Unit: NT$ thousand

	Liabilities and equity	Notes	December 31, 2019 Amount	%	December 31, 2018 Amount	%
	Current liabilities					
2100	Current borrowings	VI (XI) and VIII	$ 156,597	7	$ -	-
2130	Current contract liabilities	VI (XVI)	14,545	1	-	-
2150	Notes payable		24	-	-	-
2170	Accounts payable		358,860	15	156,858	8
2180	Accounts payable to related parties	VII	10,741	-	-	-
2200	Other payables	VI (XII) and VII	98,983	4	69,782	3
2230	Current tax liabilities		-	-	52,170	3
2280	Current lease liabilities	VI (VIII)	10,574	-	-	-
2300	Other current liabilities		442	-	193	-
21XX	**Total current liabilities**		650,766	27	279,003	14
	Non-current liabilities					
2570	Deferred tax liabilities	VI (XXII)	5,489	1	-	-
2580	Non-current lease liabilities	VI (VIII)	987	-	-	-
2600	Other non-current liabilities	VI (XXIV)	4,130	-	1,376	-
25XX	**Total non-current liabilities**		10,606	1	1,376	-
2XXX	**Total liabilities**		661,372	28	280,379	14
	Equity					
	Equity attributable to owners of parent					
	Share capital	VI (XIV)				
3110	Ordinary share		1,014,988	42	1,014,988	50
	Retained earnings	VI (XV)				
3310	Legal reserve		122,290	5	97,859	5
3320	Special reserve		112,514	5	88,481	5
3350	Unappropriated retained earnings		551,542	23	645,310	32
	Other equity interest					
3400	Other equity interest		(97,541)	(4)	(112,514)	(6)
3500	**Treasury shares**		(151,746)	(6)	-	-
31XX	**Total equity attributable to owners of parent**		1,552,047	65	1,734,124	86
36XX	**Non-controlling interests**		168,196	7	-	-
3XXX	**Total equity**		1,720,243	72	1,734,124	86
	Significant contingent liabilities and unrecognized contract commitments	IX				
	Significant events after the end of the financial reporting period	XI				
3X2X	**Total liabilities and equity**		$ 2,381,615	100	$ 2,014,503	100

The accompanying notes are an integral part of the 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.
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018

Unit: NT$ thousand
(EPS in NT$)

	Items	Notes	2019 Amount	2019 %	2018 Amount	2018 %
4000	**Operating revenue**	VI (X) (XVI) and VII	$ 4,738,182	100	$ 4,050,310	100
5000	**Operating costs**	VI (V) (X) (XX) (XXI)	(4,405,546)	(93)	(3,677,892)	(91)
5950	**Gross profit from operations**		332,636	7	372,418	9
	Operating expenses	VI (X) (XX) (XXI) and VII				
6100	Selling expenses		(107,889)	(2)	(51,956)	(1)
6200	Administrative expenses		(77,153)	(2)	(30,797)	(1)
6300	Research and development expenses		(16,627)	-	(22,370)	(1)
6450	Impairment gain		1,166	-	-	-
6000	**Total operating expenses**		(200,503)	(4)	(105,123)	(3)
6900	**Net operating income**		132,133	3	267,295	6
	Non-operating income and expenses					
7010	Other income	VI (X) (XVII)	8,408	-	11,750	-
7020	Other gains and losses	VI (X) (XVIII)	17,248	-	30,223	1
7050	Financial costs	VI (IXX)	(5,884)	-	(2,165)	-
7000	**Total non-operating income and expenses**		19,772	-	39,808	1
7900	**Profit before tax**		151,905	3	307,103	7
7950	Tax expense	VI (XXII)	(14,681)	-	(50,459)	(1)
8000	**Profit from continuing operations**		137,224	3	256,644	6
8100	Loss from discontinued operations	VI (X)	(8,545)	-	(12,340)	-
8200	**Profit**		$ 128,679	3	$ 244,304	6

The accompanying notes are an integral part of the 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.
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018

Unit: NT$ thousand
(EPS in NT$)

	Items	Notes	2019 Amount	2019 %	2018 Amount	2018 %
	Other comprehensive income, net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	VI (III)	$ 28,060	-	($ 75,999)	(2)
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		28,060	-	(75,999)	(2)
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Exchange differences on translation		(13,087)	-	(7,212)	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss**		(13,087)	-	(7,212)	-
8300	**Other comprehensive income, net**		$ 14,973	-	($ 83,211)	(2)
8500	**Total comprehensive income**		$ 143,652	3	$ 161,093	4
	Profit (loss), attributable to:					
8610	Profit (loss), attributable to owners of parent		$ 106,942	2	$ 244,304	6
8620	Non-controlling interests		21,737	1	-	-
			$ 128,679	3	$ 244,304	6
	Comprehensive income, attributable to:					
8710	Profit (loss), attributable to owners of parent		$ 121,915	3	$ 161,093	4
8720	Non-controlling interests		21,737	-	-	-
			$ 143,652	3	$ 161,093	4
	Basic earnings per share	VI (XXIII)				
9710	Basic earnings per share from continuing operations		$ 1.36		$ 2.51	
9720	Basic loss per share from discontinued operations		(0.08)		(0.12)	
	Basic earnings per share from non-controlling interests		(0.22)		-	
9750	**Total basic earnings per share**		$ 1.06		$ 2.39	
	Diluted earnings per share	VI (XXIII)				
9810	Diluted earnings per share from continuing operations		$ 1.36		$ 2.51	
9820	Diluted loss per share from discontinued operations		(0.08)		(0.12)	
	Diluted earnings per share from non-controlling interests		(0.22)		-	
9850	**Total diluted earnings per share**		$ 1.06		$ 2.39	

The accompanying notes are an integral part of the 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.
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2019 and 2018

Unit: NT$ thousand
(EPS in NT$)

	Notes	Equity attributable to the owners of parent company								Non-controlling equity	Total equity
			Retained earnings			Other equity					
		Share capital - Ordinary shares	Legal reserve	Special reserve	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 shares	Total		
2018											
Balance as of January 1, 2018		$ 1,092,488	$ 97,859	$ 84,131	$ 478,452	($ 29,303)	$ -	$ -	$ 1,723,627	$ -	$ 1,723,627
Amount of adjustment caused by modified retrospective method (Note)		-	-	-	(323)	-	-	-	(323)	-	(323)
Balance after adjustment as of January 1, 2018		1,092,488	97,859	84,131	478,129	(29,303)	-	-	1,723,304	-	1,723,304
Profit		-	-	-	244,304	-	-	-	244,304	-	244,304
Other comprehensive income		-	-	-	-	(7,212)	(75,999)	-	(83,211)	-	(83,211)
Total comprehensive income		-	-	-	244,304	(7,212)	(75,999)	-	161,093	-	161,093
Earnings appropriation and distribution:	VI (XV)										
Special reserve appropriated		-	-	4,350	(4,350)	-	-	-	-	-	-
Purchase of treasury shares		-	-	-	-	-	-	(150,273)	(150,273)	-	(150,273)
Retirement of treasury shares		(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	$ -	$ 1,734,124
2019											
Balance as of January 1, 2019		$ 1,014,988	$ 97,859	$ 88,481	$ 645,310	($ 36,515)	($ 75,999)	$ -	$ 1,734,124	$ -	$ 1,734,124
Profit		-	-	-	106,942	-	-	-	106,942	21,737	128,679
Other comprehensive income		-	-	-	-	(13,087)	28,060	-	14,973	-	14,973
Total comprehensive income		-	-	-	106,942	(13,087)	28,060	-	121,915	21,737	143,652
Earnings appropriation and distribution	VI (XV)										
Legal reserve appropriated		-	24,431	-	(24,431)	-	-	-	-	-	-
Special reserve appropriated		-	-	24,033	(24,033)	-	-	-	-	-	-
Cash dividends		-	-	-	(152,246)	-	-	-	(152,246)	-	(152,246)
Purchase of treasury shares		-	-	-	-	-	-	(151,746)	(151,746)	-	(151,746)
Changes in non-controlling interests		-	-	-	-	-	-	-	-	146,459	146,459
Balance as of December 31, 2019		$ 1,014,988	$ 122,290	$ 112,514	$ 551,542	($ 49,602)	($ 47,939)	($ 151,746)	$ 1,552,047	$ 168,196	$ 1,720,243

The accompanying notes are an integral part of the 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.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

Unit: NT$ thousand

	Notes	2019	2018
Cash flows from (used in) operating activities			
Profit before from continuing operations before tax		$ 151,905	$ 307,103
Loss from discontinued operations before tax		(8,485)	(12,274)
Profit before tax		143,420	294,829
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation expense	VI (VII) (XX)	21,219	11,953
Depreciation expense on right-of-use assets	VI (VIII)	5,916	-
Amortization expense	VI (IX)	10,184	-
Gain on reversal of expected credit loss	12(2)	(1,166)	-
Valuation adjustment for financial assets at fair value through profit or loss	VI (II)	(2,792)	(185)
Loss on disposal of investments		370	-
Interest expense	VI (IXX)	5,500	2,165
Interest expense on lease liabilities	VI (VIII)	384	-
Interest income	VI (XVII)	(4,461)	(7,252)
Dividend income	VI (XVII)	(3,053)	(4,340)
Loss on disposal of property, plant and equipment	VI (XVIII)	474	17
Gain on disposal of discontinued operations	VI (X)	(26,313)	-
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		(179,726)	(1,570)
Accounts receivable (including related parties)		162,626	153,345
Other receivables		10,887	-
Inventories		(164,870)	18,957
Prepayments		(50,260)	-
Other current assets		28,204	(890)
Other non-current assets		(44,853)	538
Changes in operating liabilities			
Contract liabilities		5,853	-
Notes payable		24	-
Accounts payable (including related parties)		77,533	(55,866)
Other payables		33,943	24,375
Other current liabilities		(22,925)	(492)
Cash inflow generated from operations		6,118	435,584
Interest received		4,616	7,252
Dividends received		3,053	4,340
Interest paid		(5,324)	(2,165)
Income tax paid		(80,371)	(866)
Net cash flows from (used in) operating activities		(71,908)	444,145
Cash flows from (used in) investing activities			
Acquisition of financial assets at fair value through other comprehensive income		-	(184,984)
Net cash flow from acquisition of subsidiaries		(160,987)	-
Acquisition of property, plant and equipment	VI (VII) (XXVI)	(48,994)	(22,229)
Proceeds from disposal of subsidiaries	VI (X)	151,565	-
Proceeds from capital reduction of investments		5,974	-
(Increase) decrease in restricted assets		(28,390)	19,193
Increase in prepayments for investments		-	(44,720)
Net cash flows used in investing activities		(80,832)	(232,740)
Cash flows from (used in) financing activities			
Increase in short-term loans		156,597	-
Guarantee deposits received		1,013	(47)
Payments of lease liabilities		(5,949)	-
Cash dividends paid	VI (XV)	(152,246)	-
Payments to acquire treasury shares		(151,746)	(150,273)
Net cash flows used in financing activities		(152,331)	(150,320)
Effect of exchange rate changes		12,248	(4,707)
Net increase (decrease) in cash and cash equivalents		(292,823)	56,378
Cash and cash equivalents at beginning of period		652,911	596,533
Cash and cash equivalents at end of period		$ 360,088	$ 652,911

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

Chairman: Shu-Jung Kao Manager: Shu-Jung Kao

Chaintech Technology Corp. and Subsidiaries
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018

Unit: NT$ thousand
(Unless specified otherwise)

I. Company History

(I) The original East Chaintech Technology Corp. was established in November 1986, and was renamed as Chaintech Technology Corp (hereinafter referred to as "Chaintech") in January 2013. Approved by the Securities and Futures Bureau as an OTC-listed company in December 1997, Chaintech was transferred to be a listed company and was listed at the stock exchange market on August 17, 2000. Chaintech 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 Chaintech indirectly through Zhongjie Xingye Co., Ltd., and acquired 100% equity in Yicheng International Development Co., Ltd. (which held 36.2% equity of Chaintech) in June 2014. Therefore, Colorful Group held 46.2% equity in Chaintech indirectly, and obtained more than half of the seats in Chaintech's Board of Directors. In June 2017, Zhongjie Xingye Co., Ltd. sold all the equity of Chaintech it held. In July 2016, Yicheng International Development Co., Ltd. sold the equity of Chaintech to 26.11%. As of December 31, 2019, the Colorful Group indirectly held 28.11% of the equity in Chaintech through Yicheng International Development Co., Ltd. As of December 31, 2019, the Group had 131 employees.

II. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors on March 27, 2020.

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	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 Group's assessment.

IFRS 16 "Leases"

1. IFRS 16 "Leases" supersedes IAS 17 "Leases" and its relevant IFRIC interpretations and SIC 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.
2. When applying the 2019 version of IFRSs as endorsed by the FSC, the Group elects to adopt IFRS 16 without restating the comparative information ("modified retrospective approach" hereinafter) and made adjustments to lessee lease contracts by increasing the right-of-use assets by NT$20,657 (including reclassification of long-term lease prepayments) and increasing lease liabilities by NT$11,051 on January 1, 2019.
3. Upon initial adoption of IFRS 16, the Group adopts the following practical expedients:
   (1) Contracts that have previously been identified as leases under IAS 17 and IFRIC 4 are not reassessed as to whether they are (or contain) leases but are treated by applying related IFRS 16 requirements.
   (2) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
   (3) Applying the short-term lease method to leases that end before December 31, 2019. The rental expense recognized for these leases in 2019 was NT$1,463.
4. The Group applied the Group's incremental borrowing rate to calculate the present value of lease liabilities. The interest rate was 3%.
5. The Group discloses the amounts of its operating lease commitments pursuant to IAS 17. Below is the reconciliation of the present value after discount using the incremental borrowing rate upon the initial application date and the lease liability recognized on January 1, 2019.

Operating lease commitments applying IFRS 17 "Disclosures" as at December 31, 2018	$ 16,592
Add: Reassessment of lease contracts that were originally identified as a service contract	141
Less: Service contracts that were not leases upon re-judgement	(5,007)
Total value of lease contracts for which the recognition of a lease liability is required pursuant to IFRS 16 as at January 1, 2019	11,726
The Group's incremental borrowing rate as at the initial application date	3%
Lease liability recognized pursuant to IFRS 16 as at January 1, 2019	$ 11,051

(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 2020 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 9, IAS 39, and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020

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

(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 IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by International Accounting Standards Board
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2022

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

(II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:
   (1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
   (2) Financial assets measured at fair value through other comprehensive income.

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

(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 subsidiary	Business activities	Percentage of equity held December 31, 2019	Percentage of equity held December 31, 2018	Explanation
Chaintech	Bahamas Federal Shanghai Co., Ltd. (Bahamas Federal Shanghai)	General investment business	-	100%	Note 1
Chaintech	Shenzhen Jinghong Digital R&D Service Co., Ltd. (Shenzhen Jinghong)	Technology R&D and support and trading of electronic products, computer hardware, and peripheral devices	100%	100%	-
Chaintech	Wise Providence Ltd.	General investment business	-	100%	Note 2
Bahamas Federal Shanghai	Dongguan Chang'an Fortech Electronics Co., Ltd. (Fortech Electronics)	Production of motherboards, graphics cards, and computer peripherals	-	100%	Note 1
Shenzhen Jinghong	Sitonholy (Tianjin) Technology Co., Ltd.	Wholesale of electronic products, communication products, household appliances, office supplies, computer hardware and software and related spare parts	51%	-	Note 3
Sitonholy (Tianjin) Technology Co., Ltd.	Beijing Sitonholy Technology Co., Ltd. (Beijing Sitonholy)	Wholesale of electronic products, communication products, household appliances, office supplies, computer hardware and software and related spare parts	100%	-	Note 3

Note 1: On May 9, 2019, the Group's Board of Directors resolved to dispose of its 100% equity interest in Bahamas Federal Shanghai and its subsidiary, Fortech Electronics. The Group completed the transfer of equity in July 2019.

Note 2: Wise Providence Ltd. was liquidated on April 25, 2019.

Note 3: On March 1, 2019, the Group acquired a 51% equity interest in Sitonholy (Tianjin) Technology Co., Ltd. through Shenzhen Jinghong.

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 Chaintech'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.

(5) Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at balance sheet date.

(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 leases - Lessor

Lease income from operating leases less any incentives given to lessees is recognized in profit or loss on a straight-line basis over the term of the lease.

(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:

Transportation equipment	4 years
Wealth equipment	3 ~ 10 years
Other equipment	2 ~ 10 years

(XV) Lease transaction in the capacity of a lessee - Right-of-use assets/Lease liabilities

Applicable for the annual periods beginning on or after January 1, 2019

1. A right-of-use asset and a lease liability are recognized for a leased asset on the date when it becomes readily available for the Group's use. When a lease contract is a short-term lease or when it is a lease of which the underlying asset is of low value, lease payments are recognized as an expense on a straight-line basis over the lease term.
2. On the commencement date, the Group measures lease liabilities by the present value of outstanding lease payments, using the Group's incremental borrowing rate. Lease payments include fixed payments less any lease incentives receivable. In subsequent periods, the Group measures lease liabilities at amortized cost using the effective interest method and recognizes interest expenses during the lease term. When a change in the lease term or lease payments occurs due to reasons other than lease modifications, lease liabilities are reassessed and the remeasurements are adjusted to the right-of-use assets.
3. Right-of-use assets are recognized at cost on the commencement date. Costs include the originally measured amount of lease liabilities. In subsequent periods, the Group measures right-of-use assets at cost and recognizes depreciation expenses at the earlier of the end of useful life of right-of-use assets or the end of the lease term. When a lease liability is reassessed, the right-of-use asset is adjusted for any remeasurements of the lease liability.

(XVI) Intangible assets

1. Acquired in a business combination, customer relationship is recognized at fair value on the acquisition date. Customer relationship is an asset of limited and durable years as amortized over an estimated useful life of 2.7 years on a straight-line basis.
2. Goodwill arises from the difference between the purchase price set in the equity purchase contract and the net identifiable assets.

(XVII) 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.

(XVIII) 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.

(XIX) 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.

(XX) 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.

(XXI) 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.

(XXII) 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 Group 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.

(XXIII) 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 Chaintech buys 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.

(XXIV) Dividend distribution

Dividends are recognized in Chaintech's financial statements in the period in which they are approved by Chaintech'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.

(XXV) 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.

(XXVI) Business combinations

1. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business acquisition case, the Group measures the components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity’s net assets in the event of liquidation at either acquisition-date fair value or the ratio of non-controlling interests to the acquiree’s net identifiable assets. All other components of non-controlling interests shall be measured at acquisition-date fair value.
2. If the aggregate of (i) the value of consideration transferred, (ii) the amount of non-controlling interests, and (iii) the fair value of the acquirer's previously-held equity interest in the acquiree exceeds the fair value of identifiable assets acquired and liabilities assumed, the difference is recognized as goodwill on the acquisition date. If the fair value of identifiable assets acquired and liabilities assumed exceeds the aggregate of (i) the value of consideration transferred, (ii) the amount of non-controlling interests, and (iii) the fair value of the acquirer's previously-held equity interest in the acquiree, the difference is recognized as profit or loss on the acquisition date.

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. Descriptions of Material Accounting Items

(I) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand and revolving funds	$ 120	$ 356
Checking deposits and demand deposits	359,968	568,089
Time deposits	-	84,466
	$ 360,088	$ 652,911

1. The Group 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) Current financial assets at fair value through profit or loss

Item	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss, mandatorily measured at fair value		
Stocks of listed companies	$ 2,568	$ 2,598
Beneficiary certificates	182,101	-
	184,669	2,598
Valuation adjustments	(396)	(843)
Total	$ 184,273	$ 1,755

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

	2019	2018
Equity instruments	$ 447	$ 185
Beneficiary certificates	2,345	-
	$ 2,792	$ 185

2. The Group's current financial assets at fair value through profit or loss have never been provided as pledged assets or guarantees.
3. For related credit risk information, please refer to Note XII (II).

(III) Non-current financial assets at fair value through other comprehensive income

Items	December 31, 2019	December 31, 2018
Equity instruments		
Stocks of listed companies	$ 169,634	$ 169,634
Stocks unlisted at stock exchange market, over	15,350	15,350

the counter market or emerging stock market	184,984	184,984
Valuation adjustments	(47,939)	(75,999)
Total	$ 137,045	$ 108,985

1. The Group elects to classify the strategic investment as financial assets at fair value through other comprehensive income, which were at NT$137,045 and NT$108,985 as of December 31, 2019 and 2018 respectively.
2. The breakdown in profit or loss and other comprehensive income of financial assets at fair value through other comprehensive income is as follows:

	2019	2018
Equity instruments at fair value through other comprehensive income		
Changes in fair value recognized in other comprehensive income	$ 28,060	($ 75,999)
Dividend income recognized in profit or loss at end of current period	$ 3,005	$ 4,312

3. Without considering the collateral held or other credit enhancements, the fair value of the Group's most representative financial assets at fair value through other comprehensive income was NT$137,045 and NT$108,985 as of December 31, 2019 and 2018 respectively.
4. For more information on credit risk for financial assets at fair value through other comprehensive income, please refer to Note XII (II).

(IV) Notes and accounts receivable

	December 31, 2019		
	Total	Allowance for loss	Net
Accounts receivable	$ 338,710	($ 3,384)	$ 335,326
Accounts receivable due from related parties	616,972	(186)	616,786
	$ 955,682	($ 3,570)	$ 952,112

	December 31, 2018		
	Total	Allowance for loss	Net
Accounts receivable	$ 237,575	($ 117)	$ 237,458
Accounts receivable due from related parties	686,183	(206)	685,977
	$ 923,758	($ 323)	$ 923,435

1. The aging analysis of accounts receivable and notes receivable are as follows:

	December 31, 2019	December 31, 2018
Not overdue	$ 945,302	$ 923,758
Overdue for 1-90 days	10,380	-
Total	$ 955,682	$ 923,758

The aging analysis above is based on past due date.

2. The balance of receivables on contracts with customers as at December 31, 2019, December 31, 2018, and January 1, 2018 was NT$952,112, NT$923,435, and NT$1,077,103 respectively.
3. Without consideration of the collateral held or other credit enhancements, the maximum credit risk that best represent the Group's notes and accounts receivable as of December 31, 2019 and 2018 amounted to NT$955,682 and NT$923,758 respectively.
4. For more information on credit risk for accounts receivable, please refer to Note XII (II).

(V) Inventories

	December 31, 2019		
	Cost	Allowance for valuation loss	Carrying amount
Raw materials	$ 203,353	($ 6,435)	$ 196,918
Work in process	78,771	-	78,771
Finished goods	16,234	(1,599)	14,635
Products	57,821	(1,350)	56,471
	$ 356,179	($ 9,384)	$ 346,795

	December 31, 2018		
	Cost	Allowance for valuation loss	Carrying amount
Raw materials	$ 64,424	($ 29)	$ 64,395
Work in process	31,438	-	31,438
Finished goods	1,599	(1,599)	-
	$ 97,461	($ 1,628)	$ 95,833

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

	2019	2018
Cost of goods sold	$ 4,414,184	$ 3,715,677
Loss (gain) on inventories (Note)	7,756	(661)
	4,421,940	3,715,016
Less: Operating costs of discontinued operations	(16,394)	(37,124)
	$ 4,405,546	$ 3,677,892

Note: The Group's reported the gain on inventories in 2018 as a result of destocking.

(VI) Other current assets

	December 31, 2019	December 31, 2018
Restricted bank deposits	$ 33,005	$ 4,615
Tax overpaid retained	30,080	28,033
	$ 63,085	$ 32,648

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 equipment	Derivative instruments	Others	Total
January 1, 2019						
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
2019						
January 1	$ 81,374	$17,052	$ 4,099	$ 448	$19,100	$122,073
Additions	-	-	-	-	69,010	69,010
Acquired through business combinations	-	-	-	-	797	797
Depreciation expense	(1,077)	(1,754)	(2,367)	(78)	(15,943)	(21,219)
Disposal of discontinued operations (Note)	(81,198)	(15,499)	(51)	(202)	(12,687)	(109,637)
Net exchange differences	901	201	(62)	(4)	(57)	979
December 31	$ -	$ -	$ 1,619	$ 164	$60,220	$ 62,003
December 31, 2019						
Cost	$ -	$ -	$10,224	$ 4,127	$80,979	$ 95,330
Accumulated depreciation	-	-	(8,605)	(3,963)	(20,759)	(33,327)
	$ -	$ -	$ 1,619	$ 164	$60,220	$ 62,003

	Buildings and structures	Machinery equipment	Transportation equipment	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 expense	(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

Note: On May 9, 2019, the Group's Board of Directors resolved to dispose of Bahamas Federal Shanghai and its subsidiary, Fortech Electronics. The Group completed the transfer of equity on July 8, 2019 and removed the subsidiary's property, plant and equipment from the account.

(VIII) Lease transaction - Lessee

Applicable for the annual periods beginning on or after January 1, 2019

1. The Group's leased underlying assets comprise land and buildings, of which the lease term is usually between 3 ~ 5 years. Lease contracts are individually negotiated and include various terms and conditions. Except for the term where the leased assets cannot be used as collateral for loans, there are no other restrictions.

2. Below is the carrying amounts of right-of-use assets and their recognized depreciation expenses:

	December 31, 2019 Carrying amount
Land (Note)	$ -
Housing	11,364
	$ 11,364

	2019 Depreciation expense
Land	$ 164
Housing	5,752
	$ 5,916

Note: On May 9, 2019, the Group's Board of Directors resolved to dispose of Bahamas Federal Shanghai and its subsidiary, Fortech Electronics. The Group completed the transfer of equity on July 8, 2019. As at December 31, 2019, the subsidiary's property, plant and equipment had been removed from the account.

3. In 2019, the Group's addition of right-of-use assets amounted to NT$2,595, and the net amount of right-of-use assets acquired from business combinations was NT$3,744. For more information on business combinations, please refer to Note VI (XXIII).

4. Profit or loss items in connection with lease contracts are stated as follows:

	2019
Items that affect profit or loss	
Interest expense on lease liabilities	$ 384
Expense on short-term leases	1,463

5. The Group's cash outflow from leases amounted to NT$7,796 in 2019.

(IX) Intangible assets

	Goodwill	Customer relationship	Total
January 1, 2019			
Cost	$ -	$ -	$ -
Accumulated amortization and impairment	-	-	-
	$ -	$ -	$ -
2019			
January 1	$ -	$ -	$ -
Additions - Acquired from business combinations	178,573	33,961	212,534
Amortization expense	-	(10,184)	(10,184)
Net exchange differences	(11,561)	(1,818)	(13,379)
December 31	$ 167,012	$ 21,959	$ 188,971

December 31, 2019			
Cost	$ 167,012	$ 31,762	198,774
Accumulated amortization and impairment	-	(9,803)	(9,803)
	$ 167,012	$ 21,959	$ 188,971

On March 1, 2019, the Group had a 51% equity interest in Sitonholy (Tianjin) Technology Co., Ltd. and secured control over Sitonholy (Tianjin) Technology Co., Ltd. Goodwill and other intangible assets (customer relationship) arose from the difference between the purchase price set in the equity purchase contract and the net identifiable assets. For more information on business combinations, please refer to Note VI (XXIII).

(X) Non-current assets held for sale and discontinued operations

1. On May 9, 2019, the Group's Board of Directors resolved to sell Bahamas Federal Shanghai and its subsidiary, Fortech Electronics. As at June 30, 2019, the assets and liabilities of Bahamas Federal Shanghai and Fortech Electronics had been recognized as disposal groups classified as held for sale, and Bahamas Federal Shanghai and Fortech Electronics were presented as discontinued operations according to the definition of discontinued operations. The Group completed the transfer of equity in July 2019; therefore, there were no assets, liabilities, and equity in relation to disposal groups classified as held for sale as at December 31, 2019.
2. Cash flows of discontinued operations are stated as follows:

	2019	2018
Cash flows from (used in) operating activities	($ 2,096)	$ -

3. Revenues or expenses cumulatively recognized in other comprehensive income in relation to disposal groups classified as held for sale:

	2019	2018
Adjustments in foreign currency conversion	$ 1,437	$ -

4. Business results of discontinued operations are stated as follows:

	2019	2018
Operating revenue	$ 11,026	$ 32,722
Operating costs	(16,394)	(37,124)
Gross loss from operations	(5,368)	(4,402)
Operating expenses	(8,981)	(20,000)
Total non-operating income and expenses	5,864	12,128
Loss from discontinued operations before tax	(8,485)	(12,274)
Income tax	(60)	(66)
Loss from discontinued operations after tax	($ 8,545)	($ 12,340)

5. The Group completed the transfer of its equity interest in Bahamas Federal Shanghai and its subsidiary, Fortech Electronics, in July 2019. Proceeds from disposal amounted to US$4,880 thousand and were recognized in profit or loss as follows:

	2019
Proceeds from disposal of discontinued operations - Bahamas Federal Shanghai	$ 26,313

(XI) Current borrowings

Loan type	December 31, 2019	Interest range	Collateral
Bank loans			
Secured loans	$ 127,317	2.706%~3.298%	Other current assets
Unsecured loans	29,280	3.167%	None
	$ 156,597		

December 31, 2018: None.

Interest expense recognized in profit or loss as of December 31, 2019 and 2018 was NT$5,500 and NT$2,165 respectively.

(XII) Other payables

	December 31, 2019	December 31, 2018
Royalty fees payable	$ 31,213	$ 30,232
Others	67,770	39,550
	$ 98,983	$ 69,782

(XIII) Pension

1. Chaintech 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, Chaintech 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. Chaintech'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 aforesaid pension regulations in 2019 and 2018 were NT$5,249 and NT$1,904 respectively.

(XIV) Share capital

1. As of December 31, 2019, Chaintech's authorized capital was NT$2,500,000 (of which NT$100,000 was for the issuance of stock options, preferred shares or corporate bonds with warrants), with paid-in capital of NT$1,014,988 and the face value of NT$10 per share, and the number of outstanding shares was 96,499 thousand.
2. Changes in the number of treasury shares in 2019 and 2018 are stated as follows:

Reason for reclamation	Company holding treasury shares	2019 Opening number of shares (Thousand shares)	Increase in the period	Decrease in the period	Closing number of shares (Thousand shares)
Maintenance of Chaintech's credit and shareholders' equity	Chaintech	-	5,000	-	5,000

Reason for reclamation	Company holding treasury shares	2018 Opening number of shares (Thousand shares)	Increase in the period	Decrease in the period	Closing number of shares (Thousand shares)
Maintenance of Chaintech's credit and shareholders' equity	Chaintech	-	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.

(XV) Retained earnings

1. Under Chaintech's Articles of Incorporation, if there is a surplus in the annual final accounts, in addition to the income tax payable according to law, Chaintech 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 Chaintech, the said restriction does not apply. After Chaintech 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. Chaintech 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 Chaintech 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 Chaintech 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 Chaintech 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 Chaintech 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, Chaintech reversed the original portion of the said special reserve, and when Chaintech subsequently uses, disposes of, or reclassifies related assets, they are reversed according to the ratio of the recognized special reserve.

5. By a resolution of the Board of Directors on May 3, 2019, Chaintech adopted the earnings distribution plan for the year ended December 31, 2018 as follows: Chaintech's shareholders' meeting resolved on May 3, 2018 to fully retain the unappropriated earnings for the year ended December 31, 2017.

	2018	
	Amount (NT$ thousands)	Dividends per share (NT$)
Legal reserve	$ 24,431	
Special reserve	24,033	
Cash dividends	152,246	$ 1.5

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

(XVI) Operating revenue

	2019	2018
Sales revenue:		
Computer peripherals	$ 4,904,952	$ 4,208,671
Others	11,026	32,721
Service revenue	21,432	10,368
Less: Sales returns, discounts and allowances	(188,202)	(168,728)
	4,749,208	4,083,032
Less: Operating revenue from discontinued operations	(11,026)	(32,722)
	$ 4,738,182	$ 4,050,310

The contract liabilities in relation to revenue from contracts with customers recognized by the Group are as follows:

	December 31, 2019	December 31, 2018
Contract liabilities:		
Receipts in advance	$ 14,545	$ -

(XVII) Other income

	2019	2018
Interest from bank deposits	$ 4,461	$ 7,252
Rental income	6,018	12,283
Dividend income	3,053	4,340
Other income - others	740	20
	14,272	23,895
Less: Other income from discontinued operations	(5,864)	(12,145)
	$ 8,408	$ 11,750

(XVIII) Other gains and losses

	2019	2018
Gain on financial assets at fair value through profit or loss, net	$ 2,792	$ 185
Loss on disposal of property, plant and equipment	(474)	(17)
Gain on disposal of discontinued operations	26,313	-
Loss on disposal of investments	(370)	-
Gain (loss) on foreign exchange, net	(7,086)	30,104
Other losses	(3,927)	(66)
	17,248	30,206
Less: Other gains and losses from discontinued operations	-	17
	$ 17,248	$ 30,223

(XIX) Financial costs

	2019	2018
Bank loans	$ 5,500	$ 2,165
Lease liabilities	384	-
	$ 5,884	$ 2,165

(XX) Expenses by nature

	2019	2018
Employee benefit expenses	$ 102,186	$ 78,705
Depreciation expense on property, plant and equipment	21,219	11,953
Depreciation expense on right-of-use assets	5,916	-
	129,321	90,658
Less: Employee benefit expenses from discontinued operations	(7,967)	(17,081)
Less: Depreciation expense on property, plant and equipment from discontinued operations	(4,277)	(8,997)
	$ 117,077	$ 64,580

(XXI) Employee benefit expenses

	2019	2018
Wages and salaries	$ 88,519	$ 71,031
Labor and health insurance expenses	4,850	2,058
Pension expense	5,249	1,904
Other employment cost	3,568	3,712
	102,186	78,705
Less: Employee benefit expenses from discontinued operations	(7,967)	(17,081)
	$ 94,219	$ 61,624

1. According to Chaintech'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. For the years ended December 31, 2019 and 2018, the estimated amount of employee bonus was NT$2,232 and NT$3,723 respectively, and the estimated amount of remuneration to directors and supervisors was NT$2,232 and NT$9,539 respectively; the aforesaid amounts were recognized as salary expenses.

   The employee bonus, NT$3,723, and remuneration to directors and supervisors, NT$9,539, for the year ended December 31, 2018 that had been resolved by the Board of Directors are the same as the amounts recognized in the financial statements for the year then ended.
3. Information on the employee bonus and directors' and supervisors' remuneration approved by the Board of Directors is available on the Market Observation Post System (MOPS).

(XXII) Income tax

1. Tax expense

   Components of tax expense:

.	2019	2018
Current income tax:		
Income tax incurred in the current period	$ 10,446	$ 52,775
Surtax on unappropriated retained earnings	2,180	-
Underestimated (overestimated) income tax in previous years	55	(4,113)
Total income tax in the period	12,681	48,662
Deferred income tax:		
Origination and reversal of temporary differences	2,060	2,193
Effect of tax rate changes	-	(330)
Total deferred income tax	2,060	1,863
Less: Tax expense from discontinued operations	(60)	(66)
Tax expense	$ 14,681	$ 50,459

2. Tax expense and accounting profit

	2019	2018
Income tax calculated based on profit before tax and at the statutory rate	$ 37,085	$ 59,252
Expenses that should be excluded pursuant to the taxation law	546	699
Tax exempted income pursuant to the taxation law	(701)	(694)
Tax effects of temporary differences	(24,424)	2,895
Tax effects of deducting impairment loss	-	(7,184)
Surtax on unappropriated retained earnings	2,180	-
Underestimated (overestimated) income tax in previous years	55	(4,113)
Effect of tax rate changes	-	(330)
	14,741	50,525
Less: Tax expense from discontinued operations	(60)	(66)
Tax expense	$ 14,681	$ 50,459

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:

2019	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Temporary differences:				
Deferred tax assets				
Allowance for valuation loss and slow-moving loss	$ 6	$ 1,281	$ -	$ 1,287
Unrealized exchange loss	-	2,148	-	2,148
	6	3,429	-	3,435
Deferred tax liabilities				
Amortization of intangible assets	-	(5,489)	-	(5,489)
	$ 6	($ 2,060)	$ -	($ 2,054)

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

4. The effective period of tax losses that have not been used by the Group and the related amounts of unrecognized deferred tax assets are as follows:

Companies established in Taiwan

The effective period of tax losses that have not been used and the related amounts of unrecognized deferred tax assets as of December 31, 2019 are as follows:

Year of occurrence	Reported/authorized amount	Amount not yet deducted	Unrecognized deferred tax assets	Year of final deduction
2019 (Estimated amount)	$ 109,983	$ 109,983	$ 109,983	118

There were no unused tax losses as of December 31, 2018.

5. Deductible temporary differences of assets that have not been recognized as deferred tax assets:

	December 31, 2019	December 31, 2018
Deductible temporary differences	$ 252,049	$ 433,399

6. The revenue service authority has assessed the profit-seeking enterprise income tax of Chaintech through 2017.
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.

(XXIII) Earnings per share

	2019		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Basic earnings per share from continuing operations of parent	$137,224	100,703	$ 1.36
Basic loss per share from discontinued operations of parent	(8,545)		(0.08)
Basic earnings per share from non-controlling interests	(21,737)		(0.22)
Basic earnings per share from common shareholders of parent	$106,942		$ 1.06
Diluted earnings per share			
Diluted earnings per share from continuing operations	$137,224	100,703	
Effect of dilutive potential ordinary shares			
Employee bonus	-	73	
Diluted earnings per share from continuing operations of parent's common shareholders plus effect of potential	137,224	100,776	$ 1.36

ordinary shares			
Diluted loss per share from discontinued operations of parent	(8,545)		(0.08)
Diluted earnings per share from non-controlling interests	(21,737)		(0.22)
Diluted earnings per share from common shareholders of parent plus effect of potential ordinary shares	$106,942		$ 1.06

	2018		
	After-tax amount	Weighted average number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Basic earnings per share from continuing operations of parent	$256,644	102,096	$ 2.51
Basic earnings per share from discontinued operations of parent	(12,340)		(0.12)
Basic earnings per share from common shareholders of parent	$244,304		$ 2.39
Diluted earnings per share			
Diluted earnings per share from continuing operations of parent	$256,644	102,096	
Effect of dilutive potential ordinary shares			
Employee bonus	-	98	
Diluted earnings per share from continuing operations of parent's common shareholders plus effect of potential ordinary shares	256,644	102,194	$ 2.51
Diluted earnings per share from discontinued operations of parent	(12,340)		(0.12)
Diluted earnings per share from common shareholders of parent plus effect of potential ordinary shares	$244,304		$ 2.39

(XXIV) Business combinations

1. In December 2018, the Group invested in Sitonholy (Tianjin) Technology Co., Ltd. through its subsidiary, Shenzhen Jinghong, and made a prepayment of RMB 10 million. On March 1, 2019, the Group acquired a 51% equity interest in Sitonholy (Tianjin) Technology Co., Ltd. The investment totaled RMB 86.36 million (including contingent consideration of RMB 44.36 million).

   The equity interest was acquired as follows:

   (1) The Group purchased a 26% equity interest from Tianjin Daweisi Technology Center (Limited Partnership) and Tianjin Qunchuang Enterprise Management Consulting Center (Limited Partnership) at the amount of RMB 35.36 million.

(2) The Group acquired a 25% equity interest in Sitonholy (Tianjin) Technology Co., Ltd. through capital increase at the amount of RMB 51 million.

Sitonholy (Tianjin) Technology Co., Ltd. retails electronic products and communication products in China. After the acquisition, the Group expects to strengthen its presence in the retail market of electronic products and communication products in China.

2. Information on the consideration for acquiring Sitonholy (Tianjin) Technology Co., Ltd., acquisition-date fair value of assets acquired and liabilities assumed, and portion of non-controlling interests to the acquiree's net identifiable assets is stated as follows:

Acquisition consideration		
Cash (Note 1)		
Payments for equity transfer	$	119,678
Payments for purchase of shares		73,648
Contingent consideration (Note 2)		149,140
		342,466
Portion of non-controlling interests to the acquiree's net identifiable assets		157,465
	$	499,931
Fair value of identifiable assets acquired and liabilities assumed		
Cash		20,266
Accounts receivable		182,945
Inventories		90,866
Other current assets		113,415
Intangible assets (customer relationship)		33,961
Property, plant and equipment		797
Right-of-use assets		3,744
Other non-current assets (Note 3)		201,522
Accounts payable	(	129,566)
Other current liabilities (Note 4)	(	184,300)
Lease liabilities	(	3,802)
Deferred tax liabilities	(	8,490)
Net identifiable assets		321,358
Goodwill	$	178,573

Note 1: Acquisition consideration - cash includes payments for equity transfer and payments for purchase of shares.

(1) Payments for equity transfer include prepayments of NT$44,720 (RMB 10 million) made in December 2018 and NT$74,958 (RMB 16 million) paid in March 2019.

(2) Payments for purchase of shares amounted to RMB 16 million. The capital increase was completed in March 2019.

Note 2: Contingent consideration is the present value of investment after taking into account performance compensation set forth in the investment agreement.

Note 3: Other non-current assets include payments for purchase of shares receivable, RMB 16 million, in March 2019 and payments for purchase of shares, RMB 35 million, to be received when conditions of contingent consideration are established.

Note 4: Other current liabilities include payments for equity transfer, RMB 18.1326 million payable by Sitonholy (Tianjin) Technology Co., Ltd. due to its acquisition of a 100% equity interest in Beijing Sitonholy.

3. After the Group acquired Sitonholy (Tianjin) Technology Co., Ltd. in March 1, 2019, Sitonholy (Tianjin) Technology Co., Ltd. contributed NT$574,121 and NT$35,434 to operating revenue and profit before tax respectively. If Sitonholy (Tianjin) Technology Co., Ltd. were acquired by the Group in January 1, 2019, the Group's operating revenue and profit before tax would be NT$4,865,012 and NT$150,727 respectively.

4. On December 17, 2018, both parties reached an agreement on contingent consideration as follows:

   (1) If the audited net profit of Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy for the year ended December 31, 2018 (subject to the net profit attributable to parent after deduction of non-recurring profit or loss) reaches RMB 15 million, Shenzhen Jinghong should increase capital of Sitonholy (Tianjin) Technology Co., Ltd. by RMB 20 million within 15 working days, and should pay RMB 7.488 million and RMB 1.872 million to Tianjin Daweisi Technology Center (Limited Partnership) and Tianjin Qunchuang Enterprise Management Consulting Center (Limited Partnership) respectively (recognized in other non-current liabilities).

   (2) If the audited net profit of Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy for the year ended December 31, 2019 (subject to the net profit attributable to parent after deduction of non-recurring profit or loss) reaches RMB 22 million, Shenzhen Jinghong should increase capital of Sitonholy (Tianjin) Technology Co., Ltd. by RMB 15 million within 15 working days.

   (3) If Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy fail to meet the performance target for the year within the period of performance commitment, Shenzhen Jinghong has the right to defer the aforesaid contingent consideration to the next period and, based on the realization of the accumulated net profit of Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy, determine whether to pay.

5. As of December 31, 2019, the audited net profit of Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy for the year ended December 31, 2018 reached the agreement on contingent consideration. According to the agreement, Shenzhen Jinghong paid RMB 20 million to Sitonholy (Tianjin) Technology Co., Ltd. for capital increase and paid RMB 7.488 million and RMB 1.872 million to Tianjin Daweisi Technology Center (Limited Partnership) and Tianjin Qunchuang Enterprise Management Consulting Center (Limited Partnership) respectively. The audited net profit of Sitonholy (Tianjin) Technology Co., Ltd. and Beijing Sitonholy for the year ended December 31, 2019 was not met. According to the agreement, Shenzhen Jinghong deferred the contingent consideration to the next period.

(XXV) Operating leases

Applicable for the annual periods beginning on or after January 1, 2019

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
Not more than 1 year	$ 3,993
More than 1 year but not more than 5 years	12,599
	$ 16,592

(XXVI) Supplemental cash flow information

Investing activities with partial cash payments:

	2019	2018
Purchase of property, plant and equipment	$ 69,010	$ 2,213
Add: Advance on equipment, end of year	-	20,016
Less: Advance on equipment, beginning of year	(20,016)	-
Cash paid in the period	$ 48,994	$ 22,229

(XXVII) Changes in liabilities from financing activities

The effect of changes in current borrowings in 2019 amounted to NT$156,597. Please refer to the consolidated statements of cash flows for details.

Changes in the Group's liabilities from financing activities in 2018 were all changes in cash flows; please refer to the consolidated statements of cash flows for details.

VII. Related Party Transactions

(I) Parent company and the ultimate controller

Chaintech is controlled by Yicheng International Development Co., Ltd. (incorporated in the Republic of China), which owns 28.11% of the shares of Chaintech. The rest is held by the public. The ultimate controller of Chaintech 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% reinvestment business by Colorful Group
Shenzhen Colorful Yugong Technology and Development Co., Ltd. (Yugong)	The same person in charge as the Colorful Group

(III) Material transactions with related parties

1. Operating revenue

	2019	2018
Sales of goods:		
Colorful	$ 2,026,018	$ 2,203,467
Yugong	120,700	-
Sales allowance:		
Colorful	(148,917)	(133,729)
	$ 1,997,801	$ 2,069,738

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. The Group sells all-in-one (AIO) to Yugong.

2. Purchase

	2019	2018
Purchases of goods:		
Yugong	$ 117,368	$ -

Goods are purchased from related parties according to general commercial terms and conditions. Sitonholy (Tianjin) Technology Co., Ltd. purchases display cards from Yugong.

3. Receivables from related parties

	2019	2018
Accounts receivable:		
Colorful	$ 614,072	$ 685,977
Yugong	2,714	-
Total	$ 616,786	$ 685,977

Receivables 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.

4. Payables to related parties

	2019	2018
Purchases of goods:		
Yugong	$ 10,741	$ -

The payables to related parties mainly arise from purchases, which are due one month after the purchase date. The payables are non-interest bearing.

5. Advertising expense

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 amounts of advertising expense incurred in 2019 and 2018 were NT$10,740 and NT$13,366 respectively; the amounts not yet paid were NT$5,886 and NT$8,911 respectively and recognized as "other payables."

(IV) Key management compensation information

	2019	2018
Salary and other short-term employees' benefits	$ 7,437	$ 14,739

VIII. Pledged Assets

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

	Book value		
Pledged assets	December 31, 2019	December 31, 2018	Guarantee use
Other current assets			
Bank deposits	$ 33,005	$ 4,615	Reserve accounts

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

(I) Contingencies

None.

(II) Commitments

1. As of December 31, 2019, the Group's guaranteed letter of credit for the purchase was US$1,500 thousand.
2. Chaintech opened a promissory note for the purchase of goods as a guarantee for the purchase of loan claims. Chaintech had written promissory notes totaling NT$200,000 as of December 31, 2019.

X. Significant Disaster Losses

None.

XI. Significant events after the end of the financial reporting period

On January 21, 2020, Chaintech's Board of Directors resolved to acquire a 13% equity interest in uSenlight Corporation at the amount of NT$150,000. The investment was completed on March 16, 2020.

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 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 Group is a multinational operation and is exposed to exchange rate risk arising from transactions with Chaintech 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 Chaintech 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, 2019		
(Foreign currency: Functional currency)	Foreign currency (in thousands)	Exchange rate	Carrying amount (NT$)
Financial assets			
Monetary items			
USD:NTD	$ 36,557	29.980	$ 1,095,979
CNY:NTD	100,489	4.305	432,605
Non-monetary items			
CNY:NTD	$ 29,694	4.305	$ 127,833
Financial liabilities			
Monetary items			
USD:NTD	$ 15,867	29.980	$ 475,693
CNY:NTD	11,743	4.305	50,554
Non-monetary items			
CNY:NTD	$ 3,417	4.305	$ 14,710

(Foreign currency: Functional currency)	December 31, 2018 Foreign currency (in thousands)	Exchange rate	Carrying amount (NT$)
Financial assets			
Monetary items			
USD:NTD	$ 45,932	30.715	$ 1,410,801
Non-monetary items			
CNY:NTD	$ 77,415	4.472	$ 346,200
Financial liabilities			
Monetary items			
USD:NTD	$ 5,107	30.715	$ 156,862

C. The Group's material monetary items affected by the exchange rate fluctuations for the years ended December 31, 2019 and 2018 were recognized as net exchange (loss) gain (including realized and unrealized) at the aggregated amount of NT($7,086) and NT$30,104, respectively.

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

	2019	Sensitivity analysis	
(Foreign currency: Functional currency)	Range of change	Effects on profit or loss	Effects on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 10,960	$ -
CNY:NTD	1%	4,326	-
Non-monetary items			
CNY:NTD	1%	$ 1,278	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 4,757	$ -
CNY:NTD	1%	506	-
Non-monetary items			
CNY:NTD	1%	147	$ -

	2018	Sensitivity analysis	
(Foreign currency: Functional currency)	Range of change	Effects on profit or loss	Effects on other comprehensive income
Financial assets			
Monetary items			
USD:NTD	1%	$ 14,108	$ -
Non-monetary items			
CNY:NTD	1%	$ 3,462	$ -
Financial liabilities			
Monetary items			
USD:NTD	1%	$ 1,569	$ -

Price risk

A. The Group's equity instruments exposed to price risk are financial assets 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 mainly invests in equity instruments issued by 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 increase or decrease by 1%, with all other factors remaining unchanged, profit after tax for the years ended December 31, 2019 and 2018 will increase or decrease by NT$22 and NT$18 respectively due to gain or loss on equity instruments at fair value through profit or loss, and other comprehensive income for the same years will increase or decrease by NT$1,370 and NT$1,090 respectively due to gain or loss on equity instruments at fair value through other comprehensive income.

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, 2019 and 2018, 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.

C. If the USD borrowing interest rate increases/decreases by 1%, with all other variables held constant, profit before tax for the years ended December 31, 2019 and 2018 will decrease or increase by NT$1,253 and NT$0 respectively. Changes in interest expense mainly result from floating-rate borrowings.

(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 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 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 as of December 31, 2019 and 2018 is as follows:

	Not overdue	90 days past due	Total
December 31, 2019			
Expected loss rate	0.072%	27.832%	
Total book value	$ 945,302	$ 10,380	$ 955,682
Allowance for loss	$ 682	$ 2,888	$ 3,570

	Not overdue	Total
December 31, 2018		
Expected loss rate	0.03%	
Total book value	$ 923,758	$ 923,758
Allowance for loss	$ 323	$ 323

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

	2019
	Accounts receivable
January 1	$ 323
Reversal of impairment loss	(1,166)
Effect of exchange rate changes	(258)
Acquired through business combinations	4,671
December 31	$ 3,570

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

(3) Liquidity risk

A. Cash flow prediction is performed by individual operating entities within the Group and are aggregated by the Group's 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's finance department when it exceeds the management needs of the working capital. The Group's 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 non-current lease liabilities, guarantee deposits received, and investments payable (recognized as 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 market is included in Level 3.

2. For financial instruments not measured at fair value, including cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivables, current borrowings, notes payable, accounts payable (including related parties), 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, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit or loss				
Equity securities	$ 2,172	$ -	$ -	$ 2,172
Beneficiary certificates	182,101	-	-	182,101
Financial assets at fair value through other comprehensive income				
Equity securities	121,695	-	15,350	137,045
Total	$305,968	$ -	$ 15,350	$321,318

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 used by the Group 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:

	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 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 for the years ended December 31, 2019 and 2018.
5. The following chart indicates the movement of Level 3 for the years ended December 31, 2019 and 2018:

	2019 Equity instruments	2018 Equity instruments
January 1	$ 15,350	$ -
Acquired in the period	-	15,350
December 31	$ 15,350	$ 15,350

6. There were no transfer into and out of Level 3 for the years ended December 31, 2019 and 2018.
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, 2019	Valuation technique	Significant unobservable inputs	Relationship between inputs and fair value
Non-derivative equity instruments:				
Shares of unlisted companies	$ 15,350	Market price method	Lack of marketability discount, expected equity volatility	The higher the lack of marketability discount and expected equity volatility, the lower the fair value

	Fair value as of December 31, 2018	Valuation technique	Significant unobservable inputs	Relationship between 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 the evaluation parameters change, the impact on other comprehensive gains and losses is as follows:

			December 31, 2019	
			Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change
Financial assets				
Equity instruments	Lack of marketability discount, expected equity volatility	±1%	$ 154	$ 154

			December 31, 2018	
			Recognized in other comprehensive income	
	Input	Change	Favorable change	Unfavorable change
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

XIII. Supplementary Disclosures

(I) Information on significant transactions

1. Capital loans to others: None.
2. Endorsements and guarantees: Please refer to Table 1.
3. Marketable securities held at the end of the period (excluding investment in subsidiaries): Please refer to Table 2.
4. Accumulated acquisition or disposal of the same securities reaching NT$300 million or 20% of paid-in capital or more: Please refer to Table 3.
5. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
6. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.
7. Purchases and sales with related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to Table 4.
8. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to Table 5.
9. Derivative transactions: None.
10. Parent-subsidiary and subsidiary-subsidiary business relations and significant transactions and amounts thereof: Please refer to Table 6.

(II) Information on investees

Information on investee companies (not including investee companies in Mainland China)

None.

(III) Information on investments in Mainland China

1. Basic information: Please refer to Table 7.
2. Significant transactions between the Group and investees in Mainland China directly or indirectly through entities in a third area: Please refer to Table 8.

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 products and services

The breakdown of the revenue balance is as follows:

	2019	2018
Sales revenue:		
Computer peripherals	$ 4,596,050	$ 4,039,942
AIO	120,700	-
Service revenue	21,432	10,368
	$ 4,738,182	$ 4,050,310

(III) Geographical information

	2019		2018	
	Revenue	Non-current assets	Revenue	Non-current assets
China	$ 4,738,182	$ 271,078	$ 4,050,310	$ 176,399

(IV) Key accounts information

	2019	2018
10C001	$ 2,026,018	$ 2,069,738
16L002	473,302	363,858
Others	2,238,862	1,616,714
	$ 4,738,182	$ 4,050,310

Chaintech Technology Corp. and Subsidiaries
Endorsements and Guarantees
For the Year Ended December 31, 2019

Table 1

Unit: NT$ thousand
(Unless specified otherwise)

No.	Endorser/Guarantor Company name	Subject of endorsements and guarantees Company name	Subject of endorsements and guarantees Relationship	Ceiling limit on endorsements and guarantees for a single enterprise (Note 1)	Maximum balance of endorsements and guarantees for the current period	Balance of endorsements and guarantees at the end of current period	Endorsements and guarantees used	Endorsements and guarantees secured with collateral	Ratio of aggregated endorsements and guarantees to net value in the most recent financial statements	Ceiling limit on endorsements and guarantees (Note 1)	Parent providing endorsements and guarantees for subsidiary	Subsidiary providing endorsements and guarantees for parent	Endorsements and guarantees involving Mainland China	Remarks
0	Chaintech Technology Corp.	Sitonholy (Tianjin) Technology Co., Ltd.	2	$ 776,024	$ 55,965	$ 55,965	$ 55,965	$ -	3.61	$ 776,024	Y	N	Y	

Note 1: The ceiling limit on endorsements and guarantees provided by Chaintech, on endorsements and guarantees for a single enterprise, and on endorsements and guarantees provided by Chaintech and its subsidiaries should be 50% of the net value in the most recent financial statements respectively.

Chaintech Technology Corp. and Subsidiaries
Marketable Securities Held at the End of the Period (excluding Subsidiaries, Associates, and Joint Ventures)
For the Year Ended December 31, 2019

Table 2

Unit: NT$ thousand
(Unless specified otherwise)

Company holding securities	Type and name of securities	Relationship with the issuer of securities	Accounting item	End of period Number of shares	Carrying amount	Shareholding ratio	Fair value	Remarks
Chaintech Technology Corp.	Stocks_INPAQ Technology Co., Ltd.	-	Current financial assets at fair value through profit or loss	57,000	$ 2,172	0.04%	$ 2,172	-
Chaintech Technology Corp.	Stocks_APAQ Technology Co., Ltd.	-	Non-current financial assets at fair value through other comprehensive income	3,050,000	121,695	3.61%	121,695	-
Chaintech Technology Corp.	Stocks_CloudMile Co., Ltd. (Cayman Islands)	-	Non-current financial assets at fair value through other comprehensive income	510,204	15,350	2.77%	15,350	-
Sitonholy (Tianjin) Technology Co., Ltd.	Beneficiary certificates_Tianlibao net-value wealth management product	-	Current financial assets at fair value through profit or loss	-	135,607	-	135,607	-
Beijing Sitonholy Technology Co., Ltd.	Beneficiary certificates_Gongying Wenjian Tiantianli wealth management product	-	Current financial assets at fair value through profit or loss	-	46,494	-	46,494	-

Chaintech Technology Corp. and Subsidiaries
Accumulated Acquisition or Disposal of the Same Securities Reaching NT$300 Million or 20% of Paid-in Capital or More
For the Year Ended December 31, 2019

Table 3

Unit: NT$ thousand
(Unless specified otherwise)

Company name	Type and name of securities (Note 1)	Accounting item	Counterparty (Note 2)	Relationship (Note 2)	Beginning of period: Number of shares	Beginning of period: Amount	Acquisition (Note 3) (Note 4): Number of shares	Acquisition (Note 3) (Note 4): Amount	Disposal: Number of shares	Disposal: Selling price	Disposal: Carrying value	Disposal: Gain or loss on disposal	End of period: Number of shares
Shenzhen Jinghong Digital R&D Service Co., Ltd.	Sitonholy (Tianjin) Technology Co., Ltd.	Long-term equity investments - Tianjin	Non-related party, capital increase by cash	Subsidiary of Chaintech's subsidiary	-	$ -	-	$ 384,570	-	$ -	$ -	$ -	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities.
Note 2: Required if marketable securities are recognized as investments using equity method. Other fields can be left blank.
Note 3: The amount of accumulated acquisition or disposal should be calculated separately based on the market value to see if it reaches NT$300 million or 20% of paid-in capital.
Note 4: The amount of disposal includes contingent consideration.

Chaintech Technology Corp. and Subsidiaries
Purchases and Sales with Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More
For the Year Ended December 31, 2019

Table 4

Unit: NT$ thousand
(Unless specified otherwise)

			Transaction				Unusual trade conditions and its reasons		Ratio of notes and accounts receivable (payable)	
Company	Counterparty	Relationship	Purchase (sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	to total notes and accounts receivable (payable)
Chaintech Technology Corp.	Colorful Technology Co., Ltd.	100% reinvestment business by Colorful Group	Sales	$ 1,877,101	52%	OA 45 ~ 125 days	Not applicable	Not applicable	$ 614,072	73%
Chaintech Technology Corp.	Shenzhen Colorful Yugong Technology and Development Co., Ltd.	The same person in charge as the Colorful Group	Sales	120,700	3%	OA 30 days	Not applicable	Not applicable	2,714	-
Sitonholy (Tianjin) Technology Co., Ltd.	Shenzhen Colorful Yugong Technology and Development Co., Ltd.	The same person in charge as the Colorful Group	Purchases	117,368	3%	OA 30 days	Not applicable	Not applicable	10,741	3%

Chaintech Technology Corp. and Subsidiaries
Receivables from Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More
For the Year Ended December 31, 2019

Table 5

Unit: NT$ thousand
(Unless specified otherwise)

Company name	Counterparty	Relationship	Balance of receivables from related parties	Turnover rate	Overdue receivables from related parties: Amount	Overdue receivables from related parties: Handling method	Receivables from related parties recoverable after period	Allowances for losses
Chaintech Technology Corp.	Colorful Technology Co., Ltd.	100% reinvestment business by Colorful Group	Accounts receivable $ 614,072	2.89	$ -	-	$ 70,783	($ 186)

Chaintech Technology Corp. and Subsidiaries
Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof
For the Year Ended December 31, 2019

Table 6

Unit: NT$ thousand
(Unless specified otherwise)

				Transaction status			
No. (Note 1)	Company name	Counterparty	Relationship with counterparty (Note 2)	Account	Amount	Transaction terms	Percentage of total revenue or total assets
0	Chaintech Technology Corp.	Shenzhen Jinghong Digital R&D Service Co., Ltd.	Parent company to a subsidiary	Operating expenses	$ 7,328	Agreed by both parties	0.15%
0	Chaintech Technology Corp.	Shenzhen Jinghong Digital R&D Service Co., Ltd.	Parent company to a subsidiary	Other payables	2,011	-	0.08%

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 from "1" in the order presented in the table above.

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. and Subsidiaries
Information on investments in Mainland China - Basic Information
For the Year Ended December 31, 2019

Table 7

Unit: NT$ thousand
(Unless specified otherwise)

Name of investee in Mainland China	Main businesses and products	Actual paid-in capital	Method of investment (Note 1)	Accumulated investment amount remitted from Taiwan at beginning of period	Accumulated outflow or recovery amount: Outflow	Accumulated outflow or recovery amount: Recovery	Accumulated investment amount remitted from Taiwan at end of period	Current profit or loss of investee	Percentage of ownership (direct or indirect)	Gain or loss on investment in the current period (Note 2)	Carrying amount of investments in Mainland China at end of period	Accumulated inward remittance of investment income as of end of period	Remarks
Dongguan Changan Fortech Electronics Co., Ltd.	Production of motherboards, graphics cards, and computer peripherals	$ 343,327	2	$ 343,327	$ -	#########	$ -	($ 8,545)	100	($ 8,545)	$ -	$ -	Note 3
Shenzhen Jinghong Digital R&D Service Co., Ltd.	Technology research and development and trading of electronic products, computer hardware, and peripheral devices	499,045	1	239,456	259,609	-	499,065	19,717	100	19,717	472,349	-	-

Note 1: The method of investment in Mainland China includes the three following types:
(1) Direct investment
(2) Investment in Mainland China through a company set up in a third area (Bahamas Federal Shanghai)
(3) Others

Note 2: The valuation is recognized in the financial statements audited by the CPAs of the parent company in Taiwan.

Note 3: In July 2019, the Group disposed of Bahamas Federal Shanghai and its subsidiary, Fortech Electronics. Proceeds from disposal amounted to US$4,880 thousand.

Company name	Accumulated investment amount remitted from Taiwan to Mainland China at end of period	Investment amounts authorized by Investment Commission, MOEA	Ceiling on investment in Mainland China regulated by Investment Commission, M.O.E.A.
Chaintech Technology Corp.	$ 499,065	$ 1,022,416	$ 1,032,146

Note: The Group invested US$5 million in Shenzhen Jinghong Digital R&D Service Co., Ltd., which was approved by the Investment Commission, Ministry of Economic Affairs on November 26, 2015. US$3 million was remitted in April 2016, and remaining US$2 million was remitted on January 3, 2019.

Note: The Group increased capital of Shenzhen Jinghong Digital R&D Service Co., Ltd. by US$6.4 million, which was approved by the Investment Commission, Ministry of Economic Affairs on February 1, 2019. The full investment had been remitted as of November 11, 2019.

Chaintech Technology Corp. and Subsidiaries
Information on Investments in Mainland China - Significant Transactions between the Group and Investees in Mainland China Directly or Indirectly through Entities in a Third Area
For the Year Ended December 31, 2019

Table 8

Unit: NT$ thousand
(Unless specified otherwise)

Name of investee in Mainland China	Sales (purchase)		Property transactions		Accounts receivable (payable)		Endorsements and guarantees or collateral provided		Financing				Others
	Amount	%	Amount	%	Balance	%	Balance at end of period	Purpose	Highest balance within the period	Balance at end of period	Interest range	Interest in the current period	
Shenzhen Jinghong Digital R&D Service Co., Ltd.	$ -	-	$ -	-	($ 2,011)	-	$ -	-	$ -	$ -	-	$ -	Operating expenses $7,328