Chaintech Technology Corp. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

For the Years Ended December 31, 2019 and 2018

(Stock Code: 2425)

Company Address: 3F., No. 48-3, Minsheng Road, Xindian District, New Taipei City

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Chaintech Technology Corp. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018

and Independent Auditors' Report

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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			December 31, 2018		
				Amount	%		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 loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS9		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 (loss) from continuing operations 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	Comprehensive income, attributable to owners of parent		$ 121,915	3	$ 161,093	4
8720	Comprehensive income, attributable to 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$)

		Equity attributable to the owners of parent company									
			Retained earnings			Other equity					
	Notes	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	Non-controlling equity	Total equity
2018											
Balance as of January 1, 2018		$ 1,092,488	$ 97,859	$ 84,131	$ 478,452	($ 29,303)	$ -	$ -	$ 1,723,627	$ -	$ 1,723,627
Effects of retrospective application and retrospective restatement		-	-	-	(323)	-	-	-	(323)	-	(323)
Equity at beginning of period after adjustments		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	-
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	12(2)	(1,166)	-
Net loss (gain) on financial assets or liabilities 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	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 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. 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:

			2019		
Reason for reclamation	Company holding treasury shares	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

			2018		
Reason for reclamation	Company holding treasury shares	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 ordinary shares	137,224	100,776	$ 1.36

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:

(Foreign currency: Functional currency)	Range of change	2019 Sensitivity analysis 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	$ -

(Foreign currency: Functional currency)	Range of change	2018 Sensitivity analysis 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	End of period Carrying amount	End of period Shareholding ratio	End of period 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		Notes and accounts receivable (payable)	
Company	Counterparty	Relationship	Purchase (sale)	Amount	Percentage of total purchases (sales)	Credit period	Unit price	Credit period	Balance	Ratio of notes and accounts receivable (payable) 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)

	Sales (purchase)		Property transactions		Accounts receivable (payable)		Endorsements and guarantees or collateral provided		Financing				
Name of investee in Mainland China	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	Others
Shenzhen Jinghong Digital R&D Service Co., Ltd.	$ -	-	$ -	-	($ 2,011)	-	$ -	-	$ -	$ -	-	$ -	Operating expenses $7,328