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uneec[®] CHENMING
ELECTRONIC TECH. CORP.
(Original name: CHENMING MOLD IND. CORP.)

2019

Annual Report

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One. Letter to Shareholders

Ladies and gentlemen:

We express our deepest gratitude for shareholders' support to the management in the past year. Looking back at 2019, the Sino-US Trade War rendered impact to the global economy and business activities had to deal with critical challenges. By continuously implementing the relevant automated modules and e-process management into current outperforming manufacturing process, Chenming improves productivity and product quality, balance quality and quantity, satisfy customers' needs for diversified production, and enhance the awareness toward quality under the existing product manufacturing management to achieve the cost-saving effect. Looking forward to the future, Chenming will use it best efforts to increase revenue and assets size and also seek for ceaseless growth of profits, so as to enhance shareholders' equity, in response to the upcoming age of IoT, AI and 5G.

I. 2019 business results:

(I) Financial performance

1. Business results

The 2019 consolidated operating revenue, net was NT\$6,028,702 thousand. The 2019 net profit was NT\$132,900 thousand, with EPS of NT\$0.82, growing by 26.15% from that of NT\$0.65 in 2018. The Company will uphold the ethical management policy to expand its business actively and ensure the ongoing business growth in the intensive industrial competition.

2. Budget implementation: The Company did not publish any financial forecast for 2019.

3. Incomes, expenses, and profitability analysis

Item		2019	2018
Return on assets		3.29%	3.14%
Return on shareholders' equity		6.14%	5.52%
As a percentage of paid-in capital (%)	Operating profit	11.40%	5.82%
	Pre-tax profit	13.04%	10.90%
Net profit margin		2.60%	2.34%
EPS		0.82	0.65

(II) Research and development progress

1. Complete the development of high-temperature and high-strength Inconel 713C MIM process.
2. Complete the development of CIM (Ceramic Injection Molding)

surface finish technique.

3. Complete the development of the MIM process for High Strength Non-Magnetic Austenitic Stainless Steel, X15 CrMnMonN 17-11-3.
4. Complete the development of the anti-corrosion and wear-resistant non-magnetic cobalt-based alloy F75 (Co-28Cr-6Mo) thermal-debinding NIM process.
5. Complete the development of automatic visualizing cosmetic inspection equipment.

II. Summary of 2020 business plan:

(I) Operational guidelines

1. Manufacturing

The Company will continue to increase the weight of its automated manufacturing and refine manufacturing technology for greater efficiency, and also use the best effort to implement Industry 4.0 and promote intelligent manufacturing. Additional investments will be made at appropriate timing to expand current facilities and incorporate new and enhanced processes for higher production yield.

2. Products

The Company will continue to promote its MIM products and actively explore new customers for wearable and handheld device components, and thereby increase revenue contribution of high-margin products. Furthermore, the Company will continue to enhance service to customers of the computer accessory and server chassis category as a means to increase purchase orders.

3. Management

The Company will be adopting a total quality management approach that emphasizes on improving operational performance through enhanced organization and personnel allocation, and maintaining consistent growth in business and profitability through reduced production cost and improved cost structure.

4. Market development

In response to the upcoming age of IoT, AI and 5G, the Company will continue promote the use of existing products to create market demand, while exploring new demands for wearable and handheld device components.

(II) Research and development plans

1. Develop the soft magnetic materials, Fe-49Co-2V acid-deformation formula injection materials with high magnetic induction in line with the continuous furnace production NIM process.
2. Continual development of CIM (Ceramic Injection Molding) surface treatment.
3. Develop the continuous furnace production MIM process for High Strength NonMagnetic Austenitic Stainless Steel, X15

CrMnMonN 17-11-3.

4. Develop the anti-corrosion and wear-resistant non-magnetic cobalt-based alloy F75 (Co-28Cr-6Mo) thermal-debinding formula in line with continuous furnace production NIM process.
5. Develop smart shaping NIM manufacturing technique and process.

(III) Expected sales volume and basis

According to IDC, a market research institution, the global shipment of smartphones reached 1,368 billion units in 2019, and is expected to grow by 1.6% to 1.39 billion units in 2010. IDC estimates smartphone growth rate to reach 28.1% in 2023, with the support from the booming 5G and new market. Meanwhile, DIGITIMES Research forecasts that the large-size cloud service providers' demand for establishment of additional data centers will recover globally in 2020. Besides, the new CPU platform will drive the 5G phone wave. The relevant research institutes and institutional investors expect optimistically that the global shipment of servers will recover and grow positively as of next year. The global server industry and market demands for servers will ramp up following a rapid development of global data centers and cloud services. The global shipment of servers is expected to grow by 5%~6% annually. Further, it is meaningless to predict expected sales volume of metal parts as the specifications, materials and processing methods might vary depending on different products. Nevertheless, the Company will still aim to achieve a growth rate above the industry average.

III. Future development strategies

Chenming will utilize its excellent ability in integration of resources and establishment of distribution channels to continue sprouting the development of cloud server and NIM (metal powder injection molding) products, implement Industry 4.0 smart production automated equipment and establish tangible and virtual platforms, so as to establish high-effect logistic system and management system, provide services rapidly and cut costs, orient the development toward smart production and application of technology, and solidify the foundation of the Company's sustainability.

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

(I) The external competitive environment:

The Company's product portfolio consists mainly of mobile device components, DT accessories, and server chassis. The PC industry has undergone extreme changes in the last few years, many of them were caused by the rise of smartphones and tablet PC. Chenming has been rising to this challenge by creating differentiated competitive advantage through continual innovation, research, development, cost reduction, cost structure optimization, process enhancement and application of new materials, and expanding customer base by increasing product visibility, exploring new

customers and maintaining relationship with existing customers.

(II) The regulatory environment:

The Company has complied with regulatory requirements and will be introducing supporting measures and policies such as: independent director system, corporate social responsibility policy, directors/supervisors liability insurance, on-job training for managers etc. to enhance corporate governance.

(III) The overall business environment:

Upon implementation of the new technology including smart production and smart factory and rapid development of IoT, AI, big data, cloud, information security and 5G, the consumable electronic parts and information products are still expected to generate outstanding performance in production and sales. The Company will keep aiming at intelligence, innovation, technological application, industrial evolution and cloud computing to upgrade its competitiveness and control the market opportunity.

Amidst the harsh business ambiance throughout the world caused by the Sino-US Trade War, the entire management teams of our Company cannot afford to any single easy or slack moment. Instead, in the rigorously responsible attitude, we shall strive for optimized cost structure to serve our incumbent clients in secured pace on a reciprocal basis. In added sincerity and momentum, we shall broaden our customer base to safeguard our current competitive edge toward added growth and profits. To ensure the sustainability and consistent growth of Chenming's business, we shall continue improving our management practices. By continuously improving the R&D, technology, quality and design ability to satisfy the trend for diversified products, we sustain the steady and positive development for any competition from the industry in the future. We will endeavor for the sound corporate governance, implementation of corporate social responsibility and enhancement of shareholders' interests as a return of shareholders' support and expectation.

Lastly, on behalf of all employees, I would like to extend my most sincere gratitude to all our shareholders, and look forward to the outstanding performance from the management team.

Chairman: Lin Mu-Ho

Two. Company Profile

I. Date of establishment: June 17, 1976

II. Company history:

- 1976 Founded in June 1976 with the name “Chenming Industrial Co., Ltd.” and a paid-in capital of NT\$600,000. It specialized in the manufacturing and sale of stamped molds.
- 1983 Relocated to its Xizhi site and made a cash issue totaling NT\$4.4 million in June to purchase more advanced and higher precision machinery. The cash issue increased share capital to NT\$5 million.
- 1985 Purchased production equipment for computer chassis, and officially commenced the production of computer chassis.
- 1987 Made a cash issue totaling NT\$30 million in May to purchase additional equipment and improve financial position. The cash issue increased share capital to NT\$35 million.
- 1991 Relocated to Dawulun Industrial Park in Keelung City, where the Company continued its production of computer chassis and launched service to OEM/ODM customers.
- 1994 Officially became a qualified supplier of computer chassis for IBM.
- 1997 1. Made a cash issue totaling NT\$60 million in November to expand working capital. The cash issue increased share capital to NT\$95 million.
2. Passed ISO9001 certification.
- 1998 1. New shares were issued in November through capitalization of earnings and capital reserve. Share capital was increased to NT\$190 million as a result.
2. Ranked 485th (by China Credit Information Service Ltd) among the top 500 private manufacturers.
3. Officially became a qualified supplier for HP and Acer.
- 1999 1. Acquired office building at Neihu Industrial Park, Taipei, and established Taipei Office as an R&D and operations headquarter.
2. New shares were issued in July through capitalization of earnings and capital reserve totaling NT\$152 million, followed by the initial public offering. Share capital was increased to NT\$342 million as a result.
3. Officially became a qualified supplier of notebook barebone systems for Quanta Computer.
4. Ranked 263rd in Commonwealth Magazine's "Top-1000 Companies in Taiwan."
5. Received "Outstanding Contribution Award" from HP, "Outstanding Supplier" from First International Computer, and "Best Business Partner Award" from Acer Inc.
- 2000 1. In an attempt to establish strategic alliance and strengthen shareholder support, the Company welcomed Quanta Computer and Quanta Venture Capital as its new corporate shareholders.
2. Made a cash issue totaling NT\$100 million in July to improve

financial position and expand working capital, and capitalized NT\$175 million of earnings. Share capital was increased to NT\$617 million as a result.

3. Rated by IBM as the No. 1 global server OEM in terms of production output in the third quarter of year 2000.
 4. Ranked 246th in Commonwealth Magazine's "Top-1000 Companies in Taiwan."
 5. Received "Outstanding Quality Contribution Award" and "Long-term Partner Contribution Award" from HP.
 6. Used "UNEEC" as the new corporate identity.
- 2001
1. Received "Best Supplier Award" from Asustek and Mitac.
 2. Ranked 204th in Commonwealth Magazine's "Top-1000 Companies in Taiwan."
 3. Founded Ding Du International Co., Ltd. as a holding company for the Company's overseas investments.
 4. New shares were issued against capitalized earnings and capital reserve totaling NT\$253 million. Share capital was increased to NT\$870 million as a result.
- 2002
1. The Company's name was changed to "Chenming Mold Ind. Corp." by the resolution of the shareholder meeting in May.
 2. The Company was listed for trading in September. New shares were issued in September against capitalized earnings and capital reserve totaling NT\$270 million that month, which increased share capital to NT\$1.114 billion.
 3. Received "Top-performing Supplier Award" from IBM Japan.
 4. Received "Best Partner Award" from TECO Image Systems.
 5. Founded Chueh Rong International Co., Ltd. through Ding Du International Co., Ltd.
 6. Founded Ding Chih Co., Ltd. through Ding Du International Co., Ltd.
- 2003
1. New shares were issued in July against capitalized earnings and capital reserve totaling NT\$183 million in July. Share capital was increased to NT\$1.323 billion as a result.
 2. Ranked 193rd in Commonwealth Magazine's "Top-1000 Manufacturers in Taiwan."
 3. Ranked 24th in Wealth Magazine's "Top-100 Entrepreneurs" and 19th in Wealth Magazine's "Top-20 Electronic Manufacturers."
 4. Founded Chenming Electronic (Hangzhou) Co., Ltd. through Ding Chih Co., Ltd.
- 2004
1. New shares were issued in July against capitalized earnings and capital reserve, which increased share capital to NT\$1,454,214,490.
 2. Chenming Mold won the 5th Industrial Sustainable Excellence Award from Industrial Development Bureau, Ministry of Economic Affairs.
 3. Named "Outstanding Supplier of the Year" by Gigabyte Technology.
 4. Received "Outstanding Supplier Award" from TOSHIBA.
- 2005
1. New shares were issued in July against capitalized earnings and capital reserve, which increased share capital to NT\$1,453,135,820.
 2. As part of a strategic alliance, the Company made an investment in Kenmos, a manufacturer of NB backlighting module and display

components, in December. Furthermore, the Company developed a series of proprietary components for clamshell phones.

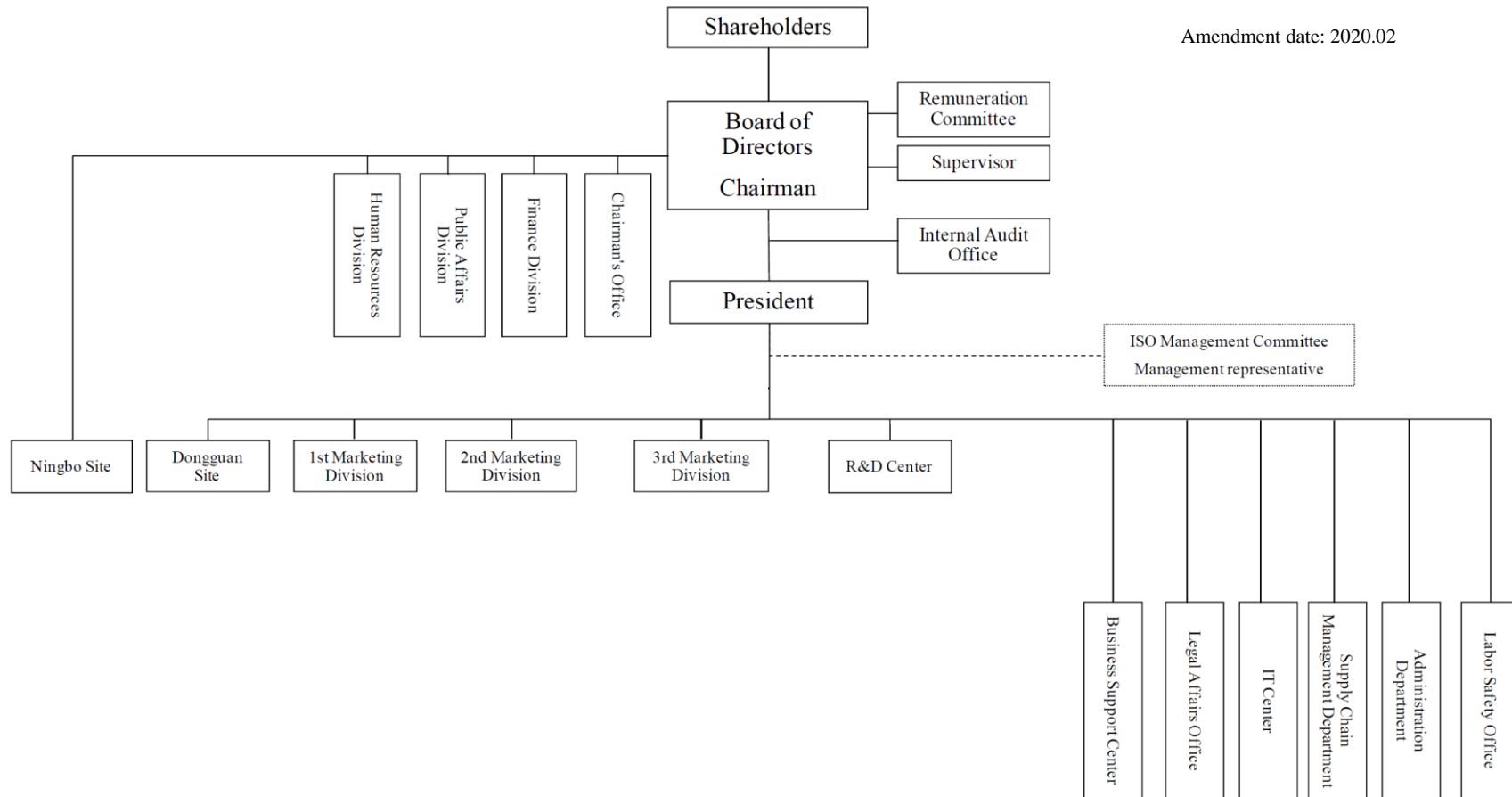
3. Began collaboration with Fujitsu in December to develop LCD PCs.
- 2006
1. Taipei headquarters was relocated to UNEEC Building in July.
 2. New shares were issued in August against capitalized earnings and capital reserve, which increased share capital to NT\$1,559,317,870.
 3. Celebrated UNEEC's 30th anniversary and the commissioning of headquarters building in September.
- 2007
1. Received "Best Partner Award" from Gigabyte Technology.
 2. New shares were issued in August against capitalized earnings and capital reserve, which increased share capital to NT\$1,699,488,870.
 3. Hosted the "1st UNEEC Applied Design Award."
- 2008
1. Ranked 510th (by China Credit Information Service Ltd.) in the manufacturing category of "Taiwan Large Corporation TOP 5000."
 2. Ranked 531st in Commonwealth Magazine's "Top-1000 Manufacturers in Taiwan."
 3. Hosted the "2nd UNEEC Applied Design Award".
 4. New shares were issued in August against capitalized earnings and capital reserve, which increased share capital to NT\$2,160,810,180.
- 2009
1. Ranked 443rd (by China Credit Information Service Ltd.) in the manufacturing category of "Taiwan Large Corporation TOP 5000."
 2. Ranked 491st in Commonwealth Magazine's "Top-1000 Manufacturers in Taiwan."
 3. Received "Top-performing Supplier Award" from Fujitsu Japan.
 4. Received "Gold Award for Outstanding Partner" from Gigabyte Technology.
- 2010
3. Hosted the "3rd UNEEC Applied Design Award."
 1. Ranked 510th in Commonwealth Magazine's "Top-1000 Manufacturers in Taiwan."
 2. Hosted the "4th UNEEC Applied Design Award."
 3. Founded Dongguan Chenming Electronics Co., Ltd. through Chueh Rong International Co., Ltd.
- 2011
1. Ranked 583rd in Commonwealth Magazine's "Top-1000 Manufacturers in Taiwan."
 2. Hosted the "5th UNEEC Applied Design Award."
- 2012
1. Ranked 732nd in Commonwealth Magazine's "Top-1000 Manufacturers in Taiwan."
 2. Hosted the "6th UNEEC Applied Design Award."
- 2013
1. Ranked 730th in Commonwealth Magazine's "Top-2000 Manufacturers in Taiwan."
 2. Hosted the "7th UNEEC Applied Design Award."
 3. Received "2012 Outstanding Supplier Award" from ASUS.
- 2014
1. Ranked 803rd in Commonwealth Magazine's "Top-2000 Manufacturers in Taiwan."
 2. Hosted the "8th UNEEC Applied Design Award."
 3. Received "2013 Outstanding Supplier Award" from Quanta Computer.
 4. Received "Best Partner Award" from Gigabyte Technology.

5. Dissolved Chenming Electronic (Hangzhou) Co., Ltd. through Ding Chih Co., Ltd.
- 2015
1. Ranked 762nd in Commonwealth Magazine's "Top-2000 Manufacturers in Taiwan."
 2. Hosted the "9th UNEEC Applied Design Award."
 3. Received "Best Partner Award" from Gigabyte Technology.
- 2016
1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 52%. through 2nd-tier subsidiary Ding Chih Co., Ltd.
 2. Ranked 686th in Commonwealth Magazine's "Top-2000 Manufacturers in Taiwan."
 3. Hosted the "10th UNEEC Applied Design Award."
- 2017
1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 72%. through 2nd-tier subsidiary Ding Chih Co., Ltd.
 2. Ranked 554th in Commonwealth Magazine's "Top-2000 Manufacturers in Taiwan."
 3. Hosted the "11th UNEEC Applied Design Award."
- 2018
1. Ranked 532nd in Commonwealth Magazine's "Top-2000 Manufacturers in Taiwan".
 2. Hosted the "12th UNEEC Applied Design Award".
- 2019
1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 82%. through 2nd-tier subsidiary Ding Chih Co., Ltd.
 2. Established the subsidiary in the U.S.A. In July.
 3. Ranked 457th in Commonwealth Magazine's "Top-2000 Manufacturers in Taiwan".
 4. Hosted the "13th UNEEC Applied Design Award."

Three. Corporate Governance Report

I. Organization

(I) Organization structure



(II) Responsibilities of major departments

Department	Responsibilities
President's Office	1. Implementation of management systems.
	2. Evaluation and analysis of business performance.
	3. Planning of major investment strategies.
Internal Audit Office	1. Annual audit planning, execution, and reporting and following up on audit findings.
	2. Establishment and amendment of internal audit system.
	3. Establishment and amendment of internal control system.
Finance Division	1. Responsible for the Company's finance and accounting tasks.
	2. Sourcing and allocation of working capital.
	3. Budget preparation, tracking and approval.
	4. Payment approval for purchases and payables.
	5. Monitoring sales collection and reporting abnormal findings.
Public Affairs Division	1. Design and application of corporate image and identity.
	2. Maintaining public relations for the Company.
	3. Project design, management and execution.
Human Resources Division	1. Management of human resource in line with organization development.
	2. Planning and execution of human resource policy.
	3. Raising employees loyalty and satisfaction.
Administration Department	1. Management of office equipment.
	2. Management of water, electricity and air-conditioning.
	3. Management of general affairs.
Labor Safety Office	1. Management of workplace health and safety.
	2. Disaster prevention and response.
IT Center	1. Planning for the Company's computer systems.
	2. Maintenance of computer-related software and hardware.
	3. Introduction of new technologies.
	4. Information security.
	5. Software development.
Legal Affairs Office	1. Review, drafting, and amendment of contractual terms.
	2. Assisting in litigations and patent/trademark applications.
	3. Other compliance-related matters.
Supply Chain Management Department	1. Assisting in the management of raw material inventory.
	2. Processing import and export sales.
	3. Monitoring market supply/demand and price movements.
	4. Supply sourcing, quotation and procurement.
	5. Establishment, control and following-up on material procurement plans.
Business Support Center	1. Assisting in the collection of accounts receivable and bookkeeping.
	2. Assisting business units in processing documents and submission of forms required for various procedures.

Department	Responsibilities
	3. Assisting in air freight procedures.
R&D Center	1. Assisting business units with quotation works during new project development.
	2. Working with clients in product design analysis and mold review; conducting producibility and feasibility evaluation on potential products.
	3. Preparation, update and approval of engineering schematics, BOM, and acceptance documents.
	4. Controlling progress and solving issues on the new product development stage and assisting to put the product into mass production.
	5. Serving as a project contact window between customers and factory sites.
	6. Assisting factory sites and quality assurance teams in making improvements in response to defects or customers' complaints and enhancing the yield rate.
	7. Assisting factory sites in education, training, and enhancement of engineers' professional capacity.
	8. Developing new materials, agents and manufacturing process for powder injection molding (PIM).
1st Marketing Division	1. Exploring new customers.
	2. Maintaining existing customers.
	3. Project management, monitoring and execution.
	4. Overseas order acceptance, order placement, shipment follow-up, and internal coordination.
2nd Marketing Division	1. Exploring new customers.
	2. Maintaining existing customers.
	3. Project management, monitoring and execution.
	4. Development of exteriors for consumer electronics.
	5. New product planning, analysis and evaluation.
3rd Marketing Division	1. Project management for existing domestic customers and development of new customers.
	2. Resolving issues between domestic customers and factory sites.
	3. Overseas order acceptance, order placement, shipment follow-up, and internal coordination.
	4. Developing standard clone server.
	5. Preliminary development/market information gathering for new technologies.
	6. Feasibility assessment/patent proposal for new technologies.
	7. Product market information gathering and report.
	8. New product planning, analysis and evaluation.

II. Background information of directors, supervisors, President, Vice Presidents, Assistant Vice Presidents, and heads of various departments and branches:

(I) Directors and supervisors

1. Directors' and supervisors' background

April 14, 2020

Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected/appointed	Term of office	Date first elected (Note 2)	Shareholding when elected		Number of shares held currently.		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 3)	Concurrent position in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Remarks (Note 4)
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Chairman	The Republic of China	Lin Mu-Ho	Male	2017/06/16	3 years	1976/06/17	25,000,230	14.71%	25,000,230	15.68%	1,425,809	0.89%	0	0%	Career background: Chenming Electronic Tech. Corp. - Chairman Academic background: MBA, Pacific Western University	The Company's person-in-charge Ding Du International Co., Ltd. - Representative Chueh Rong International Co., Ltd. - Representative Dongguan Chenming Electronics Co., Ltd. - Representative Ding Chih Co., Ltd. - Representative Chenming Electronic (Ningbo) Co., Ltd. - Representative	Director Supervisor	Lin Feng-Ran, Lin Pei-Yu	Father and son Father and Daughter	None

Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected/appointed	Term of office	Date first elected (Note 2)	Shareholding when elected		Number of shares held currently.		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 3)	Concurrent position in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Remarks (Note 4)
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Director	The Republic of China	Lin Feng-Ran	Male	2017/06/16	3 years	2017/06/16	6,612,310	3.89%	6,612,310	4.15%	423,956	0.27%	0	0%	Career background: CHENMING ELECTRONIC TECHNOLOGY CORPORATION - Vice Chairman Academic background: Electronic Engineering, National Yunlin University of Science and Technology	The Company's Vice Chairman	Chairman and Supervisor	Lin Mu-Ho Lin Pei-Yu	Father and son Brother and sister	None
Director	The Republic of China	Lo Chih-Chi	Male	2017/06/16	3 years	2017/06/16	573,958	0.34%	573,958	0.36%	208,446	0.13%	0	0%	Career background: Chenming Electronic Tech. Corp. - President Academic background: Department of Banking and Finance, Tamkang University	President of the Company	None	None	None	None
Director	The Republic of China	Chen Hsiao-Chun	Female	2017/06/16	3 years	2000/05/24	259,456	0.15%	259,456	0.16%	0	0%	0	0%	Career background: Central Times Arts Column - Vice President Academic background: Shih Chien University	Xi Zhi Tang Co., Ltd. - Person-in-charge	None	None	None	None

Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected/appointed	Term of office	Date first elected (Note 2)	Shareholding when elected		Number of shares held currently.		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 3)	Concurrent position in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Remarks (Note 4)
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Director	The Republic of China	Ching Chi-Ben	Male	2017/06/16	3 years	2017/06/16	0	0%	00	0%	0	0%	0	0%	Career background: Leader Construction Co., Ltd. - Chairman Academic background: Ph.D in Civil, Commercial and Economic Law, China University of Political Science and Law	Leader Construction Co., Ltd. - Chairman	None	None	None	None
Independent Director	The Republic of China	Lin Chiang-Feng	Male	2017/06/16	3 years	2005/06/10	0	0%	0	0%	0	0%	0	0%	Career background: Associate Professor of International Business, Tamkang University; CEO of EMBA Program, Tamkang University; consultant of Taiwan WTO Center, Chung Hua Institution for Economic Research Academic background: Doctor of Law, Madison Campus of Wisconsin University, the United States	Associate Professor of Department of International Business, Tamkang University	None	None	None	None

Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected/appointed	Term of office	Date first elected (Note 2)	Shareholding when elected		Number of shares held currently.		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 3)	Concurrent position in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Remarks (Note 4)
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Independent Director	The Republic of China	Chang Yi-Min	Male	2017/06/16	3 years	2002/05/20	0	0%	0	0%	0	0%	0	0%	Career background: Certified Public Accountant in public practice, South Region National Taxation Bureau; Office Chu Cheng Certified Public Accountant Office Academic background: Department of Accounting, Tamkang University	Certified Public Accountant in public practice of Chu Cheng Certified Public Accountant Office	None	None	None	None
Supervisor	The Republic of China	Lin Po-Hsiang	Male	2017/06/16	3 years	2005/06/10	0	0%	0	0%	0	0%	0	0%	Career background: Lu Cheng International Law Office - Licensed Attorney Academic background: Central Police University	Lu Cheng International Law Office - Licensed Attorney	None	None	None	None
Supervisor	The Republic of China	Lin Pei-Yu	Female	2017/06/16	3 years	2000/05/24	4,512,755	2.66%	4,512,755	2.83%	0	0%	0	0%	Career background: Chenming Electronic Tech. Corp. - Officer Academic background: Chungyu Institute of Technology	None	Chairman Director	Lin Mu-Ho Lin Feng-Ran	Father and daughter	None

Note 1: For corporate shareholders, the names and representatives are stated individually (for representatives, the names of the respective corporate shareholders they represent are stated separately), and additional disclosures shall be made in Table 1.

Note 2: Any disruption of duty as a director or supervisor after the date first elected shall be addressed in a separate remark.

Note 3: The career background of anyone above relating to their current roles, e.g. previous employment in the CPAs firm or employment in a related company, shall be disclosed with detailed job titles and responsibilities.

Note 4: If the Chairman of Board and President or equivalent (the supreme management) of the Company is the same person, spouse or relative within 1st degree of kinship with each other, please describe the reason, rationality, necessity and responsive measures (e.g., increasing the seats of independent director, and a majority of directors prohibited from serving as employees or managers concurrently).

2. Professionalism and independence

April 14, 2020

Name (Note 1)	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 2)												Number of public companies in which concurrently serves as an independent director
	Criteria	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	
Lin Mu-Ho	No	No	Yes					✓	✓	✓	✓	✓		✓	✓	None
Lin Feng-Ran	No	No	Yes		✓			✓	✓	✓	✓	✓		✓	✓	None
Lo Chih-Chi	No	No	Yes		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chen Hsiao-Chun	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Ching Chi-Ben	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chang Yi-Min	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Lin Chiang-Feng	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Lin Pei-Yu	No	No	Yes	✓	✓			✓	✓	✓	✓	✓		✓	✓	None
Lin Po-Hsiang	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: The number of sections is adjustable, if necessary.

Note 2: A "✓" is marked in the space beneath a condition number when a director/supervisor has met that condition during the two (2) years prior to election and during his or her period of service. The conditions are as follows:

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director, supervisor, or employee of the Company or any of its affiliates (this restriction does not apply to independent director positions in the Company its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within 2nd degree of kinship, or lineal relative by blood within 3rd degree of kinship or closer to the managers described in Item (1) or persons described in the Item (2) and Item (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or Paragraph 2, Article 27 of the Company Act (this restriction does not apply to independent director positions in the Company its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (6) Not a director, supervisor or employee of any company controlled by the same person that holds a majority of the director seats or voting shares of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, which have been appointed in accordance with the Act, or laws of the registered country).
- (7) Not a director, supervisor or employee of any company who is the same person as, or the spouse of, Chairman and President or equivalent of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have financial or business relationship with the Company (this restriction does not apply to any specific company or organization which holds more than 20% but less than 50% of the total shares issued by the Company that is an independent director in the Company, its parent company or subsidiary, or any subsidiary of the same parent company who has been appointed in accordance with the Act, or laws of the registered country).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past 2 years has received

cumulative compensation not exceeding NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.

- (10) Not a spouse or relative of 2nd degree of kinship or closer to any other directors.
 (11) Not a person who satisfies the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.
 (12) Not elected as a government, institutional investor, or representative thereof, as described in Article 27 of the Company Act.

(II) Background information of the President, Vice Presidents, Assistant Vice Presidents, and heads of departments and branch offices

April 14, 2020

Title (Note 1)	Nationality	Name	Gender	Date elected/appointed	Shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 2)	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
President	The Republic of China	Lo Chih-Chi	Male	July 15, 2017	573,958	0.36%	208,446	0.13%	0	0%	Career background: Chenming Electronic Tech. Corp. - President Academic background: Department of Banking and Finance, Tamkang University	None	None	None	None	None
Vice President	The Republic of China	Fan Yu-Hsiang	Male	2015.11.13	21,130	0.01%	9	0.00%	0	0%	Career background: Manager of Chun Yu Plastics Co., Ltd., and Sunrise Technology Co., Ltd. Academic background: St. Aloysius Technical School	Dongguan Chenming Electronics Co., Ltd. - President	None	None	None	None
Vice President (Departed on July 1, 2019)	The Republic of China	Chung Fu-Chuan	Male	2013.07.16	0	0%	20,000	0.01%	0	0%	Career background: Chia Chang Co., Ltd. - President Academic background: Postgraduate Study of	Chenming Electronic (Ningbo) Co., Ltd. - President	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date elected/appointed	Shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 2)	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
											Business Administration, Chung Yuan Christian University					
Assistant Vice President	The Republic of China	Wu Chien-She ng	Male	September 28, 2018	8,649	0.01%	0	0%	0	0%	Career background: Suzhou Fuhongqi Electronic Co., Ltd.-Plant Manager Academic background: Southern Taiwan University of Science and Technology	Chenming Electronic (Ningbo) Co., Ltd. - Vice President	None	None	None	None
Assistant Vice President	The Republic of China	Chueh Chung-Hu i	Male	August 8, 2018	1,798	0.00%	0	0%	0	0%	Career background: CHENMING ELECTRONIC TECHNOLOGY CORPORATIO N - Senior Manager Academic background: Tatung University - Doctor	None	None	None	None	None
Assistant Vice President	The Republic of China	Wu Ruei-Chua n	Female	1998.06.15	39,494	0.02%	0	0%	0	0%	Career background: Lun Kuang Co., Ltd., IBM Academic background: EMBA, National Taipei University	None	None	None	None	None
Assistant Vice President	The Republic of China	Chang Chin-Hsin g	Female	2012.10.08	64,357	0.04%	24	0.00%	0	0%	Career background: Lead Year Enterprises Co.,	None	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date elected/appointed	Shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 2)	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
											Ltd. - Sales Representative Academic background: EMBA, Sun Yat-sen University					
Assistant Vice President	The Republic of China	Hsiao Kuang-Chi h	Male	2015.11.13	52,000	0.03%	0	0%	0	0%	Career background: Heshan Jianhao Lighting - Manager of Business Division Academic background: Hsinpu Junior College	Dongguan Chenming Electronics Co., Ltd. - Vice President	None	None	None	None
Assistant Vice President	The Republic of China	Huang Shih-Chie h	Male	July 15, 2017	13,000	0.01%	0	0%	0	0%	Career background: Chenming Electronic Tech. Corp. - Assistant Vice President of Finance Division Academic background: Business Administration, National Defense University	None	None	None	None	None
Accounting Manager	The Republic of China	Su Chung-Chi ng	Male	July 15, 2017	67	0%	0	0%	0	0%	Career background: Chenming Electronic Tech. Corp. - Head of Accounting Department Academic background: Accounting, Overseas	None	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date elected/appointed	Shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 2)	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
											Chinese University					

Note 1: Includes background information of the President, Vice Presidents, Assistant Vice Presidents, heads of various departments and branches, and anyone of equivalent authority to the above, regardless of their job titles.

Note 2: The career background of anyone above relating to their current roles, e.g. previous employment in the CPAs firm or employment in a related company, shall be disclosed with detailed job titles and responsibilities.

Note 3: If the President or equivalent (the supreme management) of the Company is the same person, spouse or relative within 1st degree of kinship of the Chairman, please disclose the reason, rationality, necessity and responsive measures (e.g. Increasing the seats of independent director, and a majority of directors prohibited from serving as employees or managers concurrently).

III. Remuneration paid to directors, supervisors, the President, and Vice Presidents in the most recent year

(I) Remuneration paid to directors, supervisors, the President, and Vice Presidents in the last year

1. Remuneration to directors (including independent directors)

Unit: NTD

Title	Name	Director's remuneration								The sum of A, B, C and D as a percentage of net income		Compensation as company employee						The sum of A, B, C, D, E, F, and G as a percentage of net income		Remuneration from investors other than subsidiaries, or parent company						
		Compensation (A)		Pension (B)		Remuneration to directors (C)		Fees for services rendered (D)		The Company	All companies included in the financial statements	Salaries, bonuses, special allowances etc (E)		Pension (F)		Employee Compensation (G)					The Company	All companies included in the financial statements				
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements			The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	Amount paid in cash	Amount paid in shares				Amount paid in cash	Amount paid in shares		
Director	Chairman	Lin Mu-Ho																								
	Director and President	Lo Chih-Chi	0	0	0	0	0	0	30,000	30,000	0.02%	0.02%	6,119,533	6,119,533	108,000	108,000	200,000	0	200,000	0	4.84%	4.84%	None			
	Director	Chen Hsiao-Chun																								
	Director	Ching Chi-Ben																								
Director and Vice Chairman	Lin Feng-Ran	0	0	0	0	0	0	0	0	0	0	1,570,973	1,570,973	87,048	87,048	100,000	0	100,000	0	1.32%	1.32%	None				
Independent Director	Director	Chang Yi-Min																								
	Director	Lin Chiang-Feng	0	0	0	0	1,000,000	1,000,000	46,631	46,631	0.79%	0.79%	0	0	0	0	0	0	0	0	0.79%	0.79%	None			
<p>1. Please state the policies, systems, standards and structure of remuneration to independent directors, and the relations between the remuneration and the job responsibility, risk and engagement hours borne by the independent directors: The Company's remuneration to independent directors is determined based on the directors' performance appraisal result. Additionally, according to the Articles of Incorporation, the Remuneration Committee is authorized to review each director's participation in the Company's operation and contribution value, as well as the Company's operating performance. Then, the same is paid upon discussion and approval of the Board of Directors.</p> <p>2. Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies included in the financial statement, e.g., as an advisor other than employee in the most recent year: N/A.</p>																										

1-1 Remuneration brackets table

Range of remuneration paid to directors	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements H	The Company	All companies included in the financial statements I
Below NT\$ 1,000,000	Lin Mu-Ho, Lin Feng-Ran, Ching Chi-Ben, Chen Hsiao-Chun, Chang Yi-Min, Lin Chiang-Feng	Same as described on the left.	Lin Mu-Ho, Ching Chi-Ben, Chen Hsiao-Chun, Chang Yi-Min, Lin Chiang-Feng	Same as described on the left.
1,000,000 (inclusive) ~ 2,000,000 (exclusive)			Lin Feng-Ran	Same as described on the left.
2,000,000 (inclusive) ~ 3,500,000 (exclusive)				
3,500,000 (inclusive) ~ 5,000,000 (exclusive)				
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (non-inclusive)			Lo Chih-Chi	Same as described on the left.
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (non-inclusive)				
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (non-inclusive)				
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (non-inclusive)				
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (non-inclusive)				
NT\$ 100,000,000 and above				
Total	7	7	7	7

2. Remuneration to supervisors

Title	Name	Supervisor's remuneration						The sum of A, B and C as a percentage of net income		Remuneration from investees other than subsidiaries, or parent company
		Compensation (A)		Remuneration (B)		Fees for services rendered (C)		The Company	All companies included in the financial statements	
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements			
Supervisor	Lin Pei-Yu									
Supervisor	Lin Po-Hsiang	0	0	500,000	500,000	31,942	31,942	0.4%	0.4%	None

Unit: NTD

2-1. Remuneration brackets table

Supervisor's remuneration bracket	Name of supervisor	
	Sum of the first 3 items (A+B+C)	
	The Company	All companies included in the financial statements D
Below NT\$ 1,000,000	Lin Po-Hsiang, Lin Pei-Yu	Same as described on the left.
1,000,000 (inclusive) ~ 2,000,000 (exclusive)		
2,000,000 (inclusive) ~ 3,500,000 (exclusive)		
3,500,000 (inclusive) ~ 5,000,000 (exclusive)		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (non-inclusive)		
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (non-inclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (non-inclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (non-inclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	2	2

3. Remuneration to the President and Vice Presidents

Unit: NTD

Title	Name	Salary (A)		Pension (B)		Bonus and Special allowances (C)		Employee Compensation (D)				Sum of A, B, C and D as a percentage of net income (%)		Remuneration from investees other than subsidiaries, or parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Lo Chih-Chi	4,211,533	7,822,223	108,000	270,000	1,908,000	2,596,000	20,000	0	300,000	0	4.84%	8.27%	None
Vice President (Discharged on July 1, 2019)	Chung Fu-Chuan													
Vice President	Fan Yu-Hsiang													

* Information for all persons holding a position equivalent to president, vice president (e.g. president, CEO, director and etc.) shall be disclosed, regardless of title.

3-1. Remuneration brackets table

Range of remuneration to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies included in the financial statements E
Below NT\$ 1,000,000		
1,000,000 (inclusive) ~ 2,000,000 (exclusive)		Chung Fu-Chuan
2,000,000 (inclusive) ~ 3,500,000 (exclusive)		Fan Yu-Hsiang
3,500,000 (inclusive) ~ 5,000,000 (exclusive)		

NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (non-inclusive)	Lo Chih-Chi	Same as the left section.
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (non-inclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (non-inclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (non-inclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	1	3

4. Names of managers who received employee remuneration and amount paid

						April 14, 2020
	Title (Note 1)	Name (Note 1)	Amount paid in shares	Amount paid in cash	Total	Total as a percentage of net income (%)
Managerial officers	President	Lo Chih-Chi	-	1,280,000	1,280,000	0.96%
	Vice President	Chung Fu-Chuan				
	Vice President	Fan Yu-Hsiang				
	Assistant Vice President	Wu Chien-Sheng				
	Assistant Vice President	Chueh Chung-Hui				
	Assistant Vice President	Chang Chin-Hsing				
	Assistant Vice President	Wu Ruei-Chuan				
	Assistant Vice President	Hsiao Kuang-Chih				
	Assistant Vice President	Huang Shih-Chieh				
	Senior Manager	Su Chung-Ching				

Note 1: Names and titles shall be disclosed separately, whereas the amount of earnings appropriation can be disclosed in aggregate.

Note 2: Refers to the amount of employee remuneration provided for managers (in cash or in shares), which the board of directors has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio). Net income refers to that in the most recent year. If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the latest financial reports of the consolidated/standalone entity.

Note 3: Pursuant to FSC Letter No. Tai-Cai-Zheng-3-0920001301 dated March 27, 2003, the role of manager covers the following positions:

- (1) President or other position of equivalent grade
- (2) Vice President or other position of equivalent grade
- (3) Assistant Vice President or other position of equivalent grade
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Any other signatories involved in the Company's administrative affairs

Note 4: For directors, President and Vice Presidents who receive employee remuneration (in cash or in shares), details shall be disclosed in this table in addition to Table 1-2.

- (II) In the event of the circumstance in sub-item "a" or in sub-item "e" of Item 2 of the subparagraph 3 of Article 10 herein, please disclose the individual remuneration paid to each of the top five management personnel: N/A.
- (III) Amount of remuneration paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company's directors, supervisors, President, and Vice Presidents, and their respective proportions to the income after tax identified in standalone and consolidated financial reports, as well as the policies, standards, and packages by

which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks.

Year		2018			2019		
Title		Director	Supervisor	President and Vice President	Director	Supervisor	President and Vice President
The Company	As a percentage of net income	8.15%	0.47%	5.58%	6.97%	0.40%	4.84%
All companies included in the consolidated statements	As a percentage of net income	8.15%	0.47%	11.05%	6.97%	0.40%	8.27%

Note 1: The decrease in the remuneration paid as a percentage of the income after tax in 2019 from 2018 was a result of the increase in earnings in 2019.

2. Pursuant to Article 19 of the Articles of Incorporation, with the Company's profit before tax of a year after deduction of the remuneration to employees and remuneration to directors and supervisors as well as the sum to make up previous loss, if any, a sum 2% minimum shall be appropriated with the balance as the remuneration to employees and a sum 2% maximum shall be appropriated with the balance as the remuneration to directors and supervisors.
3. Directors' and supervisors' remuneration include travel allowance and compensation from earnings distribution. The scope of performance appraisal on the directors covers alignment with the Company's goals and mission, awareness toward directors' responsibilities and duties, degree of participation in the Company's operation, management of internal relations and communication, expertise and continuing education of directors, and internal control, et al.. The scope of performance appraisal on managers covers the financial indicators, e.g. achievement of Company's operating revenue, net profit before tax and net profit after tax. President's and Vice Presidents' remuneration include salary, bonus, and share of profit as employees; salaries were paid according to the Company's grade-based compensation principles, whereas bonus and employee profit sharing were allocated based on current year's performance. The calculation of remuneration has taken into account of the Company's overall business performance, future operational risk and development trend in the industry, personal performance and contribution to the company, and thereby a reasonable compensation would be determined. The appraisal and salary was reviewed by the Remuneration Committee and the board of directors for their reasonableness and adjusted based on actual practice and relevant laws as a mean to maintain the balance between sustainable operation and risk management.

IV. Corporate governance

(I) Functionality of board of directors

1. A total of 9 Board of Directors meetings (A) were held in the current and most recent year. The directors'/supervisors' attendance record are stated as following:

Title	Name (Note 1)	Actual attendance count (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Chairman	Lin Mu-Ho	9	0	100%	
Director	Lin Feng-Ran	9	0	100%	
Director	Ching Chi-Ben	9	0	100%	
Director	Lo Chih-Chi	9	0	100%	
Director	Chen Hsiao-Chun	0	5	0%	
Independent Director	Chang Yi-Min	9	0	100%	
Independent Director	Lin Chiang-Feng	9	0	100%	
Supervisor	Lin Pei-Yu	0	0	0%	
Supervisor	Lin Po-Hsiang	6	0	66.67%	

Other remarks:

- I. Where the operation of the Board of Directors meets any of the following circumstances, the minutes concerned shall clearly state the meeting date, term, contents of motions, opinions of all independent directors, and the Company's resolution of said opinions:

- (I) The circumstances referred to in Article 14-3 of the Securities and Exchange Act:

Board of Directors	Details of agenda	Opinions of all independent directors, and the Company's resolution of said opinions
Motion 8 on March 18, 2019	Subject: The motion for amendments to certain articles of the Company's "Procedures for the Acquisition or Disposal of Assets" is submitted for review accordingly.	None
Motion 9 on March 18, 2019	Subject: The motion for amendments to certain articles of the Company's "Operating Procedure for Loaning of Funds to Others" is submitted for review accordingly.	None
Motion 10 on March 18, 2019	Subject: The motion for amendments to certain articles of the Company's "Operating Procedure for Making of Endorsements/Guarantees" is submitted for review accordingly.	None
Motion 13 on March 18, 2019	Agenda: Proposal to have 2nd-tier subsidiary Ding Chih Co., Ltd. to acquire additional 10% shares of Chenming Electronic (Ningbo) Co., Ltd and increase existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 82%.	None
Motion 1 on August 7, 2019	Agenda: Proposal to renew the loan extended by Ding Du International Co., Ltd. to Chueh Rong International Co., Ltd.	None
Motion 2 on August 7, 2019	Subject: The motion for renewal of the endorsements/guarantees made by the Company for its subsidiary in Mainland China, Chenming Electronic (Ningbo) Co., Ltd., is submitted for review accordingly.	None
Motion 3 on November 6,	Subject: The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To	None

2019	Dongguan Chenming Electronics Co., Ltd.	
Motion 3 on January 15, 2020	Subject: The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd.	None
Motion 9 on March 12, 2020	Subject: The motion for amendments to certain articles of the Company's "Procedures for the Acquisition or Disposal of Assets" is submitted for review accordingly.	None
Motion 12 on March 12, 2020	Subject: The motion for amendments to certain articles of the Company's "Operating Procedure for Loaning of Funds to Others" is submitted for review accordingly.	None
Motion 11 on March 12, 2020	Subject: The motion for amendments to certain articles of the Company's "Operating Procedure for Making of Endorsements/Guarantees" is submitted for review accordingly.	None
Motion 4 on April 29, 2020	Subject: The motion to add the internal control operating procedure for the parliamentary operation of the Audit Committee is submitted for review accordingly.	None

- (II) Any documented objections or qualified opinions raised by independent directors against the Board resolution in relation to matters other than those described above: None.

- II. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the motion and resolution thereof, reason for not voting and actual voting counts:

Board of Directors	Details of agenda	Name of director	The nature of conflicting interests and voting process
Motion 13 on March 18, 2019	Agenda: Proposal to have 2nd-tier subsidiary Ding Chih Co., Ltd. to acquire additional 10% shares of Chenming Electronic (Ningbo) Co., Ltd and increase existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 82%.	Chairman Lin Mu-Ho Vice Chairman Lin Feng-Ran	With the exception of disassociated director due to conflicting interests, the proposal was unanimously passed by the remaining attending directors.
Motion 1 on June 24, 2019	Subject: The motion proposed by the Remuneration Committee for salary adjustment of managers is submitted for review accordingly.	Director Lo Chih-Chi	With the exception of disassociated director due to conflicting interests, the proposal was unanimously passed by the remaining attending directors.

- III. The TWSE/TPEX-listed company shall disclose the appraisal cycle and period, scope of appraisal, method and contents of appraisal about the Board of Directors' self (or peer) performance appraisal, and specify the status of appraisal in Schedule 2(2) attached hereto.
Implementation of Board of Directors evaluation

Appraisal cycle (Note 1)	Appraisal period	Scope of appraisal	Method of appraisal	Contents of appraisal
Once per year	January 1, 2019~ December 31, 2019	Performance appraisal on the Board of Directors, individual Board members, and Remuneration Committee	The appraisal was conducted in the form of questionnaire in terms of the Board of Directors' operations, directors' engagement and Remuneration Committee's operation. Further, the "Board of Directors Self-Performance Assessment Questionnaire", "Board Members (Self or Peer) Performance Assessment Questionnaire" and "Functional Committee Self-Performance Assessment Questionnaire" were distributed and completed. Then, the questionnaires were collected by the execution unit uniformly, and the unit recorded and reported the appraisal results.	Scope of the performance appraisal on the Board of Directors: Degree of participation in the Company's operation, upgrading of quality of the Board of Directors' decision making, formation and structure of the Board of Directors, election and continuing education of directors, and internal control. Scope of the performance appraisal on the Board members: Alignment with the Company's goals and mission, awareness toward directors' responsibilities and duties, degree of participation in the Company's operation, management of internal relations and communication, expertise and continuing education of directors, and internal control. Scope of the performance appraisal on functional committees: Degree of participation in the Company's operation, upgrading of quality of the functional committees' decision making, formation and structure of functional committees, election and continuing education of functional committee members, and internal control. When electing or nominating members of the board of directors, the Company shall base its election on the evaluation results of the performance of the Board and shall base its determination of an individual director's remuneration on the evaluation results of his or her performance.
<p>Note 1: To specify the cycle of appraisal on the Board of Directors, e.g. once per year.</p> <p>Note 2: To specify the period for which the appraisal on the Board of Directors will persist, e.g., the performance appraisal on the Board of Directors persisting from January 1, 2019 to December 31, 2019.</p> <p>Note 3: The scope of appraisal covers the performance appraisal on the Board of Directors, individual Board members, and functional committees.</p> <p>Note 4: The method of appraisal includes Board of Directors self-assessment, Board members' self-assessment, peer assessment, external professional organization's assessment, and performance appraisal by experts or in any other adequate manners.</p> <p>Note 5: The contents of appraisal shall consist of, at least, the following elements, subject to the scope of appraisal:</p> <ol style="list-style-type: none"> (1) Performance appraisal on Board of Directors: To cover, at least, degree of participation in the Company's operation, Quality of the Board of Directors' decision making, formation and structure of the Board of Directors, election and continuing education of directors, and internal control, etc. (2) Performance appraisal on individual Board member: To cover, at least, alignment with the Company's goals and mission, awareness toward directors' responsibilities and duties, degree of participation in the Company's 				

<p>operation, management of internal relations and communication, expertise and continuing education of directors, and internal control, etc.</p> <p>(3) Performance appraisal on functional committees: degree of participation in the Company's operation, awareness toward functional committees' responsibilities and duties, quality of the functional committees' decision making, formation of the functional committees and election of members, and internal control, etc.</p>
<p>IV. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc), and the progress of such enhancements:</p> <p>(1). The operation of the Company's Board is in line with the Company's "Parliamentary Rules for Directors' Meetings" and relevant laws and regulations. The finance and accounting manager and audit manager would attend the board meetings and issue relevant reports for directors' reference. The information of directors' attendance and continuing education is submitted to the Market Observation Post System on a regular basis.</p> <p>(2). The elections for directors and supervisors (including independent directors) were held on June 16, 2017 and the five elected directors are: Lin Mu-Ho, Lin Feng-Ran, Chen Hsiao-Chun, Lo Chih-Chi and Ching Chi-Ben. The two independent directors are: Lin Chiang-Feng and Chang Yi-Min. Lin Mu-Ho was elected as Chairman in the board meeting held on the same date. Three members of Remuneration Committee were elected in the board meeting held on June 27, 2017: Independent Director Lin Chiang-Feng, Independent Director Chang Yi-Min and Chen Hung-Chang. Lin Chiang-Feng was elected as the convener of the Remuneration Committee which is responsible for examining directors' and managers' performance, as well as the policy, system, standard and structure of remuneration.</p> <p>(3). The Board of Directors passed the "Regulations Governing Board of Directors Self or Peer Assessment" on June 24, 2019 to prescribe that the Board of Directors should conduct the performance appraisal on the Board of Directors, individual Board members, and Remuneration Committee at least once per year. Meanwhile, the assessment results and corrective action plan were reported at the Board meeting convened on January 15, 2020.</p> <p>(4). The Company will establish the Audit Committee in replace of the supervisors in 2020.</p>

(II) Supervisors' involvements in board of directors meetings:

1. A total of 9 (A) board of directors meetings were held in current year and last year; the attendance was recorded below:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Supervisor	Lin Pei-Yu	0	0%	
Supervisor	Lin Po-Hsiang	6	66.67%	

2. Other information

(1) Composition and obligations of supervisors:

(i) Supervisors' communication with employees and shareholders (e.g. communication channels and methods):

The Company's supervisors attend annual shareholder meetings to communicate with shareholders face-to-face. They communicate with employees each month to discuss about the Company's policies and benefits, and are in regular contact with the Chief Internal Auditor via telephone and email to discuss execution of

- internal control system.
- (ii) Communication between supervisors and internal/external auditors; state the matters discussed (e.g. the company's financial and business positions, the methods and outcome of communication):
- a. The Chief Internal Auditor presents audit reports to supervisors on a monthly basis, which provides supervisors with greater understanding over the Company's internal control. Meetings between CPAs and supervisors are arranged at least once a year to communicate the result of financial statement audit, as well as any recommendations to the Company's internal control and compliance practices.
 - b. The chief internal auditor shall discuss with independent directors and supervisors to report the implementation and status of the internal control of the Company periodically, at least once per quarter, and may convene a meeting at any time in the case of material abnormality.

Summary of communication:

Date	Counterpart of communication	Method of communication	Matters communicated and results
January 23, 2019	Chief Internal Auditor	Conference	Report on the execution of internal audit from October to December 2018.
March 18, 2019	CPA	Conference	The CPAs reported and explained to the independent directors and supervisors about the overview of finance and income, overall operations and internal control and audit in 2018.
May 13, 2019	Chief Internal Auditor	Conference	Report on the execution of internal audit from January to March 2019.
August 7, 2019	Chief Internal Auditor	Conference	Report on the execution of internal audit from April to June 2019.
November 6, 2019	Chief Internal Auditor	Conference	Report on the execution of internal audit from July to September 2019.

- (2) Opinions expressed by supervisors in board meetings; state the date and term of the meeting held, the agenda, the board's resolution, and how the company has responded to supervisors' opinions:
- (i) Board meeting dated March 18, 2019
Motion 13 Subject: The motion to have 2nd-tier

subsidiary Ding Chih Co., Ltd. to acquire additional 10% shares of Chenming Electronic (Ningbo) Co., Ltd. and increase existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 82%.

Supervisor Lin Po-Hsiang: Whether the price per share for this acquisition is same as that for the acquisition in 2016?

The Company's response to supervisor's opinions: Assistant Financial Manager Huang answered: Yes, it is. Because the two acquisition projects were calculated based on the appraisal amount in 2016, the two projects applied the same price.

Director Lo Chih-Chi: The shareholders' equity of Chenming Electronic (Ningbo) has been increasing in the recent years. The appraisal price kept increasing relatively. Notwithstanding, the parent company's acquisition was still based on the appraisal price in 2016. Therefore, the two projects applied the same price.

Resolution: The motion was passed by all present directors unanimously upon the chairperson's inquiry.

(III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		The Company has established the "Corporate Governance Code of Conduct" by the resolution of the board of directors on December 24, 2014 and disclosed on the Company's website.	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
II. Shareholding structure and shareholders' interests				Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(I) Has the company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	V		(I) The Company has a spokesperson system and a legal department in place to handle the above issues.	
(II) Is the company constantly informed of the identities of its major shareholders and the ultimate controller?	V		(II) The Company appoints the professional shareholders service agent to manage shareholders' equity, and can control and verify the shareholdings by directors, managers and shareholders with more than 10% ownership interest in a timely manner. Meanwhile, the Company uses the best effort to control the name list of major shareholders and their ultimate controllers through the historical rosters of shareholders.	

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		(III) The Company has established and implemented relevant procedures as required by law; an internal audit unit exists to perform unscheduled audits in this regard.	
(IV) Has the company established internal policies that prevent insiders from trading securities against non-public information?	V		(IV) The Company has internal policies in place to prohibit insiders from trading securities against non-public information. These policies provide the basis for the Company's practices on material information handling and disclosure, and are reviewed and revised from time to time to ensure conformity with current regulations and practical needs. The same may be accessed on the Company's website. The Company organizes the educational propagation for the "Procedures for Preventing Insider Trading" and related laws & regulations for the existing directors, managers and employees at least for once per year. The Company has propagated the related laws and regulations, and communicated prohibition of insider trading, to the Company's insiders including directors and managers via email, with respect to the insider trading, on April 15, 2019, July 15, 2019 and October 21, 2019. Further, the Company's directors/supervisors attended the "2019 Insider Trading Prevention Presentation Conference" organized by the "Securities & Futures Institute" on April 26, 2019 to practice the training for prevention of insider trading and related laws. The HR unit was responsible for performing the oriented training for ethical conduct on the other employees, and also posting said training brief report on the intranet to inform all of the Company's staff.	
III. Assembly and obligations of				Consistent with

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>the board of directors</p> <p>(I) Has the board devised and implemented policies to ensure diversity of its members?</p>	V		<p>(I) According to Paragraph 2, Article 20 of the Company's "Corporate Governance Best-Practice Principles", the Board members shall as a whole possess the common knowledge, skills, and characters needed to exercise its duties. For ideal corporate governance, the Board as a whole shall possess the following capabilities:</p> <ol style="list-style-type: none"> 1. Ability to make judgments about operations; 2. Ability to perform accounting and financial analysis; 3. Ability to conduct management administration; 4. Ability to manage crises; 5. Industrial knowledge; 6. A global market view; 7. Leadership; 8. Ability to make decisions. <p>In order to enhance the corporate governance and facilitate the sound development of the composition and structure of the Board of Directors, the composition of the Board of Directors shall take into account the Company's operating framework, business development orientation and future trends, and also evaluate the diversified elements. The Company's existing Board of Directors consists of 7 directors, including Director Lin Feng-Ran, Director Chang Yi-Min and Director Chen Hsiao-Chun specialized in industrial knowledge, finance and accounting; Director Lin Mu-Ho and Director Lo Chih-Chi specialized in business administration, leadership and decision making; and Director Lin Chiang-Feng and Director Ching Chi-Ben specialized in global market view and laws.</p> <p>Among the other things, the directors who are also employees account for 29%, and independent directors 29%. For the gender equality, the female directors account for 14%. Two</p>	Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																																																								
	Yes	No																																																										
(II) Apart from the	V		<p>independent directors serve the term of office for no more than 9 years. Three directors serve the term of office for no more than 3 years. One director is at the age more than 70 years old, and four directors 50~59 years old and two directors less than 50 years old.</p> <p>Implementation of diversification policy for the composition of the Board by each individual director:</p> <table border="1"> <thead> <tr> <th>Core items Name of director</th> <th>Gender</th> <th>Industrial knowledge</th> <th>Finance and Accounting</th> <th>Operation Management</th> <th>Leadership Decision making</th> <th>Global perspectives</th> </tr> </thead> <tbody> <tr> <td>Lin Mu-Ho</td> <td>Male</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Lin Feng-Ran</td> <td>Male</td> <td>V</td> <td></td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Chen Hsiao-Chun</td> <td>Female</td> <td>V</td> <td></td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Lo Chih-Chi</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> </tr> <tr> <td>Ching Chi-Ben</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Lin Chiang-Feng</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> <tr> <td>Chang Yi-Min</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> </tr> </tbody> </table>	Core items Name of director	Gender	Industrial knowledge	Finance and Accounting	Operation Management	Leadership Decision making	Global perspectives	Lin Mu-Ho	Male	V		V	V	V	Lin Feng-Ran	Male	V		V		V	Chen Hsiao-Chun	Female	V		V		V	Lo Chih-Chi	Male	V	V	V	V	V	Ching Chi-Ben	Male	V	V	V		V	Lin Chiang-Feng	Male	V	V	V		V	Chang Yi-Min	Male	V	V	V		V	(II) So far, the Company has established the Remuneration Committee. The Company will
Core items Name of director	Gender	Industrial knowledge	Finance and Accounting	Operation Management	Leadership Decision making	Global perspectives																																																						
Lin Mu-Ho	Male	V		V	V	V																																																						
Lin Feng-Ran	Male	V		V		V																																																						
Chen Hsiao-Chun	Female	V		V		V																																																						
Lo Chih-Chi	Male	V	V	V	V	V																																																						
Ching Chi-Ben	Male	V	V	V		V																																																						
Lin Chiang-Feng	Male	V	V	V		V																																																						
Chang Yi-Min	Male	V	V	V		V																																																						

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>Remuneration Committee and Audit Committee, has the company assembled other functional committees at its own discretion?</p> <p>(III) Has the Company established a set of policies and assessment tools to evaluate the Board's performance, conducted the performance evaluation regularly at least on an annual basis, and submitted the performance evaluation result to the Board and applied the same as reference for remuneration to individual directors and nomination?</p>	V		<p>establish the Audit Committee in 2020. In the future, the Company will evaluate and follow the related laws and industrial practices to plan the establishment of other functional committees.</p> <p>(III) The Board of Directors passed the “Regulations Governing Board of Directors Self or Peer Assessment” on June 24, 2019 to prescribe that the Board of Directors should conduct the performance appraisal on the Board of Directors, individual Board members, and Remuneration Committee at least once per year.</p> <p>The scope of performance appraisal on the Board of Directors shall at least consist of the following five major elements:</p> <ol style="list-style-type: none"> 1. Degree of participation in the Company's operation; 2. Upgrading the quality of the Board of Directors' decision making; 3. Formation and structure of the Board of Directors; 4. Election and continuing education of directors; 5. Internal control. <p>The scope of performance appraisal (self or peer) on the Board of Directors members shall at least consist of the following six elements:</p> <ol style="list-style-type: none"> 1. Alignment with the Company's goals and mission; 2. Awareness toward directors' responsibilities and duties; 3. Degree of participation in the Company's operation; 4. Management of internal relations and communication; 5. Expertise and continuing education of directors; 	

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>6. Internal control. The scope of performance appraisal on the functional committees shall at least consist of the following five elements:</p> <ol style="list-style-type: none"> 1. Degree of participation in the Company's operation; 2. Awareness toward the functional committees' responsibilities and duties; 3. Upgrading the quality of the functional committees' decision making; 4. Formation of the functional committees and election of members; 5. Internal control. <p>The appraisal was conducted in the form of questionnaire in terms of the Board of Directors' operations, directors' engagement and Remuneration Committee's operation. Further, the "Board of Directors Self-Performance Assessment Questionnaire", "Board Members (Self or Peer) Performance Assessment Questionnaire" and "Functional Committee Self-Performance Assessment Questionnaire" were distributed and completed. Then, the questionnaires were collected by the execution unit uniformly, and the unit recorded and reported the appraisal results. When electing or nominating members of the board of directors, the Company shall base its election on the evaluation results of the performance of the Board and shall base its determination of an individual director's remuneration and nomination for reelection on the evaluation results of his or her performance.</p> <p>The Company completed the performance appraisal on the Board of Directors, individual Board members, Remuneration Committee and Audit Committee in January 2020. Meanwhile, the assessment results and corrective action plan were reported at the Board meeting convened on January 15, 2020.</p> <p>The assessment scores ranged from A+ to A++ in 2019. The performance was considered</p>	

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																										
	Yes	No	Summary																											
			<p>fair. Suggestions to the Board of Directors and functional committees, and corrective action plans are stated as following:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Result</th> <th>Self-assessment scores</th> <th>Corrective action plan</th> </tr> </thead> <tbody> <tr> <td rowspan="8">Self-assessment by Members of Board of Directors</td> <td>Member of Board of Directors</td> <td></td> <td rowspan="8">Each director completed the continuing education for no less than 6 hours each year.</td> </tr> <tr> <td>Lin Mu-Ho</td> <td>A+</td> </tr> <tr> <td>Lin Feng-Ran</td> <td>A+</td> </tr> <tr> <td>Ching Chi-Ben</td> <td>A++</td> </tr> <tr> <td>Chen Hsiao-Chun</td> <td>A+</td> </tr> <tr> <td>Lin Chiang-Feng</td> <td>A++</td> </tr> <tr> <td>Chang Yi-Min</td> <td>A++</td> </tr> <tr> <td>Lo Chih-Chi</td> <td>A++</td> </tr> <tr> <td>Overall performance appraisal on the Board of Directors</td> <td colspan="2">A+</td> <td>1. The CPAs will be invited to attend the directors' meeting for at least once per year, in order to discuss about the annual report to verify the Company's</td> </tr> </tbody> </table>	Item	Result	Self-assessment scores	Corrective action plan	Self-assessment by Members of Board of Directors	Member of Board of Directors		Each director completed the continuing education for no less than 6 hours each year.	Lin Mu-Ho	A+	Lin Feng-Ran	A+	Ching Chi-Ben	A++	Chen Hsiao-Chun	A+	Lin Chiang-Feng	A++	Chang Yi-Min	A++	Lo Chih-Chi	A++	Overall performance appraisal on the Board of Directors	A+		1. The CPAs will be invited to attend the directors' meeting for at least once per year, in order to discuss about the annual report to verify the Company's	
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<p>(IV) Independence of financial statement auditors is evaluated on a yearly basis. Financial statement auditors are required to issue a "Declaration of Independence" and undergo a series of checks to determine whether they are directors, shareholders, paid employees or stakeholders of the Company. The assessment on the CPAs' independence was already completed at the Board meeting on November 6, 2019.</p> <p>Financial statement auditors have been instructed to disassociate themselves from tasks that pose direct or indirect conflicts with their own interests. Rotation of auditors within the accounting firm is also subject to comply with certain rules.</p> <p>Evaluation of the External Auditor's Independence:</p>										

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			employee who is in a position to exert significant influence over the subject matter of the engagement.	
IV. Whether the Company assigns the adequate number of competent corporate governance officers, and appoints the chief corporate governance officer responsible for the corporate governance affairs (including but not limited to, providing directors/supervisors with the information needed to perform their duties, helping directors/supervisors with compliance, organization of the Board of Directors meetings and shareholders' meetings, and preparation of board meeting and shareholders' meeting minutes, etc.)?	V		<p>The Company has a spokesperson system in place to serve as communication channel with shareholders.</p> <p>The Company has a stakeholders section created on its website to serve as a communication channel.</p> <p>The Company has finance, human resource, and administration departments available to oversee execution of corporate governance affairs and compliance with relevant laws. Their responsibilities include:</p> <ol style="list-style-type: none"> 1. Establishment of a suitable corporate governance framework that promotes board independence, information transparency, compliance, and internal audit/control. 2. Consulting directors and outlining meeting proceedings prior to board meetings, issuing meeting advice to all directors at least 7 days in advance, and providing them with adequate information about the agendas being discussed. Where the agenda concerns the personal interest of a particular director, the concerned party will be reminded to avoid involvement in advance. <p>Setting the date for annual shareholder meetings in accordance with law; preparing meeting advice, conference manual and minutes before the statutory due date; and making proper registrations after director/supervisor election or after amendments are made to the Articles of Incorporation.</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

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V. Has the company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	V		<p>A stakeholders section has been created on the Company's website. Shareholders, employees, customers, suppliers and anyone in need to discuss corporate responsibility issues may have their queries addressed in a proper manner by the spokesperson, human resource department, business unit, or procurement unit. In order to ensure the fulfillment of various major issues and achievement of targets, the CSR organizes the discussion about economic, social and environmental issues periodically. The related results and information are reported to the Board of Directors each year. The communication with stakeholders and report details in 2019 are stated as following:</p> <table border="1"> <thead> <tr> <th>Stakeholders</th> <th>Concerned issues</th> <th>Communication channel/frequency</th> <th>Contact window/response</th> </tr> </thead> <tbody> <tr> <td>Employees</td> <td>Overview of Operations Employment relationship Health and safety Talent cultivation and training</td> <td>Labor-employment meeting (periodic) Employees' suggestion box (from time to time) Intranet and Internet (periodic) Employee Welfare Committee (periodic)</td> <td>Contact window for employees - Lai Hsin-Lun Email - hr_tpe@tw.uneec.com</td> </tr> <tr> <td>Shareholders</td> <td>Industrial outlook Profitability Corporate Governance Transparency of Information Disclosure</td> <td>Corporate Website (from time to time) General Shareholders' Meeting Institutional Investors Conference (from time to time) Important news released by Market Observation Post System (periodic)</td> <td>Contact window for investor relationship - Huang Shih-Chieh Email - invest@tw.uneec.com</td> </tr> <tr> <td>Customers</td> <td>Business review Customer satisfaction survey Customer audit Product and social responsibility</td> <td>Customer audit (from time to time) Customer satisfaction survey (periodic) Customer quarterly business review meeting (periodic)</td> <td>Contact window for business - Lin Chung-Hui Email - sales@tw.uneec.com</td> </tr> <tr> <td>Suppliers</td> <td>Working environment and sanitation Technological capabilities Economic performance Supplier Management</td> <td>Complaint box (from time to time) Supplier audit (periodic) Supplier management system (periodic)</td> <td>Contact window for suppliers - Fan Chi-Hung Email - vender@tw.uneec.com</td> </tr> </tbody> </table>	Stakeholders	Concerned issues	Communication channel/frequency	Contact window/response	Employees	Overview of Operations Employment relationship Health and safety Talent cultivation and training	Labor-employment meeting (periodic) Employees' suggestion box (from time to time) Intranet and Internet (periodic) Employee Welfare Committee (periodic)	Contact window for employees - Lai Hsin-Lun Email - hr_tpe@tw.uneec.com	Shareholders	Industrial outlook Profitability Corporate Governance Transparency of Information Disclosure	Corporate Website (from time to time) General Shareholders' Meeting Institutional Investors Conference (from time to time) Important news released by Market Observation Post System (periodic)	Contact window for investor relationship - Huang Shih-Chieh Email - invest@tw.uneec.com	Customers	Business review Customer satisfaction survey Customer audit Product and social responsibility	Customer audit (from time to time) Customer satisfaction survey (periodic) Customer quarterly business review meeting (periodic)	Contact window for business - Lin Chung-Hui Email - sales@tw.uneec.com	Suppliers	Working environment and sanitation Technological capabilities Economic performance Supplier Management	Complaint box (from time to time) Supplier audit (periodic) Supplier management system (periodic)	Contact window for suppliers - Fan Chi-Hung Email - vender@tw.uneec.com	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
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Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
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VI. Does the company engage a share administration agency to handle shareholder meeting affairs?	V		The Company has commissioned Chinatrust Bank as the share administration agency, which is responsible for handling shareholder meeting affairs.	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
VII. Information disclosure (I) Has the company established a website that discloses financial, business, and corporate governance-related information?	V		(I) The Company has created a website to disclose financial, business and corporate governance-related information.	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(II) Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system,	V		(II) The Company has a spokesperson system in place; documents and recordings of every investor seminar are uploaded onto the website.	

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
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<p>broadcasting of investor conferences via the company website)?</p> <p>(III) Whether the Company announces and reports the annual financial report within two months at the end of each fiscal year, and the financial report for Q1, Q2, and Q3 and monthly operation overview before the prescribed time limit?</p>		V	<p>(III) The Company has not yet announced and reported the annual financial report within two months at the end of each fiscal year, but has reported the financial report for Q1, Q2, and Q3 and monthly operation overview before the prescribed time limit.</p>	
<p>VIII. Does the company have other information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors,</p>	V		<p>1. Employee rights and care: The Company has a retirement policy and a profit-sharing system designed for employees. Employees who provide service over a certain number of years, or reach a certain age, or reach a state no longer deemed capable for the tasks assigned may apply for (or be notified for) retirement. Earnings concluded from year-end closing are partially allocated to employees as bonus according to the Company Act and the Articles of Incorporation.</p> <p>2. Investor relations: The Company has a spokesperson system in place; investors may obtain information for whatever queries they may have through the spokesperson.</p> <p>3. Supplier relations: The Company's suppliers are evaluated on a regular basis. They are assessed based on product delivery, quality and price, and the best supplier is chosen through elimination. As for</p>	<p>Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</p>

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implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of company directors and supervisors)?			<p>payments, which is an issue of great concern to suppliers, the Company has measures in place to ensure that payments are made in strict accordance with the agreed terms.</p> <p>4. Stakeholders' interests: The Company's directors are highly disciplined, and refrain from voting on any agenda that concern their own interests.</p> <p>5. Directors' and supervisors' continuing education: The Company actively encourages all directors and supervisors engaging with continuing education. Information regarding their continuing education has been uploaded to the Market Observation Post System.</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Course date</th> <th>Organizer</th> <th>Course name</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td>Independent Director</td> <td>Lin Chiang-Feng</td> <td>May 25, 2019</td> <td>Department of International Business, Tamkang University</td> <td>2019 Global FinTech Forum and International Business Conference</td> <td>8.0</td> </tr> <tr> <td rowspan="2">Independent Director</td> <td rowspan="2">Chang Yi-Min</td> <td>June 27, 2019</td> <td rowspan="2">Taiwan CPA Association, R.O.C</td> <td>Family Business Inheritance Planning</td> <td>3.0</td> </tr> <tr> <td>April 25, 2019</td> <td>Tax Policy for Repatriation of Fund by Taiwanese Businessmen</td> <td>3.0</td> </tr> </tbody> </table>	Title	Name	Course date	Organizer	Course name	Training hours	Independent Director	Lin Chiang-Feng	May 25, 2019	Department of International Business, Tamkang University	2019 Global FinTech Forum and International Business Conference	8.0	Independent Director	Chang Yi-Min	June 27, 2019	Taiwan CPA Association, R.O.C	Family Business Inheritance Planning	3.0	April 25, 2019	Tax Policy for Repatriation of Fund by Taiwanese Businessmen	3.0	
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					April 30, 2019	Response to New Audit Report	3.0
					January 3, 2019	Audit on Company Registration and Capital	3.0
			Director	Lo Chih-Chi	December 24, 2019	KPMG Interpretation of Latest News and Regulations	3.0
					December 12, 2019	Economic Daily News Economic Investment Outlook Forum Strategy 220	6.0
					November 25, 2019	Economic Daily News 2019 Energy Vision Summit Forum - Smart Energy Sustainability Economy	6.0
					October 3, 2019	KPMG Business Transformation, Innovation and Risk in the Age of 5G	3.0
					September 11, 2019	KPMG Key to Successful Eastern and Western Family Business Inheritance	3.0
					July 11, 2019	Taiwan Institute of Directors/Supervisors Certification Courses	3.0

Assessment criteria	Status (Note)						Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies	
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					Directors	-- New World for Corporate Tax Planning Governance		
				June 26, 2019	KPMG	Interpretation of Latest News and Regulations	3.0	
			Director	Ching Chi-Ben	December 30, 2019	Accounting Research and Development Foundation	Effect Produced by New "Labor Incident Act" to Business and Compliance Practices	6.0
			Supervisor	Lin Pei-Yu	July 31, 2019	Securities & Futures Institute	2019 Compliance Seminar on Share Transfers by Insiders of Public-listed Companies	3.0
					April 26, 2019		2019 Insider Trading Prevention Presentation Conference	3.0
			Supervisor	Lin Po-Hsiang	August 1, 2019	Taiwan Institute of Directors	Medium-Size Enterprise Sustainability Index: Key to Win-Win Situation for Profit Growth and Corporate	3.0

Assessment criteria	Status (Note)						Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies													
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					Sustainability															
			August 1, 2019	Taipei Exchange (TPEX)	TPEX-listed and Emerging Stock Listed Companies' Insider Equity Presentation	3.0														
			<p>6. Risk management policies and risk assessment standards: The Company has internal control systems in place for various activities, and an internal audit unit that conducts strict audits on a monthly basis. Any defects found during audit will be followed up closely for improvement. Both the procurement and business functions choose their suppliers and customers in a stringent manner, and carry out the Company's business activities in the utmost integrity and fairness.</p> <p>7. Customer policy: The Company grants its customers more favorable credit terms as relationship progresses. Accounts receivables are monitored regularly, while collection experience is shared with peers to obtain up-to-date information on customers' financial position.</p> <p>8. Purchase of liability insurance by the Company for directors and managers:</p> <table border="1"> <thead> <tr> <th>Insured parties</th> <th>Insurance company</th> <th>Sum assured (US\$)</th> <th>Period of coverage (start/end)</th> <th>Status of coverage</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>All directors and supervisors</td> <td>Fubon Insurance Co., Ltd.</td> <td>20,000,000</td> <td>From June 10, 2019 Until June 10, 2020</td> <td>Renewal coverage</td> <td></td> </tr> </tbody> </table>					Insured parties	Insurance company	Sum assured (US\$)	Period of coverage (start/end)	Status of coverage	Remarks	All directors and supervisors	Fubon Insurance Co., Ltd.	20,000,000	From June 10, 2019 Until June 10, 2020	Renewal coverage		
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Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
<p>IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: (Not applicable as the Company is not one of the evaluated subjects)</p> <ul style="list-style-type: none"> • The “Regulations Governing Board of Directors Self or Peer Assessment” was passed on June 24, 2019. The Company completed the performance appraisal on the Board of Directors, individual Board members, Remuneration Committee and Audit Committee in January 2020. Meanwhile, the assessment results and corrective action plan were reported at the Board meeting convened on January 15, 2020. • Adopt and disclose the information security risk management framework, information security policy and concrete management programs. • The Company will establish the Audit Committee in replace of the supervisors in 2020. 				

Note: Always provide explanation in the summary description column, regardless of whether there are any deviations from the best practice principles.

(IV) Disclose the composition, responsibilities, and functioning of remuneration committee, if available.

1. Remuneration Committee members

Identity (Note 1)	Criteria Name	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 2)										Number of other public companies in which concurrently serves as Remuneration Committee member	Remarks	
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10			
Independent Director	Lin Chiang-Feng	Y	N	Y	√		√	√	√	√	√	√	√	√	√	None	Note 3
Independent Director	Chang Yi-Min	N	Y	Y	√		√	√	√	√	√	√	√	√	√	None	Note 3
Others	Chen Hung-Chang	N	Y	Y	√	√	√	√	√	√	√	√	√	√	√	None	Note 3

Note 1: Identify shall be specified as director, independent director, or others.

Note 2: Members who meet the following conditions at any time during active duty and two years prior to the date of appointment will have a “ ” placed in the corresponding boxes.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director, supervisor, or employee of the Company or any of its affiliates (this restriction does not apply to independent director positions in the Company its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the Company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within 2nd degree of kinship, or lineal relative by blood within 3rd degree of kinship or closer to the managers described in Item (1) or persons described in

the Item (2) and Item (3).

- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Paragraph 1 or Paragraph 2, Article 27 of the Company Act (this restriction does not apply to independent director positions in the Company its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (6) Not a director, supervisor or employee of any company controlled by the same person that holds a majority of the director seats or voting shares of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, which have been appointed in accordance with the Act, or laws of the registered country).
- (7) Not a director, supervisor or employee of any company who is the same person as, or the spouse of, Chairman and President or equivalent of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have financial or business relationship with the Company (this restriction does not apply to any specific company or organization which holds more than 20% but less than 50% of the total shares issued by the Company that is an independent director in the Company, its parent company or subsidiary, or any subsidiary of the same parent company who has been appointed in accordance with the Act, or laws of the registered country).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past 2 years has received cumulative compensation not exceeding NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Does not meet any of the conditions stated in Article 30 of The Company Act.

Note 3: Functions and Responsibilities of Remuneration Committee

- (1) Review the articles of association for Remuneration Committee periodically and propose the suggestions about amendments thereto.
- (2) Stipulate and review regularly the criteria for performance appraisal on the Company's directors, supervisors and managers, the Company's annual and long-term performance targets, and compensation policies, systems, standards and structures.
- (3) Review the achievement of performance targets by the Company's directors, supervisors and managers periodically, and stipulate the contents and amount of the remuneration to individual directors, supervisors and managers based on the assessment result generated in accordance with the criteria for performance appraisal.

2. In order to perform the job duty, the Remuneration Committee shall help the Board of Directors execute and assess the Company's overall remuneration and welfare policies, and remuneration to the directors and managers. The remuneration to directors and bonus to employees are allocated at the percentage prescribed by the Articles of Incorporation in accordance with the allocation rules adopted by the Board of Directors, subject to the operating performance of the given year.

3. Functionality of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) Current term of office: From June 27, 2017 to June 15, 2020. The Remuneration Committee held 4 meetings (A) in 2019. The members' eligibility and attendance record are stated as following:

Title	Name	Actual attendance (B)	Attendance by proxy	Percentage of actual attendance (%) (B/A)(Note)	Remarks
Convener	Lin Chiang-Feng	4	0	100%	

Committee member	Chang Yi-Min	4	0	100%	
Committee member	Chen Hung-Chang	4	0	100%	
Other remarks:					
I. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and how the company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.					
II. Should any committee member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions, and how their opinions were addressed: None.					

Note: (1) Date of resignation is shown for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.

(2) If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the current Remuneration Committee will be listed; in which case, the remarks column will specify whether the committee member was elected in the previous board, the new board, or both. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.

- (3) Motions discussed by the Remuneration Committee and resolutions thereof, and the Company's response to the members' opinions:
The motions resolved by the Remuneration Committee in 2019 were passed in whole, and no other comments were provided.

Date of Remuneration Committee Meeting	Motion	Resolution	The Company's response to the Remuneration Committee's opinions
January 23, 2019	The motion to review the rules for allocation of year-end bonus to managers in 2018.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
March 18, 2019	Amount and method of payment for the remuneration to employees and directors/supervisors in 2018.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
May 13, 2019	Motion for managers' salary adjustment.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
June 24, 2019	Motion for managers' salary adjustment.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.

(V) Implementation of corporate social responsibility, and deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
I. Whether the Company conducts the risk assessment on the environment, society and corporate governance issues related to the Company's operation and adopts related risk management policies or strategies? (Note 3)	V		<p>In response to the global major economic, social and environmental risks, the Company establishes the systematic risk response policies and procedures in accordance with the risk management guidelines and guidance. In order to perform the Company's risk identification operations, the product R&D, manufacturing and sales units, and the finance, legal affairs, HR, information center and environmental safety management units, annually review the scenario in terms of the corporate sustainability, including the financial elements, such as market and liquidity risks, and non-financial risks, e.g., compliance, information security, climate and environmental protection, and social issues, in order to seek the opportunity to respond to the risks. Outside the organization, the risk management is primarily focused on the product competition and market strategies, while the risk management inside the organization is focused on the information security management and compliance. As the management focus on the overall strategies, the Company promotes the competitiveness through differentiation of products and high-quality technology and thereby creates the financial effects for the Company successfully. Internally, the Company performs the drill to respond to the business interruption caused by the climate risk laws & regulations, and impact rendered by the information security, to enhance and well-found vulnerable internal system frameworks and improves the resilience of corporate sustainability.</p> <p>(1) Environmental issues: In order to improve the environmental protection</p>	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<p>constitution, the Company adopts the policies including green innovation, energy saving and carbon reduction, and expansion of the inspection on greenhouse gas and paperless & recycling. The Company wishes to make some contribution to the land it loves so deeply. Meanwhile, the Company promotes the vegetarian diet and encourages the energy saving and carbon reduction activities, e.g. use of staircase instead of elevator, saving water, turning off lights where appropriate, and garbage sorting. The Company also replaces all lighting equipment with LED and uses its best effort to upgrade the overall competitiveness. On the basis of corporate sustainability, the Company continues to work with the stakeholders including its employees, customers, suppliers and shareholders, governments and competent authorities to aim at creation of the sustainable economic, environmental and social value.</p> <p>(2) Social issues: The Company has complied with the local labor laws and international frameworks, and followed the principles guided by the International Bills of Human Rights, such as “UN Universal Declaration of Human Rights”, “UN International Labour Organization” and “UN Guiding Principles on Business and Human Rights”. It also respects the basic human rights recognized globally, including diversity, equal opportunity, reasonable working hours, healthy and safe working environment,</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<p>freedom of association, collective bargaining, and privacy protection. The Company also provides perfect and sound welfare policies and safe working environments, in hopes of enabling each employee to seek balance and protection between work and life.</p> <p>(3) corporate governance issues: The Company continues to enhance its corporate governance by deepening the governance cultures, practicing the directors' functions effectively, promoting shareholders' activism, improving the quality of information disclosure and enhancing legal compliance. Meanwhile, the Company adopts related policies and regulations to be followed by the whole employees, including the Ethical Corporate Management Best Practice Principles, and regulations governing responsive actions against illegal and unethical conducts.</p>	
II. Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does the unit report its progress to the board of directors?	V		The Company has established the cross-department Corporate Social Responsibility Team convened by Group President and divided into 4 sub-teams: labor and human rights, health and safety, environmental protection, and professional ethics. With regard to the aspects of human rights, environmental protection, ethics, public welfare, employee health and safety, audits and reports on the CSR initiatives of each department are made monthly. The CSR sub-teams would then summarize and submit the CSR policies, management guidelines and initiatives to the Board of Directors on a regular basis annually.	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
III. Environmental issues				Consistent with

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
(I) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		(I) The group's operating systems and procedures have passed multiple international certifications such as ISO 9001, ISO 14001, ISO 13485, TS-16949, OHSAS 18001 etc. In recent years, the Company has been adopting Electronics Industry Code of Conduct (EICC) to regulate workers' rights, workers' safety, and environmental protection. It has made extensive efforts to establish relationship between the management and employees, and between the management and customers.	Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
(II) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	V		(II) The Company is dedicated to solving problems at the source. The office premises adopt the high-efficiency LED lighting equipment with power-saving logo. The air conditioning and lighting equipment are equipped with controllers additionally. The automatic switch on/off is set for the routine work and lunch break. The factory premises adopt the policies to recycle packing materials and re-use the waste materials. The office premises implement the garbage sorting to upgrade the recycling efficiency, thereby resulting in reduction of raw material input and waste output, and minimization of its impact on the environment.	
(III) Whether the Company assesses the potential risk and opportunity posed by climate changes to the enterprise, now and in the future, and takes responsive measures related to climate issues?	V		(III) Given the increasingly significant impact rendered by the temperature rise and climate changes, the Company realizes the problems about natural environment and energy poverty. Therefore, the Company will improve the environmental protection constitution voluntarily. Meanwhile, by adopting the policies such as green innovation, energy saving and carbon reduction, and expansion of the inspection on greenhouse gas and paperless & recycling, the Company	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
(IV) Whether the Company discloses the annual greenhouse gas emission, water consumption and gross weight of waste for the past two years, and adopts policies for energy conservation and carbon reduction, greenhouse gas reduction, reduction of water consumption or management of exhaust gas and other waste goods?	V		<p>wishes to make some contribution to the land it loves so deeply.</p> <p>In the future, the Company will keep upholding the spirit as an entrepreneur to pursue customers' satisfaction and upgrade its overall competitiveness actively. On the basis of corporate sustainability, the Company continues to work with the stakeholders including its employees, customers, suppliers and shareholders, governments and competent authorities to aim at creation of the sustainable economic, environmental and social value.</p> <p>(IV) The Company has energy conservation and resource management procedures in place. It constantly encourages employees to adopt vegetarian diet, use of staircase instead of elevator, save water, turn off lights where appropriate, and garbage sorting. All lighting equipment has been replaced with LED.</p> <p>The Company calculates CO2 emission using the guidelines provided on the environmental protection website of the industrial park. In 2018, the Company emitted 323,405.70kg of CO2 from energy consumption, 127,451.41kg from transportation, 240,793.75kg from the workplace, 84.18kg from entertainment, 34,932.66kg from appliances, and 182,131.24kg from other categories. Total CO2 emission was calculated at 898,798.94kg, water consumption 1,267 degrees and domestic waste 3,600kg in 2018.</p> <p>In 2019, the Company emitted 323,109.12kg of CO2 from energy consumption, 122,528.00kg from transportation,</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			232,485.39kg from the workplace, 92.60kg from entertainment, 33,608.52kg from appliances, and 180,599.58kg from other categories. Total CO2 emission was calculated at 892,423.21kg, water consumption 1,189 degrees and domestic waste 3,600kg in 2019. In 2020, the Company plans to reduce carbon emission by 1% on a per-production-unit basis.	
IV. Social issues (I) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		(I) The Company has complied with the local labor laws and international frameworks, and followed the principles guided by the International Bills of Human Rights, such as “UN Universal Declaration of Human Rights”, “UN International Labour Organization” and “UN Guiding Principles on Business and Human Rights”. It also respects the basic human rights recognized globally, including diversity, equal opportunity, reasonable working hours, healthy and safe working environment, freedom of association, collective bargaining, and privacy protection. In order to protect employees’ important rights, we have also developed the employee code of conduct in the Work Rules to make every employee understand, acknowledge and commit to the Rules since their first day in the Company. Concerns about human rights, and practices thereof: (1) The affected subjects in the respectful and safe working environment projects refer to the whole employees, including 0 employees exposed to high risk. The specific practices include:	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<ul style="list-style-type: none"> • Aim to "provide a respectful and safe working environment", e.g., renovation of offices, kitchen and meeting rooms, in order to build a more open and relax working space. Additionally, the Company has already erected the private and secret breastfeeding room voluntarily per the government's requirement, so that the relevant workers may take care of their family and work at the same time after being in labor. • According to Article 15 of the "Labor Health Protection Act" promulgated by the Ministry of Labor, the Company also arranges its employees to undergo the health checkup periodically each year, in order to follow up the employees' health condition. Further, the related health educational information is also made available on the Company's website, and the Company organizes the health seminars and provides health educational information in various forms. • The Company encourages the employees to attend the sexual harassment prevention training program. Meanwhile, it prescribes the "sexual harassment prevention" guidelines in the "work rules" and uses the best effort to protect the employees, maintain the gender equality in employment and provide the working environment free from sexual harassment. <p>(2) In the project for elimination of discrimination to</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<p>ensure job opportunities, the Company has complied with the relevant employment procedures pursuant to laws at the very beginning, in order to eliminate any discrimination.</p> <ul style="list-style-type: none"> • There are 0 employees with high risk. The specific practices include: • Comply with the local government’s labor laws and regulations, international regulations and EICC, and practice internal laws and regulations. • Promote and practice the internal control procedures; Article 7 in Chapter II of the Company's “Work Rules” provides the non-discrimination principles stating that the Company employs workers without discrimination based on race, hierarchy, language, thought religion, partisanship, nationality, place of birth, gender, sexual orientation, age, marital status, appearance, facial features, physical or mental disability, or past union membership. <p>(3) In the project for prohibition of child labors, the Company has complied with the relevant employment procedures pursuant to laws at the very beginning, in order to eliminate employment of any child labors. There are 0 employees with high risk. The specific practices include:</p> <ul style="list-style-type: none"> • According to Article 58 in Chapter VI of the Company's “Work Rules”, the Company is 	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<p>prohibited from employing child labors and shall inspect hired employees to ensure zero negligence through the double check.</p> <p>(4) With respect to the prohibition of forced labor, there are 0 employees with high risk. The specific practices include:</p> <ul style="list-style-type: none"> • Comply with the local government’s labor laws and regulations, international regulations and the Company's “Work Rules”. The Company will make sure before hiring any employee that the service requirements and entire employment terms and conditions are accepted out of the employee’s own accord, and no forced or compulsory labor is required. <p>(5) The affected subjects in the project for helping employees maintain the physical and mental health, and balance between work and life, refer to the whole employees, including 0 employee exposed to high risk. The specific practices include:</p> <ul style="list-style-type: none"> • Provide multiple allowances and subsidies to diversify the employees’ idea about “maintenance of mental and physical health, and balance between work and life”, e.g., three major festival bonus, birthday allowance, travel allowance, year-end party and bonus, etc. • In order to protect female employees’ interest and right, and help them take care of work, health and 	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
(II) Whether the Company adopts and implements reasonable employee benefit policy (including remuneration, vacation and other benefits, etc.), and reflects the operating performance or results to the remuneration to employees adequately?	V		<p>family at the same time, the Company offers the "menstrual leave", "family care leave", "maternity leave", "paternity leave", "breastfeeding time" and "regulations governing leave without pay".</p> <p>(II) The Company is dedicated to providing the perfect and sound welfare policies, as well as a safe working environment, hoping that each employee can seek protection and balance between work and life. For the remuneration system, the Company optimizes the salary program and bonus program subject to changes in the pay level of industry peers, and conducts the performance appraisal on employees at the end of each year as the reference for allocation of bonus and remuneration adjustment range.</p> <p>The welfare policies are stated as following:</p> <ol style="list-style-type: none"> 1. Flexible attendance system The Company allows various types of leave pursuant to laws, and the flexible attendance hours to satisfy any worker's need to apply for leave, or to work and leave earlier. 2. Three major festival bonus (coupon) and subsidy Labor Day, Mid-Autumn Festival and Dragon Boat Festival gift vouchers, and birthday gifts. Marriage cash gift, childbirth cash gift, hospitalization allowance and funeral assistance. Multiple dinner parties and travel allowances. 	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<p>Parking discount.</p> <p>3. Sound insurance In addition to the labor insurance, national health insurance and monthly contribution of pension fund for each employee under laws, the Company also plans the comprehensive group insurance for employees, including life insurance, accidental insurance, medical insurance, and cancer insurance, and also raise the insured value for the colleague who are expatriated overseas and take business trips overseas, in order to increase the overall protection of employees, make their family members relax and help the colleagues work without worry.</p> <p>4. Sound retirement mechanism The Company complies with regulations and has been contributing a sum totaling 6% of employees' monthly salaries into their personal accounts held under the Bureau of Labor Insurance for all employees who came onboard after July 1, 2005 and for existing employees who opted for the new pension scheme introduced by the Labor Pension Fund Act. Meanwhile, the Company continues to make appropriate contributions to the pension fund account held with Bank of Taiwan according to its pension policy for existing employees who opted for the old pension scheme and for existing employees who opted for the new scheme (based on the years of service completed under the old scheme).</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		<p>Employees who are assigned from one related company to another may have years of service carried forward. It is the Company's intention to provide employees with as much protection as possible to facilitate circulation of talents within the group. Overseas subsidiaries adopt the defined contribution pension plan, in which they make monthly contributions to the pension, healthcare and social security systems as required by local governments.</p> <p>5. Care the colleagues' mental and physical health The Company upholds the core management philosophy that we are family. In order to help the colleagues verify their own physical health condition, the Company organizes the annual health checkup, physical and mental health seminars and various health promotion events periodically to help take care of the employees' physical and mental health.</p> <p>(III) The Company's Labor Safety Office is dedicated to occupational safety affairs, provides annual employee health checkup and conducts fire drills to educate employees with good health knowledge and how to react in any accidents. Meanwhile, the Company also offers health educational information on its website and in various forms of trainings. The Company has access control at all entrances that are guarded by securities for employee safety for 24 hours a day. The Company's electromechanical or firefighting equipment is maintained or repaired annually, quarterly or monthly as</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
(IV) Has the Company established some effective career development training plan for employees?	V		<p>required to ensure its best performance at all time. The Company has also purchased the public liability insurance for additional protection for its employees.</p> <p>(IV) In light of its human resource principle of growing with its employees, the Company implements the policy of combining trainings with jobs and develops a complete training system that contains a series of training courses from pre-job training to on-the-job professional skill training. Employees in position that requires special skills are sent to professional institutions for professional skill training and certification. In addition, at the end of each year, each department shall submit the list of desired training courses for the following year. Through all forms of training, we wish to improve employees' theoretical and practical knowledge, provide help and instruction for our employees and make them utilize such knowledge in their jobs and lives. The Company arranges reasonable number of management trainees depending on the growth objectives every year. Through the open, fair, competitive and selective internal promotion mechanism, the Company creates the environment and conditions for outstanding young managers and selects the trainees via multiple channels. In 2019, the Company has organized internal and external training courses totaling 508 persons attended with a total of 1,548 man-hours.</p>	
(V) Whether the Company complies with the related laws and international practices with respect to customers' health and safety, customers' privacy,	V		<p>(V) In order to reduce the environmental impacts of the Company's products in order to fulfill its corporate responsibility and meet the international green product</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
<p>marketing and labeling for its products and services, and adopts related consumers protection policy and complaining procedures?</p> <p>(VI) Whether the Company adopts any specific suppliers' management policy demanding that the suppliers should comply with the related regulations governing environmental protection, occupational safety and health or labors' human rights, and how the policy is implemented?</p>	V		<p>standards as demanded by customers, it has strengthened the green competitiveness of its products. Based on its Green Procurement Guidelines, the Company has required its suppliers to comply with EU REACH, RoHS, hazardous-substances management regulations of the HF, and sign the environmental protection declaration for consistent compliance. New suppliers shall sign or publish its declaration for green commitment. All internal departments have coordinated with the Legal Affairs Department and implemented complaint procedures and operating rules for the protection of consumers' rights. The complaint may be raised via phone or email.</p> <p>(VI) The Company demands its suppliers to obtain certification for ISO 14001 - Environmental Management System and EICC, and offers guidance to help them achieve so. The Company requires all goods and service suppliers to sign a "Social Responsibility Commitment" before placing purchase orders to them. When conducting annual or new supplier evaluation, all departments are required to include the Company's standards on labor rights, business ethics, environmental protection, and occupational safety and health as part of the evaluation.</p> <p>The Company has a unit that specializes in social responsibility/EICC management. The scope of management extends to suppliers and contractors, meaning that any violation of corporate social responsibilities by a supplier or contractor would that cause significant impact to the</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			environment or society would result in the termination of service contract.	
V. Whether the Company prepares the report disclosing the Company's non-financial information, such as CSR report, based on the guidelines or directions for preparation of reports applicable internationally? Whether said report has been assured or guaranteed by a third party certification unit?	V		The Company prepares the CSR report in accordance with the GRI Standards 2016 issued by the Global Reporting Initiative (GRI), disclosing the Company's sustainability issues, strategies, goals and policies. The Company prepared its own corporate social responsibility report, but has not sought any third party for certification.	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
<p>VI. If the Company has established its own corporate social responsibility code of conducts in accordance with the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX-Listed Companies”, please describe the current practices and any deviations of its own code of conduct from said Principles: The Company has established Chenming Electronic Tech. Corp. Corporate Social Responsibility Code of Conduct based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies." The Code of Conduct includes principles on corporate governance, sustainable environment, public welfare, and disclosure of corporate social responsibility information; these principles have been duly enforced and hence there is no deviation from the best practice principles.</p>				
<p>VII. Other information useful to the understanding of corporate social responsibilities: The Company joined the CSR Alliance in 2017 and has been sponsoring the reforestation program to plant the seeds of hope. In 2018 and 2019, the Company continued to promote the green economy and green innovation and to practice the corporate social responsibility and environmental sustainability. The Company has been concerned about the disadvantaged group in the society and worked hard to feed back to the society. In 2019, the Company gathered its employees to extend the care for the elderly living alone in the community for charity. Meanwhile, the Company would invite bloodmobiles to call on the blood donation for charity on the site from time to time.</p>				

Note 1: Implementation status If “Yes” is ticked, please specify the important policies, strategies and measures as adopted, and the implementation status thereof. If “No” is ticked, please explain the causes and specify the related policies, strategies and measures to be adopted in the future.

Note 2: If the Company has prepared a CSR report, the status of operation thereof may be noted by providing page references to the CSR report instead.

Note 3: The materiality principle refers to the material effect produced by the environment, society and corporate governance issues on the company’s investors and other stakeholders.

(VI) Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies:

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>I. Establishment of integrity policies and solutions</p> <p>(I) Whether the Company adopts the ethical management policy approved by the Board of Directors, and expressly states the ethical corporate management policy and rules, and its fulfillment by the Board of Directors and senior management in its Articles of Incorporation and public documents?</p> <p>(II) Whether the Company establishes the assessment mechanism about unethical conduct to analyze and assess the operating activities with higher risk of unethical conduct in the scope of business periodically, and adopts the unethical conduct prevention program based on the mechanism, which shall at least cover the prevention measures referred to in the subparagraphs of Paragraph 2, Article 7 of the “Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies”?</p>	V		<p>(I) The Company has established the integrity code of conduct, corporate governance code of conduct, policies for handling illegal and unethical conducts, and guidelines for professional ethics to fulfill its commitment in ethical operation, and these guidelines have been published on the Company’s website.</p> <p>(II) In order to protect the core value of corporate culture, the Company is committed to conducting its business activities in good faith and following the utmost ethical requirements. It has also established relevant policies and regulation for employee compliance, including integrity code of conduct and policy for handling illegal and unethical conducts. Moreover, it has published its business and financial information in accordance with applicable laws and regulations, complied with anti-corruption laws (e.g., FCPA) in conducting any transactions, respected intellectual property rights, executed fair</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>trade advertisement and competition standard, followed anonymous complaint procedure to protect the informant, held responsibility in the procurement of minerals, protected personal information of all counter-parties, protected and complied with laws related to privation and information security, and adopted protection procedures to stop any revenge.</p> <ol style="list-style-type: none"> 1. Help include the integrity and ethics values into the Company's business strategies and establish the ethical management-related anti-corruption measures in response to the amendments to laws and regulations. 2. Establish the unethical conduct prevention programs, and adopt the related standard operating procedures and guidelines in various programs. 3. Plan the internal organization, framework and functions, and establish the mutual 	

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>supervision and balancing mechanism against the business activities with higher unethical conduct risk.</p> <ol style="list-style-type: none"> 4. Promote and coordinate the ethical policy promotional training. 5. Plan the whistle-blowing system to ensure the effectiveness of execution. 6. Help the Board of Directors and management check and assess whether the preventive measures established for practicing ethical management are implemented effectively, and produce the assessment report on compliance with the related business procedures periodically. <p>The status in the Company's implementation of the ethical management policies in 2019 is stated as following:</p> <ol style="list-style-type: none"> (1) Training 	

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>This year, the Company has organized internal and external training courses totaling 508 persons attended with a total of 1,548 man-hours, in light of the issues such as food security, legal security, information security, financial and accounting system, and internal controls covered by the integrity operation</p> <p>(2) Periodic check Conduct the corruption risk assessment on the business activities of all business locations; conduct the self-audit and self-assessment on compliance with laws each year to achieve effective control and execution; ensure the entire mechanism's operation and manage and prevent unethical conduct jointly. By 2019, no corruption or anti-competition has taken place.</p> <p>(3) Whistle-blowing system and</p>	

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>whistle-blower's protection</p> <p>The Company has provided the specific whistle-blowing system in the "Corporate Governance Best-Practice Principles", "Ethical Corporate Management Best-Practice Principles", "Guidelines for Professional Ethics" and "Regulations Governing Illegal and Unethical Conduct Cases" to prevent any unethical conduct actively, encourage internal and external staff to whistleblow any unethical conduct or misconduct via the different channels including mailbox and phone number. Meanwhile, the personnel unit will conduct the special investigation on the whistle-blown party. The valid communication modes among employees, shareholders, stakeholders and outsiders are also provided in the stakeholders section on</p>	

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Whether the Company expressly states the SOP, guidelines and reward and disciplinary & complaining systems in the unethical conduct prevention program, implements the same precisely and periodically reviews amendments to said program?	V		<p>the official website. By 2019, no whistle-blowing cases involving unethical conduct have been raised.</p> <p>(III) The Company has established the recusal system for directors in its “Parliamentary Rules for Directors’ Meetings”. If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director. Additionally, the Company has clearly states in the “Guidelines for Professional Ethics” that stipulate personal conducts and professional ethics. In order to implement preceding regulations and eliminate any violations by employees, the Company has also set up the compliant hotline and mailbox. In the event that any violation by employees is concluded in an investigation, the handling personnel shall pass on the case information and</p>	

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			relevant documents to human resource department where the case shall be handled accordingly. Given the severity of the violation, the case may be passed to the judicial authorities.	
<p>II. Enforcing ethical management</p> <p>(I) Does the Company evaluate the integrity of all counterparts it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Whether the Company establishes a unit dedicated to promoting ethical corporate management under supervision by the Board of Directors who shall be responsible for reporting its ethical corporate management policies and prevention programs to the Board of Directors (at least once per year) and supervising the status of implementation thereof?</p>	V		<p>(I) The Company evaluates the integrity history of all parties it has business dealings with. It has been stated in the integrity code of conduct that the Company may terminate or cancel its contract at anytime with any business partner that violates the integrity code of conduct.</p> <p>(II) The Chairman's Office is responsible for the establishment, supervision and execution of the integrity policy, and reporting the progress to the Board of Directors on a yearly basis. For prevention of conflicting interests and provision of complaint channel, the Company has established the integrity code of conduct, policy for handling illegal and unethical conducts, and guidelines for professional ethics to fulfill its commitment in ethical operation. Furthermore, in light of the issues such as food security, legal</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		(III) security, information security, financial and accounting system, and internal controls covered by the integrity operation, the Company has organized internal and external training courses totaling 508 persons attended with a total of 1,548 man-hours. The Company's Parliamentary Rules for Directors' Meetings have outlined requirements for directors to avoid discussion and voting on any agendas that present a conflict of interest between them and the Company.	
(IV) Whether the Company fulfills the ethical management by establishing an effective accounting system and internal control system, and has an internal audit unit research and adopts related audit plans based on the unethical conduct risk assessment result and conduct audits on the compliance by the unethical conduct prevention program, or appoints a CPA to conduct the audits?	V		(IV) The Company has established effective accounting policies and internal control system. Internal auditors are assigned to conduct regular audits to ensure compliance with the above-mentioned policies/systems, and will identify the high-risk operations as the first priority in the annual audit plan based on the risk assessment.	
(V) Does the company organize internal or external training on a regular basis to maintain business integrity?	V		(V) For the employees' better understanding of the most recent regulation changes and trend, the Company has relevant educational training and promotional materials available on its Intranet. In light of the issues such as	

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			food security, legal security, information security, financial and accounting system, and internal controls covered by the integrity operation, the Company has organized internal and external training courses totaling 508 persons attended with a total of 1,548 man-hours to make laws, regulations and key points for compliance known to all employees.	
<p>III. Whistle-blowing system</p> <p>(I) Does the company provide incentives and means for employees to report misconducts? Does the company assign dedicated personnel to investigate the reported misconducts?</p> <p>(II) Whether the Company defines the standard operating procedure, follow-up measures to be taken upon completion of the investigation, and nondisclosure mechanism toward the investigation of complaints as accepted?</p>	V		<p>(I) The Company has policies in place to handle illegal and unethical conducts. Misconducts can be reported via mail or telephone, and all reported misconducts are investigated upon by internal audit units.</p> <p>(II) The Company has operating procedures in place to maintain the confidentiality of informants. The misconducts shall be processed by a dedicated unit and passed to an independent unit (audit unit) for further investigation. When it is necessary, inclusion of legal affairs department or other relevant departments shall be considered. In the event of violation of laws or company policies, given the severity of the violation, it shall be</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Has the company provided proper whistleblower protection?	V		<p>passed to juridical authorities or handled accordingly with the Company's regulations. If the violation is significant or may cause material damage to the Company, it shall be reported to the board of directors in writing. On the other hand, if no evident is found, the case will be closed.</p> <p>(III) If the informant is a company employee, it is prohibited to publish the identity of the informant. In the event of any consequent gain or loss or discrimination on the job, the informant may request the processing unit for identity and pay protection in advance, and the Company will ensure the informant's personal security. Any threat, intimidation or other such actions shall be reported to competent authorities.</p>	
IV. Enhancing information disclosure Has the Company disclosed its integrity principles and progress onto its website and Market Observation Post System (MOPS)?	V		<p>The Company has established business integrity code of conduct and disclosed it on website. Business and financial information is also disclosed regularly on the Company's website.</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
<p>V. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: N/A. The Company has established integrity code of conduct and related policies; details can be found in the Corporate Governance section of the</p>				

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
Company's website (http://www.uneec.com/tw).				
VI. Other important information that is helpful in understanding the corporate ethical management operation of the Company? (e.g., the Company has amended the corporate ethical management best practice principles, etc.): <ul style="list-style-type: none"> • In order to reduce the environmental impacts of the Company's products as its corporate responsibility and meet the international green product standards as required by customers, it has strengthened the green competitiveness of its products. Based on its Green Procurement Guidelines, the Company has required its suppliers to comply with EU REACH, RoHS, hazardous-substances management regulations of the HF, and sign the environmental protection declaration for consistent compliance. In 2019, there were 20 new suppliers signed or published its declaration for green commitment. • The Company regulates its suppliers to follow RBA, ISO 14001 Environmental Management, OHSAS 18001 Occupational Health and Safety and local laws and regulations. It requests its suppliers to show respect for the human rights of each and every employee, provide a healthy and safe working environment, be responsible for protecting environment, and comply with the utmost ethical standards and anti-corruption laws. Via on-site evaluation and signing of operational documents, the Company can ensure a supplier's understanding of regulations regarding social responsibility and demand for continuous improvement. • Significant matters such as major operational policies, investments, acquisition and disposal of assets, loans to others, guarantees and endorsements were discussed and analyzed in conformity with relevant regulations, resolved by authorized personnel and published according to relevant laws and regulations. 				

Note: Always provide explanation in the summary description column, regardless of whether there are any deviations from the best practice principles.

(VII) If the company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

The material information related to the Company's operation is disclosed in accordance with relevant laws and regulations on the Company's website for the inquiry of investors and shareholders, please refer to the Company's website (<http://www.uneec.com/uneec.com/>)

About Chenming- major corporate regulations under the corporate governance section, and the regulations include: the Articles of Incorporation, Integrity Code of Conduct, Corporate Governance Code of Conduct, Procedures for Preventing Insider Trading,

Policy for Handling Illegal and Unethical Conducts, Guidelines for Professional Ethics, and Corporate Social Responsibility Code of Conduct. These regulations are collected, maintained, disclosed and updated by the dedicated personnel for investors' inquiries of information regarding financial and business performance, and investor conference.

(VIII) Other important information material to the understanding of corporate governance within the Company:

The Company has handled the material inside information in accordance with its "Procedures for Preventing Insider Trading". In order to prevent insider trading, any person who has access to the Company's material inside information shall make any security transaction in conformity with Article 157-1 of the Securities and Exchange Act. The Company also has the internal control mechanism in place, provides proper education and makes the policy known to employees, managers, and directors in prevention of any violation of laws and insider trading.

(IX) Internal control

1. Declaration of Internal Control System

Chenming Electronic Technology Corporation
Declaration of Internal Control System

Date: March 12, 2020

The following declaration was made based on the 2019 self-assessment of the Company's internal control policies:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc), reliable, timely and transparent financial reporting, and regulatory compliance.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether the existing system continues to be effective. Criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for more details.
- IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2019. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Declaration was passed unanimously without objection by all 7 Directors present at the Board meeting dated March 12, 2020.

Chenming Electronic Technology Corporation

Chairman: Lin Mu-Ho

President: Lo Chih-Chi

2. If the internal control policy was reviewed by an external CPA, the result of such review must be disclosed: Not applicable.

(X) If there has been any legal penalty against the Company or its internal personnel, or any disciplinary penalty by the Company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder equity or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Major resolutions passed in shareholder meetings and board of directors meetings held in the last year up till the publication date of this annual report:

Shareholder/board of directors meeting	Date	Major resolutions
Board of Directors	January 23, 2019	<ol style="list-style-type: none"> 1. Discussion of Remuneration Committee's resolution. 2. Proposal to renew the credit limit granted by Chinatrust Commercial Bank Limited upon expiry.
Board of Directors	March 18, 2019	<ol style="list-style-type: none"> 1. The motion amount and method of payment for the remuneration to employees and directors/supervisors in 2018 as resolved by the Remuneration Committee submitted for review. 2. The motion for the Company's 2018 standalone and consolidated financial statements submitted for review. 3. The motion to convene the Company's 2019 Annual General Meeting. 4. The motion for appropriation of 2018 earnings submitted for review. 5. The motion to review 2018 business report. 6. The motion for preparation of the Company's 2018 "Declaration of Internal Control System" in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies". 7. Amendments to the Company's "Articles of Incorporation" 8. The motion to amend certain articles of the Company's "Procedures for Acquisition or Disposal of Assets" submitted for review. 9. The motion for amendments to certain articles of the Company's "Operating Procedure for Loaning of Funds to Others" submitted for review. 10. The motion for amendments to certain articles of the Company's "Operating Procedure for Making of Endorsements/Guarantees" submitted for review. 11. Set the record date for capital reduction against the Company's 2018 first treasury stock buyback. 12. Replace one CPA in response to the job rotation within the CPA Firm. 13. Proposal to have 2nd-tier subsidiary Ding Chih Co., Ltd. to acquire additional 10% shares of Chenming Electronic (Ningbo) Co., Ltd and increase existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 82%. 14. Motion to file an application for investing US\$2.16 million into Chenming Electronic (Ningbo) Co., Ltd. in China.
Board of Directors	May 13, 2019	<ol style="list-style-type: none"> 1. The motion for transfer of managers as resolved by Remuneration Committee is submitted for review accordingly. 2. The motion to adopt the Company's "Standard Operating Procedure for Handling Directors' Requirements" is submitted for review accordingly. 3. The motion to apply for credit limit with First Bank.
Annual general meeting	June 14, 2019	<ol style="list-style-type: none"> 1. Acknowledgment of 2018 business report and financial statements. Status: The motion was passed unanimously and served as the basis of 2018 earnings distribution.

Shareholder/board of directors meeting	Date	Major resolutions
		<ol style="list-style-type: none"> 2. Acknowledgment of 2018 earnings appropriation. Current progress: The motion was passed unanimously, and the ex-dividend date and payment date were set on August 2, 2019 and August 23, 2019, respectively, by the resolution of the Board meeting dated June 24, 2019. (Cash dividend of NT\$0.3 per share) 3. Passed the motion to amend the Company's "Articles of Incorporation" submitted for review. Status: The motion was passed unanimously, and the amended procedures were put in place. 4. Passed the motion to amend the Company's "Procedures for Acquisition or Disposal of Assets" submitted for review. Status: The motion was passed unanimously, and the amended procedures were put in place. 5. Passed the motion to amend the Company's "Operating Procedure for Loaning of Funds to Others" submitted for review. Status: The motion was passed unanimously, and the amended procedures were put in place. 6. Passed the motion to amend the Company's "Operating Procedure for Making of Endorsements/Guarantees" submitted for review. Status: The motion was passed unanimously, and the amended procedures were put in place.
Board of Directors	June 24, 2019	<ol style="list-style-type: none"> 1. The motion for managers' salary adjustment proposed by the Remuneration Committee is submitted for review accordingly. 2. The motion to set the record date for cash dividend distribution is submitted for review accordingly. 3. The motion to adopt the "Regulations Governing Board of Directors Self or Peer Assessment" is submitted for review accordingly. 4. The motion for the application for business license and capital increase by the subsidiary in the USA is submitted for review accordingly.
Board of Directors	August 7, 2019	<ol style="list-style-type: none"> 1. The motion to renew the loan extended by Ding Du International Co., Ltd. to Chueh Rong International Co., Ltd. 2. The motion for renewal of the endorsements/guarantees made by the Company for its subsidiary in Mainland China, Chenming Electronic (Ningbo) Co., Ltd. is submitted for review accordingly. 3. The motion to renew the limit of foreign exchange granted by Mega International Commercial Bank.
Board of Directors	November 6, 2019	<ol style="list-style-type: none"> 1. The motion to execute the first buyback of the Company's shares in 2019 is submitted for review accordingly. 2. The motion to adopt the Company's 2020 Audit Plan is submitted for review accordingly. 3. The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. to Dongguan Chenming Electronics Co., Ltd. 4. Proposal to renew the credit limit granted by Hua Nan Bank upon expiry. 5. Proposal to renew credit limit granted by Mega International Commercial Bank upon expiry.
Board of Directors	January 15, 2020	<ol style="list-style-type: none"> 1. Discussion of Remuneration Committee's resolution. 2. Set the record date for capital reduction against the Company's 2019 first treasury stock buyback. 3. The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd. 4. The motion to renew the credit limit granted by Chinatrust Commercial Bank Limited upon expiry. 5. The motion to apply for increase in the credit limit from Mega International Commercial Bank.
Board of Directors	March 12, 2020	<ol style="list-style-type: none"> 1. The motion for amount and method of payment for the remuneration to employees and directors/supervisors in 2019 as resolved by the Remuneration Committee is submitted for review accordingly. 2. The motion to convene the Company's 2020 Annual General Meeting is

Shareholder/board of directors meeting	Date	Major resolutions
		<p>submitted for review accordingly.</p> <ol style="list-style-type: none"> 3. The motion for the Company's 2019 standalone and consolidated financial statements is submitted for review accordingly. 4. The motion to review the 2019 business report is submitted for review accordingly. 5. The motion to re-elect directors and accept the nomination of candidates of director (including independent director) to be elected during the Company's 2020 Annual General Meeting. 6. The motion to terminate the non-competition restriction imposed on new directors is submitted for review accordingly. 7. The motion for preparation of the 2019 "Declaration of Internal Control System" in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies". 8. Amendments to the Company's "Articles of Incorporation" 9. The motion to amend certain articles of the Company's "Procedures for Acquisition or Disposal of Assets" is submitted for review accordingly. 10. The motion for amendments to certain articles of the Company's "Operating Procedure for Loaning of Funds to Others" is submitted for review accordingly. 11. The motion for amendments to certain articles of the Company's "Operating Procedure for Making of Endorsements/Guarantees" is submitted for review accordingly. 12. The motion to amend certain articles of the Company's "Regulations Governing Elections of Directors and Supervisors" is submitted for review accordingly. 13. The motion to amend certain articles of the Company's "Parliamentary Rules for Directors' Meetings" is submitted for review accordingly. 14. The motion to amend certain articles of the Company's "Ethical Corporate Management Best Practice Principles" is submitted for review accordingly. 15. The motion to execute the first buyback of the Company's shares in 2020 is submitted for review accordingly.
Board of Directors	April 29,2020	<ol style="list-style-type: none"> 1. The motion for appropriation of the Company's 2019 earnings is submitted for review accordingly. 2. The motion to resolve the name list of candidates of director (including independent director) to be elected during the Company's 2020 Annual General Meeting. 3. The motion to adopt the Company's "Articles of Association of Audit Committee" is submitted for review accordingly. 4. The motion to add the internal control operating procedure for the parliamentary operation of the Audit Committee is submitted for review accordingly. 5. The motion to set the record date for capital reduction against the Company's 2020 first treasury stock buyback. 6. The motion to renew the credit limit granted by First Bank.

(XII) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up till the publication date of this annual report: None.

(XIII) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, chief corporate governance officer, or head of R&D in the most recent year up till the publication date of this annual report: None.

V. Disclosure of auditors' remuneration

Audit remuneration brackets table

Name of accounting firm	Name of CPA		Audit period	Remarks
KPMG	Yen Hsing-Fu	Wang Michelle	January 2019~December 2019	

Unit: NTD thousands

Range		Fee category	Audit remuneration	Non-audit remuneration	Total
1	Below NT\$ 2,000,000				
2	NT\$2,000,000 (inclusive) ~ NT\$4,000,000		3,930	0	3,930
3	NT\$4,000,000 (inclusive) ~ NT\$6,000,000				
4	NT\$6,000,000 (inclusive) ~ NT\$8,000,000				
5	NT\$8,000,000 (inclusive) ~ NT\$10,000,000				
6	NT\$10,000,000 and above				

- (I) Disclosure of audit remuneration, non-audit remuneration and details of non-audit services, if the sum of non-audit remuneration paid to the auditor, accounting firm and affiliated companies amount to more than one-quarters of total audit remuneration: None.
- (II) Change of accounting firm that resulted in the reduction of audit remuneration from the previous year; disclose audit remuneration before and after the change and the cause of such change: None.
- (III) In the case of any reduction in audit remuneration by more amount than 10% compared to the previous year, please state the amount, the percentage and reason of such variation: None.

VI. Change of auditor

(I) Information relating to the former auditor

Date of reappointment	March 31, 2019		
Reason for reappointment	Internal rotation within KPMG		
Whether the termination of audit service was initiated by the client or by the auditor	Parties involved \ Situation	CPA	Client
	Service terminated by	Daisy Kuo	
	Service no longer accepted (continued) by		
An opinion other than unqualified opinion issued in the last two years, and the cause for such an opinion	None		

Any disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit coverage or procedures
			Others
	None	V	
Remark			
(Disclosures deemed necessary under Item 1-4 to Item 1-7, Subparagraph VI, Article 10 of the Guidelines)	None		

(II) Information relating to the succeeding auditor

Name of accounting firm	KPMG
Name of CPA	Yen Hsing-Fu, Michelle Wang
Date of reappointment	March 31, 2019
Inquiries and replies regarding accounting practices or principles on certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment.	None
Written disagreements from the succeeding auditor against opinions of the former auditor against opinions of the former auditor	None

Note: The Company's former CPA, Kuo Kuan-Ying, was replaced by Michelle Wang, CPA since March 2019 following a job rotation within KPMG.

(III) Former auditor's reply relating to Item 1 and Item 2-3, Subparagraph 6, Article 10 herein: None.

VII. Disclosure of any of the Company's Chairman, President, or managers responsible for financial or accounting affairs being employed by the auditor's firm or any of its affiliated company in the last year, including their names, job titles, and the periods during which they were employed by the auditor's firm or any of its affiliated company. An affiliated company refers to one that the auditor's accounting firms hold more than 50% ownership or more than 50% directorship, or any company or institution that the accounting firm has publicly referred to as being affiliated: None.

VIII. Details of shares transferred or pledged by directors, supervisors, managers and shareholders with more than 10% ownership interest in the last year, up till the publication date of this annual report

(I) Details of shares transferred or pledged by directors, supervisors, managers, or shareholders with more than 10% ownership interest

Title	Name	2009		Year-to-date as at April 14	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Lin Mu-Ho	—	—	—	—
Director	Chen Hsiao-Chun	—	—	—	—
Vice Chairman	Lin Feng-Ran	—	(4,500,000)	—	—
Director and President	Lo Chih-Chi	—	—	—	—
Director	Ching Chi-Ben	—	—	—	—
Independent Director	Chang Yi-Min	—	—	—	—
Independent Director	Lin Chiang-Feng	—	—	—	—
Supervisor	Lin Pei-Yu	—	—	—	—
Supervisor	Lin Po-Hsiang	—	—	—	—
Vice President	Chung Fu-Chuan (Departed on July 1, 2019)	—	—	—	—
Vice President	Fan Yu-Hsiang	—	—	—	—
Assistant Vice President	Wu Ruei-Chuan	—	—	—	—
Assistant Vice President	Wu Chien-Sheng	—	—	—	—
Assistant Vice President and Finance Manager	Huang Shih-Chieh	—	—	—	—
Assistant Vice President	Chang Chin-Hsing	—	—	—	—

Title	Name	2009		Year-to-date as at April 14	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Assistant Vice President	Hsiao Kuang-Chih	—	—	—	—
Assistant Vice President	Chueh Chung-Hui	—	—	—	—
Accounting Manager	Su Chung-Ching	—	—	—	—

(II) Disclosure of shares transferred to related parties: None.

(III) Disclosure of shares pledged to related parties:

Name (Note 1)	Reason for change of pledge (Note 2)	Date of change	Counterparty	Relationship with directors, supervisors, managers and shareholders with more than 10% ownership interest.	Number of shares	Shareholding percentage	Percentage of pledge	Amount pledged (redeemed)
Lin Feng-Ran	Redeemed	April 12, 2019	Mega International Commercial Bank Co., Ltd. Keelung Branch	None	500,000	4.15%	30.25%	—
Lin Feng-Ran	Redeemed	April 12, 2019	Mega International Commercial Bank Co., Ltd. Keelung Branch	None	4,000,000	4.15%	30.25%	—

Note 1: The names of directors, supervisors, managers and shareholders with more than 10% ownership interest.

Note 2: Specify "pledged" or "redeemed."

IX. Relationships characterized as spouse or second degree relative or closer among top-ten shareholders

NAME (NOTE 1)	SELF SHAREHOLDING		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN SHAREHOLDING		SHARES HELD IN THE NAMES OF OTHERS		RELATIONSHIP CHARACTERIZED AS SPOUSE OR RELATIVE OF SECOND DEGREE OR CLOSER AMONG THE TOP-10 SHAREHOLDERS. (NOTE 3)		REMARKS
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
Lin Mu-Ho	25,000,230	15.68%	1,425,809	0.89%	—	—	Tsai Chiu-Hua Lin Mu-Rong Lin Ching-Yuan Lin Feng-Ran	Spouse Brothers Father and son Father and son Father and daughter	None

NAME (NOTE 1)	SELF SHAREHOLDING		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN SHAREHOLDING		SHARES HELD IN THE NAMES OF OTHERS		RELATIONSHIP CHARACTERIZED AS SPOUSE OR RELATIVE OF SECOND DEGREE OR CLOSER AMONG THE TOP-10 SHAREHOLDERS. (NOTE 3)		REMARKS
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
							Lin Pei-Hsuan Lin Pei-Yu	Father and daughter	
Hui Chi Investment Co., Ltd.	15,149,758	9.50%	—	—	—	—	-	-	None
Representative: Lin Ching-Yuan	7,172,502	4.50%	221,931	0.14%	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Mu-Rong Lin Feng-Ran Lin Pei-Hsuan Lin Pei-Yu	Father and son Mother and son Uncle and nephew/niece Brothers Brother and sister Brother and sister	None
Lin Ching-Yuan	7,172,502	4.50%	221,931	0.14%	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Mu-Rong Lin Feng-Ran Lin Pei-Hsuan Lin Pei-Yu	Father and son Mother and son Uncle and nephew/niece Brothers Brother and sister Brother and sister	None
Lin Feng-Ran	6,612,310	4.15%	423,956	0.27%	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Mu-Rong Lin Ching-Yuan Lin Pei-Hsuan Lin Pei-Yu	Father and son Mother and son Uncle and nephew/niece Brothers Brother and sister Brother and sister	None
Lin Mu-Rong	5,630,469	3.53%	1,016,369	0.64%	—	—	Lin Mu-Ho Chung Yen-Ru Lin Ching-Yuan Lin Feng-Ran Lin Pei-Hsuan Lin Pei-Yu	Brothers Spouse Uncle and nephew/niece Uncle and nephew/niece Uncle and nephew/niece Uncle and nephew/niece	None
Lin Pei-Hsuan	4,591,648	2.88%	—	—	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Mu-Rong Lin Ching-Yuan Lin	Father and daughter Mother and daughter Uncle and nephew/niece Brother and sister	None

NAME (NOTE 1)	SELF SHAREHOLDING		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN SHAREHOLDING		SHARES HELD IN THE NAMES OF OTHERS		RELATIONSHIP CHARACTERIZED AS SPOUSE OR RELATIVE OF SECOND DEGREE OR CLOSER AMONG THE TOP-10 SHAREHOLDERS. (NOTE 3)		REMARKS
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
							Feng-Ran Lin Pei-Yu	Brother and sister Sisters	
Lin Pei-Yu	4,512,755	2.83%	—	—	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Mu-Rong Lin Ching-Yuan Lin Feng-Ran Lin Pei-Hsuan	Father and daughter Mother and daughter Uncle and nephew/niece Brother and sister Brother and sister Sisters	None
Fan Yuan Investment Co., Ltd.	1,579,000	0.99%	—	—	—	—	—	—	None
Representative: Fan Tsai-Yuan	0	0.00%	—	—	—	—	—	—	None
Chang Ting-Chen	1,442,000	0.90%	500,000	0.31%	—	—	—	—	None
Tsai Chiu-Hua	1,425,809	0.89%	25,000,230	15.68%	—	—	Lin Mu-Ho Lin Feng-Ran Lin Ching-Yuan Lin Pei-Hsuan Lin Pei-Yu	Spouse Mother and son Mother and son Mother and daughter Mother and daughter	None

Note 1: All top-10 shareholders have been listed. For corporate shareholders, the name of the corporate entity and the name of the representative are shown separately.

Note 2: The percentages of shares held under own name, spouse's name, underage children's names, or in the names of others are calculated separately.

Note 3: Relations among the abovementioned shareholders (including corporate and natural-person shareholders) have been disclosed in accordance with the relationships defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.

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

Unit: thousand shares/thousands

Invested business (Note 1)	Invested by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Shares / units	Shareholding percentage	Shares / units	Shareholding percentage	Shares / units	Shareholding percentage
Ding Du International	60,808	100.00%	0	0%	60,808	100.00%
Chueh Rong International	45,988	100.00%	0	0%	45,988	100.00%
Ding Chih Co., Ltd.	18,660	100.00%	0	0%	18,660	100.00%
CHENMING ELECTRONIC TECHNOLOGY USA, INC.	200	100.00%	0	0%	200	100.00%
Dongguan Chenming	Note 2	100.00%	0	0%	Note 2	100.00%
Chenming Electronic (Ningbo)	Note 2	82.00%	0	0%	Note 2	82.00%

Note 1: The above long-term investments were accounted using the equity method.

Note 2: Limited liability company.

Four. Funding Status

I. Capital and shares (in the most recent year and up till the publication date of this annual report)

(I) Source of capital:

April 14, 2020

Year / month	Issue price	Authorized capital		Paid-up capital		Remarks			
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital contributed in properties other than cash Offset by any property	Others	Approval reference
July 1999	10	34,200,000	342,000,000	34,200,000	342,000,000	Capitalized earnings NT\$85.5 million and capital reserves NT\$66.5 million	0	None	Jing-(088)-Shang-129976 dated 1999.08.16
July 2000	50	79,000,000	790,000,000	61,700,000	617,000,000	Cash issue NT\$100 million, employee bonus NT\$4 million	0	None	Jing-(089)-Shang-133304 dated 2000.09.14
July 2000	10					Capitalized earnings NT\$171 million			
July 2001	10	110,000,000	1,100,000,000	87,000,000	870,000,000	Capitalized earnings NT\$185.1 million, employee bonus NT\$6.2 million Capitalized capital reserves NT\$61.7 million	0	None	Jing-(090)-Shang-09001293930 dated 2001.08.03 Letter No. 09001293930
September 2002	10	120,000,000	1,200,000,000	114,000,000	1,140,000,000	Capitalized earnings NT\$174 million, employee bonus NT\$9 million Capitalized capital reserves NT\$87 million	0	None	Shang-09101404120 dated 2002.10.03
July 2003	10	247,200,000	2,472,000,000	132,300,000	1,323,000,000	Capitalized earnings NT\$57 million, employee bonus NT\$12 million Capitalized capital reserves NT\$114 million	0	None	Shang-09201248100 dated 2003.08.19
January 2004	10	247,200,000	2,472,000,000	133,476,470	1,334,764,700	NT\$ 11,764,700 (conversion from corporate bonds)	0	None	Shang-09301009900 dated 2004.01.19
April 2004	10	247,200,000	2,472,000,000	137,929,391	1,379,293,910	NT\$ 44,529,210 (conversion from corporate bonds)	0	None	Shang-09301074800 dated 2004.04.29
July 2004	10	247,200,000	2,472,000,000	137,947,038	1,379,470,380	NT\$ 176,470 (conversion from corporate bonds)	0	None	Shang-09301130400 dated 2004.07.29
September 2004	10	247,200,000	2,472,000,000	145,421,449	1,454,214,490	Capitalized earnings NT\$25.8976 million, employee bonus NT\$10 million Capitalized capital reserves NT\$38.8464 million	0	None	Shang-09301157100 dated 2004.09.06
January 2004	10	247,200,000	2,472,000,000	137,421,449	1,374,214,490	NT\$ -80,000,000 (retirement of treasury stock)	0	None	Shang-09301188300 dated 2004.10.12

Year / month	Issue price	Authorized capital		Paid-up capital		Remarks			
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital contributed in properties other than cash Offset by any property	Others	Approval reference
January 2005	10	247,200,000	2,472,000,000	128,921,449	1,289,214,490	NT\$ -85,000,000 (retirement of treasury stock)	0	None	Shang-09401017480 dated 2005.01.28
August 2005	10	247,200,000	2,472,000,000	142,313,593	1,423,135,930	Capitalized earnings NT\$43.3725 million, employee bonus NT\$10 million, Capitalized capital reserves NT\$80.5489 million	0	None	Shang-09401160120 dated 2005.08.22
January 2005	10	247,200,000	2,472,000,000	145,313,582	1,453,135,820	NT\$ 29,999,890 (conversion from corporate bonds)	0	None	Shang-09401206880 dated 2005.10.20
July 2006	10	247,200,000	2,472,000,000	140,313,582	1,403,135,820	NT\$ -50,000,000 (retirement of treasury stock)	0	None	Shang-09501134950 dated 2006.07.05
August 2006	10	247,200,000	2,472,000,000	155,931,787	1,559,317,870	Capitalized earnings NT\$28.0627 million, employee bonus NT\$5.6 million, Capitalized capital reserves NT\$42.094 million; NT\$ 80,425,250 (conversion from corporate bonds)	0	None	Shang-09501185100 dated 2006.08.24
January 2007	10	247,200,000	2,472,000,000	156,163,928	1,561,639,280	NT\$ 2,321,410 (conversion from corporate bonds)	0	None	Shang-09601008170 dated 2007.01.12
April 2007	10	247,200,000	2,472,000,000	158,887,131	1,588,871,310	NT\$ 27,232,030 (conversion from corporate bonds)	0	None	Shang-09601087320 dated 2007.04.25
July 2007	10	247,200,000	2,472,000,000	160,940,691	1,609,406,910	NT\$ 20,535,600 (conversion from corporate bonds)	0	None	Shang-09601160770 dated 2007.07.12
August 2007	10	247,200,000	2,472,000,000	169,948,887	1,699,488,870	Capitalized earnings NT\$62.4655 million, employee bonus NT\$12 million, Capitalized capital reserves NT\$15.6163 million	0	None	Shang-09601210270 dated 2007.08.31
January 2007	10	247,200,000	2,472,000,000	174,561,410	1,745,614,100	NT\$ 46,125,230 (conversion from corporate bonds)	0	None	Shang-09601249620 dated 2007.10.12
January 2008	10	247,200,000	2,472,000,000	174,948,198	1,749,481,980	NT\$ 3,867,880 (conversion from corporate bonds)	0	None	Shang-09701005760 dated 2008.01.11
April 2008	10	247,200,000	2,472,000,000	205,819,156	2,058,191,560	NT\$ 308,709,580 (conversion from corporate bonds)	0	None	Shang-09701088600 dated 2008.04.11
August 2008	10	247,200,000	2,472,000,000	216,081,018	2,160,810,180	Capitalized earnings NT\$51.4547 million, employee bonus NT\$10 million, Capitalized capital reserves NT\$41.1638 million	0	None	Shang-09701215160 dated 2008.08.26
January 2008	10	247,200,000	2,472,000,000	198,081,018	1,980,810,180	NT\$ -180,000,000 (retirement of treasury stock)	0	None	Shang-09701270770 dated 2008.10.24

Year / month	Issue price	Authorized capital		Paid-up capital		Remarks			
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital contributed in properties other than cash Offset by any property	Others	Approval reference
December 2009	10	247,200,000	2,472,000,000	188,081,018	1,880,810,180	NT\$ -100,000,000 (retirement of treasury stock)	0	None	Shang-09801293510 dated 2009.12.22
March 2012	10	247,200,000	2,472,000,000	185,171,018	1,851,710,180	NT\$ -29,100,000 (retirement of treasury stock)	0	None	Shang-10101049820 dated 2012.03.23
May 2013	10	247,200,000	2,472,000,000	182,171,018	1,821,710,180	NT\$ -30,000,000 (retirement of treasury stock)	0	None	Shang-10201095570 dated 2013.05.22
January 2014	10	247,200,000	2,472,000,000	180,000,018	1,800,000,180	NT\$ -21,710,000 (retirement of treasury stock)	0	None	Shang-10301221430 dated 2014.10.28
August 2015	10	247,200,000	2,472,000,000	177,935,018	1,779,350,180	NT\$ -20,650,000 (retirement of treasury stock)	0	None	Shang-10401171260 dated 2015.08.13
August 2016	10	247,200,000	2,472,000,000	169,935,018	1,699,350,180	NT\$ -80,000,000 (retirement of treasury stock)	0	None	Shang-10501202410 dated 2016.08.16
March 2019	10	247,200,000	2,472,000,000	162,935,018	1,629,350,180	NT\$ -70,000,000 (retirement of treasury stock)	0	None	Shang-Zi No. 10801031730 dated March 28, 2019
February 2020	10	247,200,000	2,472,000,000	159,435,018	1,594,350,180	NT\$ -35,000,000 (retirement of treasury stock)	0	None	Shang-Zi No. 10901018580 dated February 10, 2020

Share category	Authorized capital				Remarks
	Outstanding shares (public listed)	Treasury stock	Unissued shares	Total	
Registered ordinary shares	156,241,018	3,194,000	87,764,982	247,200,000	None

(II) Shareholders structure: April 14, 2020

Shareholders	Government institutions	Financial institutions	Other corporate entities	Foreign institutions and foreigners	Natural persons	Treasury stock	Total
Head count	1	2	20	32	8,945	1	9,001
Number of shares held	98	43,000	17,456,294	3,222,873	135,518,753	3,194,000	159,435,018
Shareholding percentage (%)	0.00%	0.03%	10.95%	2.02%	85.00%	2.00%	100.00%

(III) Diversity of ownership:

April 14, 2020

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage (%)
1-999	1,462	214,500	0.13%
1,000-5,000	5,171	11,951,296	7.51%
5,001-10,000	1,100	9,215,378	5.78%
10,001-15,000	322	4,233,100	2.66%
15,001-20,000	282	5,348,810	3.35%
20,001-30,000	235	6,176,684	3.87%
30,001-40,000	93	3,415,522	2.14%
40,001-50,000	59	2,779,548	1.74%
50,001-100,000	161	11,604,937	7.28%
100,001-200,000	59	7,988,292	5.01%
200,001-400,000	28	7,945,254	4.98%
400,001-600,000	10	4,949,440	3.10%
600,001-800,000	3	2,047,437	1.28%
800,001-1,000,000	2	1,863,708	1.17%
1,000,001 and above	14	79,701,112	50.00%
Total	9,001	159,435,018	100.00%

(IV) List of major shareholders:

April 14, 2020

Serial number	Account number	Name of major shareholder	Number of shares held	Shareholding percentage (%)
1	1	Lin Mu-Ho	25,000,230	15.68%
2	13	Hui Chi Investment Co., Ltd.	15,149,758	9.50%
3	10	Lin Ching-Yuan	7,172,502	4.50%
4	115	Lin Feng-Ran	6,612,310	4.15%
5	2	Lin Mu-Rong	5,630,469	3.53%
6	8	Lin Pei-Hsuan	4,591,648	2.88%
7	9	Lin Pei-Yu	4,512,755	2.83%
8	52920	Fan Yuan Investment Co., Ltd.	1,579,000	0.99%
9	42555	Chang Ting-Chen	1,442,000	0.90%
10	5	Tsai Chiu-Hua	1,425,809	0.89%

(V) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years:

Item	Year		2018	2009	Year-to-date as at March 31
	Market price per share	High		22.65	19.20
Low			12.20	13.25	9.97
Average			17.19	15.12	11.94
Net worth per share	Before dividend		14.06	14.54	14.66
	After dividend		14.06	14.54	14.66
EPS	Weighted average outstanding shares (in thousands)		169,656	162,479	159,097
	EPS		0.65	0.82	0.11
Dividends per share	Cash dividends		0.3	0.3	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends		0	0	-
Analysis of investment returns	P/E ratio		26.45	18.44	-
	Price to dividends ratio		57.30	50.40	-
	Cash dividend yield		1.75%	1.98%	-

(VI) Dividend policy and execution:

1. Dividend policy

Dividends are proposed by the board of directors after taking into consideration a number of factors including the Company's business performance, capital requirements, capital budget, changes in the domestic/foreign environment, and shareholders' interests. Dividends should not exceed 75% of current year net income except under special circumstances. The Company is currently in the growth stage of its life cycle and is still in need of capital for expansion and investment. Cash dividends shall not amount to less than 10% of total dividends distributed each year.

2. Dividend distribution proposed for the next annual general meeting:

The motion for 2019 dividend distribution was submitted for the resolution of 2020 annual general meeting with the proposed cash dividends of NT\$0.2 per share as stipulated by the Articles of Incorporation.

3. Expected change in dividend policy: None.

(VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share:

Not applicable.

(VIII) Employees'/directors'/supervisors' remuneration

1. Percentage and range of employees'/directors'/supervisors' remuneration stated in the Articles of Incorporation:

According to Article 19 of the Company's Articles of Incorporation, any earnings concluded from year-end closing are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for statutory reserves and provision (or reversal) of special reserves as required by regulation. Any surplus remaining from the above shall be distributed at board of directors' proposal, subject to acknowledgment in a shareholder meeting. This distribution shall include employee remuneration of no lesser than 2%, and director/supervisor remuneration of no higher than 2%.

2. Basis of calculation for employee/director/supervisor remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid.

- (1) Amounts are estimated based on percentages specified in the Articles of Incorporation, which includes employee remuneration of no lesser than 2% of pre-tax profit and director/supervisor remuneration of no higher than 2% of pre-tax profit.
- (2) Not applicable as no proposal was made to pay employees' remuneration in shares.
- (3) If a different amount is resolved on a later date, the difference shall be treated as a change in accounting estimates and recognized as gains or losses in the year the resolution is made.

3. Remuneration passed by the board of directors

- (1) Employees'/directors'/supervisors' remuneration, in cash or in shares:

Employee remuneration totaling NT\$6 million and director/supervisor remuneration totaling NT\$1.5 million have been proposed. Both amounts will be paid in cash. No variance exists between the amount recognized and estimated for the year.

- (2) Amount and percentage of employee remuneration paid in shares, relative to current net income and total employee remuneration: Not applicable as no proposal had been made to pay employee remuneration in shares during the current shareholder meeting.

4. Employees'/directors'/supervisors' remuneration paid in the previous year:

The Company paid NT\$5,000,000 as the remuneration to employees and NT\$1,500,000 as the remuneration to directors/supervisors in the previous year (2018). The amount actually paid was indifferent from the amount previously recognized.

(IX) Shares repurchased by the company:

1. Execution already completed.

Unit: NT\$

Term of buyback	The first buyback in 2019	The first buyback in 2020
Purposes of buyback	In an effort to safeguard the Company's credit standing and shareholders' equity	In an effort to safeguard the Company's credit standing and shareholders' equity
Period of actual buyback	2019/11/07~2019/12/27	2020/03/13~2020/04/14
Price range of buyback	NT\$ 11 ~NT\$ 20	NT\$ 9 ~NT\$ 18
The categories and quantities of buyback	3,500,000 common shares	3,500,000 common shares
Amount of buyback	NT\$49,810,302	NT\$38,712,454
The ratio of the number of shares repurchased to the number of shares scheduled to be repurchased(%)	100%	100%
Number of shares having been canceled and transferred	3,500,000 shares	3,500,000 shares
Accumulated holding of the Company's shares	0 shares	0 shares
Accumulated holding of the Company's shares to the total of outstanding shares	0%	0%
Date of verification	2020/01/02	2020/04/21
Approval Letter No.	Letter Jin-Guan-Zheng-Jiao-Zi 1080342212	Letter Jin-Guan-Zheng-Jiao-Zi 1090339697

Note: Said data are available on the information available until the date of publication of the annual report, namely May 19.

2. Under execution: None.

II. Corporate bonds (including offshore corporate bonds), preferred shares, overseas depository receipts, employee stock options, restricted employee shares, and merger/acquisition/divestment through exchange of shares

(I) Corporate bonds :

The Company has no corporate bond that is currently outstanding or pending to be issued.

(II) Preferred shares, overseas depository receipts, employee stock options, restricted employee shares, or merger/acquisition/divestment through exchange of shares: None

III. Progress on planned use of fund: None.

Five. Business Overview

I. Operations:

(I) Scope of business

1. Principal business activities

- (1) A variety of metallic machines, punching machines, steel molds, metallic electrical parts & components purchase, manufacturing, import and export, and trading (manufacturing of computer chassis, peripheral equipment and molds).
- (2) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing.
- (3) CC01060 Wired Communication Equipment and Apparatus Manufacturing.
- (4) CC01050 Data Storage Media Units Manufacturing.
- (5) CC01070 Telecommunication Equipment and Apparatus Manufacturing.
- (6) CC01080 Electronic Parts and Components Manufacturing.
- (7) E605010 Computing Equipment Installation Construction.
- (8) F113070 Wholesale of Telecom Instruments.
- (9) F213060 Retail Sale of Telecom Instruments.
- (10) F601010 Intellectual Property.
- (11) I301010 Software Design Services.
- (12) I301020 Data Processing Services.
- (13) I301030 Digital Information Supply Services.
- (14) I501010 Product Designing.
- (15) IE01010 Telecommunications Number Agencies.
- (16) ZZ99999 All business items not prohibited or restricted by law, except those that are subject to special approval.

2. Principal business activities and weight

Unit: NTD thousand

Product	2019 Sales amount	as a percentage of annual sales
PC and server chassis	4,876,005	81%
Mobile device components	874,003	14%
Mold	278,694	5%
Total	6,028,702	100%

3. The Company's current products (services)

PC and server chassis; design, manufacturing and sale of handheld devices.

4. New products (services) planned for the future

- (1) Develop the soft magnetic materials, Fe-49Co-2V

acid-deformation formula injection materials with high magnetic induction in line with the continuous furnace production NIM process.

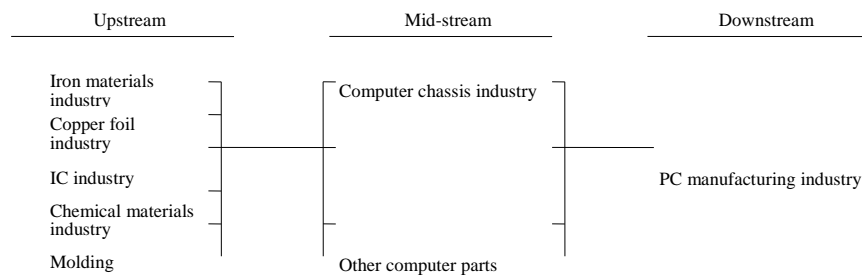
- (2) Continue to develop CIM (Ceramic Injection Molding) surface finish technique.
- (3) Develop the continuous furnace production MIM process for High Strength NonMagnetic Austenitic Stainless Steel, X15 CrMnMonN 17-11-3.
- (4) Develop the anti-corrosion and wear-resistant non-magnetic cobalt-based alloy F75 Co-28Cr-6Mo) thermal-debinding formula in line with continuous furnace production NIM process.
- (5) Develop smart shaping NIM manufacturing technique and process.

(II) Industry overview

1. Current and future industry prospects

Chassis is an accessory of personal computers, and falls in the hardware category of the IT industry. Due to the introduction of low-price computers, the selling price and gross profit of computer chassis have fallen consistently. The uprise of smartphones and tablet PCs presents even a greater blow to the PC industry, which is why the Company has been searching for new breakthroughs in terms of production and technology in recent years, and expanding product lines to cloud server chassis and racks for broader customer reach.

2. Association between upstream, midstream, and downstream industry participants



3. Product trend and competition

The PC industry has undergone extreme changes in the last few years, many caused by the rise of smartphones and tablet PC. Given the declining margin of computer chassis, industry participants are starting to expand into other product lines for growth opportunity. The demand for smartphones and cloud servers is still growing. In the future, the Company remains optimistic and will aim to compete in this field by introducing differentiated procedures and new technologies.

(III) Technological research and development

1. Annual R&D expenses for the last 5 years

Unit: NTD thousand

	2015	2016	2017	2018	2009	Year-to-date as at March 31
R&D expenses	41,037	40,737	34,036	35,697	49,128	12,212
Operating revenue	3,241,910	4,274,910	4,840,129	6,186,402	6,028,702	1,360,848
R&D expenses as a percentage of net operating revenues	1.27%	0.95%	0.70%	0.58%	0.82%	0.90%

2. Technologies or products successfully developed

- (1) Complete the development of high-temperature and high-strength Inconel 713C MIM process.
- (2) Complete the development of CIM (Ceramic Injection Molding) surface finish technique.
- (3) Complete the development of the MIM process for High Strength Non-Magnetic Austenitic Stainless Steel, X15 CrMnMonN 17-11-3.
- (4) Complete the development of the anti-corrosion and wear-resistant non-magnetic cobalt-based alloy F75 (Co-28Cr-6Mo) thermal-debinding NIM process.
- (5) Complete the development of automatic visualizing cosmetic inspection equipment.

(IV) Long and short-term business plans

1. Short-term business plans

- (1) In addition to increasing product orders from existing customers, the Company will actively explore new customers to secure the growth of its revenues.
- (2) Increase the percentage of high value-adding products sold and achieve growth in terms of revenues and profitability.
- (3) Expand Asian and emerging markets.
- (4) Coordinate marketing, production and logistic resources throughout the group for maximum efficiency.

2. Long-term business plans

- (1) Recruit top talents, enhance marketing, R&D and global logistics capacity to maintain the Company's overall competitiveness.
- (2) Invest into the research and development of key components for PC and communication devices, and convert into growth momentum.
- (3) Take initiative in exploring EMS opportunities for handheld devices.

II. Market and sales overview

(I) Market analysis

1. Locations where products are primarily sold, and market share information

Computer chassis and cellphone components are the

main products of the Company.

Unit: NTD thousand; %

Region	Year	2017		2018		2009	
		Sales amount	Sales percentage	Sales amount	Sales percentage	Sales amount	Sales percentage
Domestic sale		17,448	0.36	34,298	0.55	197,736	3.28
Export sale	America	345,152	7.13	540,315	8.73	405,299	6.72
	Europe	201,712	4.17	198,719	3.21	166,008	2.75
	Asia	4,275,817	88.34	5,413,070	87.51	5,259,659	87.25
Total		4,840,129	100.00	6,186,402	100.00	6,028,702	100.00

2. Future market supply, demand and growth

(1) Future market supply and demand

Desktop PCs exhibit very small growth potential due to their tendency to be replaced by notebook and tablet PCs in the future. However, due to the rise of cloud computing applications, much of the computing action is no longer performed by terminal devices, but at the server end instead. This shift of computing activity is driving the growth of servers, data centers, as well as demands for more computing, storage and network capacity. Overall, demands for server chassis and smartphone components will continue to grow at the expense of desktop PC growth.

(2) Future market growth

Chassis manufacturing is closely tied to the IT industry. Although demands for desktop PCs have declined, new applications such as multimedia, networking, smart homes, cloud computing and smartphone have more than made up the loss, which is why the Company remains optimistic about its future growth.

3. Competitive advantage

(1) Superior R&D and design capability

(2) Comprehensive production procedures and product lines

(3) Possession of key technology in mold design and development

(4) Fast and reliable product delivery

Furthermore, the Company's strong financial position combined with fast, reliable production capabilities are the advantages that distinguish ourselves from competitors.

4. Opportunities, threats and responsive measures

(1) Opportunities

A. Consumers are paying more attention to the pattern and material of the chassis they use. These products are less substitutable and highly standardized to

assure a relatively long life cycle.

- B. The Company works with world-renowned IT brands and is constantly developing new products.
- C. The Company maintains long-term relationship with suppliers to secure the source of its materials, and competitiveness of its products.
- D. The percentage of handheld device components manufactured using the MIM process continues to increase.

(2) Threats and responsive measures

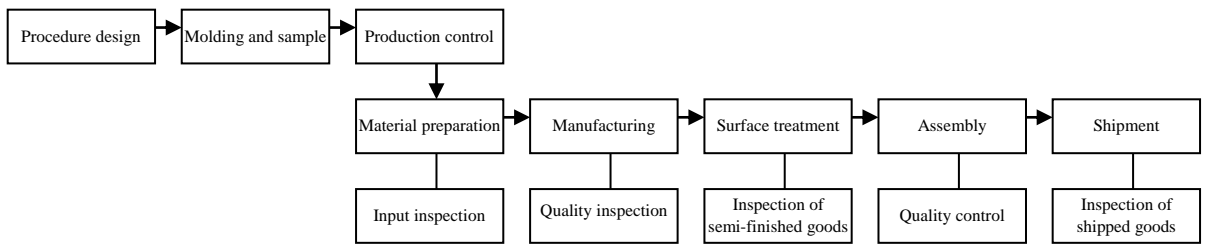
According to a research conducted by Market Intelligence & Consulting Institute, demands for desktop PCs will be gradually replaced by notebook and tablet PCs. In addition, factors such as intensive competition, customers' price cuts, rising cost of materials and labor etc all make desktop PC a difficult business to profit. In response to this trend, the Company will be actively transforming its business and developing products of high added value to stay ahead of the competition.

(II) Main product applications and production processes:

1. Main product applications

The Company's main business activities are the production and sale of computer chassis, mobile device components, server chassis and related components. Its products are used for the assembly and for protection of desktop PC, handheld devices, and servers.

2. Production process



(III) Supply of key materials:

Product	Main materials	Supplier origin	Supply
PC chassis	Galvanized steel	Taiwan and China	Good
	Plastic grain	Taiwan and China	Good
	Power supply unit	Taiwan and China	Good
	Other electronic	Taiwan and Mainland	Good
Mobile device	Metal powder	Taiwan and China	Good

(IV) Name of customer representing more than 10% of total purchases (sales) in any of the previous two years, and the amount and percentage of purchase (sale), and the cause of any variation:

1. Suppliers representing more than 10% of net purchase in the last two years

No supplier representing more than 10% of net purchase in the last two years.

2. Customers representing more than 10% of net sales in the last two years

Item	2018				2019				Up till the first quarter of 2020			
	Name	Amount	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	As a percentage of current year net sales up till the previous quarter (%)	Relationship with the issuer
1	Company A	1,607,063	26%	None	Company A	896,771	15%	None	Company A	157,507	12%	None
2	Company B	1,717,887	28%	None	Company B	1,812,090	30%	None	Company B	322,190	24%	None
3	Company C	899,106	14%	None	Company C	944,618	16%	None	Company C	228,887	17%	None
4	Company D	604,524	10%	None	Company D	975,190	16%	None	Company D	254,565	19%	None
	Others	1,357,822	22%	None	Others	1,400,033	23%	None	Others	397,699	28%	None
	Net sales	6,186,402	100%		Net sales	6,028,702	100%		Net sales	1,360,848	100%	

Note 1: List the names of suppliers that represent more than 10% of purchases made in the last two years, and individual amount and percentage of total purchase; use alias if the contract does not permit disclosure of supplier's name or if the counterparty is an unrelated natural person.

Note 2: TWSE/TPEX listed companies are required to disclose audited or auditor-reviewed financial information available before the publication date of annual report.

3. Change and cause of change in customers' activities in the last two years:

Item	Name	Amount in 2018	Amount in 2019	Difference between the two periods	Cause of variation
1	Company A	1,607,063	896,771	- 710,293	Decrease in customer's demand
2	Company B	1,717,887	1,812,090	94,203	Increase in customer's demand
3	Company C	899,106	944,618	- 45,512	Decrease in customer's demand
4	Company D	604,524	975,190	370,666	Increase in customer's demand
	Others	1,357,822	1,400,033	42,211	
	Net sales	6,186,402	6,028,702	- 157,700	

(V) Production volume and value in the last two years

Unit: thousand pieces/NTD thousand

Year/Product ion volume or value	2018			2009		
	Main products	Production capacity	Production volume	Production value	Production capacity	Production volume
PC chassis	18,104	17,742	4,368,873	20,203	19,824	4,876,704
Mobile device components	209,264	205,079	1,610,942	137,648	114,231	879,579
Mold (Note)	-	-	383,775	-	-	287,055
Total	227,368	222,821	6,363,590	157,851	134,055	6,043,338

(Note) Molds have different patterns and sizes and are sold in sets, which makes production capacity and volume difficult to calculate.

(VI) Sales volume and value in the last two years

Unit: thousand pieces/NTD thousands

Year	2018				2009			
	Domestic sale		Export sale		Domestic sale		Export sale	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main products								
PC chassis	4	15,528	17,242	4,241,624	91	184,416	19,072	4,691,589
Mobile device components	-	-	199,299	1,534,230	-	-	113,507	874,003
Mold (Note)	-	18,770	-	376,250	-	13,320	-	265,374
Total	4	34,298	216,541	6,152,104	91	197,736	132,579	5,830,966

(Note) Molds have different patterns and sizes and are sold in sets, which makes sales volume difficult to calculate.

III. Employee size, average years of service, average age, and academic background in the last 2 years up till the publication date of this annual report:

March 31, 2020

Year		2018	2019	Year-to-date as at March 31, 2020
Employee count	Indirect employees	1,353	1,471	1,482
	Direct employees	4,867	3,930	4,204
	Total	6,220	5,401	5,686
Average age		31.11	31.83	32.17
Average years of service		2.34	2.67	2.54
Distribution of academic background (%)	Doctoral Degree	0.06%	0.07%	0.07%
	Masters Degree	0.46%	0.33%	0.29%
	Bachelors Degree	8.16%	9.05%	8.29%
	Senior High School	12.71%	11.92%	10.49%
	Below high school	78.02%	78.61%	80.87%

IV. Contribution to environmental protection

(I) Describe any losses suffered by the Company in the most recent three years and up to the date of publication of the annual report due to environmental

pollution incidents (including any compensation paid and any violations of environmental protection laws or regulations found in environmental inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and the responsive measures thereof: None.

- (II) Describe the current pollution situation and how improving the situation may affect the company's earnings, competitiveness, and capital expenditure; estimate major capital expenditures on environmental protection in the next 3 years: None.

V. Labor-management relations

- (I) Availability and execution of employee welfare, education, training and retirement policies; elaborate on the agreements between employers and employees, and protection of employees' rights:

1. Welfare

The Company has established an Employee Welfare Committee in accordance with the Employees' Welfare Funds Act to oversee all matters relating to employees' welfare. Contributions are made to the welfare fund on a monthly basis.

All employees are covered by Labor Insurance and National Health Insurance as required by the Labor Insurance Act and the National Health Insurance Act, which entitles them to various benefits under the Labor Insurance Scheme. The Company's offers the following benefits to employees: birthday gift, wedding/funeral subsidy, festive gift, employee trip, festive bonus, magazine subscription, year-end party lucky draw, Labor and National Health Insurance, group insurance, and yearly health checkups.

2. Training and continuing education

The Company organizes internal and external training based on employees' needs and helps them develop the professional skills needed to improve work efficiency.

Item No.	Department	Course name	Trainer	Course date	Training hours	Expenses
1	Legal Affairs Office	Practical Considerations for Companies Facing Trade Secret Issues	Finnegan, Henderson, Farabow, Garrett & Dunner, LLP	1/15/2019	4	-
2	IT Center	Exchange Online Mixed Framework Deployment and Relocation Implementation Course	Microsoft Taiwan Corporation	February 25 and February 26, 2019	16	-
3	Legal Affairs Office	2019 Practices and Strategies in US Patent Litigation; Latest Trend for PTAB Patent Invalidation & Patent Intellectual Property	US Perkins Coie	3/18/2019	5	-
4	IT Center	2019 Taiwan Cyber Security Summit	iThome	March 10~March 31, 2019	24	-
5	Human Resources Division	Taiwan Enterprise & Talent and International Layout & Development Forum	104 Corporation	3/20/2019	6	-
6	IT Center	Microsoft Taiwan Corporation Business Central Conference	Microsoft Taiwan Corporation	3/22/2019	4	-
7	IT Center	Sanfran Technologies "Next-Generation Endpoint Security Protection" Conference	Sanfran Technology Inc.	3/29/2019	4	-
8	IT Center	Azure Infra & Apps Two-Day Build Camp	Microsoft Taiwan Corporation	April 8 and April 9, 2019	16	-
9	Legal Affairs Office	Conference on Challenges in the AI Age and Innovative Patent Forward-Looking Issues	Chinese National Federation of Industries	4/24/2019	5	-

Item No.	Department	Course name	Trainer	Course date	Training hours	Expenses
10	IT Center	2019 Asia-Pacific Information Security Forum and Exhibition	Information Security Magazine	May 8~May 10, 2019	24	-
11	IT Center	SQL Server 2008 terminated the support. 12 things you must know before upgrading.	Acer AEB	5/14/2019	4	-
12	Internal Audit Office	Analysis on New "Corporate Governance Roadmap (2018-2020)" Audit Control Practices	Accounting Research and Development Foundation	5/30/2019	6	3,500
13	Internal Audit Office	Common Deficiencies in Internal Audit/Internal Control of Taiwan-based Enterprises' Subsidiaries	Accounting Research and Development Foundation	5/31/2019	6	3,500
14	IT Center	DevDays Asia 2019 Asia-Pacific Technology Annual Meeting	Microsoft Taiwan Corporation	May 21~May 22, 2019	16	-
15	IT Center	DevDays Asia 2019 Asia-Pacific Technology Annual Meeting	Microsoft Taiwan Corporation	May 21 and May 23, 2019	16	-
16	IT Center	DevDays Asia 2019 Asia-Pacific Technology Annual Meeting	Microsoft Taiwan Corporation	May 22~May 23, 2019	16	-
17	Human Resources Division	2019 Monya Trainer Kaleidoscope	Monya Management Consultant Co., Ltd.	5/24/2019	4	-
18	IT Center	Conference on Embracing Digital Business Transformation Strategies	Acer AEB	June 21 and June 22, 2019	6	-
19	Legal Affairs Office	Conference on Global Development in SEP License and Execution	Finnegan, Henderson, Farabow, Garrett & Dunner, LLP	6/21/2019	5	-
20	Legal Affairs Office	US Patent System Development Trend, and Response Thereto	Finnegan, Henderson, Farabow, Garrett & Dunner, LLP	6/28/2019	5	-
21	Human Resources Division	Internal and External Improvement on Employer's Brand	104 Corporation	6/12/2019	3	-
22	Human Resources Division	Management of Human Resources Employed as Senior Management	104 Corporation	6/25/2019	3	-
23	Internal Audit Office	How Internal Auditors Detect Financial Statements	The Institute of Internal Auditors, R.O.C	7/3/2019	6	3,000
24	Internal Audit Office	Audit on Sourcing System of Manufacturing Industry	The Institute of Internal Auditors, R.O.C	7/10/2019	6	3,000
25	Internal Audit Office	Disclosure of Corporate Corruption Cases and Approaches That Internal Auditors Should Know	Securities & Futures Institute	7/24/2019	6	3,500
26	IT Center	Digital Information Security AI - Next-Generation Transformation Conference	SYSTEX	7/4/2019	4	-
27	IT Center	CITIC Telecom International Solutions Day 2019	CITIC Telecom International Holdings	7/12/2019	4	-
28	Human Resources Division	Economic Trend in Sino-US Trade War of H2 2019	Taiwan Institute of Economic Research	7/18/2019	1	-
29	Internal Audit Office	Practices in Audit on Property, Plant and Equipment Circulation and Salary Circulation	Securities & Futures Institute	7/29/2019	6	3,500
30	Advanced Procedures R&D Department	Practices in Measure Instrument Calibration and Management	China Productivity Center	7/25/2019	7	3,800
31	IT Center	Share of New Trend and Practices in 2019 Information Governance Annual Meeting Overview of Information Security Management International Standards.	SGS_SGS Taiwan Ltd.	8/1/2019	6	-
32	Human Resources Division	2019 Labor Insurance and Employment Insurance Laws & Regulations Presentation	Department of Labor, Taipei City Government	8/1/2019	5	-
33	Advanced Procedures R&D Department	Conference on GD&T and GPS Geometric Dimension and Tolerance	Industrial Technology Research Institute	August 16~August 17, 2019	12	4,000
34	Finance Division	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Accounting Research and Development Foundation	August 29~August 30, 2019	12	8,000
35	Finance Division	Comprehensive Analysis of Consolidated Financial Statements	Securities & Futures Institute	9/4/2019	6	3,500
36	IT Center	2019 SYMANTEC TAIWAN Annual Information Security Forum	SYMANTEC TAIWAN LIMITED	9/12/2019	4	-
37	IT Center	Dell Technologies Forum 2019	Dell EMC Team	9/17/2019	6	-
38	Human Resources Division	Comprehensive Analysis on Labor Incident Act	Sheng-Lun Attorneys-at-Law	9/20/2019	5	-

Item No.	Department	Course name	Trainer	Course date	Training hours	Expenses
39	Human Resources Division	【ATD X Case Study】 Training Fine Quality Making Talen Value Added	aEnrich Technology Corporation	9/25/2019	4	-
40	R&D Center	Analysis on New AIAG-VDA FMEA Failure Mode and Effects	ETBEST Consulting	9/27/2019	7	4,000
41	Human Resources Division	Workplace Full of Crises? Prevention and Resolution of Occupational Disasters	104 Corporation	10/23/2019	3	-
42	Legal Affairs Office	Renowned Corporate Brands Management and Protection	Taiwan Technology Industry Legal Officers Association	10/25/2019	5	-
43	Legal Affairs Office	2019 TIPA IP International Conference: Patent Invalidation Litigation	Intellectual Property Office, Ministry of Economic Affairs, et al.	11/8/2019	8	-
44	IT Center	Electronic Signature *Corporate Situation Room * query report	Smart eVision Information Technology Inc.	11/8/2019	4	-
45	Administration Department	Occupational Safety and Health Management Personnel In-Service Training	Industrial Safety and Health Association of the R.O.C.	November 19~November 20, 2019	12	2,800
46	Finance Division	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Accounting Research and Development Foundation	November 18~November 19, 2019	12	8,000
47	Human Resources Division	Make You Really Understand AI - An AI Class Exclusively Designed for HR	104 Corporation	12/11/2019	3	-
48	IT Center	Conference on Application of Big Data Enterprise Cloud to Build AI Comprehensive Corporate Situation Center	Zerone Team	12/12/2019	3	-

3. Pension system

The Company complies with regulations and has been contributing a sum totaling 6% of employees' monthly salaries into their personal accounts held under the Bureau of Labor Insurance for all employees who came onboard after July 1, 2005 and for existing employees who opted for the new pension scheme introduced by the Labor Pension Fund Act. Meanwhile, the Company continues to make appropriate contributions to the pension fund account held with Bank of Taiwan according to its pension policy for existing employees who opted for the old pension scheme and for existing employees who opted for the new scheme (based on the years of service completed under the old scheme). Employees who are assigned from one related company to another may have years of service carried forward. It is the Company's intention to provide employees with as much protection as possible to facilitate circulation of talents within the group. Overseas subsidiaries adopt the defined contribution pension plan, in which they make monthly contributions to the pension, healthcare and social security systems as required by local governments.

4. Status of labor-management agreements and measures for preserving employees' rights and interests

Any amendment to employment terms are fully negotiated and communicated between the management and the employees before execution. As a result, no employment dispute has occurred to this day.

- (II) Describe any losses suffered by the company in the most recent fiscal year and up to the date of publication of the annual report due to labor disputes (including any violations of the Labor Standards Act found in labor inspection, specifying the disposition dates, disposition reference numbers, the articles of law violated, the substance of the legal violations, and the content of the dispositions), and the responsive measures thereof:

The Company encountered no employment dispute in the last year up till the publication date of this annual report that resulted in losses. Furthermore, given the harmonic labor-management relations the Company has maintained to date, it is extremely unlikely to suffer losses from employment dispute in the future.

VI. Major contracts: None.

Six. Financial Summary

I. Summary balance sheet and statement of comprehensive income for the last 5 years

(I) Summary balance sheet and statement of comprehensive income

1. Summary balance sheet - consolidated

Unit: NTD thousand

Year		Financial information for the latest 5 years (Notes 1 and 2)					Year-to-date as at March 31, 2020
		2015	2016	2017	2018	2019	Financial information (Note 2)
Item							
	Current assets	1,787,706	2,458,237	2,876,139	3,485,627	3,451,479	3,200,618
	Property, plant, and equipment	1,043,626	1,180,980	1,128,528	1,137,662	969,922	930,877
	Intangible assets	2,116	3,555	3,617	2,368	1,390	999
	Other assets	609,741	526,723	532,098	495,759	514,162	511,945
	Total assets	3,443,189	4,169,495	4,540,382	5,121,416	4,936,953	4,644,439
Current liabilities	Before dividend	911,008	1,316,145	1,696,528	2,217,813	2,105,047	1,838,683
	After dividend	964,389	1,401,113	1,781,496	2,266,694	Note 3	Note 3
	Non-current liabilities	295,425	254,769	220,226	293,451	324,315	320,054
Total liabilities	Before dividend	1,206,433	1,570,914	1,916,754	2,511,264	2,429,362	2,158,737
	After dividend	1,259,814	1,624,295	2,001,722	2,560,145	Note 3	Note 3
	Equity attributable to parent company shareholders	2,236,756	2,598,581	2,382,915	2,340,477	2,318,043	2,293,895
	Share capital	1,779,350	1,699,350	1,699,350	1,699,350	1,629,350	1,594,350
	Capital reserve	15,415	14,722	52,485	52,485	82,967	81,185
Retained earnings	Before dividend	431,080	534,525	662,176	685,887	736,745	741,573
	After dividend	377,699	449,557	577,208	637,006	Note 3	Note 3
	Other equity items	10,911	(29,978)	(31,096)	(45,218)	(81,209)	(91,394)
	Treasury stocks	-	-	-	(52,027)	(49,810)	(31,819)
	Non-controlling equity	-	379,962	240,713	269,675	189,548	191,807
Total equity	Before dividend	2,236,756	2,598,581	2,623,628	2,610,152	2,507,591	2,485,702
	After dividend	2,183,375	2,513,613	2,538,660	2,561,271	Note 3	Note 3

Note 1: Consolidated financial information for years 2015 and 2010 has been audited by the CPAs.

Note 2: Based on auditor-reviewed consolidated financial information.

Note 3: Shareholder meeting has yet to be convened.

1-1. Summary balance sheet - standalone

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Notes 1 and 2)					
	2015	2016	2017	2018	2019	
Current assets	836,936	1,027,287	960,032	1,105,479	994,126	
Property, plant, and equipment	329,225	321,546	314,933	311,662	309,099	
Intangible assets	-	-	-	-	-	
Other assets	1,794,652	1,868,439	2,133,239	2,162,291	2,300,965	
Total assets	2,960,813	3,217,272	3,408,204	3,579,432	3,604,190	
Current liabilities	Before dividend	434,184	749,626	806,985	948,083	969,640
	After dividend	487,565	834,594	891,953	996,964	Note 2
Non-current liabilities	289,873	249,027	218,304	290,872	316,507	
Total liabilities	Before dividend	724,057	998,653	1,025,289	1,238,955	1,286,147
	After dividend	777,438	1,083,621	1,110,257	1,287,836	Note 2
Equity attributable to parent company shareholders	2,236,756	2,218,619	2,382,915	2,340,477	2,318,043	
Share capital	1,779,350	1,699,350	1,699,350	1,699,350	1,629,350	
Capital reserve	15,415	14,722	52,485	52,485	82,967	
Retained earnings	Before dividend	431,080	534,525	662,176	685,887	736,745
	After dividend	377,699	449,557	577,208	637,006	Note 2
Other equity items	10,911	(29,978)	(31,096)	(45,218)	(81,209)	
Treasury stocks	-	-	-	(52,027)	(49,810)	
Non-controlling equity	-	-	-	-	-	
Total equity	Before dividend	2,236,756	2,218,619	2,382,915	2,340,477	2,318,043
	After dividend	2,183,375	2,133,651	2,297,947	2,291,596	Note 2

Note 1: Consolidated financial information for years 2015~2019 has been audited by the CPAs.

Note 2: Shareholder meeting has yet to be convened.

2. Summary statement of comprehensive income - consolidated

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Note 1)					Year-to-date as at March 31, 2020
	2015	2016	2017	2018	2019	Financial information (Note 2)
Operating revenue	3,241,910	4,274,785	4,840,129	6,186,402	6,028,702	1,360,848
Gross profit	315,775	608,044	661,920	472,143	564,907	98,724
Operating profit	38,166	261,216	321,059	98,852	185,813	12,849
Non-operating revenues and expenses	57,365	37,123	(40,992)	86,415	26,626	19,922
Pre-tax profit	95,531	298,339	280,067	185,267	212,439	32,771

Profit (loss) of continuing operations	69,572	256,053	245,918	144,505	157,008	22,359
Loss of discontinued operations	-	-	-	-	-	-
Net income (loss)	69,572	256,053	245,918	144,505	157,008	22,359
Other comprehensive income for the current period (net, after-tax)	6,116	72,578	(8,139)	(20,986)	(41,794)	(12,429)
Total comprehensive incomes in the current period	75,688	183,475	237,779	123,519	115,214	9,930
Net income attributable to parent company shareholders	69,572	197,801	212,909	110,051	132,900	17,856
Net income attributable to non-controlling shareholders	-	58,252	33,009	34,454	24,108	4,503
Comprehensive income attributable to parent company shareholders	75,688	152,895	211,501	94,557	96,125	7,671
Comprehensive income attributable to non-controlling shareholders	-	30,580	26,278	28,962	19,089	2,259
EPS	0.39	1.14	1.25	0.65	0.82	0.11

Note 1: Consolidated financial information for years 2015~2019 has been audited by the CPAs.

Note 2: Based on auditor-reviewed consolidated financial information.

2-2. Summary statement of comprehensive income - standalone

Unit: NTD thousand

Item	Year	Financial information for the latest 5 years (Note 1)				
		2015	2016	2017	2018	2019
Operating revenue		2,496,408	2,740,828	2,808,551	3,138,229	2,827,726
Gross profit		212,858	314,671	347,036	224,277	195,585
Operating profit		41,352	122,535	215,368	100,455	60,710
Non-operating revenues and expenses		54,179	117,552	31,690	50,358	84,496
Pre-tax profit		95,531	240,087	247,058	150,813	145,206
Profit (loss) of continuing operations		69,572	197,801	212,909	110,051	132,900
Loss of discontinued operations		-	-	-	-	-
Net income (loss)		69,572	197,801	212,909	110,051	132,900
Other comprehensive income/loss for the current period (net, after-tax)		6,116	44,906	(1,408)	(15,494)	(36,775)
Total comprehensive incomes in the current period		75,688	152,895	211,501	94,557	96,125
Net income attributable to		69,572	197,801	212,909	110,051	132,900

parent company shareholders					
Net income attributable to non-controlling shareholders	-	-	-	-	-
Comprehensive income attributable to parent company shareholders	75,688	152,895	211,501	94,557	96,125
Comprehensive income attributable to non-controlling shareholders	-	-	-	-	-
EPS	0.39	1.14	1.25	0.65	0.82
Note 1: Consolidated financial information for years 2015~2019 has been audited by the CPAs.					

(II) Names of financial statement auditors in the last 5 years and audit opinions:

Year	Accounting firm	Name of CPA	Audit opinion
104	KPMG	Daisy Kuo, Michelle Wang	Unqualified opinion
105	KPMG	Yen Hsing-Fu, Daisy Kuo	Unqualified opinion
106	KPMG	Yen Hsing-Fu, Daisy Kuo	Unqualified opinion
107	KPMG	Yen Hsing-Fu, Daisy Kuo	Unqualified opinion
108	KPMG	Yen Hsing-Fu, Michelle Wang	Unqualified opinion

II. Financial analysis for the last 5 years:

(1) Financial analysis - consolidated

Year (Note 1) Analysis (Note 3)		Financial analysis for the last 5 years					Year-to-date as at March 31, 2020
		2015	2016	2017	2018	2019	(Note 2)
Financial position (%)	Debt to assets ratio	35.04	37.68	42.22	49.03	49.21	46.48
	Long-term capital to property, plants and equipment	241.15	240.19	251.09	254.22	290.08	301.41
Solvency (%)	Current ratio	196.23	186.78	169.53	157.17	163.96	174.07
	Quick ratio	133.8	135.06	118.62	108.69	114.13	116.05
	Interest coverage ratio	9.78	43.31	53.89	22.3	21.61	12.08
Operating efficiency	Accounts receivable turnover (times)	3.62	4.19	3.69	3.60	2.99	2.80
	Average cash collection days	100.81	87.10	98.93	101.42	121.89	130.37
	Inventory turnover (times)	6.49	6.49	5.95	6.42	5.52	5.20
	Accounts payable turnover (times)	5.94	5.60	4.17	4.23	3.79	4.07
	Average inventory turnover days	56.28	56.28	61.36	56.90	66.15	70.26

	Property, plant and equipment turnover (times)	3.11	3.62	4.29	5.44	6.22	5.31
	Total assets turnover (times)	0.94	1.03	1.07	1.21	1.22	1.14
Profitability	Return on assets (%)	2.29	6.88	5.75	3.14	3.29	0.20
	Return on equity (%)	3.13	10.59	9.42	5.52	5.71	3.10
	Pre-tax profit to paid-up capital (%) (Note 7)	5.37	17.56	16.48	10.90	13.04	8.22
	Net profit margin (%)	2.15	6.00	5.08	2.34	2.60	1.31
	Earnings per share (NT\$)	0.39	1.14	1.25	0.65	0.82	0.11
Cash flow	Cash flow ratio (%)	36.23	56.48	22.48	1.60	9.66	-0.66
	Cash flow adequacy ratio (%)	No IFRS-compliant information was available in the last 5 years	146.21	165.93	95.74	109.65	-48.51
	Cash reinvestment ratio (%)	13.09	25.02	10.52	-1.68	5.18	-0.42
Degree of leverage	Operating leverage	7.91	2.02	1.65	3.53	2.33	5.63
	Financial leverage	1.4	1.03	1.02	1.10	1.06	1.30

Variation of financial ratios in the last 2 years (not required for variations below 20%).

- I. Increase in average cash collection days for operating efficiency: As a result of the increase in accounts receivable.
- II. Increase in EPS for profitability: As a result of the decrease in labor expenses caused by the automated modules implemented into the production process and enhancement of quality awareness.
- III. Increase in cash flow: As a result of the increase in cash flow from operating activities.
- IV. Leverage: Decrease in operating leverage: As a result of the decrease in operating revenue.

Note 1: Consolidated financial information for years 2015 and 2019 has been audited.

Note 2: Based on auditor-reviewed consolidated financial information.

Note 3: Formulas of the various analyses are defined below:

(I) Financial analysis - standalone

Year (Note 1)		Financial analysis for the last 5 years				
Analysis (Note 3)		2015	2016	2017	2018	2019
Financial position (%)	Debt to assets ratio	24.45	31.04	30.08	34.61	35.68
	Long-term capital to property, plants and equipment	764.45	764.00	823.32	841.45	848.93
Solvency (%)	Current ratio	192.76	137.04	118.97	116.6	102.53
	Quick ratio	191.48	136.76	118.92	116.53	100.39
	Interest coverage ratio	10.59	35.05	48	22.9	15.77
Operating efficiency	Accounts receivable turnover (times)	3.67	3.97	3.73	3.71	3.08
	Average cash collection days	99.49	91.88	97.83	98.39	118.40

	Inventory turnover (times)	474.31	1565.26	3057.78	92506.41	324.62
	Accounts payable turnover (times)	8.93	6.95	4.57	5.6	5.31
	Average inventory turnover days	0.77	0.23	0.12	0.00	1.12
	Property, plant and equipment turnover (times)	7.58	8.52	8.92	10.07	9.15
	Total assets turnover (times)	0.84	0.85	0.82	0.88	0.78
Profitability	Return on assets (%)	2.55	6.59	6.56	3.31	3.93
	Return on equity (%)	3.13	8.88	9.25	4.66	5.71
	<u>Pre-tax profit to paid-up capital (%)</u>	5.37	14.13	14.54	8.87	8.91
	Net profit margin (%)	2.79	7.22	7.58	3.51	4.70
	Earnings per share (NT\$)	0.39	1.14	1.25	0.65	0.82
Cash flow	Cash flow ratio (%)	18.46	51.02	22.52	-13.73	6.89
	Cash flow adequacy ratio (%)	No IFRS-compliant information was available in the last 5 years	1744.56	715.89	305.07	200.28
	Cash reinvestment ratio (%)	3.47	14.53	4.04	-8.85	0.73
Degree of leverage	Operating leverage	1.41	1.09	0.66	1.29	1.10
	Financial leverage	1.32	1.06	1.03	1.07	1.19

Variation of financial ratios in the last 2 years (not required for variations below 20%).

- I. Solvency: Decrease in interest coverage ratio: As a result of the decrease in pre-tax profit.
- II. Operating efficiency: Decrease in inventory turnover: As a result of the increase in inventory.
- III. Profitability: Increase in return on equity/increase in net profit margin/increase in EPS: As a result of the increase in the net income.
- IV. Increase in cash flow: As a result of the increase in cash flow from operating activities.

Note 1: Consolidated financial information for years 2015 and 2019 has been audited.

Note 2: Based on auditor-reviewed consolidated financial information.

Note 3: Formulas of the various analyses are defined below:

1. Financial position
 - (1) Debt to asset ratio = total liabilities / total assets.
 - (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
 - (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating efficiency
 - (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
 - (2) Average cash collection days = 365 / receivables turnover.
 - (3) Inventory turnover = cost of sales / average inventory balance.
 - (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
 - (5) Average inventory turnover days = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.

- (7) Total asset turnover = net sales/average total assets.
4. Profitability
- (1) Return on assets = (net income + interest expenses x (1 - tax rate)) / average asset balance.
 - (2) Return on equity = net income / average shareholders' equity.
 - (3) Net profit margin = net income / net sales.
 - (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares. (Note 4)
5. Cash flow
- (1) Cash flow ratio = net cash flow from operating activities / current liabilities
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Degree of leverage:
- (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 6).
 - (2) Degree of financial leverage = operating profit / (operating profit - interest expense).
- Note 4: Calculation of earnings per share has taken the following factors into account:
1. Weighted average outstanding common shares are used, instead of year-end outstanding shares.
 2. Effects of cash issues or treasury stocks, weighed by the number of outstanding shares and calculated for the length of time they were in circulation.
 3. Where any additional shares were issued against capitalized earnings or reserves, the full year or half-year earnings per share are adjusted retrospectively, regardless of when the additional shares were issued.
 4. Where preferred shares were cumulative and non-convertible in nature, all current year dividends (whether distributed or not) are deducted from net income, or added to net loss. If preferred shares were non-cumulative, then the preferred share dividends are deducted from net income, but no adjustment is required for net loss.
- Note 5: Cash flow analyses have taken the following factors into account:
1. Net cash flow from operating activities is taken from net cash inflow from operating activities presented in the cash flow statement.
 2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
 3. Increase in inventory is used only if closing balance exceeds opening balance. The value will be substituted with zero if closing inventory balance is lesser than the opening balance.
 4. Cash dividends include both common and preference share cash dividends.
 5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.
- Note 6: The Company, as a securities issuer, is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification needs to be reasonable and consistent.
- Note 7: For companies that issue shares without face value or at any face value other than NT\$10 per share, all above percentages that involve paid-up capital in the denominator shall be substituted with equity attributable to parent company shareholders instead.

III. Supervisor's review of the latest financial reports

Chenming Electronic Technology Corporation Supervisor's Review Report

This is to certify that

The Company's 2019 financial statements presented by the Board of Directors have been audited by CPA Yen Hsing-Fu and CPA Michelle Wang of KPMG. These financial statements were submitted for review by us, the Supervisors, along with the Company's business report and earnings appropriation table. We found the said reports to be compliant with the Company Act and relevant regulations, and hereby issue this Declaration in accordance with Article 219 of the Company Act.

To:

2020 Annual General Meeting

Supervisor: Lin Po-Hsiang

Lin Pei-Yu

March 12, 2020

IV. Latest financial statements and independent auditor's report
Consolidated financial statements enclosed herewith.

Stock Code:3013

**CHENMING ELECTRONIC TECHNOLOGY CORP.
AND SUBSIDIARIES**

**(Formerly CHENMING MOLD IND. CORP. AND
Subsidiary)**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Years Ended
December 31, 2019 and 2018**

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

Representation Letter

The entities that are required to be included in the combined financial statements of Chenming Electronic Technology Corp. as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chenming Electronic Technology Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Chenming Electronic Technology Corp.
Chairman: Lin, Mu-Ho
Date: March 12, 2020

Independent Auditors' Report

To the Board of Directors of CHENMING ELECTRONIC TECHNOLOGY CORP.:

Opinion

We have audited the consolidated financial statements of CHENMING ELECTRONIC TECHNOLOGY CORP. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

As stated in note (3)(a), the Group initially adopted the IFRS 16, “Leases” at January 1, 2019 and applied the modified retrospective approach, with no restatement of comparative period amounts. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Inventory valuation

Please refer to Note (4)(h) and Note (5) for accounting policy of uncertainty of the valuation of inventory. Information of inventories and related expenses is disclosed in note (6)(c) of the consolidated financial statements.

Description of key audit matters:

Due to the impact of product life cycle and customized design in electronics industry, the price variability for the inventories of the Group are expected to change. Therefore, the test of inventory valuation is one of the significant evaluation in our audit procedures.

Our principal audit procedure included: testing the related controls of production cycle and assessing the allowance for loss due to price decline, as well as obsolete and slow moving inventories, to determine whether they are in compliance with the Group's accounting policies; inspecting the inventory aging statement; analyzing the subsequent sales status, and assessing the adopted net realizable value basis for obsolete inventories to verify the rationality of assessment on allowance estimated by the management authority of the Group.

Other Matter

CHENMING ELECTRONIC TECHNOLOGY CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Supervisors) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

KPMG
Taipei, Taiwan (Republic of China)
March 12, 2020

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance, and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2019		December 31, 2018		Liabilities and Equity		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 348,611	7	421,014	8	2100	Short-term loans (note (6)(h))	\$ 390,000	8	370,000	7
1170	Notes and trade receivables, net (notes (6)(b) and (p))	2,053,094	42	1,973,332	39	2130	Current contract liabilities (note (6)(p))	1,221	-	2,023	-
1310	Inventories, net (note (6)(c))	973,795	20	1,006,649	20	2170	Notes and trade payables	1,380,417	28	1,502,298	29
1476	Other current financial assets	743	-	16,142	-	2200	Other payables	257,112	5	298,483	6
1479	Other current assets	75,236	1	68,490	1	2220	Other payables-related parties (notes (6)(d) and (7))	25,783	1	-	-
		<u>3,451,479</u>	<u>70</u>	<u>3,485,627</u>	<u>68</u>	2230	Current tax liabilities	29,300	1	26,350	1
Non-current assets:						2280	Current lease liabilities (note (6)(j))	4,382	-	-	-
1600	Property, plant, and equipment (notes (6)(e) and (8))	969,922	20	1,137,662	22	2300	Other current liabilities	16,832	-	18,659	-
1755	Right-of-use assets (note (6)(f))	243,743	5	-	-			<u>2,105,047</u>	<u>43</u>	<u>2,217,813</u>	<u>43</u>
1760	Investment property, net (notes (6)(g) and (8))	197,636	4	198,873	4	Non-current liabilities:					
1780	Intangible assets	1,390	-	2,368	-	2540	Long-term loans (note (6)(i))	306,000	6	282,000	6
1840	Deferred income tax assets (note(6)(m))	4,850	-	1,418	-	2570	Deferred income tax liabilities(note(6)(m))	4,931	-	5,062	-
1980	Other non-current financial assets (note (8))	24,422	-	21,020	-	2580	Non-current lease liabilities (note (6)(j))	5,693	-	-	-
1985	Long-term prepaid rents (note (8))	-	-	247,063	5	2645	Guarantee deposits	7,691	-	6,389	-
1990	Other non-current assets (note(6)(l))	43,511	1	27,385	1			<u>324,315</u>	<u>6</u>	<u>293,451</u>	<u>6</u>
		<u>1,485,474</u>	<u>30</u>	<u>1,635,789</u>	<u>32</u>		Total liabilities	<u>2,429,362</u>	<u>49</u>	<u>2,511,264</u>	<u>49</u>
Total assets		\$ 4,936,953	100	5,121,416	100	Equity attributable to owners of parent (note (6)(n)):					
						3100	Ordinary shares	1,629,350	33	1,699,350	33
						3200	Capital surplus	82,967	2	52,485	1
						3300	Retained earnings	736,745	15	685,887	14
						3410	Exchange differences on translation of foreign financial statements	(81,209)	(2)	(45,218)	(1)
						3500	Treasury shares	(49,810)	(1)	(52,027)	(1)
							Total equity attributable to owners of parent	<u>2,318,043</u>	<u>47</u>	<u>2,340,477</u>	<u>46</u>
						36XX	Non-controlling interests	189,548	4	269,675	5
							Total equity	<u>2,507,591</u>	<u>51</u>	<u>2,610,152</u>	<u>51</u>
							Total liabilities and equity	\$ 4,936,953	100	5,121,416	100

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
4000 Operating revenue (note 6(p))	\$ 6,028,702	100	6,186,402	100
5000 Operating costs (notes (6)(c), (l) and (12))	5,463,795	91	5,714,259	92
5900 Gross profit from operations	<u>564,907</u>	<u>9</u>	<u>472,143</u>	<u>8</u>
6000 Operating expenses (notes (6)(l) and (12)):				
6100 Selling expenses	135,274	2	137,813	2
6200 Administrative expenses	194,692	3	199,781	3
6300 Research and development expenses	49,128	1	35,697	1
	<u>379,094</u>	<u>6</u>	<u>373,291</u>	<u>6</u>
6900 Net operating income	<u>185,813</u>	<u>3</u>	<u>98,852</u>	<u>2</u>
7000 Non-operating income and expenses:				
7050 Finance costs, net	(10,307)	-	(8,696)	-
7100 Interest income	1,473	-	1,695	-
7110 Rent revenue (notes (6)(k) and (7))	14,421	1	15,078	-
7190 Other income	13,076	-	17,482	-
7230 Foreign exchange gains net	8,519	-	63,883	1
7590 Other expense and losses	(556)	-	(3,027)	-
	<u>26,626</u>	<u>1</u>	<u>86,415</u>	<u>1</u>
7900 Profit from continuing operations before tax	212,439	4	185,267	3
7950 Less: Income tax expenses (note (6)(m))	<u>55,431</u>	<u>1</u>	<u>40,762</u>	<u>1</u>
Profit	<u>157,008</u>	<u>3</u>	<u>144,505</u>	<u>2</u>
8300 Other comprehensive income:				
8310 Components of other comprehensive income (loss) that not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(980)	-	(1,729)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	(196)	-	(357)	-
Total components of other comprehensive income that will not be reclassified to profit or loss	<u>(784)</u>	<u>-</u>	<u>(1,372)</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(41,010)	(1)	(19,614)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(41,010)</u>	<u>(1)</u>	<u>(19,614)</u>	<u>-</u>
8300 Other comprehensive income (loss)	<u>(41,794)</u>	<u>(1)</u>	<u>(20,986)</u>	<u>-</u>
8500 Comprehensive income	<u>\$ 115,214</u>	<u>2</u>	<u>123,519</u>	<u>2</u>
Profit attributable to:				
8610 Owners of parent	\$ 132,900	3	110,051	1
8620 Non-controlling interests	24,108	-	34,454	1
	<u>\$ 157,008</u>	<u>3</u>	<u>144,505</u>	<u>2</u>
Comprehensive income attributable to:				
8710 Owners of parent	\$ 96,125	2	94,557	2
8720 Non-controlling interests	19,089	-	28,962	-
	<u>\$ 115,214</u>	<u>2</u>	<u>123,519</u>	<u>2</u>
Earnings per share (expressed in NTD) (note (6)(o)):				
9750 Basic earnings per share	<u>\$ 0.82</u>		<u>0.65</u>	
9850 Diluted earnings per share	<u>\$ 0.82</u>		<u>0.65</u>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent						Other component of equity Exchange differences on translation of foreign financial statements	Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings					
			Legal reserve	Special reserve	Unappropriated retained earnings						
Balance on January 1, 2018	\$ 1,699,350	52,485	252,196	29,978	380,002	662,176	(31,096)	-	2,382,915	240,713	2,623,628
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	21,291	-	(21,291)	-	-	-	-	-	-
Special reserve	-	-	-	1,118	(1,118)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(84,968)	(84,968)	-	-	(84,968)	-	(84,968)
Profit for the year ended December 31, 2018	-	-	-	-	110,051	110,051	-	-	110,051	34,454	144,505
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(1,372)	(1,372)	(14,122)	-	(15,494)	(5,492)	(20,986)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	108,679	108,679	(14,122)	-	94,557	28,962	123,519
Purchase of treasury shares	-	-	-	-	-	-	-	(52,027)	(52,027)	-	(52,027)
Balance on December 31, 2018	1,699,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	2,340,477	269,675	2,610,152
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	11,005	-	(11,005)	-	-	-	-	-	-
Special reserve	-	-	-	14,123	(14,123)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(48,881)	(48,881)	-	-	(48,881)	-	(48,881)
Profit for the year ended December 31, 2019	-	-	-	-	132,900	132,900	-	-	132,900	24,108	157,008
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(784)	(784)	(35,991)	-	(36,775)	(5,019)	(41,794)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	132,116	132,116	(35,991)	-	96,125	19,089	115,214
Purchase of treasury shares	-	-	-	-	-	-	-	(102,322)	(102,322)	-	(102,322)
Retirement of treasury share	(70,000)	(2,162)	-	-	(32,377)	(32,377)	-	104,539	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	32,644	-	-	-	-	-	-	32,644	-	32,644
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(99,216)	(99,216)
Balance on December 31, 2019	\$ 1,629,350	82,967	284,492	45,219	407,034	736,745	(81,209)	(49,810)	2,318,043	189,548	2,507,591

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from (used in) operating activities:		
Profit before tax	\$ 212,439	185,267
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	245,649	247,607
Amortization expense	1,743	2,168
Expected credit loss (gain)	(1,764)	1,310
Interest expense	10,307	8,696
Interest income	(1,473)	(1,695)
Loss (gain) from disposal of property, plant, and equipment, net	103	(194)
Other	(12)	12,392
Total adjustments to reconcile profit (loss)	254,553	270,284
Changes in operating assets and liabilities:		
Decrease (increase) in notes and trade receivables	(105,592)	(509,844)
Decrease (increase) in inventories	22,925	(231,770)
Decrease (increase) in other current assets	(6,746)	20,405
Decrease (increase) in other financial assets	15,399	(2,433)
Increase (decrease) in contract liabilities	(802)	2,023
Increase (decrease) in notes and trade payables	(104,312)	305,522
Increase (decrease) in other payables and other current liabilities	(30,598)	32,099
Total changes in operating assets and liabilities	(209,726)	(383,998)
Total adjustments	44,827	(113,714)
Cash inflow generated from (used in) operations	257,266	71,553
Interest received	1,473	1,695
Income taxes paid	(55,324)	(37,747)
Net cash flows from (used in) operating activities	203,415	35,501
Cash flows from (used in) investing activities:		
Acquisition of property, plant, and equipment	(78,615)	(229,264)
Proceeds from disposal of property, plant and equipment	-	3,157
Decrease (increase) in prepayment for business facilities	(20,807)	(4,453)
Decrease (increase) in refundable deposits	(3,402)	(2,368)
Acquisition of intangible assets	(798)	(955)
Net cash flows from (used in) investing activities	(103,622)	(233,883)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	20,000	220,000
Proceeds from long-term debt	200,000	160,000
Repayment of long-term debt	(176,000)	(88,000)
Increase (decrease) in guarantee deposits	1,302	657
Payment of lease liabilities	(6,170)	-
Distribution in cash dividends	(48,881)	(84,968)
Payments to acquire treasury shares	(102,322)	(52,027)
Interest paid	(10,354)	(8,558)
Acquisition of non-controlling interests	(40,789)	(47,616)
Net cash flows from (used in) financing activities	(163,214)	99,488
Effect of exchange rate changes on cash and cash equivalents	(8,982)	(13,979)
Net increase (decrease) in cash and cash equivalents	(72,403)	(112,873)
Cash and cash equivalents at beginning of period	421,014	533,887
Cash and cash equivalents at end of period	\$ 348,611	421,014

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars,
Except for Earnings Per Share Information and Unless Otherwise Specified)

(1) Company history

CHENMING ELECTRONIC TECHNOLOGY CORP.(the “Company”)(Formerly Chenming Mold Ind. Corp.)was incorporated on June 1976. The business activities of the Company are the production of computer cases, and the manufacturing and development of mobile devices.

The consolidated financial its statements the Company as of and for the years ended December 31, 2019 are comprised of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). Please refer to note(4) (c) for related information of the Group’s primary business activities.

(2) Approval date and procedures of the consolidated financial statements

These consolidated financial statements for the years ended December 31, 2019 and 2018 were authorized for issue by the Board of Directors on March 12, 2020.

(3) New standards, amendments, and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations, and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised, or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment, or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(i) IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives, and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application did not have any significant impact in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note (4)(k).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to leases of low-value assets or short-term leases of office equipment and others.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.

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Notes to the Consolidated Financial Statements

- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Group concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized an additional \$258,600 of right-of-use assets and \$11,537 of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.51%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed are as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 13,276
Recognition exemption for:	
short-term leases	(324)
	<u>12,952</u>
Discounted using the incremental borrowing rate at January 1, 2019 (as lease liabilities recognized at January 1, 2019)	<u><u>\$ 11,537</u></u>

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Notes to the Consolidated Financial Statements

(ii) IFRIC 23 “Uncertainty over Income Tax Treatments”

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

On transition to the new standard, there is no material impact to the Group.

- (b) The impact of IFRS issued by the FSC but not yet effective
The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC
As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

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Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated annual financial statements have been prepared on the historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, 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.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income 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.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances. Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

- (ii) List of subsidiaries in the consolidated financial statements.

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2019	December 31, 2018	
The Company	TOP CITY INTERNATIONAL LIMITED	Investment	100%	100%	
"	CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	Import and export business of computer case	100%	- %	Note 1
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC.	Investment	100%	100%	
"	GERSHWIN INTERNATIONAL LIMITED	Investment	100%	100%	
GERSHWIN INTERNATIONAL LIMITED	Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	100%	100%	
PEAK SHREWD INC.	CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	82%	72%	Note 2

Note 1: The Subsidiary was incorporated in July 2019.

Note 2: The Company acquired 10% interest of CHENMING ELECTRONIC (NINGBO) CO., LTD in April 2019, resulting in its ratio of shareholding to increase from 72% to 82%.

- (d) Foreign currencies

- (i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedges are effective.

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Notes to the Consolidated Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, Exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It held the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It held the liability primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

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(iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are 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. The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at : amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measure at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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2) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables other receivables refundable deposit and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

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- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3) Derecognition of financial assets

The Group derecognizes a financial assets when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

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3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost, which are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment

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losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 4 ~ 51 years
- 2) Machinery: 1 ~ 4 years
- 3) Other equipment: 1 ~11 years
- 4) Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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(k) Leases

Applicable from January 1, 2019

(i) Identifying a lease

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At the inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability are comprised of the following:

- fixed payment, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to 0.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

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Notes to the Consolidated Financial Statements

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and others that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators, such as whether the lease is for the majority of the economic life of the asset.

Applicable before January 1, 2019

(iv) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(v) Lessee

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

(l) Intangible assets

(i) Recognition and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

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Other intangible assets, including computer softwares, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

- 1) Computer software : 1~4 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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Notes to the Consolidated Financial Statements

(n) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

The Group manufactures computer cases and mobile devices and sells it to customers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

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Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

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(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds and employee compensation.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continued to monitor the accounting estimates and assumptions the management recognized the changes in the accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Besides, for those uncertainties due to accounting assumptions and estimations, information about the significant risk of resulting in a material adjustment within the next financial year is stated below:

Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the net realizable value of the inventory is mainly determined based on assumptions as to future sales price. Due to the industry and market transformation, there may be changes in the net realizable value of inventories. Please refer to note 6(c) for further description of the valuation of inventories.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2018. Please refer to note (6) of the 2018 annual consolidated financial statements.

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	\$ 50	1,104
Checking accounts and demand deposits	348,561	419,910
	\$ 348,611	421,014

Please refer to note(6)(r) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Group.

(b) Notes and trade receivables

	December 31, 2019	December 31, 2018
Notes and trade receivables	\$ 2,053,607	1,975,622
Less: Loss allowance	(513)	(2,290)
Notes and trade receivables, net	\$ 2,053,094	1,973,332

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Notes to the Consolidated Financial Statements

The Group applies the simplified approach to provide for its expected credit losses, i.e., the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and number of days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 2,035,354	0.02%	455
1 to 30 days past due	17,417	0.16%	28
31 to 150 days past due	836	3.59%	30
	\$ 2,053,607		513
	December 31, 2018		
	Gross carrying amount	Weighted-average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 1,947,758	0.03%	677
1 to 30 days past due	20,140	0.28%	57
31 to 150 days past due	5,573	1.96%	109
151 to 360 days past due	2,151	67.27%	1,447
	\$ 1,975,622		2,290

The movement in the allowance for notes and trade receivables were as follows:

	2019	2018
Balance on January 1	\$ 2,290	21,678
Impairment losses recognized (reversed)	(1,764)	1,310
Amounts written off	-	(20,669)
Foreign exchange gains / (losses)	(13)	(29)
Balance on December 31	\$ 513	2,290

As of December 31, 2019 and 2018, the Group did not pledge any receivables as collateral.

(c) Inventories

	December 31, 2019	December 31, 2018
Raw materials	\$ 429,569	271,178
Work in progress	273,932	320,424
Finished goods and merchandise inventories	270,294	415,047
	\$ 973,795	1,006,649

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group's composition details of operating cost for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Cost of goods sold	\$ 5,349,440	5,578,205
Revenue from sale of scraps	(62,402)	(55,518)
Inventories valuation and obsolescence losses (reversed)	19,307	5,199
Loss on scrapping of inventories	157,381	186,143
Shortage (overage) of inventories	69	230
	\$ 5,463,795	5,714,259

As of December 31, 2019 and 2018, the Group did not pledge any inventories as collateral.

(d) Changes in a parent's ownership interest in a subsidiary

Considering its future development strategy, the Company decided on March 18, 2019 to purchase 10% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD amounting to \$66,572 (US\$2,160) from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary "PEAK SHREWD INC.", a fully owned subsidiary of the Group. The contract was signed on March 2019, and the related transfer procedures had been completed in April 2019. The Group further increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 72% to 82%. As of December 31, 2019, the Group still has the remaining balance of \$25,783, which was recognized as other payable-related parties.

(e) Property, plant, and equipment

The cost and accumulated depreciation of the property, plant, and equipment of the Group for the years ended December 31, 2019 and 2018 were as follows:

	Land	Properties	Machinery and equipment	Office equipment and others	Total
Cost:					
Balance on January 1, 2019	\$ 210,897	783,604	534,195	121,264	1,649,960
Additions	-	-	59,028	7,034	66,062
Disposal	-	-	(77,357)	(35,921)	(113,278)
Reclassifications	-	-	3,668	-	3,668
Effect of changes in exchange rates	-	(7,135)	(6,723)	(329)	(14,187)
Balance on December 31, 2019	\$ 210,897	776,469	512,811	92,048	1,592,225
Balance on January 1, 2018	\$ 210,897	785,401	453,851	136,815	1,586,964
Additions	-	-	219,225	19,747	238,972
Disposal	-	2,177	(160,909)	(35,114)	(193,846)
Reclassifications	-	-	25,092	-	25,092
Effect of changes in exchange rates	-	(3,974)	(3,064)	(184)	(7,222)
Balance on December 31, 2018	\$ 210,897	783,604	534,195	121,264	1,649,960

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

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	Land	Properties	Machinery and equipment	Office equipment and others	Total
Depreciation:					
Balance on January 1, 2019	\$ -	227,436	213,198	71,664	512,298
Depreciation	-	34,791	158,185	35,292	228,268
Disposal	-	-	(77,255)	(35,920)	(113,175)
Effect of changes in exchange rates	-	(1,869)	(3,063)	(156)	(5,088)
Balance on December 31, 2019	<u>\$ -</u>	<u>260,358</u>	<u>291,065</u>	<u>70,880</u>	<u>622,303</u>
Balance on January 1, 2018	\$ -	190,910	199,111	68,415	458,436
Depreciation	-	35,045	173,462	37,862	246,369
Disposal	-	2,178	(158,518)	(34,543)	(190,883)
Effect of changes in exchange rates	-	(697)	(857)	(70)	(1,624)
Balance on December 31, 2018	<u>\$ -</u>	<u>227,436</u>	<u>213,198</u>	<u>71,664</u>	<u>512,298</u>
Book value:					
Balance on December 31, 2019	<u>\$ 210,897</u>	<u>516,111</u>	<u>221,746</u>	<u>21,168</u>	<u>969,922</u>
Balance on December 31, 2018	<u>\$ 210,897</u>	<u>556,168</u>	<u>320,997</u>	<u>49,600</u>	<u>1,137,662</u>

The Group bought land leasehold right and buildings from its related parties in July 2007. Since there was only a part of the contract that had yet to be realized, the related parties agreed that the Group need not have to pay for the remaining amount in December, 2013. As of December 31, 2019, the transferring of the deed has not yet been completed. However, the land leasehold and buildings mentioned above were already deemed as properties of the Group according to the contract.

As of December 31, 2019 and 2018 the Group had provided parts of the property, plant, and equipment as collateral for its long-term loans and credit lines. Please refer to note (8) for details.

(f) Right-of-use assets

The Group leases many assets including land and properties, machinery and transportation. Information about leases for which the Group as a lessee was presented below:

	Land	Properties	Transportation	others	Total
Cost:					
Balance on January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	247,063	2,036	7,742	1,759	258,600
Additions	-	-	4,043	1,455	5,498
Write-off	-	(48)	-	(738)	(786)
Effect of changes in exchange rates	(3,567)	(74)	-	-	(3,641)
Balance on December 31, 2019	<u>\$ 243,496</u>	<u>1,914</u>	<u>11,785</u>	<u>2,476</u>	<u>259,671</u>
Accumulated depreciation and impairment losses:					
Balance on January 1, 2019	\$ -	-	-	-	-
Depreciation	9,845	1,988	3,608	703	16,144
Effect of changes in exchange rates	(142)	(74)	-	-	(216)
Balance on December 31, 2019	<u>\$ 9,703</u>	<u>1,914</u>	<u>3,608</u>	<u>703</u>	<u>15,928</u>
Book value:					
Balance on December 31, 2019	<u>\$ 233,793</u>	<u>-</u>	<u>8,177</u>	<u>1,773</u>	<u>243,743</u>

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Notes to the Consolidated Financial Statements

The Group leases rights-of-use of land, transportation, and warehouses under an operating lease for the years ended December 31, 2018, please refer to note (6)(k).

(g) Investment property

The details of investment property of the Group were as follows:

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Cost			
Balance on January 1, 2019 (Same balance as December 31, 2017)	\$ 152,640	63,116	215,756
Balance on January 1, 2018 (Same balance as December 31, 2018)	\$ 152,640	63,116	215,756
Depreciation			
Balance on January 1, 2019	\$ -	16,883	16,883
Depreciation	-	1,237	1,237
Balance on December 31, 2019	\$ -	18,120	18,120
Balance on January 1, 2018	\$ -	15,645	15,645
Depreciation	-	1,238	1,238
Balance on December 31, 2018	\$ -	16,883	16,883
Book Value			
Balance on December 31, 2019	\$ 152,640	44,996	197,636
Balance on December 31, 2018	\$ 152,640	46,233	198,873
Fair Value			
Balance on December 31, 2019			\$ 547,048
Balance on December 31, 2018			\$ 492,663

The Group classify non-operating assets into investment properties, and investment properties was evaluated by market value.

Please refer to note (8) for information on investment properties pledged as collateral as of December 31, 2019 and 2018.

(h) Short-term loans

The short-term loans were summarized as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Credit loans	\$ 230,000	360,000
Secured loans	160,000	10,000
	\$ 390,000	370,000
Unused credit line for short-term loans	\$ 621,552	485,156
Annual interest rates (Taiwan)	<u>1.0%~1.3%</u>	<u>1.0%~1.5%</u>

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (i) For information on interest rate and liquidity risk exposure, please refer to note (6)(r).
- (ii) As of December 31, 2019 and 2018, the Group provided part of its assets as collateral for short-term loans, please refer to note (8) for details.

(i) Long-term loans

The long-term loans were summarized as follows:

December 31, 2019			
Currency	Range of interest rates	Expiration	Amount
Secured bank loans	NTD	<u>1.0%~1.5%</u>	2023~2025
			\$ 306,000
Current			\$ -
Non-current			306,000
Total			\$ 306,000
Unused long-term credit lines			\$ 130,000

December 31, 2018			
Currency	Range of interest rates	Expiration	Amount
Secured bank loans	NTD	<u>1.0%~1.5%</u>	2020~2025
			\$ 282,000
Current			\$ -
Non-current			282,000
Total			\$ 282,000
Unused long-term credit lines			\$ 170,000

- (i) The main management are the guarantor of long-term loan, please refer to note (7).
- (ii) The information of interest rate and liquidity risk exposure can refer to note (6)(r).
- (iii) The Group provided part of its assets as collateral for long-term loans. Please refer to note (8) for details.

(j) Lease liabilities

	December 31, 2019
Current	\$ 4,382
Non-current	\$ 5,693

For the maturity analysis, please refer to note (6)(r).

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	<u>\$ 416</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 1,424</u>
Expenses relating to short-term leases	<u>\$ 452</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 71</u>

The amounts recognized in the statement of cash flows for the Group were as follows:

	2019
Total cash outflow for leases	<u>\$ 8,533</u>

(i) Real estate leases

The Group leases right-of-use of land, with lease terms of 40~45 years.

(ii) Other leases

The Group leases warehouses and other equipment, with contract terms of 1~3 years. These leases are short-term and/or leases of low-value items. The Group has applied the exemption and elected not to recognize right-of-use assets and lease liabilities for these leases.

(k) Operating lease

(i) Leases as lessee

1) Non-cancellable operating lease rentals payable were as follow:

	December
	31, 2018
Less than one year	\$ 6,912
Between one and five years	5,756
More than five years	<u>608</u>
	<u>\$ 13,276</u>

The Group leases a number of cars and warehouse under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

2) The book value of land leasehold right, case-processing factory located at NO.442 ZhenAN Middle Road Chang AN Town DongGuan City Guangdong, China, were as follows.

	Decembe	
	31, 2018	Lease period
Acquired in July, 2001	125,811	2001.07~2046.07
Acquired in October, 2007	<u>\$ 25,728</u>	2007.10~2046.07
	<u>\$ 151,539</u>	

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Notes to the Consolidated Financial Statements

- 3) Due to the business combination, the Group acquired the land leasehold rights, case-processing factory located at Ningbo City, China. The land leasehold rights recorded as long-term prepaid rents. The details were as follows:

	Decembe 31, 2018	Lease period
Acquired from merge in March, 2016	\$ 95,524	2001.12~2044.5

- 4) The operating lease expense amounted to \$9,910 for the year ended December 31, 2018.

(ii) Leases as lessor

The Group leases out its investment property and some machineries. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note (6)(g) sets out information about the operating leases of investment property.

A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2019
Less than one year	\$ 15,552
Between two and five years	6,984
	\$ 22,536

The Group leases out its investment properties. The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018
Less than one year	\$ 14,707
Between two and five years	21,516
	\$ 36,223

The lease revenue from investment property and others were \$15,658 and \$16,316 in 2019 and 2018, respectively. Moreover, the relative depreciation expense were \$1,237 and \$1,238, respectively.

The right-of-use of land was reclassified as right-of-use assets at January 1, 2019 due to the adoption of IFRS 16. Please refer to note (6)(f).

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(l) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2019	December 31, 2018
Present value of defined benefit obligations	\$ 36,746	33,422
Fair value of plan assets	(59,492)	(56,826)
Net defined benefit liabilities (assets)	\$ (22,746)	(23,404)

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$59,492 as of December 31, 2019. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	2019	2018
Defined benefit obligation at January 1	\$ 33,422	36,082
Current service costs and interest costs	459	631
Remeasurements in net defined benefit liability (assets)	2,865	3,099
Benefits paid	-	(6,390)
Defined benefit obligation at December 31	\$ 36,746	33,422

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3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	<u>2019</u>	<u>2018</u>
Fair value of plan assets at January 1	\$ (56,826)	(60,782)
Expected return on plan assets	(781)	(1,064)
Remeasurement in net defined benefit liability (assets)	(1,885)	(1,370)
Benefits paid	-	6,390
Fair value of plan assets at December 31	<u>\$ (59,492)</u>	<u>(56,826)</u>
Actual return on plan assets	<u>\$ (2,666)</u>	<u>(2,434)</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	<u>2019</u>	<u>2018</u>
Interest costs	\$ 459	631
Expected rate of return on plan assets	(781)	(1,064)
	<u>\$ (322)</u>	<u>(433)</u>
Administrative expense	<u>\$ (322)</u>	<u>(433)</u>

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Accumulated amount at January 1	\$ 7,422	5,693
Recognized during the period	980	1,729
Accumulated amount at December 31	<u>\$ 8,402</u>	<u>7,422</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	1.125%	1.375%
Future salary increase rate	1.00%	1.00%

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The discount rate was based on the life of the related obligation, and was used as a reference to the return rate on bonds issued by the government, which was declared by GreTai Securities Market.

The department of labor from Taipei City Government has approved the Group to suspend the contribution of pension in 2019 and 2018.

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date is \$0.

The weighted-average duration of the defined benefit obligation is 15.83 years

7) Sensitivity Analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
December 31, 2019		
Discount rate	\$ (1,283)	1,339
Future salary increasing rate	1,322	(1,266)
December 31, 2018		
Discount rate	\$ (1,238)	1,284
Future salary increasing rate	1,270	(1,230)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for both periods.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to \$3,675 and \$3,561 for the years ended December 31, 2019 and 2018, respectively.

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The basic endowment insurance expenses of other subsidiaries included in the compilation of consolidated financial statements amounted to \$77,050 and \$81,604 for the years ended December 31, 2019 and 2018, respectively.

(m) Income taxes

(i) The amount of income tax for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Current tax expense		
Current period	\$ 57,649	26,641
Undistributed earnings additional tax	1,733	10,524
Adjustment for prior period	<u>(584)</u>	<u>(7)</u>
	<u>58,798</u>	<u>37,158</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	(3,367)	3,500
Change in unrecognized deductible temporary differences	<u>-</u>	<u>104</u>
	<u>(3,367)</u>	<u>3,604</u>
Income tax expenses	<u>\$ 55,431</u>	<u>40,762</u>

(ii) The amount of income tax recognized in other comprehensive income for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Items that may not be reclassified subsequently to profit or loss		
Remeasurement from defined benefit plan	<u>\$ (196)</u>	<u>(357)</u>

(iii) Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Profit excluding income tax	\$ 212,439	185,267
Income tax using the Company's domestic tax rate	72,166	30,163
Adjustment in tax rate	-	104
Under (over) provision in prior periods	(584)	(7)
Undistributed earnings additional tax	1,733	10,524
Others	<u>(17,884)</u>	<u>(22)</u>
	<u>\$ 55,431</u>	<u>40,762</u>

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2019 and 2018. Also, management considered it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	<u>\$ 28,400</u>	<u>10,527</u>

2) Unrecognized deferred tax assets

Details of unrecognized deferred tax assets as follow:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Unrecognized tax losses	<u>\$ 3,357</u>	<u>16,612</u>

According to the Income Tax Act, the loss in the previous five years can be compensated by using the profits incurred by the Company in the current year; and the income tax shall be evaluated by using the net amount. Dongguan CHENMING Electronic Co., Ltd did not have sufficient taxable profit to cover for its temporary differences, therefore, it cannot be classified to deferred tax assets.

As of December 31, 2019, tax loss from unrecognized deferred tax asset in Dongguan CHENMING Electronic Co., Ltd.:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiration date of the deficit</u>
2018 (Declared)	<u>\$ 13,426</u>	2023

3) Recognized deferred tax assets and liabilities

	<u>Defined benefit plans</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:			
Balance on January 1, 2019	\$ 5,122	(60)	5,062
Recognized in (profit) or loss	65	-	65
Recognized in other comprehensive income	<u>(196)</u>	<u>-</u>	<u>(196)</u>
Balance on December 31, 2019	<u>\$ 4,991</u>	<u>(60)</u>	<u>4,931</u>

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	Defined		
	benefit plans	Others	Total
Balance on January 1, 2018	\$ 4,554	(60)	4,494
Recognized in (profit) or loss	925	-	925
Recognized in other comprehensive income	<u>(357)</u>	-	<u>(357)</u>
Balance on December 31, 2018	<u>\$ 5,122</u>	<u>(60)</u>	<u>5,062</u>

	Defined		
	benefit plans	Others	Total
Deferred tax assets:			
Balance on January 1, 2019	\$ -	1,418	1,418
Recognized in profit or (loss)	<u>-</u>	<u>3,432</u>	<u>3,432</u>
Balance on December 31, 2019	<u>\$ -</u>	<u>4,850</u>	<u>4,850</u>
Balance on January 1, 2018	\$ -	4,097	4,097
Recognized in profit or (loss)	<u>-</u>	<u>(2,679)</u>	<u>(2,679)</u>
Balance on December 31, 2018	<u>\$ -</u>	<u>1,418</u>	<u>1,418</u>

(v) Assessment of tax

The Company's tax returns for the years through 2017 were assessed by the Taipei National Tax Administration.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2019 and 2018, the authorized common stocks were both \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which 162,935 and 169,935 thousand shares, were issued, respectively. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital	\$ 14,115	14,722
Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>68,852</u>	<u>37,763</u>
	<u>\$ 82,967</u>	<u>52,485</u>

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In accordance with the R.O.C. Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained Earnings

The Company's articles of incorporation stipulate that 10% of annual net income after covering the accumulated deficit, if any, must be set up as a legal reserve. The remaining balance after special reserves, that are appropriated in accordance with FSC regulations, if any, shall distribute to the prior year's un-distribution by the board of shareholders. The Group should consider financial, business, and operating factors to decide the distribution of earnings, which can be distributed by cash dividends or share dividends. Earning distribution sets cash dividends as priority, which cannot be lower than 10% of the total cash and stock dividends.

The Company's industry is currently in a gentle growth phase. The Company may distribute earnings through cash dividend or stock dividend given consideration of the Company's financial standing and business performance and such factors and shall be preferentially distributed in cash dividend. The cash dividend shall be at the ratio not below 10% of the aggregate total dividend to be distributed in the year.

1) Legal reserve

In accordance with the Company Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and is not qualified for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriations of earnings for the year of 2018 approved in the shareholders' meeting on June 14, 2019 was \$48,881 by cash dividends.

The appropriations of earnings for the year of 2017 approved in the shareholders' meeting on June 13, 2018 was \$84,968 by cash dividends.

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Notes to the Consolidated Financial Statements

(iv) Treasury shares

In 2019 and 2018, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 7,000 and 3,500, shares, respectively as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2019 and 2018, both a total of 3,500 shares of the treasury stock repurchased had not be cancelled.

Movement of treasury share was as follows:

	2019		2018	
	Share (thousands)	Amount	Share (thousands)	Amount
Balance on January, 1	3,500	\$ 52,027	-	\$ -
Repurchase	7,000	102,322	3,500	52,027
Retirement	(7,000)	(104,539)	-	-
Balance on December 31	3,500	\$ 49,810	3,500	\$ 52,027

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves.

In accordance with the requirements of the Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(o) Earnings per share

For the years ended December 31, 2019 and 2018, the Company's earnings per share were calculated as follows:

	2019	2018
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ 132,900	110,051
Weighted-average number of ordinary shares (share in thousands)	162,479	169,656
	\$ 0.82	0.65
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjusted the influence of potential ordinary shares)	\$ 132,900	110,051

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	<u>2019</u>	<u>2018</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	162,479	169,656
Effect of employee stock remuneration (share in thousands)	<u>412</u>	<u>431</u>
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>162,891</u>	<u>170,087</u>
	<u>\$ 0.82</u>	<u>0.65</u>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2019</u>	<u>2018</u>
Primary geographical markets		
Taiwan	\$ 1,111,019	1,317,954
China	3,288,605	3,397,458
Japan	839,340	446,422
Other	<u>789,738</u>	<u>1,024,568</u>
	<u>\$ 6,028,702</u>	<u>6,186,402</u>
Major products		
PC chassis	\$ 4,876,005	4,257,152
Mobile device components	874,003	1,534,230
Mold	<u>278,694</u>	<u>395,020</u>
	<u>\$ 6,028,702</u>	<u>6,186,402</u>

(ii) Contract balances

	<u>December 31, 2019</u>	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Notes and trade receivables	\$ 2,053,607	1,975,622	1,486,447
Less: Loss allowance	<u>(513)</u>	<u>(2,290)</u>	<u>(21,678)</u>
	<u>\$ 2,053,094</u>	<u>1,973,332</u>	<u>1,464,769</u>
Contract liabilities	<u>\$ 1,221</u>	<u>2,023</u>	<u>831</u>

The amount of revenue recognized for the years ended December 31, 2019 and 2018 that were included in the contract liability balance at the beginning of the period were \$2,023 and \$831, respectively.

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

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(q) Employee, directors' and supervisor's remuneration

The Company's articles of incorporation require that earnings shall first be used to offset against any deficit, and no less than 2% will be distributed as employee remuneration and a maximum of 2% will be allocated as directors' and supervisors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Group who meet certain specific requirements.

The Group's remuneration to employees were both \$5,000; and the remuneration to directors and supervisors were both \$1,500 for the years ended December 31, 2019 and 2018. The remuneration equals the estimated sum, multiplied by the percentage of the remuneration to employees, directors and supervisors, as specified in the Company's articles. The estimations are recorded under operating expenses and cost. The differences between the estimated amounts in financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as changes in accounting estimates and recognized as profit or loss in following year.

If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex dividend effect) on the day preceding the Board of Directors' meeting. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2019 and 2018.

Related information would be available at the Market Observation Post System website.

(r) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration to credit risk

The customers of the Group are mainly high-tech companies, trade receivables have 80% and 74% are composed by five clients in December 31, 2019 and 2018. Thus, the company has concentration to credit risk situation.

(ii) Receivable securities

For the credit risk exposure of notes and trade receivables, please refer to note (6)(b).

Other financial assets at amortized cost include cash and cash equivalents, other financial assets, and guarantee deposits, which are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low risk, please refer to note (4)(g).

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(iii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	Amount	Within a year	1 ~ 2 years	Over 2 years
December 31, 2019				
Secured loans	\$ 466,000	160,000	-	306,000
Unsecured loans	230,000	230,000	-	-
Notes and trade payables	1,380,417	1,380,417	-	-
Lease liabilities (including current and non-current)	10,075	4,382	2,669	3,024
Other payables (including related parties)	125,893	125,893	-	-
Guarantee deposits	7,691	4,421	3,270	-
	\$ 2,220,076	1,905,113	5,939	309,024
December 31, 2018				
Secured loans	\$ 292,000	10,000	237,000	45,000
Unsecured loans	360,000	360,000	-	-
Notes and trade payables	1,502,298	1,502,298	-	-
Other payables (including related parties)	142,461	142,461	-	-
Guarantee deposits	6,389	2,579	-	3,810
	\$ 2,303,148	2,017,338	237,000	48,810

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at a significantly different amount.

(iv) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2019		December 31, 2018			TWD
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	
Financial assets						
Monetary items						
USD to NTD	\$ 32,199	29.980	965,326	34,017	30.715	1,044,832
USD to CNY	30,710	6.9762	920,686	25,305	6.8632	777,243
CNY to NTD	106,342	4.305	457,802	119,787	4.472	535,687
Financial liabilities						
Monetary items						
USD to NTD	7,571	29.980	226,979	5,931	30.715	182,171
USD to CNY	2,259	6.9762	67,725	3,452	6.8632	106,028
CNY to NTD	195,510	4.305	841,671	206,723	4.472	924,465

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2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables, other receivables, trade payables, and other payables that are denominated in foreign currencies.

A weakening (strengthening) 5% of each major foreign currency against Group entities' functional currency as of December 31, 2019 and 2018, would have affected the net profit before tax as follows:

	December 31, 2019	December 31, 2018
USD (against the NTD)		
Strengthening 5%	\$ 36,917	43,133
Weakening 5%	(36,917)	(43,133)
USD (against the CNY)		
Strengthening 5%	42,648	33,561
Weakening 5%	(42,648)	(33,561)
CNY (against the NTD)		
Strengthening 5%	(19,193)	(19,439)
Weakening 5%	19,193	19,439

3) Exchange gains and losses of monetary items

Foreign exchange profit or loss (including realized and unrealized) was as follows:

	For the years ended December 31,			
	2019		2018	
	Exchange profit (loss)	Average rate	Exchange profit (loss)	Average rate
NTD	\$ (2,952)	-	36,717	-
CNY	2,566	4.4703	5,971	4.5497

(v) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	December 31, 2019	December 31, 2018
Variable rate instruments:		
Financial assets	\$ 348,498	419,590
Financial liabilities	696,000	652,000

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The following sensitivity analysis is based on the risk exposure to the interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed, as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents management of the Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$869 and \$581 for the years ended December 31, 2019 and 2018, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(vi) Fair value

1) Procedure of valuation

The Group's accounting policies and disclosure include fair value method on financial assets and financial liabilities. The Group's management is responsible in performing independent test on fair value by using independent source of information to obtain the fair value which is close to the market status. The management also confirms the independence, reliability and matching of the information source, and regularly test the valuation model, update the input and other information, and make necessary adjustment to ensure the output of valuation is reasonable.

2) Fair value hierarchy

The Group uses observable market data to evaluate assets and liabilities when it is possible. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

3) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and available for sale financial assets, are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required.

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		December 31, 2019			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 348,611	-	-	-	-
Notes and trade receivables, net	2,053,094	-	-	-	-
Other financial assets	743	-	-	-	-
Refundable deposits	<u>24,422</u>	-	-	-	-
	<u>\$ 2,426,870</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 696,000	-	-	-	-
Notes and trade payables	1,380,417	-	-	-	-
Lease liabilities	10,075	-	-	-	-
Other accounts payable (including related parties)	125,893	-	-	-	-
Guarantee deposit	<u>7,691</u>	-	-	-	-
	<u>\$ 2,220,076</u>				
		December 31, 2018			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 421,014	-	-	-	-
Notes and trade receivables, net	1,973,332	-	-	-	-
Other financial assets	16,142	-	-	-	-
Refundable deposits	<u>21,020</u>	-	-	-	-
	<u>\$ 2,431,508</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 652,000	-	-	-	-
Notes and trade payables	1,502,298	-	-	-	-
Other payables (including related parties)	142,461	-	-	-	-
Guarantee deposits	<u>6,389</u>	-	-	-	-
	<u>\$ 2,303,148</u>				

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 4) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

Financial liability with amortized cost evaluation

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

- 5) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If the Group can frequently acquire the financial instrument's open quotation from either the stock exchange, brokers, underwriters, industrial trade union, or authorities, and the price is equal to that of fair market, then that financial instrument has active market value. On the other hand, if the condition above is not achieved, we define that instrument to have non-active market value. Generally, the significant difference between the bid-ask spread or the trading volume is very small, similar to the index of a non-active market.

Except from the active market, the Group also acquires its financial instrument value from the valuation technique or reference to a rival's quotation. The fair value through the valuation technique refers to other essentially prerequisite and similar financial instruments with current fair value, discount cash flow, and other valuation methods. The financial instruments from the non-active market are evaluated by the discount cash flow model, the main assumption is according to time value of money and investment risk to evaluate future cash flow.

- (s) Financial risk management

- (i) Briefings

The Group is have exposed to the following risks from its financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes of each risk.

(ii) Structure of risk management

The financial risks management can be separated into management and operating related financial risks, the risks including credit risk, liquidity risk and market risk. In order to reduce financial risk, the Group dedicate to recognize, evaluate and avoid the uncertainty in the market. The important financial activity need to review by auditors in the broad and the Group have to follow the regulation of financial management and the process of division responsibility.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

1) Trade receivables and other receivables

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically.

The Group constantly evaluate clients' financial situation, if necessary, the company will buy credit guarantee insurance contract. But the company usually won't ask clients offer collateral.

2) Guarantees

As of December 31, 2019 and 2018, the Group do not offer any endorsement and guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities which be settled by delivering cash or another financial asset. The Group manages and maintains sufficient cash and cash equivalents so as to cope with its operations and liabilities. Make an effort to avoid any unacceptable loss or any harmful on their reputation.

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to note 6(h) and note 6(i) for unused short-term and long-term bank facilities as of December 31, 2019 and 2018.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (NTD) and US Dollars (USD), Chinese Yuan (CNY). The currencies used in these transactions are denominated in NTD, USD, and CNY.

To avoid the fluctuation from foreign exchange, the Group use short-term loan and derivative (including forward exchange agreement) to avoid foreign rate risk. This kind of derivative can help the Group to reduce the influence of foreign currency exchange but can't exclude all the risk.

2) Interest rate risk

The Group borrows funds with variable interest rates, therefore there is risk of cash flows.

3) Other market value risk

The Group is exposed to equity price risk arising from non-listed stock investments. Since investment of foreign operation is strategy investment, the Group do not plan any hedge in this field.

(t) Capital management

The Group decides the optimized capital by maintain the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there is financial resource and operating plan to support working capital, research and development expense and dividend payment and so on. To maintain a strong capital base, the Group might adjust the stock dividend, issue new share or buy treasury share. The Group also scrutiny the asset-liability ratio regularly to monitor the fund.

Debt-to-asset ratio in December 31, 2019 and 2018 as follow:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 2,429,362	2,511,264
Total assets	4,936,953	5,121,416
Debt-to-asset ratio	49%	49%

As of December 31, 2019, the capital management method do not change.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (u) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities for the year ended December 31, 2019 and 2018 were as follows:

	January 1, 2019	Non-cash flows				December 31, 2019
		Cash flows	Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 282,000	24,000	-	-	-	306,000
Short-term loans	370,000	20,000	-	-	-	390,000
Lease liabilities	11,537	(6,170)	5,498	(789)	(1)	10,075
Guarantee deposits	6,389	1,302	-	-	-	7,691
Total liabilities from financing activities	\$ 669,926	39,132	5,498	(789)	(1)	713,766

	January 1, 2018	Non-cash flows			December 31, 2018
		Cash flows	Foreign exchange movement	Foreign exchange movement	
Long-term loans	\$ 210,000	72,000	-	-	282,000
Short-term loans	150,000	220,000	-	-	370,000
Guarantee deposits	5,732	657	-	-	6,389
Total liabilities from financing activities	\$ 365,732	292,657	-	-	658,389

(7) Related-party transactions

- (a) Names and relationships with related parties

The following are entities that have had transactions with related parties during the periods covered in the consolidated financial statements.

Name of related parties	Relationship with the Group
CHENMING (H.K.) CORPORATION LIMITED	Same chairman with the Company
UNEEC Culture and Education Foundation	Same chairman with the Company
Lin, Mu-Ho	Chairman of the Company

- (b) Transaction among other relative parties

- (i) Lease

The Group rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. The rental fee is determined based on nearby office rental rates. The rental revenue for the years ended December 31, 2019 and 2018 amounted to \$2,514 and \$3,429, respectively.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Equity trading

On March 18, 2019, the Board of Directors decided to acquire 10% of shares of CHENMING ELECTRONIC (NINGBO) CO., LTD., which amounted to \$66,571 (US\$2,160), through a contract signed with CHENMING (H.K.) CORPORATION LIMITED, and the related transfer procedures had been completed in April, 2019. As of December 31, 2019, the Group still had remaining balances of \$25,783, which were recognized as other payables-related parties. Please refer to note (6)(d) for related information.

(c) Key management personnel compensation

(i) Key management personnel compensation was comprised of:

	2019	2018
Short-term employee benefits	\$ 10,827	14,765
Post-employment benefits	270	454
	\$ 11,097	15,219

(ii) Guarantee

The main management was the guarantor of the syndication contract, and the amounts of syndication were \$306,000 and \$282,000, as of December 31, 2019 and 2018, respectively.

(8) Pledged assets

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2019	December 31, 2018
PPE and investment properties	Short-term loans and long-term		
— land	loans	\$ 307,804	347,804
— properties	"	135,307	138,882
Other financial asset	Customs deposits		
— non-current		22,255	20,291
		\$ 465,366	506,977

(9) Commitments and contingencies: None.

(10) Losses due to major disasters: None.

(11) Subsequent events

- (a) The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment in China and has impacted the Group's operations position, including production and delivery delays, etc. The relevant information is still unclear. Hence, it is not possible to make any reasonable estimate of the economic impact on its business results and financial situations. Therefore, the Group will continue to closely monitor the development of the event and keep its contingency measures and adjustments as needed.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (b) For protecting the credibility of the equity of the Company and its shareholders, the Company decided on March 12, 2020 to repurchase its own shares, with the maximum limit of 3,500 thousand shares and a repurchase price ranging from NTD9 to NTD18, at the total amount not exceeding \$63,000.

(12) Other

The summary statement of current period employee benefits, depreciation, and amortization expenses by function were as follows:

By function	December 31, 2019			December 31, 2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	1,333,712	194,904	1,528,616	1,562,358	173,605	1,735,963
Labor and health insurance	-	6,105	6,105	-	5,855	5,855
Pension	71,156	9,247	80,403	78,495	6,237	84,732
Others	70,907	15,794	86,701	74,245	15,859	90,104
Depreciation	235,212	9,200	244,412	241,330	5,039	246,369
Amortization	725	1,018	1,743	894	1,274	2,168

The depreciation expense, which subtracts the depreciation expense from investment properties, were \$1,237 and \$1,238 for the years ended December 31, 2019 and 2018, respectively, which were recognized in the subtraction of rent revenue.

(13) Other disclosures

- (a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

- (i) Loans to other parties:

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Trade receivables due from related parties	Yes	179,880	179,880	119,920	2.83175% 3.43613%	Demand for funding	-	Depending on demand for funding	-	-	-	2,065,182 (note 1)	2,065,182
2	CHENMING ELECTRONIC CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	"	73,185	73,185	73,185	4.67625%	"	-	"	-	-	-	105,305 (note 2)	105,305 (note 2)
3	CHENMING ELECTRONIC CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	"	64,575	64,575	-	5.0025%	"	-	"	-	-	-	80,620 (note 2)	80,620 (note 2)

Note 1: The total amount of the guarantee provided by the Lender Company shall not exceed 100% of the Lender Company's net worth
 Note 2: The total amount of the guarantee provided by the Lender Company shall not exceed 10% of the Lender Company's net worth

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in mainland China
		Name	Relationship with the Company										
0	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	82% owned subsidiary	927,217	51,660	51,660	-	-	2.23%	1,854,434	Yes	No	Yes

Note: The total amount of endorsement guarantees the Company or the Group is permitted to provide shall not exceed 80% of the Company's net worth; the amount of endorsement guarantees for a entity shall not exceed 40% of the Company's net worth.

- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates, and joint ventures): None.
- (iv) Individual securities acquired or disposed of with an accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Company Name	Counter party	Nature of relationship	Transaction details			Transactions with terms different from others			Notes/trade receivables (payables)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ trade receivables (payables)	
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	2,636,951	99 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(505,434)	(99) %	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,636,951)	71 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	505,434	52 %	"

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note)	Allowance for bad debts	Note
					Amount	Action taken			
Dongguan Chenming Electronic Co., Ltd	The Company	Subsidiaries	505,434	4.98	-	-	505,434	-	The transactions have been eliminated in the consolidated financial statement.

Note: The recovered amounts of March 12, 2020.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	2	Other current financial assets	119,920	Rate 2.83175%~3.43613%	2%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	2,636,951	The price is based on the fixed ratio of final sales price, and the credit period is dependent on the demand for funding	44%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Trade receivables	505,434	"	10%

Note 1: The numbers filled in as follows:

1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

- 1 represents the transactions between the subsidiaries and the parent company.
- 2 represents the transactions between subsidiaries.
- 3 represents the transactions from the parent company to its subsidiaries.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019				Highest balance during the year		Net income investment income (losses)	Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value	Shares / Units (thousands)	Percentage of ownership	(losses) of the investment		
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,002,903	1,930,397	59,948	100%	2,065,182	59,948	100	90,645	90,645	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USD, Inc.	U.S.A.	Import and export business of computer case	6,236	-	200	100%	4,746	200	100	(1,281)	(1,281)	"
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100%	1,085,158	45,988	100	(20,483)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandse company (note)
"	PEAK SHREWD INC	Samoa	Investment	638,726	566,220	17,800	100%	837,833	17,800	100	107,552	"	"

Note: The transactions have been eliminated in the consolidated financial statement.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital (note 3)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2019 (note 3)	Net income (losses) of the investment	Percentage of ownership	Highest balance during the year			Carrying amount as of December 31, 2019	Accumulated remittance of earnings as of December 31, 2019
					Outflow (note 3)	Inflow				Shares/Units (thousands)	Percentage of ownership	Investment income (losses) (note 2)		
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,933,710 (USD64,500)	note 1 and 7	502,537 (USD16,500)	39,861 (USD1,300) (note 6)	-	542,398 (USD17,800)	130,721	82%	-	82	106,613	863,497	-
Dongguan Chenming Electronic Co., Ltd	"	872,219 (USD28,978) (note 4 and 5)	note 1 and 8	750,755 (USD24,900)	-	-	750,755 (USD24,900)	10,669	100%	-	100	10,669	806,193	-

(ii) Limitation on investment in mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	1,293,153 (USD 42,700)	1,406,062 (USD 46,900)	Unlimited (note 9)

Note1: Investment in Mainland China through existing company from third region.

Note2: The investment gains and losses of the current period are recognized according to the financial statements which have been reviewed and certified by the Company's independent external auditors.

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$29.98 as of December 31, 2019.

Note4: Invested the amount of USD 3,000 in Dongguan Chenming Electronic Co., Ltd. through GERSHWIN INTERNATIONAL LIMITED by TOP CITY INTERNATIONAL LIMITED.

Note5: Invested the amount of USD 1,078 on equipment in Dongguan Chenming Electronic Co., Ltd by GERSHWIN INTERNATIONAL LIMITED.

Note6: Investment through PEAK SHREWD INC by the Company and TOP CITY INTERNATIONAL LIMITED.

Note7: Investment in Mainland China through TOP CITY INTERNATIONAL LIMITED and PEAK SHREWD INC.

Note8: Investment in Mainland China through TOP CITY INTERNATIONAL LIMITED and GERSHWIN INTERNATIONAL LIMITED.

Note9: According to the "REGULATIONS GOVERNING THE APPROVAL OF INVESTMENT OR TECHNICAL COOPERATION IN MAINLAND CHINA" amended in August 29, 2008, by the MOEAIC, the Company has acquired related documents. Therefore, there is no restriction to the Company's investing amount in Mainland China.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in "Information on significant transactions".

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information

The Group is single industry department, which produce computer and mobile device components mainly. Operating segment information is constant with the balance sheet report, and for the profit and loss segment refer to income statement, and for the assets segment refer to the balance sheet.

(a) Overall information of the Group

(i) Product information

Products	2019	2018
PC chassis	\$ 4,876,005	4,257,152
Mobile device component	874,003	1,534,230
Mold	278,694	395,020
	\$ 6,028,702	6,186,402

(ii) Geographic information

The Group's sales presented by customer location and non-current assets presented by location, the geographic information were as follows:

1) Revenue from external customers:

Country	2019	2018
Taiwan	\$ 1,111,019	1,317,954
Mainland China	3,288,605	3,397,458
Japan	839,340	446,422
Other Country	789,738	1,024,568
	\$ 6,028,702	6,186,402

2) Non-current Assets:

Country	2019	2018
Taiwan	\$ 511,068	511,297
Mainland China	922,387	1,078,650
	\$ 1,433,455	1,589,947

Non-current assets include property, plant and equipment, intangible assets, investment property, and other assets, excluding prepaid pension, cost deferred tax assets, and guarantee deposit.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Important clients information

The sales revenue from clients with account for more than 10% revenue in Income statement as follow:

	<u>2019</u>	<u>2018</u>
I company	\$ 1,278,807	1,071,416
H company	975,190	1,607,064
B company	944,618	891,529
D company	533,283	690,454
C company	896,771	604,524

V. **Latest audited standalone financial statements**
Standalone financial statement enclosed herewith.

Stock Code:3013

CHENMING ELECTRONIC TECHNOLOGY CORP.
(Formerly CHENMING MOLD IND. CORP.)

FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

Independent Auditors' Report

To the Board of Directors of CHENMING ELECTRONIC TECHNOLOGY CORP.:

Opinion

We have audited the financial statements of CHENMING ELECTRONIC TECHNOLOGY CORP. (“the Company”), which comprise the balance sheets as of December 31, 2019 and 2018, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

The share of profit (loss) of associates and joint ventures accounted for using equity method - Subsidiary’s Inventory valuation

Please refer to Note (4)(g) and Note (5) for accounting policy of uncertainty of the valuation of inventory from using equity method - subsidiary. Information of the share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method - subsidiaries’ inventory valuation is disclosed in notes (6)(c) of the financial statements.

Description of key audit matters:

Due to the impact of product life cycle and customized design in electronics industry, the price variability for the inventories of the Company are expected to change. Therefore, the test of the share of profit (loss) of associates and joint ventures accounted for using equity method - subsidiary's inventory valuation is one of the significant evaluation in our audit procedures.

Audit Procedure:

Our principal audit procedure included: testing the related controls of subsidiary's production cycle and assessing the allowance for loss due to price decline, as well as obsolete and slow moving inventories, to determine whether they are in compliance with the Company's accounting policies; inspecting the inventory aging statement; analyzing the subsequent sales status, and assessing the adopted net realizable value basis for obsolete inventories to verify the rationality of assessment on allowance estimated by the management authority of the Company.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Supervisors) are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Hsin Fu Yen and Yi Wen Wang.

KPMG

Taipei, Taiwan (Republic of China)

March 12, 2020

Notes to Readers

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP.

Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2019		December 31, 2018		Liabilities and Equity		December 31, 2019		December 31, 2018	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 71,449	2	171,611	5	2100	Short-term loans (note (6)(h))	\$ 390,000	11	370,000	11
1170	Notes and trade receivables, net (note (6)(b) and (p))	902,006	25	933,216	26	2170	Notes and trade payables	3,063	-	10,592	-
1310	Inventories, net (note (6)(c))	16,154	-	63	-	2180	Trade payables to related parties (note (7))	505,434	15	486,788	14
1479	Other current assets	4,517	-	589	-	2230	Current tax liabilities	15,591	-	26,350	1
		<u>994,126</u>	<u>27</u>	<u>1,105,479</u>	<u>31</u>	2200	Other payables	47,379	1	47,984	1
Non-current assets:						2280	Current lease liabilities (note (6)(j))	1,491	-	-	-
1550	Investments accounted for using equity method, net(note (6)(d))	2,069,928	58	1,937,814	54	2300	Other current liabilities	6,682	-	6,369	-
1600	Property, plant, and equipment (notes (6)(e) and (8))	309,099	9	311,662	9			<u>969,640</u>	<u>27</u>	<u>948,083</u>	<u>27</u>
1755	Right-of-use assets (note (6)(f))	3,793	-	-	-	Non-Current liabilities:					
1760	Investment property, net (note (6)(g) and (8))	197,636	5	198,873	5	2540	Long-term loans (note (6)(i))	306,000	9	282,000	8
1840	Deferred income tax assets (note (6)(m))	4,850	-	1,418	-	2570	Deferred income tax liabilities (note (6)(m))	4,931	-	5,062	-
1980	Other non-current financial assets	1,470	-	20	-	2580	Non-current lease liabilities (note (6)(j))	2,306	-	-	-
1990	Other non-current assets (note (6)(l))	23,288	1	24,166	1	2645	Guarantee deposits	3,270	-	3,810	-
		<u>2,610,064</u>	<u>73</u>	<u>2,473,953</u>	<u>69</u>			<u>316,507</u>	<u>9</u>	<u>290,872</u>	<u>8</u>
								<u>1,286,147</u>	<u>36</u>	<u>1,238,955</u>	<u>35</u>
Total assets		\$ 3,604,190	100	3,579,432	100	Total liabilities					
						Equity attributable to owners of parent (note (6)(n)):					
						3100	Ordinary shares	1,629,350	45	1,699,350	47
						3200	Capital surplus	82,967	2	52,485	1
						3300	Retained earnings	736,745	20	685,887	19
						3410	Exchange differences on translation of foreign financial statements	(81,209)	(2)	(45,218)	(1)
						3500	Treasury shares	(49,810)	(1)	(52,027)	(1)
								<u>2,318,043</u>	<u>64</u>	<u>2,340,477</u>	<u>65</u>
						Total equity		<u>2,318,043</u>	<u>64</u>	<u>2,340,477</u>	<u>65</u>
						Total liabilities and equity		\$ 3,604,190	100	3,579,432	100

(English Translation of Financial Statements Originally Issued in Chinese)
CHEENMING ELECTRONIC TECHNOLOGY CORP.
Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
4000 Operating revenue(note (6)(p) and (7))	\$ 2,827,726	100	3,138,229	100
5000 Operating costs (note (6)(c) and (7))	2,632,141	93	2,913,952	93
5900 Gross profit from operations	195,585	7	224,277	7
6000 Operating expenses (note (6)(l) and (12)):				
6100 Selling expenses	35,807	1	31,013	1
6200 Administrative expenses	80,042	3	77,056	2
6300 Research and development expenses	19,026	1	15,753	1
	<u>134,875</u>	<u>5</u>	<u>123,822</u>	<u>4</u>
6900 Net operating income	<u>60,710</u>	<u>2</u>	<u>100,455</u>	<u>3</u>
7000 Non-operating income and expenses:				
7050 Finance costs, net	(9,831)	-	(6,888)	-
7100 Interest income	694	-	720	-
7110 Rent revenue (note (6)(k) and (7))	12,368	-	13,062	-
7190 Other income (note (7))	4,998	-	4,444	-
7230 Foreign exchange gains (losses), net	(13,097)	-	36,749	1
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	89,364	3	2,271	-
	<u>84,496</u>	<u>3</u>	<u>50,358</u>	<u>1</u>
7900 Profit from continuing operations before tax	145,206	5	150,813	4
7951 Less: Income tax expenses (note (6)(m))	12,306	-	40,762	1
	<u>132,900</u>	<u>5</u>	<u>110,051</u>	<u>3</u>
8300 Other comprehensive income:				
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(980)	-	(1,729)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	(196)	-	(357)	-
	<u>(784)</u>	<u>-</u>	<u>(1,372)</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(35,991)	(1)	(14,122)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	<u>(35,991)</u>	<u>(1)</u>	<u>(14,122)</u>	<u>-</u>
8300 Other comprehensive income (loss)	<u>(36,775)</u>	<u>(1)</u>	<u>(15,494)</u>	<u>-</u>
8500 Comprehensive income	<u>\$ 96,125</u>	<u>4</u>	<u>94,557</u>	<u>3</u>
Earnings per share (expressed in dollars) (note (6)(o)):				
9750 Basic earnings per share	<u>\$ 0.82</u>		<u>0.65</u>	
9850 Diluted earnings per share	<u>\$ 0.82</u>		<u>0.65</u>	

(English Translation of Financial Statements Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings	Other components of equity	Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements		
Balance at January 1, 2018	\$ 1,699,350	52,485	252,196	29,978	380,002	662,176	(31,096)	-	2,382,915
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	21,291	-	(21,291)	-	-	-	-
Special reserve	-	-	-	1,118	(1,118)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	(84,968)	-	-	(84,968)
Profit for the year ended December 31, 2018	-	-	-	-	110,051	110,051	-	-	110,051
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(1,372)	(1,372)	(14,122)	-	(15,494)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	108,679	108,679	(14,122)	-	94,557
Purchase of treasury shares	-	-	-	-	-	-	-	(52,027)	(52,027)
Balance at December 31, 2018	1,699,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	2,340,477
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	11,005	-	(11,005)	-	-	-	-
Special reserve	-	-	-	14,123	(14,123)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(48,881)	(48,881)	-	-	(48,881)
Profit (loss) for the year ended December 31, 2019	-	-	-	-	132,900	132,900	-	-	132,900
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(784)	(784)	(35,991)	-	(36,775)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	132,116	132,116	(35,991)	-	96,125
Purchase of treasury shares	-	-	-	-	-	-	-	(102,322)	(102,322)
Retirement of treasury share	(70,000)	(2,162)	-	-	(32,377)	(32,377)	-	104,539	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	32,644	-	-	-	-	-	-	32,644
Balance at December 31, 2019	\$ 1,629,350	82,967	284,492	45,219	407,034	736,745	(81,209)	(49,810)	2,318,043

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	<u>2019</u>	<u>2018</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 145,206	150,813
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	4,810	4,585
Amortization expense	1,018	1,274
Expected credit loss (gain)	(600)	412
Interest expense	9,831	6,888
Interest income	(694)	(720)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(89,364)	(2,271)
Total adjustments to reconcile profit (loss)	<u>(74,999)</u>	<u>10,168</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	31,810	(174,956)
Decrease (increase) in inventories	(16,091)	(63)
Decrease (increase) in other current assets	(3,928)	(185)
Increase (decrease) in notes and trade payables	11,117	(67,256)
Increase (decrease) in other payables and other current liabilities	(541)	(11,870)
Other	(26)	242
Total changes in operating assets and liabilities	<u>22,341</u>	<u>(254,088)</u>
Total adjustments	<u>(52,658)</u>	<u>(243,920)</u>
Cash inflow generated from (used in) operations	92,548	(93,107)
Interest received	694	720
Income taxes paid	(26,432)	(37,747)
Net cash flows from (used in) operating activities	<u>66,810</u>	<u>(130,134)</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(46,097)	(46,684)
Acquisition of property, plant and equipment	(378)	(76)
Acquisition of intangible assets	(798)	(956)
Other	(1,450)	250
Net cash flows from (used in) investing activities	<u>(48,723)</u>	<u>(47,466)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	20,000	220,000
Proceeds from long-term debt	160,000	160,000
Repayments of long-term debt	(136,000)	(88,000)
Payment of lease liabilities	(628)	-
Distribution in cash dividends	(48,881)	(84,968)
Payments to acquire treasury shares	(102,322)	(52,027)
Interest paid	(9,878)	(6,750)
Other	(540)	-
Net cash flows from (used in) financing activities	<u>(118,249)</u>	<u>148,255</u>
Net increase (decrease) in cash and cash equivalents	<u>(100,162)</u>	<u>(29,345)</u>
Cash and cash equivalents at beginning of period	<u>171,611</u>	<u>200,956</u>
Cash and cash equivalents at end of period	<u>\$ 71,449</u>	<u>171,611</u>

(English Translation of Financial Statements Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

CHENMING ELECTRONIC TECHNOLOGY CORP. (formerly CHENMING MOLD IND. CORP.) (the “Company”) was incorporated on June 1976. The address of the Company’s registered office is 2~6F., No.27, Sec 6, Minquan E. Rd., Neihu dist., Taipei City 114, Taiwan (R.O.C). The Company’s common shares were listed on the Taiwan Stock Exchange (TWSE) in September 16, 2002. The business activities of the Company are the production of computer case, the manufacture and the development of mobile devices.

(2) Approval date and procedures of the financial statements:

These financial statements were authorized for issue by the board of directors on March 12, 2020.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application did not have any significant impact in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

1) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note (4)(k).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

2) As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Company decided to apply recognition exemptions to lease of low-value assets or short-term leases of office equipment and others.

Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Company used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

3) As a lessor

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Company accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Company is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Company reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Company concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Company recognised additional \$844 thousands both of right-of-use assets and lease liabilities. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 4.51%.

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Company's financial statements	\$ 1,017
Recognition exemption for:	
short-term leases	(120)
	<u>\$ 897</u>
Discounted using the incremental borrowing rate at January 1, 2019 (as lease liabilities recognized at January 1, 2019)	<u>\$ 844</u>

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

On transition to the new standard, there is no material impact to the Company.

- (b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Rule No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”	January 1, 2020
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assesses that the adoption of the abovementioned standards would not have any material impact on its financial statements.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date to be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the annual financial statements have been prepared on the historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entities operate. The financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) An investment in equity securities designated as at fair value through other comprehensive income;
- 2) A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) Qualifying cash flow hedges to the extent that the hedges are effective.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the Company's presentation currency at the average rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of a net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It held the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It held the liability primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

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(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are 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. The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

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2) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivables, refundable deposit and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

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At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3) Derecognition of financial assets

The Company derecognizes a financial assets when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Financial liabilities

Financial liabilities are classified as measured at amortized cost, which are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

5) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

6) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

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(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statement are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(i) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

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(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straightline basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 11 ~ 51 years
- 2) Other equipment: 3 ~11 years
- 3) Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Lease

Applicable from January 1, 2019

(i) Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

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- the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At the inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability are comprised of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

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The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to 0.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of office equipment and others that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators, such as whether the lease is for the majority of the economic life of the asset.

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Notes to the Financial Statements

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the period in which it is incurred.

(l) Intangible assets

(i) Recognition & measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including computer softwares, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

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The estimated useful lives for current and comparative periods are as follows:

- 1) Computer software: 1~3 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue

- (i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

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The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(p) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

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Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as convertible bonds and employee compensation.

(r) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent-company-only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continued to monitor the accounting estimates and assumptions the management recognized the changes in the accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying the accounting policies that have significant effects on the amounts recognized in the financial statements.

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Besides, for those uncertainties due to accounting assumptions and estimations, information about the significant risk of resulting in a material adjustment within the next financial year is stated below:

The share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method - subsidiary's inventory valuation

Inventories are supposed to be measured based on the lower of cost or net realizable value. This inventory evaluation is based on the estimated sales price in future, thus, it may be changed due to changes in industry and market. Please refer to Note (6)(d) of the financial statement for the share of profit (loss) of associates and joint ventures accounted for using equity method-Subsidiary's Inventory valuation.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	\$ 50	50
Checking accounts and demand deposits	71,399	171,561
	\$ 71,449	171,611

Please refer to note 6(r) for the interest rate risk and the sensitivity analysis of the financial assets and liabilities of the Company.

(b) Notes and trade receivables

	December 31, 2019	December 31, 2018
Trade receivables	\$ 902,177	933,987
Less: Loss allowance	(171)	(771)
Trade receivables, net	\$ 902,006	933,216

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and number of days past due, as well as incorporated forward looking information including macroeconomics and relevant industry information. The loss allowance provision were determined as follows:

	December 31, 2019		
	Gross carrying amount	Weighted-ave rage expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 896,539	0.02%	161
1 to 30 days past due	5,232	0.11%	6
31 to 150 days past due	406	0.99%	4
	\$ 902,177		171

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	December 31, 2018		
	Gross carrying amount	Weighted-ave rage expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 919,046	0.02%	213
1 to 30 days past due	11,179	0.12%	13
31 to 150 days past due	2,756	1.45%	40
151 to 360 days past due	1,006	50.20%	505
	\$ 933,987		771

The movement in the allowance for notes and trade receivables were as follows:

	2019	2018
Balance on January 1	\$ 771	21,028
Impairment losses recognized (reversed)	(600)	412
Amounts written off	-	(20,669)
Balance on December 31	\$ 171	771

As of December 31, 2019 and 2018, the Company did not pledge any receivable as collateral.

(c) Inventories

	December 31, 2019	December 31, 2018
Work in progress	\$ 21	-
Finished goods and merchandise inventories	16,133	63
	\$ 16,154	63

The cost of sales amounted to \$2,632,141 and \$2,913,952 for the years ended December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the Company did not pledge any inventories as collateral.

(d) Investments accounted for using equity method

Investments accounted for using the equity method at the report date is as follows:

	December 31, 2019	December 31, 2018
Subsidiaries	\$ 2,069,928	1,937,814

- (i) The Company invested an additional cash of \$39,861 (US\$1,300) and \$46,684 (US\$16,004) in CITY INTERNATIONAL LIMITED in 2019 and 2018 to increase its capital for purchasing the shares of subsidiary, respectively.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(ii) The Company invested in the establishment of CHENMING ELECTRONIC TECHNOLOGY USA, Inc. in 2019, at an amount of \$6,236 (US\$200) in order to its respond to operational needs, serve nearby customers, and strive for joint development opportunities with customers in advance.

(iii) As of December 31, 2019 and 2018, the Company did not provide any investment accounted for using equity method as collateral.

(e) Property, Plant and Equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2019 and 2018 were as follows:

	Land	Properties	Office equipment and others	Total
Cost:				
Balance on January 1, 2019	\$ 210,897	131,867	2,057	344,821
Additions	-	-	378	378
Disposal	-	-	(1,825)	(1,825)
Balance on December 31, 2019	<u>\$ 210,897</u>	<u>131,867</u>	<u>610</u>	<u>343,374</u>
Balance on January 1, 2018	\$ 210,897	134,829	19,559	365,285
Additions	-	-	76	76
Disposal	-	(2,962)	(17,578)	(20,540)
Balance on December 31, 2018	<u>\$ 210,897</u>	<u>131,867</u>	<u>2,057</u>	<u>344,821</u>
Depreciation:				
Balance on January 1, 2019	\$ -	31,532	1,627	33,159
Depreciation	-	2,586	355	2,941
Disposal	-	-	(1,825)	(1,825)
Balance on December 31, 2019	<u>\$ -</u>	<u>34,118</u>	<u>157</u>	<u>34,275</u>
Balance on January 1, 2018	\$ -	31,908	18,444	50,352
Depreciation	-	2,586	761	3,347
Disposal	-	(2,962)	(17,578)	(20,540)
Balance on December 31, 2018	<u>\$ -</u>	<u>31,532</u>	<u>1,627</u>	<u>33,159</u>
Book Value:				
Balance on December 31, 2019	<u>\$ 210,897</u>	<u>97,749</u>	<u>453</u>	<u>309,099</u>
Balance on December 31, 2018	<u>\$ 210,897</u>	<u>100,335</u>	<u>430</u>	<u>311,662</u>

As of December 31, 2019 and 2018 the Company had provided parts of the property, plant and equipment as collateral for its long-term loans and credit lines. Please refer to note (8) for details.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(f) Right-of-use assets

The Company leases many assets including transportation. Information about leases for which the Company as a lessee was presented below:

	Transportation
Cost:	
Balance on January 1, 2019	\$ -
Effects of retrospective application	844
Additions	3,581
Balance on December 31, 2019	\$ 4,425
Accumulated depreciation and impairment losses:	
Balance on January 1, 2019	\$ -
Depreciation	632
Balance on December 31, 2019	\$ 632
Book value:	
Balance on December 31, 2019	\$ 3,793

The Company leases rights-of-use of land, transportation, and warehouses under an operating lease for the years ended December 31, 2018, please refer to note (6)(k).

(g) Investment Property

	Land	Properties	Total
Cost:			
Balance on January 1, 2019			
(Same balance as December 31, 2019)	\$ 152,640	63,116	215,756
Balance on January 1, 2018			
(Same balance as December 31, 2018)	\$ 152,640	63,116	215,756
Depreciation:			
Balance on January 1, 2019	\$ -	16,883	16,883
Depreciation	-	1,237	1,237
Balance on December 31, 2019	\$ -	18,120	18,120
Balance on January 1, 2018	\$ -	15,645	15,645
Depreciation	-	1,238	1,238
Balance on December 31, 2018	\$ -	16,883	16,883
Book Value:			
Balance on December 31, 2019	\$ 152,640	44,996	197,636
Balance on December 31, 2018	\$ 152,640	46,233	198,873
Fair Value:			
Balance on December 31, 2019			\$ 547,048
Balance on December 31, 2018			\$ 492,663

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Notes to the Financial Statements

The Company classify non-operating assets into investment properties, and investment properties was evaluated by market value.

As of December 31, 2019 and 2018, the Company pledge investment properties as collateral. Please refer to note (8) for details.

(h) Short-term loans

The short-term loans were summarized as follows:

	December 31, 2019	December 31, 2018
Credit Loan	\$ 230,000	360,000
Secured Loan	160,000	10,000
	\$ 390,000	370,000
Unused credit lines for short-term loans	\$ 621,552	485,156
Annual interest rates	1.0%~1.3%	1.0%~1.5%

(i) For information on interest rate and liquidity risk exposure, please refer to note (6)(r).

(ii) As of December 31, 2019 and 2018, the Company provided part of its assets as collateral for short term loans. Please refer to note (8) for details.

(i) Long-term loans

The long-term loans were summarized as follows:

December 31, 2019			
	Currency	Range of interest rates	Expiration
Secured bank loans	TWD	1.0%~1.5%	2023~2025
Current			\$ -
Non-current			306,000
Total			\$ 306,000
Unused long-term credit lines			\$ 130,000
December 31, 2018			
	Currency	Range of interest rates	Expiration
Secured bank loans	TWD	1.0%~1.5%	2020~2025
Current			\$ -
Non-current			282,000
Total			\$ 282,000
Unused credit lines			\$ 170,000

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

- (i) The main management are the guarantor of long-term loan, please refer to note (7).
- (ii) For information on interest rate and liquidity risk, please refer to note (6)(r).
- (iii) As of December 31, 2019 and 2018, the Company provided part of its assets as collateral for long-term loans. Please refer to note (8) for details.

(j) Lease liabilities

	December 31, 2019
Current	<u>\$ 1,491</u>
Non-current	<u>\$ 2,306</u>

For the maturity analysis, please refer to note (6)(s).

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	<u>\$ 13</u>
Expenses relating to short-term leases	<u>\$ 29</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 120</u>

The amounts recognized in the statement of cash flows for the Company were as follows:

	2019
Total cash outflow for leases	<u>\$ 790</u>

The Company leases dormitory and other equipment, with contract terms of 1~3 years. These leases are short-term and/or leases of low-value items. The Company has applied the exemption and elected not to recognize right-of-use assets and lease liabilities for these leases.

(k) Operating lease

- (i) Leases as lessee

Non cancellable operating lease rentals payable were as follow:

	December 31, 2018
Less than one year	<u>\$ 566</u>
Between one and five years	<u>331</u>
	<u>\$ 897</u>

The Company leases a number of cars under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(ii) Leases as lessor

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note (6)(g) sets out information about the operating leases of investment property.

As of December 31, 2019, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

Less than one year	\$ 14,532
Between one and two years	<u>6,984</u>
Total undiscounted lease payment	<u>\$ 21,516</u>

The future lease receivables under non-cancellable lease are as follows:

	December 31,
	2018
Less than one year	<u>\$ 14,519</u>
Between two and four years	<u>21,516</u>
	<u>\$ 36,035</u>

The lease revenue from investment properties are \$13,605 and \$14,300 in 2019 and 2018, respectively. Moreover, the related depreciation expense are \$1,237 and \$1,238, respectively.

(l) Employee benefits

(i) Defined benefit plans

Reconciliation of the defined benefit obligations and the fair value of the plan assets of the Company were as follows:

	December 31,	December 31,
	2019	2018
Present value of the defined benefit obligations	<u>\$ 36,746</u>	<u>33,422</u>
Fair value of plan assets	<u>(59,492)</u>	<u>(56,826)</u>
Net defined benefit liabilities (assets)	<u>\$ (22,746)</u>	<u>(23,404)</u>

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for its employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on the years of service and average salary for the six months prior to retirement.

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Notes to the Financial Statements

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$59,492 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Company were as follows:

	2019	2018
Defined benefit obligations at January 1	\$ 33,422	36,082
Current service costs and interest costs	459	631
Remeasurement of net defined benefit liability (assets)	2,865	3,099
Benefits paid	-	(6,390)
Defined benefit obligations at December 31	\$ 36,746	33,422

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	2019	2018
Fair value of plan assets at January 1	\$ (56,826)	(60,782)
Expected return on plan assets	(781)	(1,064)
Remeasurement of net defined benefit liability (assets)	(1,885)	(1,370)
Benefits paid	-	6,390
Fair value of plan assets at December 31	\$ (59,492)	(56,826)
Actual return on plan assets	\$ (2,666)	(2,434)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

- 4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2019</u>	<u>2018</u>
Interest cost	\$ 459	631
Expected rate of return on plan assets	(781)	(1,064)
	<u>\$ (322)</u>	<u>(433)</u>
Administration expense	<u>\$ (322)</u>	<u>(433)</u>

- 5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement of net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Accumulated amount at January 1	\$ 7,422	5,693
Recognized during the period	980	1,729
Accumulated amount at December 31	<u>\$ 8,402</u>	<u>7,422</u>

- 6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follow:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Discount rate	1.125%	1.375%
Future salary increasing rate	1.000%	1.000%

The discount rate was based on the life of the related obligation, and was used as a reference to the return rate on bonds issued by the government, which was declared by GreTai Securities Market.

The department of labor from Taipei City Government has approved the Company to suspend the contribution of pension in 2019 and 2018.

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date is \$0.

The weighted-average duration of the defined benefit obligation is 15.83 years.

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Notes to the Financial Statements

7) Sensitivity Analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligation	
	Increased 0.25 %	Decreased 0.25 %
December 31, 2019		
Discount rate	\$ (1,283)	1,339
Future salary increasing rate	1,322	(1,266)
December 31, 2018		
Discount rate	(1,238)	1,284
Future salary increasing rate	1,270	(1,230)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for both periods.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to \$3,675 and \$3,561 for the years ended December 31, 2019 and 2018, respectively.

(m) Income taxes

(i) income tax expenses

1) The amount of income tax for 2019 and 2018 was as follows:

	2019	2018
Current tax expense		
Current period	\$ 14,524	26,641
Undistributed earnings additional tax	1,733	10,524
Adjustment for prior period	(584)	(7)
	15,673	37,158

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Notes to the Financial Statements

	2019	2018
Deferred tax expense (income)		
Origination and reversal of temporary differences	(3,367)	3,500
Adjustment in tax rate	-	104
	(3,367)	3,604
Income tax expense	\$ 12,306	40,762

- 2) The amount of income tax recognized in other comprehensive income for 2019 and 2018 was as follows:

	2019	2018
Items that will not be reclassified subsequently to profit or loss		
Remeasurement from defined benefit plans	\$ (196)	(357)

- 3) Reconciliation of income tax and profit before tax for 2019 and 2018 is as follows:

	2019	2018
Profit excluding income tax	\$ 145,206	150,813
Income tax using the Company's domestic tax rate	29,041	30,163
Adjustment in tax rate	-	104
Under (over) provision in prior periods	(584)	(7)
Undistributed earnings additional tax	1,733	10,524
Other	(17,884)	(22)
	\$ 12,306	40,762

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities:

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2019 and 2018. Also, management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2019	December 31, 2018
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	\$ 28,400	10,527

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Notes to the Financial Statements

2) Recognized deferred tax assets and liabilities

	Defined benefit plans	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2019	\$ 5,122	(60)	5,062
Recognized in (profit) or loss	65	-	65
Recognized in other comprehensive income	(196)	-	(196)
Balance on December 31, 2019	<u>\$ 4,991</u>	<u>(60)</u>	<u>4,931</u>
Balance on January 1, 2018	\$ 4,554	(60)	4,494
Recognized in (profit) or loss	925	-	925
Recognized in other comprehensive income	(357)	-	(357)
Balance on December 31, 2018	<u>\$ 5,122</u>	<u>(60)</u>	<u>5,062</u>
	Defined benefit Plans	Others	Total
Deferred tax assets:			
Balance on January 1, 2019	\$ -	1,418	1,418
Recognized in profit or (loss)	-	3,432	3,432
Balance on December 31, 2019	<u>\$ -</u>	<u>4,850</u>	<u>4,850</u>
Balance on January 1, 2018	\$ -	4,097	4,097
Recognized in profit or (loss)	-	(2,679)	(2,679)
Balance on December 31, 2018	<u>\$ -</u>	<u>1,418</u>	<u>1,418</u>

(iii) The Company's tax returns for the years through 2017 were assessed by the Taipei National Tax Administration.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2019 and 2018, the authorized common stocks were both \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which 162,935 and 169,935 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

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Notes to the Financial Statements

(ii) Capital surplus

The balances of capital surplus as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Additional paid-in capital	\$ 14,115	14,722
Difference between consideration and carrying amount of subsidiaries acquired or disposed	68,852	37,763
	<u>\$ 82,967</u>	<u>52,485</u>

In accordance with the R.O.C. Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained Earning

The Company's articles of incorporation stipulated that 10% of annual net income after covering the accumulated deficit, if any, must be set up as a legal reserve. The remaining balance after special reserves that are appropriated in accordance with SFB regulations, if any, shall distribute to prior year's un-distribution by board of shareholders. The Company, should consider financial, business and operating factors to decide the distribution of earnings, which can be distributed by cash dividends or share dividends. Earning distribution should be cash dividends as priority, and the cash dividends cannot be lower than 10% of the total cash and stock dividends.

The Company's industry is currently in a gentle growth phase. The Company may distribute earnings through cash dividend or stock dividend given consideration of the Company's financial standing and business performance and shall be preferentially distributed in cash dividend. The cash dividends shall be at the ratio not below 10% of the aggregate total dividends to be distributed in the year.

1) Legal reserve

In accordance with the Company Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

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2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and is not qualified for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriation of earnings for the year of 2018 approved in the shareholders' meeting on June 14, 2019 was \$48,881 by cash dividends.

The appropriation of earnings for the year of 2017 approved in the shareholders' meeting on June 13, 2018 was \$84,968 by cash dividends.

(iv) Treasury stock

In 2019 and 2018, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 7,000 and 3,500 thousand shares respectively, as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2019 and 2018, both a total of 3,500 thousand shares were not yet cancelled.

Movement of treasury share in 2019 and 2018 were as follows:

	2019		2018	
	Share (thousands)	Amount	Share (thousands)	Amount
Balance on January 1	3,500	\$ 52,027	-	\$ -
Repurchase	7,000	102,322	3,500	52,027
Retirement	(7,000)	(104,539)	-	-
Balance on December 31	3,500	\$ 49,810	3,500	\$ 52,027

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

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(o) Earnings per share

For the years ended December 31, 2019 and 2018, the Company's earnings per share were calculated as follows:

	2019	2018
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 132,900	110,051
Weighted-average number of ordinary shares (share in thousands)	162,479	169,656
	\$ 0.82	0.65
Diluted earnings per share:		
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	\$ 132,900	110,051
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	162,479	169,656
Effect of employee stock remuneration (share in thousands)	412	431
Weighted-average number of ordinary shares(after adjusted the influence of potential ordinary shares)	162,891	170,087
	\$ 0.82	0.65

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	2019	2018
Primary geographical markets		
Taiwan	\$ 510,640	603,271
Japan	839,002	445,699
China	733,080	1,123,028
USA	360,566	481,979
Others	384,438	484,252
	\$ 2,827,726	3,138,229
Major product		
PC chassis	\$ 1,901,436	1,474,272
Mobile device components	874,002	1,534,231
Mold	52,288	129,726
	\$ 2,827,726	3,138,229

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Notes to the Financial Statements

(ii) Contract balances

	December 31, 2019	December 31, 2018	January 1, 2018
Notes and trade receivable	\$ 902,177	933,987	779,700
Less: Loss allowance	(171)	(771)	(21,028)
	\$ 902,006	933,216	758,672

For details on notes and trade receivables and allowance for impairment, please refer to note (6)(b).

(q) Employee directors' and supervisor's remuneration

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then, no less than 2% will be distributed as employee remuneration and a maximum of 2% will be allocated as directors' and supervisors' remuneration. Employees who are entitled to receive the above-mentioned employee remuneration, in shares or cash, include the employees of the subsidiaries of the Group who meet certain specific requirements.

The Company's remuneration to employees were both \$5,000; and the remuneration to directors and supervisors were both \$1,500 for the years ended December 31, 2019 and 2018. The remuneration equals the estimated sum, multiplied by the percentage of the remuneration to employees, directors and supervisors, as specified in the Company's article. The estimations are recorded under operating expenses and cost. The differences between the estimated amounts in financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as changes in accounting estimates and recognized as profit or loss in following year.

If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex dividend effect) on the day preceding the Board of Directors' meeting. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2019 and 2018.

Related information would be available at the Market Observation Post System website.

(r) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

2) Concentration to credit risk

The customers of the Company are mainly high tech companies, trade receivables have 69% and 64% are composed by five clients in December 31, 2019 and 2018. Thus, the company has concentration to credit risk situation.

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(ii) Receivable securities

For the credit risk information of notes and trade receivables, please refer to note (6)(b).

Other financial assets at amortized cost includes cash and cash equivalents, other financial assets, and guarantee deposits which are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low risk, please refer to note (4)(f).

(iii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	Amount	Within a year	1 ~ 2 years	Over 2 years
December 31, 2019				
Secured loans	\$ 466,000	160,000	-	306,000
Unsecured loans	230,000	230,000	-	-
Notes and trade payables (including related parties)	508,497	508,497	-	-
Lease liabilities (including current and non-current)	3,797	1,491	1,195	1,111
Other payables	15,037	15,037	-	-
Guarantee deposits	3,270	-	3,270	-
	\$ 1,226,601	915,025	4,465	307,111
December 31, 2018				
Secured loans	\$ 292,000	10,000	237,000	45,000
Unsecured loans	360,000	360,000	-	-
Notes and trade payables (including related parties)	497,380	497,380	-	-
Other payables	13,344	13,344	-	-
Guarantee deposits	3,810	-	-	3,810
	\$ 1,166,534	880,724	237,000	48,810

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at a significantly different amount.

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(iv) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follow:

	December 31, 2019		December 31, 2018				
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets							
Monetary items							
USD to NTD	\$	32,036	29.980	960,439	33,667	30.715	1,034,082
Financial liabilities							
Monetary items							
USD to NTD		45	29.980	1,349	90	30.715	2,764

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables and trade payables, that are denominated in foreign currency.

A weakening (strengthening) 5% of each major foreign currency against the Company functional currency as of December 31, 2019 and 2018, would have affected the net profit after tax by \$47,955 and \$51,566, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

Foreign exchange profit or loss (including realized and unrealized) were as follows:

	2019	2018
	Exchange profit (loss)	Exchange profit (loss)
NTD	\$ (13,097)	36,749

(v) Interest Rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	December 31, 2019	December 31, 2018
Variable rate instruments:		
Financial assets	\$ 71,336	171,241
Financial liabilities	696,000	652,000

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Notes to the Financial Statements

The following sensitivity analysis is based on the risk exposure to the interest rate on the derivative and non-derivative financial instruments on the reporting date. Regarding the assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents management of the Company's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increase by \$1,562 and \$1,202 for the years ended December 31, 2019 and 2018, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(vi) Fair value

1) Procedure of valuation

The Company's accounting policies and disclosure include fair value method on financial assets and financial liabilities. The Company's management is responsible in performing independent test on fair value by using independent source of information to obtain the fair value which is close to the market status. The management also confirms the independence, reliability and matching of the information source, and regularly test the valuation model, update the input and other information, and make necessary adjustment to ensure the output of valuation is reasonable.

2) Fair value hierarchy

The Company uses observable market data to evaluate assets and liabilities when it is possible. The different levels have been defined as follows:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

3) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and available for sale financial assets, are measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

	December 31, 2019				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 71,449	-	-	-	-
Notes and trade receivables (including related parties)	902,006	-	-	-	-
Refundable deposits	<u>1,470</u>	-	-	-	-
	<u>\$ 974,925</u>				
Financial liabilities at amortized cost					
Bank loans	\$ 696,000	-	-	-	-
Notes and trade payables (including related parties)	508,497	-	-	-	-
Lease liabilities	3,797	-	-	-	-
Other payables	15,037	-	-	-	-
Guarantee deposits	<u>3,270</u>	-	-	-	-
	<u>\$ 1,226,601</u>				
December 31, 2018					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 171,611	-	-	-	-
Notes and trade receivables (including related parties)	933,216	-	-	-	-
Refundable deposits	<u>20</u>	-	-	-	-
	<u>\$ 1,104,847</u>				
Financial liabilities at amortized cost					
Bank loans	\$ 652,000	-	-	-	-
Notes and trade payables (including related parties)	497,380	-	-	-	-
Other payables	13,344	-	-	-	-
Refundable deposits	<u>3,810</u>	-	-	-	-
	<u>\$ 1,166,534</u>				

4) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

- a) Financial liability with amortized cost evaluation

Fair value measurement is based on the latest quoted price and agreed upon price if these prices are available in an active market. When market value is unavailable, fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

- 5) Valuation techniques for financial instruments measured at fair value

- a) Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a basis to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If the Company can frequently acquire financial instrument's open quotation from either the stock exchange, brokers, underwriters, industrial trade union, or authorities, and the price is equal to that of fair market, then that financial instrument has active market value. On the other hand, if the condition above is not achieved, we define that as instrument to have non-active market value. Generally, the significant difference between the bid-ask spread or the trading volume is very small, similar to the index of a non-active market.

Except from active market, the Company also acquire its financial instrument value from the valuation technique or reference to a rival's quotation. The fair value through the valuation technique refers to other essentially prerequisite and similar financial instruments with current fair value, discount cash flow, and other valuation methods. The financial instruments from the non-active market are evaluated by the discount cash flow model, the main assumption is according to time value of money and investment risk to evaluate future cash flow.

- (s) Financial risk management

- (i) Briefings

The Company is have exposed to the following risks arising from financial instruments :

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

In this note expressed the information on risk exposure and objectives, policies and process of risk measurement and management. For detailed information, please refer to the related notes of each risk.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(ii) Structure of risk management

The financial risks management can be separated into management and operating related financial risks, the risks including credit risk, liquidity risk and market risk. In order to reduce financial risk, the Company dedicate to recognize, evaluate and avoid the uncertainty in the market. The important financial activity need to review by auditors in the broad and the Company have to follow the regulation of financial management and the process of division responsibility.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

1) Trade receivables and other receivables

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically.

The Company constantly evaluate clients' financial situation, if necessary, the company will buy credit guarantee insurance contract. But the Company usually won't ask clients offer collateral.

2) Guarantees

As of December 31, 2019 and 2018, the Company do not offer any endorsement and guarantees, except to its subsidiaries, please refer note (13)(a).

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities which be settled by delivering cash or another financial assets. The Company manages and maintains sufficient cash and cash equivalents so as to cope with its operations and liabilities. Make an effort to avoid any unacceptable loss or any harmful on their reputation.

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to note 6(h) and note 6(i) for unused short-term and long-term bank facilities as of December 31, 2019 and 2018.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the New Taiwan Dollars (TWD).

To avoid the fluctuation from foreign exchange, the Company use short-term loans and derivative to avoid foreign rate risk. This kind of derivative can help the Company to reduce the influence of foreign currency exchange but can't exclude all the risk.

2) Interest rate risk

The Company borrows funds with variable interest rates, therefore there is risk of cash flows.

3) Other market value risk

The Company is exposed to equity price risk arising from non-listed stock investments. Since investment of foreign operation is investment, the Company does not plan any hedge in this field.

(t) Capital management

The Company decides the optimized capital by maintain the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there is financial resource and operating plan to support working capital, research and development expense and dividend payment and so on. To maintain a strong capital base, the Company might adjust the stock dividend, issue new share or buy treasury share. The Company also scrutiny the asset-liability ratio regularly to monitor the fund.

Debt-to-asset ratio in December 31, 2019 and 2018 as follow:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 1,286,147	1,238,955
Total assets	3,604,190	3,579,432
Debt-to-asset ratio	36%	35%

As of December 31, 2019, the capital management method do not change.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

- (u) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2019 and 2018 were as follows:

	January 1, 2019	Cash flows	Non-cash flows Additions	December 31, 2019
Long term loans	\$ 282,000	24,000	-	306,000
Short term loans	370,000	20,000	-	390,000
Lease liabilities	844	(628)	3,581	3,797
Guarantee deposits	3,810	(540)	-	3,270
Total liabilities from financing activities	\$ 656,654	42,832	3,581	703,067

	January 1, 2018	Cash flows	December 31, 2018
Long term loans	\$ 210,000	72,000	282,000
Short term loans	150,000	220,000	370,000
Guarantee deposits	3,810	-	3,810
Total liabilities from financing activities	\$ 363,810	292,000	655,810

(7) Related-party transactions:

- (a) Names and relationship with related parties

Name of related party	Relationship with the Company
Dongguan Chenming Electronic Co., Ltd.	Subsidiary of the Company
Chenming Electronic (Ningbo) Co., Ltd.	Subsidiary of the Company
UNEEC Culture and Education Foundation	Same chairman with the Company
Lin, Mu-Ho	Chairman of the Company

- (b) Significant transactions with related parties

- (i) Selling products to related parties

	2019	2018
Subsidiaries	\$ 34	76

There were no significant differences in the collection periods and sale prices between the related parties and other customers, and the payment term was 60 days.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(ii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	2019	2018
Subsidiary:		
Dongguan Chenming Electronic Co., Ltd.	\$ 2,636,951	2,897,193
Subsidiary:		
Others	-	192
	\$ 2,636,951	2,897,385

The Company purchases certain products manufactured by its related parties. The purchase prices for related parties are similar to those of the third-party vendors, and the collection period for related parties is 60 days and payment according to subsidiaries's financial needs.

(iii) Payables to Related Parties

The payables to related parties were as follows:

Account	Related party categories	December 31, 2019	December 31, 2018
Trade payables	Subsidiaries:		
	Dongguan Chenming Electronic Co., Ltd.	\$ 505,434	486,788

(iv) Lease

The Company rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. The rental fee is determined based on nearby office rental rates. The rental revenue for the years ended December 31, 2019 and 2018 amounted to \$2,514 and \$3,429, respectively.

(v) Guarantee

- 1) The main management was the guarantor of the syndication contract, and the amounts of syndication were \$306,000 and \$282,000, as of December 31, 2019 and 2018, respectively.
- 2) As of December 31, 2019 and 2018, the Company had provided a guarantee for loans taken out by CHENMING ELECTRONIC (NINGBO) Co. LTD. The credit limit of the guarantee was \$51,660 and \$53,664, respectively.

(vi) Other

The Company dispatched its employees to its subsidiaries for providing management services. As of December 31, 2019 and 2018, the relative revenue amounted to \$4,408 and \$4,364, respectively, which was recognized in other income.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	2019	2018
Short-term employee benefits	\$ 6,428	6,127
Post-employment benefits	108	108
	\$ 6,536	6,235

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged Assets	Object	December 31, 2019	December 31, 2018
PPE and investment properties	Short-term loans and long-term		
— land	loans	\$ 347,804	347,804
— properties	"	135,307	138,882
		\$ 483,111	486,686

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

- (a) The coronavirus outbreak since early 2020 has brought about additional uncertainties in the subsidiaries' operating environment in China and has impacted the Company and its subsidiaries operations position, including production and delivery delays, etc. The relevant information is unclear, so it is not possible to make a reasonable estimate of the economic impact on business results and financial situations. The Company will continue to closely monitor the development of the event and keep our contingency measures and adjustments as needed.
- (b) For protecting the credibility of the equity of the Company and its shareholders, the Company decided on March 12, 2020 to repurchase its own shares, with the maximum limit of \$3,500 thousand shares and a repurchase price ranging from NTD\$9 to NTD\$18, at the total amount not exceeding \$63,000.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(12) Other:

The summary statement of current period employee benefits, depreciation and amortization expenses by function were as follows:

By function By item	2019			2018		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	-	73,735	73,735	-	61,792	61,792
Labor and health insurance	-	6,105	6,105	-	5,855	5,855
Pension	-	3,353	3,353	-	3,128	3,128
Remuneration of directors	-	1,000	1,000	-	1,000	1,000
Others	-	5,102	5,102	-	4,933	4,933
Depreciation	-	3,573	3,573	-	3,347	3,347
Amortization	-	1,018	1,018	-	1,274	1,274

Note: The depreciation expense, which subtract the depreciation expense from investment properties, was \$1,237 and \$1,238 for the years ended December 31, 2019 and 2018, respectively, which were recognized in the subtraction of rent revenue.

	2019	2018
Number of employees	<u>80</u>	<u>79</u>
Non-employees directors	<u>5</u>	<u>5</u>
Average labor cost	<u>\$ 1,177</u>	<u>1,023</u>
Average salary and bonus	<u>\$ 983</u>	<u>835</u>
Percentage change in average salary and bonus	<u>17.72%</u>	

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Trade receivables due from related parties	Yes	179,880	179,880	119,920	2.18738% 3.43613%	Demand for funding	-	Depending on demand for funding	-	-	-	2,065,182 (note 1)	2,065,182 (note 1)

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CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to Consolidated Financial Statements

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic IC Co., Ltd	"	"	73,185	73,185	73,185	4.67625%	"	-	"	-	-	-	105,305 (note 2)	105,305 (note 2)
3	Dongguan Chenming Electronic Co., Ltd.	CHENMING ELECTRONIC (NINGBO) CO., LTD	"	"	64,575	64,575	-	5.0025%	"	-	"	-	-	-	80,620 (note 2)	80,620 (note 2)

Note 1: The total amount of the guarantee provided by the Lender Company shall not exceed 100% of the Lender Company's net worth.
 Note 2: The total amount of the guarantee provided by the Lender Company shall not exceed 10% of the Lender Company's net worth.

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	82% Owned subsidiary		927,217	51,660	51,660	-	2.23%	1,854,434	Yes	No	Yes

Note: The total amount of endorsement guarantees the Company or the Group is permitted to provide shall not exceed 80% of the Company's net worth; the amount of endorsement guarantees for a entity shall not exceed 40% of the Company's net worth.

- (iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

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- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/trade receivables (payable)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ trade receivables (payables)	
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	2,636,951	99 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(505,434)	(99) %	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,636,951)	71 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	505,434	52 %	"

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note)		Allowance for bad debts	Note
					Amount	Action taken				
Dongguan Chenming Electronic Co., Ltd	The Company	Subsidiaries	505,434	4.98	-	-	505,434	-		

Note: The recovered amounts of March 12, 2020.

- (ix) Trading in derivative instruments: None.

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2019			Net income (losses) of the investment	Investment income (losses)	Investment Note
				December 31, 2019	December 31, 2018	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,002,903	1,930,397	59,948	100%	2,065,182	90,645	90,645	Subsidiaries
"	CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	USA	Input and export business of computer case	6,236	-	200	100%	4,746	(1,281)	(1,281)	"
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100%	1,085,158	(20,483)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandson company
"	PEAK SHREWD INC	Samoa	Investment	638,726	566,220	17,800	100%	837,833	107,552	"	"

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Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

- (i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2019	Investment flows		investment from Taiwan as of December 31, 2019	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2 and 3)	Carrying amount as of December 31, 2019 (note 3)	Accumulated remittance of earnings as of December 31, 2019
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO)CO.,LTD	Computer case and production of relative components	1,933,710 (USD64,500)	note 1 and 7	502,537 (USD16,500)	39,861 (USD1,300) (note 6)	-	542,398 (USD17,800)	130,721	82%	106,613	863,497	-
Dongguan Chenming Electronic Co., Ltd	"	872,219 (note 4) (USD28,978) (note 5)	note 1 and 8	750,755 (USD24,900)	-	-	750,755 (USD24,900)	10,669	100%	10,669	806,195	-

- (ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2019	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	1,293,153 (USD 42,700)	1,406,062 (USD 46,900)	Unlimited (note 9)

Note1: Investment in Mainland China through existing company from third region.

Note2: The investment gains and losses of the current period are recognized according to the financial statements which have been audited and certified by the Company's independent external auditors.

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$29.98 as of December 31, 2019.

Note4: Invested the amount of USD 3,000 thousands in Dongguan Chenming Electronic Co., Ltd. through GERSHWIN INTERNATIONAL LIMITED by TOP CITY INTERNATIONAL LIMITED.

Note5: Invested the amount of USD 1,078 thousands on equipment in Dongguan Chenming Electronic Co., Ltd by GERSHWIN INTERNATIONAL LIMITED.

Note6: Investment through PEAK SHREWD INC by the Company and TOP CITY INTERNATIONAL LIMITED.

Note7: Investment in Mainland China through TOP CITY INTERNATIONAL LIMITED and PEAK SHREWD INC.

Note8: Investment in Mainland China through TOP CITY INTERNATIONAL LIMITED and GERSHWIN INTERNATIONAL LIMITED.

Note9: According to the "REGULATIONS GOVERNING THE APPROVAL OF INVESTMENT OR TECHNICAL COOPERATION IN MAINLAND CHINA" amended in August 29, 2008 by the MOEAIC, the Company has acquired related documents. Therefore, there is no restriction to the Company's investing amount in Mainland China.

- (iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in "Information on significant transactions".

(14) Segment information:

The Company has provided the operating segments disclosure in the consolidated financial statements.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Cash and Cash Equivalents

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty Cash		\$ 50
Checking accounts and demand deposits	NTD	7,492
	Foreign currency (US\$1,996 ; JPY\$613 ; RMB\$905)	<u>63,907</u>
		<u>\$ 71,449</u>

Note : The exchange rate is 29.98 New Taiwan dollars for 1 U.S. dollar ; 0.276 New Taiwan dollars for 1 JPY ; 4.305 New Taiwan dollars for 1 RMB.

Statement of Trade Receivables

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Trade Receivables:		
Non-Related party:		
CC Company	Non-Related party operating income	\$ 287,386
DDCompany	"	111,789
E Company	"	87,402
D Company	"	79,929
F Company	"	52,737
C Company	"	45,170
Other (Note)	"	<u>237,764</u>
Total		902,177
Less : Loss allowance		<u>(171)</u>
Trade Receivables, net		<u>\$ 902,006</u>

Note : Items that do not reach the five percent benchmark for this account.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

<u>Investee Company</u>	<u>Beginning Balance</u>		<u>Additions (Note1)</u>		<u>Disposals</u>		<u>Investment income</u>	<u>Cumulative translation adjustment</u>	<u>Ending Balance</u>			<u>Market price or net value</u>	<u>Collaterals or Pledged assets</u>
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>			<u>Number of shares</u>	<u>Percentage of Ownership</u>	<u>Amount</u>		
TOP CITY INTERNAT IONAL LIMITED	58,648	\$ 1,937,814	1,300	72,505	-	-	90,645	(35,782)	59,948	100%	2,065,182	2,065,182	None
CHENMING ELECTROONIC TECHNOLOGY USA, Inc.	-	-	200	6,236	-	-	(1,281)	(209)	200	100%	4,746	4,746	None
		<u>\$ -</u>		<u>78,741</u>		<u>-</u>	<u>89,364</u>	<u>(35,991)</u>			<u>2,069,928</u>	<u>2,069,928</u>	

Note1: The Company invested the additional cash of \$46,097 in its subsidiaries, resulting in the difference between the consideration and the carrying amounts to be \$32,644.

CHENMING ELECTRONIC TECHNOLOGY CORP.
Statement of Changes in Property, Plant and Equipment
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Please refer to Note 6(e) ◦

Statement of Changes in Investment Property

Please refer to Note 6(f) ◦

Statement of Short-Term Borrowings
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest Rate</u>	<u>Loan commitment s</u>	<u>Collaterals or Pledged assets</u>
Mega International Commercial Bank Co.,Ltd	Credit Loans	\$ 220,000	2019.12.26 ~2020.12.25	Please refer to note (6)(h)	USD22,400	None
Hua Nan Commercial Bank	Secured Loans	160,000	2019.12.06 ~2020.12.06	//	NTD170,000	Land, Properties and investment properties
First Commercial Bank	Credit Loans	<u>10,000</u>	2019.5.10~ 2020.5.10	//	NTD50,000	None
		<u>\$ 390,000</u>				

**CHENMING ELECTRONIC TECHNOLO
CORP.**

Statement of Long-Term Loans

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>		<u>Interest Rate</u>	<u>Contract period</u>	<u>Cloaterals or Pledged assets</u>
		<u>Loan within 1 year</u>	<u>Loan more than 1 year</u>			
Mega International Commercial Bank Co.,Ltd	Secured Loans	\$ -	200,000	Please refer to Note 6(i)	2017.08~2023.8	Land, Properties and investment properties
Hua Nan Commercial Bank	Secured Loans	-	106,000	Please refer to Note 6(i)	2005.11~2025.11	Land, Properties and investment properties
		<u>\$ -</u>	<u>306,000</u>			

Statement of Notes and Trade Payables

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Notes and Trade payables :		
Dongguan Chenming Electronic Co., Ltd	Related party operating cost	\$ 505,434
Other (Note)	Non-Related party operating cost	<u>3,063</u>
		<u>\$ 508,497</u>

Note : Items that do not reach the five percent benchmark for this account.

**CHENMING ELECTRONIC TECHNOLOG
CORP.**

Statement of Operating Revenue

For the year ended December 31, 2019

**(Expressed in Thousands of New Taiwan
Dollars)**

Item	Number — pieces in thousand	Amount
Sales revenue :		
Computer and server case	1,332	\$ 1,912,925
Mobile components	90,772	874,002
Less : Sales discount		(11,489)
		2,775,438
Mold revenue		52,288
Net sales revenue		\$ 2,827,726

Statement of Operating Costs

Item	Amount
Raw materials, beginning of year	\$ -
Add : Purchase of raw material	11,281
Less : Raw materials, end of year	-
Raw materials used	11,281
Add : Work-in-process, beginning of year	-
Less : Work-in-process, end of year	(21)
Cost of finished goods	11,260
Add : Finished goods, beginning of year	63
Finished goods purchased	2,636,951
Less : Finished goods, end of year	(16,133)
Total	\$ 2,632,141

**CHENMING ELECTRONIC TECHNOLOG
CORP.**

Statement of Operating Expenses

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Payroll expenses	\$ 20,930	40,766	12,039
Travel expenses	6,026	1,639	2,064
Insurance expenses	2,283	4,341	1,716
Entertainment expenses	2,315	1,455	8
Professional service fees	-	8,927	-
Safety and health expenses	-	4,574	-
Other (Note)	4,253	18,340	3,199
Total	<u>\$ 35,807</u>	<u>80,042</u>	<u>19,026</u>

Note : Items that do not reach the five percent benchmark for this account.

VI. Any financial distress experienced by the company or its affiliated enterprise and impacts on the company's financial status in the last year up till the publication date of this annual report:

None.

Seven. Review and Analysis of Financial Position and Business Performance, and Risk Management Issues

I. Financial position

Unit: NTD thousand

Item \ Year	2018	2019	Variation	
			Amount	%
Current assets	3,485,627	3,451,479	(34,148)	(0.98)
Long-term investments	-	-	-	-
Fixed assets	1,137,662	969,922	(167,740)	(14.74)
Other assets	498,127	515,552	17,425	3.50
Total assets	5,121,416	4,936,953	(184,463)	(3.60)
Current liabilities	2,217,813	2,105,047	(112,766)	(5.08)
Long-term liabilities	282,000	306,000	24,000	8.51
Other liabilities	11,451	18,315	6,864	59.94
Total liabilities	2,511,264	2,429,362	(81,902)	(3.26)
Share capital	1,699,350	1,629,350	(70,000)	(4.12)
Capital reserve	52,485	82,967	30,482	58.08
Retained earnings	685,887	736,745	50,858	7.41
Total shareholders' equity	2,610,152	2,507,591	(102,561)	(3.93)
Explanation to major variations: Increase in capital reserve: Mainly due to difference between the actual amount paid and the book value in the acquisition of subsidiaries' shares				

Note 1: All above financial information was taken from audited consolidated financial statements.

Note 2: Explanations are provided for variations above 20% and amounting to NT\$10 million or higher.

Note 3: Percentages are calculated on same accounts shown in different financial statements

Note 4: Variation percentage is calculated by designating previous year's value at 100%

II. Business performance

Unit: NTD
thousand

Item \ Year	2018	2019	Variation	Variation (%)
Operating revenue				
Sales revenue	6,186,402	6,028,702	(157,700)	(2.55)
Less: Sales return	-	-	-	-
Sales discount	-	-	-	-
Net operating revenues	6,186,402	6,028,702	(157,700)	(2.55)
Operating costs	5,714,259	5,463,795	(250,464)	(4.38)
Gross profit	472,143	564,907	92,764	19.65
Operating expenses	373,291	379,094	5,803	1.55
Operating profit	98,852	185,813	86,961	87.97
Non-operating revenues	98,138	37,489	(60,649)	(61.80)
Non-operating expenses	11,723	10,863	-860	-7.34
Pre-tax profit	185,267	212,439	27,172	14.67
Income tax expense	40,762	55,431	14,669	35.99
Net income	144,505	157,008	12,503	8.65
(I) Explanation to major variations:				
1. Increase in operating profit: As a result of the decrease in labor expenses caused by the automated modules implemented into the production process and enhancement of quality awareness.				
2. Decrease in non-operating revenues: Due to fluctuation of foreign currency exchange rate.				
3. Increase in income tax expense: As a result of the increase in pre-tax profit.				
(II) Expected sales volume and basis of estimate: The Company does not produce financial forecasts, hence not applicable.				
(III) Possible financial impacts and responsive plans: The Company does not produce financial forecasts, hence not applicable.				

Note 1: All above financial information was taken from audited consolidated financial statements.

Note 2: Explanations are provided for variations above 20% and amounting to NTS10 million or higher.

Note 3: Percentages are calculated on same accounts shown in different financial statements

Note 4: Variation percentage is calculated by designating previous year's value at 100%

III. Cash flow

(I) Liquidity analysis for the last 2 years

Item \ Year	2018	2019	Variation (%)
Cash flow ratio	1.6	9.66	504%
Cash flow adequacy ratio	95.74	109.65	15%
Cash reinvestment ratio	-1.68	5.18	408%

Increase in cash flow ratio, cash flow adequacy ratio and cash flow reinvestment ratio:
Mainly due to the decrease in the cash flow from operating activities.

- (II) Improvements for lack of liquidity: The Company's current cash flow adequacy ratio stood at 109.65%, which presents no concern for lack of liquidity.

(III) Liquidity analysis for the next year Unit: NTD thousand

Opening cash balance (1)	Projected net cash flow from operating activities (2)	Projected Cash Outflow (3)	Expected cash surplus (deficit) (1)+(2)-(3)	Remedy for estimated cash shortage	
				Investment plans	Financing plans
348,611	435,632	401,235	383,008	-	-
<p>1. Analysis of cash flow for the year:</p> <p>(1) Operating activities: Mainly due to increasing net income expected in the following year.</p> <p>(2) Investing activities: Mainly due to increasing machinery/equipment investments expected in the following year.</p> <p>(3) Financing activities: Mainly due to decreasing loans expected in the following year.</p> <p>2. Responsive measures and liquidity analysis on expected cash flow deficits: Not applicable.</p>					

IV. Material capital expenditures in the last year and impact on business performance:

- (I) Major capital spendings and source of capital: None.
(II) Expected benefits: None.

V. Causes of profits or losses incurred on investments in the last year, and any improvements or investments planned for the next year:

The Company operates as an operations center in Taiwan, and establishes production sites overseas. The gains from investments in 2019 resulted from increased operating revenue of its investees recognized using the equity method. The Company will plan its investments for the next year based on the state of the industry and the Company's growth requirements. Investments will be carefully reviewed and presented to the board of directors for final approval.

VI. Evaluation of risk management issues in the last year up till the publish date of this annual report

- (I) Impact of interest rate, exchange rate, and inflation on the company's earnings, and responsive measures:
- Change of foreign exchange rate: The Company's business mainly consists of overseas sales denominated in U.S. dollars, and it also pays its supplier in U.S. Dollars. Therefore, most of the holding positions of foreign currency can be offset through normal sale and purchase transactions as nature hedge. The

remaining position would then be converted to New Taiwan Dollar depending on the needs of fund and market condition. Thereby, the overall foreign exchange rate does not constitute material risk to the Company's business performance.

The Company adopts a conservative approach towards managing foreign currency risks and the likely impacts they have on overall profitability. In addition to hedging foreign currency risks through spot and forward transactions, the Company constantly monitors exchange rate movements and adjusts foreign currency positions whenever appropriate to minimize impact of exchange rate volatility on the Company's profits.

2. Change of interest rate: The Company pays close attention to local and foreign interest rates. It monitors borrowing rates on a regular basis and maintains good relationship with banks to make sure that loans are drawn at more favorable rates, and thereby reduce borrowing costs. As of the publication date of this annual report, interest rate variations had not caused any significant impact on the Company's profit and loss.
3. Inflation: The Company pays constant attention to changes in the environment, and adjusts selling price and inventory level to match movement of raw material prices in the market. As of the publication date of this annual report, inflation had not caused any significant impact to the Company.

- (II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures:

The Company adopts a conservative business philosophy and focuses only on its core production activities. The Company was never involved in high-risk or highly leveraged investment. Transactions such as loan to third part, endorsement, guarantee, and derivatives are carried out according to the Company's "Asset Acquisition and Disposal Procedures," "Third Party Lending Procedures," and "Endorsement and Guarantee Procedures."

- (III) Future research and development plans and projected expenses:

The Company continues to invest into research and development with the focus of improving the quality of its R&D personnel, the complexity of its technologies, and the added value of its products. R&D expenses are budgeted based on the development progress of new products and new technologies. R&D expenses are raised progressively in line with business performance to secure the Company's competitive advantage.

I. Future R&D plans:

1. Develop the soft magnetic materials, Fe-49Co-2V acid-deformation formula injection materials with high magnetic induction in line with the continuous furnace production NIM process.
2. Continual development of CIM (Ceramic Injection Molding) surface treatment.

3. Develop the continuous furnace production MIM process for High Strength NonMagnetic Austenitic Stainless Steel, X15 CrMnMonN 17-11-3.
 4. Develop the anti-corrosion and wear-resistant non-magnetic cobalt-based alloy F75 (Co-28Cr-6Mo) thermal-debinding formula in line with continuous furnace production NIM process.
 5. Develop smart shaping NIM manufacturing technique and process.
- II. The Company expects to spend NT\$50,000 on R&D in 2020 in order to achieve the above targets.

(IV) Financial impacts and responsive measures in the event of changes in local and foreign regulations:

The Company has always complied and monitored changes in local as well as foreign policies and regulations, so that the management may have the most up-to-date information to review and revise the Company's policies in line with current regulations. The Company has complied with regulatory requirements. Also, it will be introducing supporting measures and policies such as: independent director system, corporate social responsibility policy, directors/supervisors liability insurance, on-job training for managers etc. to enhance corporate governance. Up till the publication date of this annual report, there was no change to local and foreign regulations that may significantly impact the Company's financial and business operation.

(V) Financial impacts and responsive measures in the event of technological or industrial changes:

The Company has maintained good interaction with several world-renowned manufacturers for many years. It pays constant attention to gathering and analyzing new information in order to minimize impact of technological changes. Internally, the Company dedicates itself to innovation, research and development as a means to reduce and optimize cost structure, and develop new accessories and new production procedures. Externally, the Company devotes significant resources to increasing visibility of its products, exploring new customers, and maintaining existing customer relationships. This combination of internal and external practices is what enables the Company to stay competitive in the race and adjust products according to customers' demands, such as the need to comply with environmental regulations in Europe, USA and Japan. As a result, the Company has been able to minimize financial and business impacts whenever it encounters technological or industrial changes. As of the publication date of this annual report, the Company encountered no significant financial or business impact due to changes in technology or industry.

(VI) Crisis management, impacts, and responsive measures in the event of a change in corporate image:

The Company has maintained good reputation and encountered no significant change in the last year that resulted in corporate crisis. The Company remains committed to its existing business philosophy and encountered no change in corporate culture. Its comprehensive talent training program combined with a people-oriented management approach

have successfully attracted outstanding talents and advanced knowledge into the organization. These advantages have been materialized into actual performance results and returned to shareholders in the form of profits, and to the public in the form of corporate social responsibilities. As of the publication date of this annual report, the Company encountered no change of corporate image that resulted in corporate crisis.

- (VII) Expected benefits, risks and responsible measures in relation to mergers and acquisitions:

The Company had no merger or acquisition planned as at the publication date of this annual report.

- (VIII) Expected benefits, risks and responsive measures associated with plant expansions:

The Company had no expansion planned as at the publication date of this annual report. It currently focuses on achieving the fullest utilization of existing production capacity, and maximizing benefits from economies of scale. If expansion opportunities arise in the future, the Company will carefully evaluate whether the expansion is likely to bring synergies to the benefit of existing shareholders before proceeding.

- (IX) Risks and responsive measures associated with concentrated sales or purchases:

1. Risk of concentrated purchase and responsive measures: The Company chooses to work only with reputable and qualified suppliers. Doing so not only assures flexibility and consistency of its supplies, but also provides the Company with the bargaining power needed to reduce costs. Meanwhile, the Company actively sources new suppliers, explores alternative materials, and manages inventory to minimize risk of supply shortage. Overall, the Company is not prone to the risk of concentrated purchase or supply disruption.
2. Risk of concentrated sales and responsive measures: The Company sells its products mostly to renowned high-tech manufacturers local and abroad. Its customer base is diverse and stable, and exhibits no concentration of sales. In addition to maintaining sound relationship with existing customers, the Company also tries to diversify its customer base by developing new products, markets and customers, and thereby reduce sales concentration risk to the minimum.

- (X) Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest:

There had been no significant transfer of shareholding by directors, supervisors or major shareholders with more than 10% ownership up till the publication date of this annual report.

- (XI) Impacts, risks and responsive measures associated with a change of management:

The Company encountered no change of management, hence not applicable.

- (XII) Major litigations, non-contentious cases, or administrative litigations involving the company or any director, supervisor, President, person-in-charge or major shareholder with more than 10% ownership

interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders or security prices of the company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report:

Taiwan Shilin District Prosecutors Office rendered the bill of indictment against Mr. Lin Mu-Ho, the Company's responsible person, for violation of the Securities and Exchange Act on January 9, 2017. On March 26, 2020, the Taiwan Shilin District Court rendered its judgment holding Mr. Lin Mu-Ho not guilty.

(XIII) Other material risks and responsive measures:

Information security risk evaluation analysis

1. Information security policy

In order to enhance the information security management, avoid internal/external threat and destruction, intentional or negligent, and mitigate potential risk and loss, the Company's Information Center shall be responsible for the information security governance, planning, supervision and promotion, and shall report the overview of information security governance to the Board of Directors periodically.

2. Information security management operating effectively and keeping improved

The Company establishes the computer virus security protection management procedure and countermeasures, and assesses the upgrading of software/hardware equipment and resources each year to ensure that various information operations satisfy the related legal requirements.

The related information security preventive measures are stated as following:

(1) Endpoint risk: To adopt the policy to change account password periodically and endpoint threat protection software to detect the threats periodically.

(2) Network risk: To adopt the multi-level defense framework against the risk over threat from Internet, and detect the instant threat from the Internet, and periodically send the warning letter indicating that the invasion threat from Internet is blocked.

(3) Bug risk: To fix the known endpoint bugs via the endpoint bug detection platform and bug fixing platform.

3. Assessment on information security and network risk

To check the information assets list periodically each year, and perform the risk evaluation based on the information security issues, information security incident and audit results, and invest adequate resources to improve, or enhance the control measures against, high-risk items to mitigate or remove the risk.

4. Effect of major information security incident, if any, and responsive measures:

By the date of publication of the annual report, the Company has not yet discovered any major cyber attack or incident, or major adverse

effect produced to the Company. The Company also kept concerning the information security news and technology, and also kept improving the defensive or management approaches to block any new type of information security threat effectively and mitigate the business risk accordingly.

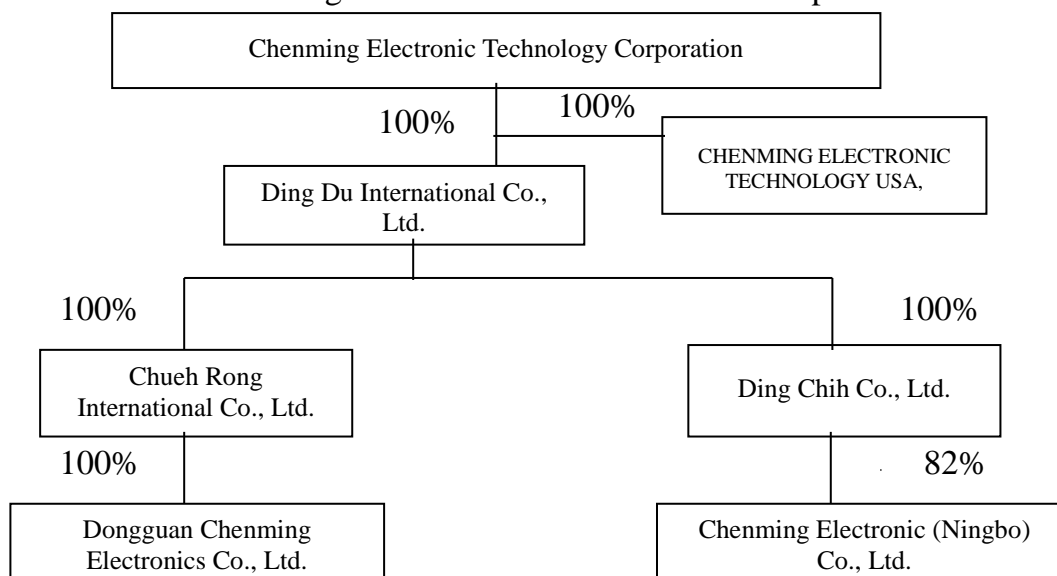
VII. Other important matters: None.

Eight. Special Remarks

I. Information of affiliated companies

(I) Consolidated business report

1. Organizational chart of affiliated companies:



2. Profile of affiliated companies

Unit: NTD				
Name	Date of establishment	Address	Paid-in capital	Main business activities or products
Ding Du International Co., Ltd.	September 30, 1999	Offshore Chambers P.O.Box217,Apia,Samoa	60,807,960 (USD)	Investment holding company
Chueh Rong International Co., Ltd.	January 5, 2000	Offshore Chambers P.O.Box217,Apia,Samoa	45,987,960 (USD)	Investment holding company
Dongguan Chenming Electronics Co., Ltd.	February 11, 2010	No. 442, Zhenan Road, Changan Dongguan City, Guangdong Province No. 442, Zhenan Road, Changan	28,978,000 (USD)	Manufacturing of computer chassis
Ding Chih Co., Ltd.	April 12, 2012	Offshore Chambers P.O. Box 217, Apia, Samoa	18,660,000 (USD)	Investment holding company
Chenming Electronic (Ningbo) Co., Ltd.	August 16, 2000	No. 25, Gangdong Avenue, Beilun District, Ningbo City, Zhejiang Province	64,500,000 (USD)	Manufacturing of computer chassis
CHENMING ELECTRONIC TECHNOLOGY USA, INC.	July 1, 2019	8101 SANDY SPRING ROAD SUITE 250, LAUREL, MD 20707	200,000 (USD)	Import/export of PC chassis

3. Common shareholders in controlling and controlled companies:
None.

4. Businesses covered by affiliated companies and separation of duties:

The Company and affiliated companies are involved in: manufacturing and sale of PC/server chassis and components for mobile devices.

In general, the affiliated companies support each other in

terms of technology, production capacity, marketing and service to maximize synergy.

5. Directors, supervisors, and President of affiliated companies

Unit: shares; %

Name	Title	Name or name of representative	Shareholding	
			Number of shares	Shareholding percentage
Ding Du International Co., Ltd.	Director	Chenming Electronic Technology Corporation (Representative: Lin Mu-Ho)	60,807,960	100%
Chueh Rong International Co., Ltd.	Director	Ding Du International Co., Ltd. (Representative: Lin Mu-Ho)	45,987,960	100%
Dongguan Chenming Electronics Co., Ltd.	Director	Chueh Rong International Co., Ltd. (Representative: Lin Mu-Ho)	Note	100%
	President	Fan Yu-Hsiang		
Ding Chih Co., Ltd.	Director	Ding Du International Co., Ltd. (Representative: Lin Mu-Ho)	18,660,000	100%
Chenming Electronic (Ningbo) Co., Ltd.	Director	Ding Chih Co., Ltd. (Representative: Lin Mu-Ho)	Note	82%
	Vice President	Wu Chien-Sheng		
CHENMING ELECTRONIC TECHNOLOGY USA, INC	Director	Chenming Electronic Technology Corporation (Representative: Lin Mu-Ho)	200,000	100%

Note: Limited company

6. Performance of affiliated companies

Unit: NTD thousand; date: December 31, 2019

Name	Share capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current net profit	Earnings per share (\$)
Ding Du International Co., Ltd.	2,002,903	2,065,183	0	2,065,183	0	0	90,645	-
Chueh Rong International Co., Ltd.	1,471,994	1,235,943	150,785	1,085,158	0	(28,106)	(20,483)	-
Dongguan Chenming Electronics Co., Ltd.	890,059	1,959,899	1,153,705	806,194	3,706,937	(2,284)	10,669	-
Ding Chih Co., Ltd.	638,726	863,842	26,009	837,833	0	(2)	107,552	-
Chenming Electronic (Ningbo) Co., Ltd.	1,933,710	1,648,957	595,912	1,053,045	2,131,023	155,713	130,721	-
CHENMING ELECTRONIC TECHNOLOGY USA, INC	6,236	4,764	18	4,746	0	0	(1,281)	

(II) Consolidated financial statements of affiliated companies

Declaration

Affiliated enterprises subject to the preparation of consolidated business reports under “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were identical to the affiliated companies subject to the preparation of consolidated financial statements under IFRS10 for fiscal year 2019 (from January 1 to December 31, 2019). All mandatory disclosures of the consolidated business report has been disclosed in the consolidated financial statements for

parent company and subsidiaries, therefore no separate consolidated financial statements for the affiliated enterprises were prepared.

Declaration made by the undersigned

Company name: Chenming Electronic Tech.
Corp.

Chairman: Lin Mu-Ho

Date: March 12, 2020

(III) Affiliation report: None.

II. Private placement of securities in the last year up till the publication date of this annual report
None.

III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up till the publication date of this annual report
None.

IV. Other supplementary information
None.

Nine. Occurrences Significant to Shareholders' Equity or Securities Price, as Defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, in the Last Year Up Till the Publication Date of Annual Report.

None.

**Chenming Electronic Tech.
Corp.**

Chairman: Lin Mu-Ho