

**CHENMING ELECTRONIC TECHNOLOGY CORP.
AND SUBSIDIARIES**

(Formerly CHENMING MOLD IND. CORP. AND Subsidiary)

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Three Months Ended
March 31, 2020 and 2019**

The independent auditors' review 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' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of CHENMING ELECTRONIC TECHNOLOGY CORP. (Formerly CHENMING MOLD IND. CORP.) (the "Company") and its subsidiaries (the "Group") as of March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended March 31, 2020 and 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting", endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Emphasis of Matter

As stated in note (3)(a) of the consolidated financial statements for the three months ended March 31, 2019, 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 conclusion is not qualified in respect of this matter.

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

KPMG

Taipei, Taiwan (Republic of China)
April 29, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors’ review 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’ review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4000	Operating revenue (note 6(p))	\$ 1,360,848	100	1,389,457	100
5000	Operating costs (notes (6)(c), (l) and (12))	<u>1,262,124</u>	<u>93</u>	<u>1,266,125</u>	<u>91</u>
5900	Gross profit from operations	<u>98,724</u>	<u>7</u>	<u>123,332</u>	<u>9</u>
6000	Operating expenses (notes (6)(l) and (12)):				
6100	Selling expenses	28,753	2	29,673	2
6200	Administrative expenses	44,910	3	45,897	3
6300	Research and development expenses	<u>12,212</u>	<u>1</u>	<u>11,447</u>	<u>1</u>
		<u>85,875</u>	<u>6</u>	<u>87,017</u>	<u>6</u>
6900	Net operating income	<u>12,849</u>	<u>1</u>	<u>36,315</u>	<u>3</u>
7000	Non-operating income and expenses:				
7050	Finance costs, net (note (6)(j))	(2,957)	-	(2,701)	-
7100	Interest income	451	-	207	-
7110	Rent revenue (notes (6)(k) and (7))	3,891	-	3,832	-
7190	Other income	954	-	1,286	-
7230	Foreign exchange gains (losses) (note (6)(r))	23,286	2	(22,279)	(2)
7590	Other expense and losses	<u>(5,703)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>19,922</u>	<u>2</u>	<u>(19,655)</u>	<u>(2)</u>
7900	Profit from continuing operations before tax	32,771	3	16,660	1
7950	Less: Income tax expenses (note (6)(m))	<u>10,412</u>	<u>1</u>	<u>4,592</u>	<u>-</u>
	Profit	<u>22,359</u>	<u>2</u>	<u>12,068</u>	<u>1</u>
8300	Other comprehensive income:				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(12,429)	(1)	23,251	2
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>(12,429)</u>	<u>(1)</u>	<u>23,251</u>	<u>2</u>
8300	Other comprehensive income (loss)	<u>(12,429)</u>	<u>(1)</u>	<u>23,251</u>	<u>2</u>
8500	Comprehensive income	<u>\$ 9,930</u>	<u>1</u>	<u>35,319</u>	<u>3</u>
	Profit attributable to:				
8610	Owners of parent	\$ 17,856	2	10,450	1
8620	Non-controlling interests	<u>4,503</u>	<u>-</u>	<u>1,618</u>	<u>-</u>
		<u>\$ 22,359</u>	<u>2</u>	<u>12,068</u>	<u>1</u>
	Comprehensive income attributable to:				
8710	Owners of parent	\$ 7,671	1	27,190	2
8720	Non-controlling interests	<u>2,259</u>	<u>-</u>	<u>8,129</u>	<u>1</u>
		<u>\$ 9,930</u>	<u>1</u>	<u>35,319</u>	<u>3</u>
	Earnings per share (expressed in NTD) (note (6)(o)):				
9750	Basic earnings per share	<u>\$ 0.11</u>		<u>0.06</u>	
9850	Diluted earnings per share	<u>\$ 0.11</u>		<u>0.06</u>	

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards
CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the three months ended March 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent							Non-controlling interests	Total equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Retained earnings	Other component of equity	Total equity attributable to owners of parent			
				Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Treasury stock			
Balance on January 1, 2019	1,699,350	52,485	273,487	31,096	381,304	(45,218)	(52,027)	2,340,477	269,675	2,610,152
Profit for the three months ended March 31, 2019	-	-	-	10,450	10,450	-	-	10,450	1,618	12,068
Other comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	-	-	16,740	-	16,740	6,511	23,251
Total comprehensive income (loss) for the three months ended March 31, 2019	-	-	-	10,450	10,450	16,740	-	27,190	8,129	35,319
Purchase of treasury shares	(70,000)	(2,162)	-	(32,377)	(32,377)	-	(52,512)	(52,512)	-	(52,512)
Retirement of treasury shares	1,629,350	50,323	273,487	31,096	359,377	(28,478)	104,539	-	-	-
Balance on March 31, 2019	1,629,350	82,967	284,492	45,219	407,034	(81,209)	(49,810)	2,318,043	189,548	2,507,591
Balance on January 1, 2020	-	-	-	-	17,856	-	-	17,856	4,503	22,359
Profit for the three months ended March 31, 2020	-	-	-	-	-	(10,185)	-	(10,185)	(2,244)	(12,429)
Other comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	-	-	(10,185)	-	(10,185)	-	-
Total comprehensive income (loss) for the three months ended March 31, 2020	-	-	-	17,856	17,856	(10,185)	-	7,671	2,259	9,930
Purchase of treasury shares	(35,000)	(1,782)	-	(13,028)	(13,028)	-	(31,819)	(31,819)	-	(31,819)
Retirement of treasury shares	1,594,350	81,185	284,492	45,219	411,862	(91,394)	49,810	-	-	-
Balance on March 31, 2020	1,594,350	81,185	284,492	45,219	411,862	(91,394)	(31,819)	2,293,895	191,807	2,485,702

Balance on January 1, 2019
Profit for the three months ended March 31, 2019
Other comprehensive income (loss) for the three months ended March 31, 2019
Total comprehensive income (loss) for the three months ended March 31, 2019
Purchase of treasury shares
Retirement of treasury shares
Balance on March 31, 2019

Balance on January 1, 2020
Profit for the three months ended March 31, 2020
Other comprehensive income (loss) for the three months ended March 31, 2020
Total comprehensive income (loss) for the three months ended March 31, 2020
Purchase of treasury shares
Retirement of treasury shares
Balance on March 31, 2020

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 32,771	16,660
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	59,087	64,388
Amortization expense	382	434
Expected credit loss (gain)	201	(135)
Interest expense	2,957	2,701
Interest income	(451)	(207)
Loss on disposal of property, plan and equipment, net	5,604	-
Other	185	(80)
Total adjustments to reconcile profit (loss)	<u>67,965</u>	<u>67,101</u>
Changes in operating assets and liabilities:		
Decrease in notes and trade receivables	210,359	310,572
Decrease in inventories	857	1,718
Decrease (increase) in other current assets	(9,600)	32,151
Decrease (increase) in other financial assets	(107)	10,531
Increase (decrease) in contract liabilities	(787)	484
Decrease in notes and trade payables	(275,831)	(311,716)
Decrease in other payables and other current liabilities	(11,473)	(63,385)
Total changes in operating assets and liabilities	<u>(86,582)</u>	<u>(19,645)</u>
Total adjustments	<u>(18,617)</u>	<u>47,456</u>
Cash inflow generated from (used in) operations	14,154	64,116
Interest received	451	207
Income taxes paid	(26,657)	-
Net cash flows from (used in) operating activities	<u>(12,052)</u>	<u>64,323</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant, and equipment	(8,656)	(18,507)
Increase in prepayment for business facilities	(4,850)	(11,895)
Increase in refundable deposits	(2,274)	1,139
Net cash flows from (used in) investing activities	<u>(15,780)</u>	<u>(29,263)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	50,000	(40,000)
Proceeds from long-term loans	-	40,000
Repayment of long-term loans	(3,000)	(7,000)
Increase (decrease) in guarantee deposits	(592)	34
Payment of lease liabilities	(5,809)	(1,579)
Payments to acquire treasury shares	(31,819)	(52,512)
Interest paid	(2,910)	(2,711)
Acquisition of non-controlling interests	(25,783)	-
Net cash flows from (used in) financing activities	<u>(19,913)</u>	<u>(63,768)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,611)</u>	<u>14,346</u>
Net increase (decrease) in cash and cash equivalents	<u>(50,356)</u>	<u>(14,362)</u>
Cash and cash equivalents at beginning of period	<u>348,611</u>	<u>421,014</u>
Cash and cash equivalents at end of period	<u>\$ 298,255</u>	<u>406,652</u>

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards
as of March 31, 2020 and 2019

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2020 and 2019

**(Expressed in Thousands of New Taiwan Dollars,
 Except for Earnings Per Share Information and Unless Otherwise Specified)**

(1) Company history

CHENMING ELECTRONIC TECHNOLOGY CORP. (Formerly CHENMING MOLD IND. CORP.) (the “Company”) was incorporated on June 1976 and the Company’s common shares were listed on the Taiwan Stock Exchange (TWSE) on September 2002. The business activities of the Group are the production of computer cases, and the manufacturing and development of mobile devices.

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

These consolidated financial statements for the three months ended March 31, 2020 and 2019 were authorized for issue by the Board of Directors on April 29, 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, 2020.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
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.

- (b) 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:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

(4) Summary of significant accounting policies

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2019. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2019.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements.

Name of investor	Name of subsidiary	Principal activity	Shareholding			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
The Company	TOP CITY INTERNATIONAL LIMITED	Investment	100 %	100 %	100 %	
The Company	CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	Import and export business of computer case	100 %	100 %	- %	Note 1
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC.	Investment	100 %	100 %	100 %	
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Investment	100 %	100 %	100 %	
GERSHWIN INTERNATIONAL LIMITED	Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	100 %	100 %	100 %	
PEAK SHREWD INC.	CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	82 %	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%.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Government grants

The Group recognizes an unconditional government grant as other income when the grant becomes receivable. Other government grants related to assets are initially recognized as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(d) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time in which the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuation since that time, and for significant curtailments, settlements, or other significant one-off events.

(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 IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and 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 preparation of the consolidated interim financial statements, estimates, and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2019. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2019.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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, 2019. Please refer to note (6) of the 2019 annual consolidated financial statements.

(a) Cash and cash equivalents

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Cash on hand	\$ 50	50	651
Checking accounts and demand deposits	298,205	348,561	406,001
	<u>\$ 298,255</u>	<u>348,611</u>	<u>406,652</u>

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Notes and trade receivables	\$ 1,835,448	2,053,607	1,665,050
Less: Loss allowance	(708)	(513)	(2,193)
Notes and trade receivables, net	<u>\$ 1,834,740</u>	<u>2,053,094</u>	<u>1,662,857</u>

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 the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision were determined as follows:

	<u>March 31, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average expected credit loss rate</u>	<u>Allowance lifetime expected credit loss</u>
Current	\$ 1,798,043	0.04%	654
1 to 30 days past due	37,150	0.12%	43
31 to 150 days past due	255	4.31%	11
	<u>\$ 1,835,448</u>		<u>708</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	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
	March 31, 2019		
	Gross carrying amount	Weighted-average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 1,610,804	0.05%	728
1 to 30 days past due	31,649	0.12%	37
31 to 150 days past due	21,240	2.13%	453
151 to 360 days past due	1,357	71.85%	975
	\$ 1,665,050		2,193

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

	For the three months ended March 31,	
	2020	2019
Balance on January 1	\$ 513	2,290
Impairment losses recognized (reversed)	201	(135)
Foreign exchange gains / (losses)	(6)	38
Balance on March 31	\$ 708	2,193

As of March 31, 2020, December 31, 2019, and March 31, 2019, the Group did not pledge any receivables as collateral.

(c) Inventories

	March 31, 2020	December 31, 2019	March 31, 2019
Raw materials	\$ 333,985	270,294	247,247
Work in progress	259,835	273,932	367,060
Finished goods and merchandise inventories	375,960	429,569	390,624
	\$ 969,780	973,795	1,004,931

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group's composition details of operating cost for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31,	
	2020	2019
Cost of goods sold	\$ 1,246,949	1,243,646
Revenue from sale of scraps	(12,796)	(14,260)
Inventories valuation and obsolescence losses (reversed)	(2,272)	3,691
Loss on scrapping of inventories	30,243	33,048
	\$ 1,262,124	1,266,125

During the three months ended March 31, 2019, the decrease of inventories led to the reversal of write-downs of inventories.

As of March 31, 2020, December 31, 2019, and March 31, 2019, 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 March 31, 2020, the Group still has the remaining balance of \$25,783, which was recognized as other payable-related parties. As of March 31, 2020, the Group has already made its payment.

(e) Property, plant, and equipment

The cost and accumulated depreciation of the property, plant, and equipment of the Group for the three months ended March 31, 2020 and 2019 were as follows:

	Land	Properties	Machinery and equipment	Office equipment and others	Total
Cost:					
Balance on January 1, 2020	\$ 210,897	776,469	512,811	92,048	1,592,225
Additions	-	-	7,105	3,995	11,100
Disposals	-	-	(76,673)	(39,270)	(115,943)
Reclassifications	-	-	12,024	289	12,313
Effect of changes in exchange rates	-	(2,136)	(2,021)	(100)	(4,257)
Balance on March 31, 2020	\$ 210,897	774,333	453,246	56,962	1,495,438

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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	<u>Land</u>	<u>Properties</u>	<u>Machinery and equipment</u>	<u>Office equipment and others</u>	<u>Total</u>
Balance on January 1, 2019	\$ 210,897	783,604	534,195	121,264	1,649,960
Additions	-	-	1,577	1,031	2,608
Disposals	-	-	-	(495)	(495)
Reclassifications	-	-	621	-	621
Effect of changes in exchange rates	-	4,614	3,706	222	8,542
Balance on March 31, 2019	<u>\$ 210,897</u>	<u>788,218</u>	<u>540,099</u>	<u>122,022</u>	<u>1,661,236</u>
Depreciation:					
Balance on January 1, 2020	\$ -	260,358	291,065	70,880	622,303
Depreciation	-	8,558	40,564	5,145	54,267
Disposals	-	-	(72,151)	(38,188)	(110,339)
Effect of changes in exchange rates	-	(594)	(1,024)	(52)	(1,670)
Balance on March 31, 2020	<u>\$ -</u>	<u>268,322</u>	<u>258,454</u>	<u>37,785</u>	<u>564,561</u>
Balance on January 1, 2019	\$ -	227,436	213,198	71,664	512,298
Depreciation	-	8,791	41,992	9,189	59,972
Disposals	-	-	-	(495)	(495)
Effect of changes in exchange rates	-	859	1,019	86	1,964
Balance on March 31, 2019	<u>\$ -</u>	<u>237,086</u>	<u>256,209</u>	<u>80,444</u>	<u>573,739</u>
Book value:					
Balance on January 1, 2020	<u>\$ 210,897</u>	<u>516,111</u>	<u>221,746</u>	<u>21,168</u>	<u>969,922</u>
Balance on March 31, 2020	<u>\$ 210,897</u>	<u>506,011</u>	<u>194,792</u>	<u>19,177</u>	<u>930,877</u>
Balance on March 31, 2019	<u>\$ 210,897</u>	<u>551,132</u>	<u>283,890</u>	<u>41,578</u>	<u>1,087,497</u>

For the process of land leasehold right and building right informations please refer to note(6)(e) of the 2019 annual consolidated financial statements.

As of March 31, 2020, December 31, 2019, and March 31, 2019 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, properties, machinery, transportation and others. Information about leases for which the Group as a lessee was presented below:

	<u>Land</u>	<u>Properties</u>	<u>Transportation</u>	<u>others</u>	<u>Total</u>
Cost:					
Balance at January 1, 2020	\$ 243,496	1,914	11,785	2,476	259,671
Additions	-	8,821	-	-	8,821
Effect of changes in exchange rates	(1,068)	(134)	-	-	(1,202)
Balance at March 31, 2020	<u>\$ 242,428</u>	<u>10,601</u>	<u>11,785</u>	<u>2,476</u>	<u>267,290</u>
Balance at January 1, 2019	\$ 247,063	2,036	7,742	1,759	258,600
Effect of changes in exchange rates	2,307	49	-	-	2,356
Balance at March 31, 2019	<u>\$ 249,370</u>	<u>2,085</u>	<u>7,742</u>	<u>1,759</u>	<u>260,956</u>

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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	<u>Land</u>	<u>Properties</u>	<u>Transportation</u>	<u>others</u>	<u>Total</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2020	\$ 9,703	1,914	3,608	703	15,928
Depreciation of the period	2,427	735	1,179	170	4,511
Effect of changes in exchange rates	(54)	(32)	-	-	(86)
Balance at March 31, 2020	<u>\$ 12,076</u>	<u>2,617</u>	<u>4,787</u>	<u>873</u>	<u>20,353</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Depreciation of the period	2,485	569	875	178	4,107
Effect of changes in exchange rates	(1)	(1)	-	-	(2)
Balance at March 31, 2019	<u>\$ 2,484</u>	<u>568</u>	<u>875</u>	<u>178</u>	<u>4,105</u>
Book value:					
Balance at January 1, 2020	<u>\$ 233,793</u>	<u>-</u>	<u>8,177</u>	<u>1,773</u>	<u>243,743</u>
Balance at March 31, 2020	<u>\$ 230,352</u>	<u>7,984</u>	<u>6,998</u>	<u>1,603</u>	<u>246,937</u>
Balance at March 31, 2019	<u>\$ 246,886</u>	<u>1,517</u>	<u>6,867</u>	<u>1,581</u>	<u>256,851</u>

(g) Investment property

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

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Book value:			
Balance on January 1, 2020	<u>\$ 152,640</u>	<u>44,996</u>	<u>197,636</u>
Balance on March 31, 2020	<u>\$ 152,640</u>	<u>44,687</u>	<u>197,327</u>
Balance on March 31, 2019	<u>\$ 152,640</u>	<u>45,924</u>	<u>198,564</u>

There were no material addition, disposal, impairment, or reversal situation of investment properties for the three months ended March 31, 2020 and 2019. Please refer to note (12) for details. For other related information, please refer to note (6)(g) of the 2019 consolidated financial statements.

There were no significant differences between the fair values of investment properties and that of those disclosed in the 2019 consolidated financial statements. Please refer to note (6)(g) of the 2019 consolidated financial statement.

Please refer to note (8) for information on investment properties pledged as collateral as of March 31, 2020, December 31, 2019, and March 31, 2019.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(h) Short-term loans

The short-term loans were summarized as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Credit loans	\$ 220,000	230,000	330,000
Secured loans	<u>220,000</u>	<u>160,000</u>	<u>-</u>
	<u>\$ 440,000</u>	<u>390,000</u>	<u>330,000</u>
Unused credit line for short-term loans	<u>\$ 627,040</u>	<u>621,552</u>	<u>650,368</u>
Annual interest rates (Taiwan)	<u>1.00%~1.3%</u>	<u>1.0%~1.3%</u>	<u>1.0%~1.3%</u>

(i) For information on interest rate and liquidity risk exposure, please refer to note (6)(r).

(ii) As of March 31, 2020, December 31, 2019, and March 31, 2019, 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:

	March 31, 2020	December 31, 2019	March 31, 2019
Secured bank loans	\$ 303,000	306,000	245,000
Unsecured bank loans	-	-	70,000
Less: Current portion	-	-	-
Total	<u>\$ 303,000</u>	<u>306,000</u>	<u>315,000</u>
Unused long-term credit lines	<u>\$ 180,000</u>	<u>130,000</u>	<u>130,000</u>
Range of interest rate	<u>1.0%~1.5%</u>	<u>1.0%~1.5%</u>	<u>1.0%~1.5%</u>

(i) The main management are the guarantor of long-term loans. 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

	March 31, 2020	December 31, 2019	March 31, 2019
Current	<u>\$ 7,994</u>	<u>4,382</u>	<u>5,254</u>
Non-current	<u>\$ 5,024</u>	<u>5,693</u>	<u>4,754</u>

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

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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The amounts recognized in profit or loss were as follows:

	For the three months ended March 31,	
	2020	2019
Interest on lease liabilities	\$ 119	125
Variable lease payments not included in the measurement of lease liabilities	\$ 478	198
Expenses relating to short-term leases	\$ 124	127
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 38	7

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

	For the three months ended March 31,	
	2020	2019
Total cash outflow for leases	\$ 6,568	2,036

(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 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

There were no significant changes in operating lease for the three months ended March 31, 2020 and 2019. Please refer to note (6)(k) of the consolidated financial statements for the year ended December 31, 2019 for other related information.

(l) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement, or other one-time event in the prior fiscal year. The consolidated financial statements shall be measured and disclosed in accordance with the actuarial report measured on December 31, 2019 and 2018.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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The pension costs of the defined benefit plans were as follows:

	For the three months ended March 31,	
	2020	2019
Operating expense (income)	\$ (64)	(81)
(ii) Defined contribution plans		

The group recognized its pension costs under the defined contribution plans which were as follows:

	For the three months ended March 31,	
	2020	2019
Operating expense	\$ 958	918
(iii) Other subsidiaries included in compilation of consolidated financial statements pay the basic endowment insurance expenses at a certain percentage according to the assessed employee wage amount. The recognized pension expenses were as follows:		

	For the three months ended March 31,	
	2020	2019
Operating cost	\$ 12,241	21,170
Operating expense	1,241	858
	\$ 13,482	22,028

(m) Income taxes

(i) The components of income tax for the three months ended March 31, 2020 and 2019 were as follows:

	For the three months ended March 31,	
	2020	2019
Current tax expense	\$ 10,412	4,592

(ii) There are no income tax recognized directly in other comprehensive income.

(iii) Assessment of tax

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

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(n) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to March 31, 2020 and 2019. For the related information, please refer to note (6)(n) of the consolidated financial statements for the year ended December 31, 2019.

(i) Capital surplus

The balances of capital surplus as of March 31, 2020, December 31, 2019, and March 31, 2019, were as follows:

	March 31, 2020	December 31, 2019	March 31, 2019
Additional paid-in capital	\$ 13,812	14,115	14,115
Difference arising from subsidiary's share price and its carrying value	67,373	68,852	36,208
	\$ 81,185	82,967	50,323

(ii) 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.

1) Earnings distribution

The appropriations of earnings for the year of 2019 proposed in the meeting of the board of directors on April 29, 2020 was \$46,781 by cash dividends.

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

(iii) Treasury shares

For the three months ended March 31, 2020 and 2019, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 2,930 and 3,500 thousand shares, respectively as treasury shares in order to protect the Company's integrity and shareholders' equity. As of March 31, 2020, all of the treasury stock repurchased had not been cancelled.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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Movement of treasury share was as follows:

	For the three months ended March 31,			
	2020		2019	
	Share (thousands)	Amount	Share (thousands)	Amount
Balance on January 1	3,500	\$ 49,810	3,500	\$ 52,027
Repurchase	2,930	31,819	3,500	52,512
Retirement	(3,500)	(49,810)	(7,000)	(104,539)
Balance on March 31	2,930	\$ 31,819	-	\$ -

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 three months ended March 31, 2020 and 2019, the Company's earnings per share were calculated as follows:

	For the three months ended March 31,	
	2020	2019
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>17,856</u>	<u>10,450</u>
Weighted-average number of ordinary shares (share in thousands)	<u>159,097</u>	<u>164,128</u>
	<u>\$ 0.11</u>	<u>0.06</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>17,856</u>	<u>10,450</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	159,097	164,128
Effect of employee stock remuneration (share in thousands)	432	290
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>159,529</u>	<u>164,418</u>
	<u>\$ 0.11</u>	<u>0.06</u>

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended	
	March 31,	
	2020	2019
Primary geographical markets		
Taiwan	\$ 303,031	217,645
China	645,216	817,976
Japan	252,832	142,526
Other	<u>159,769</u>	<u>211,310</u>
	<u>\$ 1,360,848</u>	<u>1,389,457</u>
Major products		
PC chassis	\$ 1,065,431	1,096,280
Mobile device components	155,003	232,961
Mold	<u>140,414</u>	<u>60,216</u>
	<u>\$ 1,360,848</u>	<u>1,389,457</u>

(ii) Contract balances

	March 31,	December	March 31,
	2020	31, 2019	2019
Notes and trade receivables	\$ 1,835,448	2,053,607	1,665,050
Less: Loss allowance	<u>(708)</u>	<u>(513)</u>	<u>(2,193)</u>
	<u>\$ 1,834,740</u>	<u>2,053,094</u>	<u>1,662,857</u>
Contract liabilities	<u>\$ 434</u>	<u>1,221</u>	<u>2,507</u>

The amount of revenue recognized for the three months ended March 31, 2020 and 2018 that were included in the contract liability balance at the beginning of the period were \$1,215 and \$142, 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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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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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 was \$1,000 and \$400; and the remuneration to directors and supervisors was \$375 and \$250 for the three months ended March 31, 2020 and 2019. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employees' remuneration are calculated based on the closing price of the Company's shares on the day before the approval by the Board of Directors.

The remuneration to employees were both \$5,000 and the remuneration to directors and supervisors were both \$1,500 in 2019 and 2018, respectively. The actual amount and the estimated amount, which was estimated in the financial statement on December 31, 2019, and December 31, 2018, had no difference. Related information would be available at the Market Observation Post System website.

(r) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair values of the Group's financial instruments and degree of exposure to credit risk, liquidity risk, and market risk arising from financial instruments. For the related information, please refer to note (6)(r) of the consolidated financial statements for the year ended December 31, 2019.

(i) 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) of the consolidated financial statement for the year ended December 31, 2019.

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(ii) Liquidity Risk

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

	<u>Amount</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
March 31, 2020				
Secured loans	\$ 523,000	220,000	-	303,000
Unsecured loans	220,000	220,000	-	-
Notes and trade payables	1,099,783	1,099,783	-	-
Lease liabilities (including current and non-current)	13,018	7,994	2,604	2,420
Other payables (including related parties)	238,827	238,827	-	-
Guarantee deposits	7,099	3,829	3,270	-
	<u>\$ 2,101,727</u>	<u>1,790,433</u>	<u>5,874</u>	<u>305,420</u>
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)	282,895	282,895	-	-
Guarantee deposits	7,691	4,421	3,270	-
	<u>\$ 2,377,078</u>	<u>2,062,115</u>	<u>5,939</u>	<u>309,024</u>
March 31, 2019				
Secured loans	\$ 245,000	-	203,000	42,000
Unsecured loans	400,000	330,000	70,000	-
Notes and trade payables	1,190,582	1,190,582	-	-
Lease liabilities (including current and non-current)	10,008	5,254	2,251	2,503
Other payables (including related parties)	218,520	218,520	-	-
Guarantee deposits	6,423	2,613	-	3,810
	<u>\$ 2,070,533</u>	<u>1,746,969</u>	<u>275,251</u>	<u>48,313</u>

The Group 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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(iii) Currency risk

1) Exposure to foreign currency risk

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

	March 31, 2020			December 31, 2019			March 31, 2019			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets										
Monetary items										
USD to NTD	\$	31,621	30.225	955,745	32,199	29.980	965,326	23,917	30.820	737,122
USD to CNY		26,683	7.0851	806,494	30,710	6.9762	920,686	25,851	6.7263	796,728
CNY to NTD		75,083	4.255	319,478	106,342	4.305	457,802	106,701	4.580	488,691
Financial liabilities										
Monetary items										
USD to NTD		4,543	30.225	137,312	7,571	29.980	226,979	3,700	30.820	114,034
USD to CNY		2,484	7.0851	75,079	2,259	6.9762	67,725	2,497	6.7263	76,958
CNY to NTD		151,524	4.255	644,735	195,510	4.305	841,671	153,118	4.580	701,280

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 March 31, 2020 and 2019, would have affected the net profit before tax as follows:

	<u>March 31, 2020</u>	<u>March 31, 2019</u>
USD (against the NTD)		
Strengthening 5%	\$ 40,922	31,154
Weakening 5%	(40,922)	(31,154)
USD (against the CNY)		
Strengthening 5%	36,571	35,989
Weakening 5%	(36,571)	(35,989)
CNY (against the NTD)		
Strengthening 5%	(16,263)	(10,629)
Weakening 5%	16,263	10,629

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3) Exchange gains and losses of monetary items

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

	For the three months ended March 31,			
	2020		2019	
	Exchange profit (loss)	Average rate	Exchange profit (loss)	Average rate
NTD	\$ 34,154	-	(5,158)	-
CNY	(2,530)	4.2957	(3,733)	4.5863

(iv) Interest rate analysis

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

	Carrying amount	
	March 31, 2020	March 31, 2019
Variable rate instruments:		
Financial assets	\$ 298,142	405,533
Financial liabilities	743,000	645,000

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 \$278 and \$150 for the three months ended March 31, 2020 and 2019, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(v) Fair value

1) 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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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		March 31, 2020			
		Fair Value			
Book value	Level 1	Level 2	Level 3	Total	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 298,255	-	-	-	-
Notes and trade receivables, net	1,834,740	-	-	-	-
Other financial assets	850	-	-	-	-
Refundable deposits	<u>26,696</u>	-	-	-	-
	<u>\$ 2,160,541</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 743,000	-	-	-	-
Notes and trade payables	1,099,783	-	-	-	-
Lease liabilities	13,018	-	-	-	-
Other payables (including related parties)	238,827	-	-	-	-
Guarantee deposit	<u>7,099</u>	-	-	-	-
	<u>\$ 2,101,727</u>				
		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 payables (including related parties)	282,895	-	-	-	-
Guarantee deposits	<u>7,691</u>	-	-	-	-
	<u>\$ 2,377,078</u>				

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		March 31, 2019			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 406,652	-	-	-	-
Notes and accounts receivable, net	1,662,857	-	-	-	-
Other financial assets	5,611	-	-	-	-
Refundable deposits	<u>19,881</u>	-	-	-	-
	<u>\$ 2,095,001</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 645,000	-	-	-	-
Notes and account payables	1,190,582	-	-	-	-
Lease liabilities	10,008	-	-	-	-
Other payables (including related parties)	218,520	-	-	-	-
Guarantee deposits	<u>6,423</u>	-	-	-	-
	<u>\$ 2,070,533</u>				

2) 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.

3) 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.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(s) of the consolidated financial statements for the year ended December 31, 2019.

(t) Capital management

Management believes that the objectives, policies, and processes of the capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2019. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2019. Please refer to note (6)(t) of the consolidated financial statements for the year ended December 31, 2019 for further details.

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

Reconciliation of liabilities arising from financing activities for the three months ended March 31, 2020 and 2019 were as follows:

	January 1, 2020	Cash flows	Non-cash flows		March 31, 2020
			Additions	Foreign exchange movement	
Long-term loans	\$ 306,000	(3,000)	-	-	303,000
Short-term loans	390,000	50,000	-	-	440,000
Lease liabilities	10,075	(5,809)	8,821	(69)	13,018
Guarantee deposits	<u>7,691</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,691</u>
Total liabilities from financing activities	<u>\$ 713,766</u>	<u>41,191</u>	<u>8,821</u>	<u>(69)</u>	<u>763,709</u>

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	January 1, 2019	Cash flows	Non-cash flows Foreign exchange movement	March 31, 2019
Long-term loans	\$ 282,000	33,000	-	315,000
Short-term loans	370,000	(40,000)	-	330,000
Lease liabilities	11,537	(1,579)	50	10,008
Guarantee deposits	6,389	34	-	6,423
Total liabilities from financing activities	<u>\$ 669,926</u>	<u>(8,545)</u>	<u>50</u>	<u>661,431</u>

(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.

<u>Name of related parties</u>	<u>Relationship with the Group</u>
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 three months ended March 31, 2020 and 2019 amounted to both \$857, respectively.

(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 \$66,572 (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 March 31, 2019, the Group still have remaining balance of \$25,783, which were recognized as other payables-related parties. As of March 31, 2020, the Group has already paid off its payable. Please refer to note (6)(d) for related information.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Key management personnel compensation

(i) Key management personnel compensation was comprised of:

	For the three months ended March 31	
	2020	2019
Short-term employee benefits	\$ 2,541	2,676
Post-employment benefits	22	81
	\$ 2,563	2,757

(ii) Guarantee

The main management was the guarantor of the syndication contract, and the amounts of syndication were \$303,000, \$306,000 and \$315,000, as of March 31, 2020, December 31, 2019, and March 31, 2019, respectively.

(8) Pledged assets

The carrying values of pledged assets were as follows:

Assets	Subject	March 31, 2020	December 31, 2019	March 31, 2019
PPE and investment properties	Short-term loans and long-term			
— land	loans	\$ 347,804	347,804	347,804
— properties	"	134,413	135,307	137,998
Other financial asset	Customs deposits			
— non-current		21,868	22,255	19,066
		\$ 504,085	505,366	504,868

(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 has impacted the Group's operations position. 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 and the Group will continue to closely monitor the development of the event and keep its contingency measures and adjustments as needed.
- (b) For protecting the Company's integrity and shareholders' equity, the Company decided on March 12, 2020 to repurchase its own shares, which was implemented on April 14, 2020; and a total of 3,500 thousand shares were repurchased. The total amount of treasury shares was \$38,712, at the average repurchase price of NTD11 per share, with the April 30, 2020 set as the date of retirement.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated 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	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	308,843	46,726	355,569	337,878	44,471	382,349
Labor and health insurance	-	1,559	1,559	-	1,525	1,525
Pension	12,241	2,135	14,376	21,170	1,695	22,865
Others	13,842	2,713	16,555	20,347	4,118	24,465
Depreciation	56,339	2,439	58,778	61,776	2,303	64,079
Amortization	174	208	382	186	248	434

The depreciation expense, which subtracts the depreciation expense from investment properties, were both \$309 for the three months ended March 31, 2020 and 2019, respectively, which were recognized in the subtraction of rent revenue.

(a) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

(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 INTERNAT ION LIMITED	GERSHWIN INTERNAT IONAL LIM ITED	Trade receivables due from related parties	Yes	181,350	181,350	120,900	2.16275%~ 2.60550%	Demand for funding	-	Depending on demand for funding	-	-	-	2,083,818 (note 1)	2,083,818 (note 1)
2	CHENMING ELECTR ONIC (NIN GBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Trade receivables due from related parties	Yes	93,610	93,610	93,610	4.67625%	Demand for funding	-	Depending on demand for funding	-	-	-	106,559 (note 2)	106,559 (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

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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	917,558	51,060	51,060	-	-	2.23 %	1,835,116	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 March 31, 2020 (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	679,242	100 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(499,468)	(97)%	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(679,242)	74 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	499,468	65 %	Note

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

- (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	499,468	5.41	-	-	499,468	-	-

Note: The recovered amounts of April 29, 2020.

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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	120,900	Rate 2.16275%-2.60550%	3%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	679,242	The price is based on the fixed ratio of final sales price, and the credit period is dependent on the demand for funding	50%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Trade receivables	499,468	The price is based on the fixed ratio of final sales price, and the credit period is dependent on the demand for funding	11%

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 three months ended March 31, 2020 (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 March 31, 2020			Net income (losses) of the investment	Investment income (losses)	Note
				March 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,028,733	2,002,903	60,808	100 %	2,083,818	3,029	3,029	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USD, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100 %	4,056	(729)	(729)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	1,066,862	(18,296)		The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC	Samoa	Investment	664,556	638,726	18,660	100 %	873,907	20,467		The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED

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

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(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, 2020	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2020	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2)	Carrying amount as of March 31, 2020	Accumulated remittance of earnings as of March 31, 2020
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,949,513 (USD64,500)	note 1 and 7	542,398 (USD17,800)	25,830 (USD860) (note 6)	-	568,228 (USD18,660)	25,017	82 %	20,514	873,787	-
Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	872,219 (USD28,978) (note 4 and 5)	note 1 and 8	750,755 (USD24,900)	-	-	750,755 (USD24,900)	(10,344)	100 %	(10,344)	795,850	-

(ii) Limitation on investment in mainland China:

Accumulated Investment in Mainland China as of March 31, 2020	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
1,318,983 (USD 43,560)	1,443,546 (USD 47,760)	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 \$30.225 as of March 31, 2020.

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".

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
Lin, Mu-Ho		25,000,230	15.68 %
Hui Chi Investment Co., Ltd.		15,149,758	9.50 %

Note 1: The above table discloses the information on stockholders with over 5% ownership of Chenming on the last business day as of the end of the reporting period. The percentage of ownership was calculated by the Taiwan Depository & Clearing Corporation (TDCC) based on the number of common stock and preferred stock, including treasury stock, registered by Chenming through the delivering of non-physical securities to TDCC. The number of issued capital stock recorded in the consolidated financial statements may be different from the actual number of stock registered by Chenming through the delivering of non-physical securities to TDCC due to the difference in the calculation basis.

Note 2: If shares are entrusted, the above information regarding such shares will be revealed by each trustors of individual trust account. The shareholders holding more than 10% of the total shares of the company should declare insider's equity according to Securities and Exchange Act. The numbers of the shares declared by the insider include the shares of the trust assets which the insider has discretion over use. For details of the insider's equity announcement please refer to the TWSE website.

(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.