

**CHENMING ELECTRONIC TECHNOLOGY CORP.
AND SUBSIDIARIES
(Formerly CHENMING MOLD IND. CORP. AND
Subsidiary)**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Six Months Ended
June 30, 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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~11
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	11
(6) Explanation of significant accounts	11~29
(7) Related-party transactions	29~30
(8) Pledged assets	30
(9) Commitments and contingencies	30
(10) Losses due to major disasters	30
(11) Subsequent events	30~31
(12) Other	31
(13) Other disclosures	
(a) Information on significant transactions	31~34
(b) Information on investees	34
(c) Information on investment in mainland China	35
(d) Major shareholders	36
(14) Segment information	36



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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 June 30, 2020 and 2019, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the changes in equity and cash flows for the six months then ended, 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 June 30, 2020 and 2019, and of its consolidated financial performance for the three months and six months then ended, as well as its consolidated cash flows for the six months then ended 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)
August 5, 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 as of June 30, 2020 and 2019

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020, December 31, 2019, and June 30, 2019
 (Expressed in Thousands of New Taiwan Dollars)

	June 30, 2020		December 31, 2019		June 30, 2019		June 30, 2020		December 31, 2019		June 30, 2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Assets												
Current assets:												
1100 Cash and cash equivalents (note (6)(a))	\$ 286,546	6	348,611	7	392,334	9	\$ 440,000	9	390,000	8	318,000	7
1110 Current financial assets at fair value through profit or loss (note (6)(b))	2,993	-	-	-	-	-	915	-	1,221	-	2,135	-
1170 Trade receivables, net (notes (6)(c) and (q))	2,090,881	43	2,053,094	42	1,563,865	34	1,267,669	26	1,380,417	28	1,085,231	24
1310 Inventories, net (note (6)(d))	928,474	19	973,795	20	999,656	22	265,304	6	257,112	5	202,020	5
1476 Other current financial assets	496	-	743	-	5,200	-	46,781	1	-	-	48,881	1
1479 Other current assets	119,623	2	75,236	1	41,471	1	-	-	25,783	1	46,901	1
	<u>3,429,013</u>	<u>70</u>	<u>3,451,479</u>	<u>70</u>	<u>3,002,526</u>	<u>66</u>	<u>30,907</u>	<u>1</u>	<u>29,300</u>	<u>1</u>	<u>13,597</u>	<u>-</u>
Non-current assets:												
1600 Property, plant, and equipment (notes (6)(f) and (8))	931,352	19	969,922	20	1,043,932	23	7,915	-	4,382	-	4,535	-
1755 Right-of-use assets (note (6)(g))	241,402	5	243,743	5	251,463	6	16,611	-	16,832	-	17,860	-
1760 Investment property, net (notes (6)(h) and (8))	197,018	4	197,636	4	198,255	4	<u>2,076,102</u>	<u>43</u>	<u>2,105,047</u>	<u>43</u>	<u>1,739,160</u>	<u>38</u>
1780 Intangible assets	620	-	1,390	-	1,523	-	300,000	6	306,000	6	312,000	7
1840 Deferred income tax assets	4,850	-	4,850	-	1,418	-	4,931	-	4,931	-	5,062	-
1980 Other non-current financial assets (note (8))	24,749	1	24,422	-	20,037	-	5,559	-	5,693	-	3,850	-
1990 Other non-current assets	35,627	1	43,511	1	36,579	1	<u>7,057</u>	<u>-</u>	<u>7,691</u>	<u>-</u>	<u>6,497</u>	<u>-</u>
	<u>1,435,618</u>	<u>30</u>	<u>1,485,474</u>	<u>30</u>	<u>1,553,207</u>	<u>34</u>	<u>317,547</u>	<u>6</u>	<u>324,315</u>	<u>6</u>	<u>327,409</u>	<u>7</u>
	<u>2,393,649</u>	<u>49</u>	<u>2,429,362</u>	<u>49</u>	<u>2,066,569</u>	<u>45</u>						
Liabilities and Equity												
Current liabilities:												
Short-term loans (note (6)(i))	2100											
Current contract liabilities (note (6)(j))	2130											
Trade payables	2170											
Other payables	2200											
Dividends payable	2216											
Other payable-related parties (notes (6)(e) and (7))	2220											
Current tax liabilities	2230											
Current lease liabilities (note (6)(k))	2280											
Other current liabilities	2300											
Non-current liabilities:												
Long-term loans (note (6)(l))	2540											
Deferred tax liabilities	2570											
Non-current lease liabilities (note (6)(k))	2580											
Guarantee deposits	2645											
Total liabilities												
Equity attributable to owners of parent (note (6)(o)):												
Ordinary shares	3100											
Capital surplus	3200											
Retained earnings	3300											
Exchange differences on translation of foreign financial statements	3410											
Treasury shares	3500											
Total equity attributable to owners of parent												
Non-controlling interests	36XX											
Total liabilities and equity												
	<u>\$ 4,864,631</u>	<u>100</u>	<u>4,936,953</u>	<u>100</u>	<u>4,555,733</u>	<u>100</u>	<u>\$ 4,864,631</u>	<u>100</u>	<u>4,936,953</u>	<u>100</u>	<u>4,555,733</u>	<u>100</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 Comprehensive Income

For the six months ended June 30, 2020 and 2019

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

	For the three months ended June 30				For the six months ended June 30				
	2020		2019		2020		2019		
	Amount	%	Amount	%	Amount	%	Amount	%	
4000	Operating revenue (note 6(q))	\$ 1,630,728	100	1,324,398	100	2,991,576	100	2,713,855	100
5000	Operating costs (notes 6(d), (m) and (12))	1,456,711	89	1,228,068	93	2,718,835	91	2,494,193	92
5900	Gross profit from operations	174,017	11	96,330	7	272,741	9	219,662	8
6000	Operating expenses (notes 6(m) and (12)):								
6100	Selling expenses	32,322	2	32,222	2	61,075	2	61,895	2
6200	Administrative expenses	45,520	3	46,629	4	90,430	3	92,526	3
6300	Research and development expenses	13,072	1	12,431	1	25,284	1	23,878	1
		90,914	6	91,282	7	176,789	6	178,299	6
6900	Net operating income	83,103	5	5,048	-	95,952	3	41,363	2
7000	Non-operating income and expenses:								
7050	Finance costs, net (note 6(k))	(2,253)	-	(2,722)	-	(5,210)	-	(5,423)	-
7100	Interest income	494	-	612	-	945	-	819	-
7110	Rent revenue (notes 6(l) and (7))	3,886	-	3,597	-	7,777	-	7,429	-
7190	Other income	10,306	1	1,832	-	11,260	-	3,118	-
7230	Foreign exchange gains (losses) (note 6(s))	(6,695)	(1)	26,432	2	16,591	1	4,153	-
7590	Other expense and losses	(2,037)	-	(130)	-	(7,740)	-	(130)	-
		3,701	-	29,621	2	23,623	1	9,966	-
7900	Profit from continuing operations before tax	86,804	5	34,669	2	119,575	4	51,329	2
7950	Less: Income tax expenses (note 6(n))	31,044	2	9,903	-	41,456	1	14,495	1
	Profit	55,760	3	24,766	2	78,119	3	36,834	1
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	(16,806)	(1)	(13,108)	(1)	(29,235)	(1)	10,143	-
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	(16,806)	(1)	(13,108)	(1)	(29,235)	(1)	10,143	-
8300	Other comprehensive income (loss)	(16,806)	(1)	(13,108)	(1)	(29,235)	(1)	10,143	-
8500	Comprehensive income	\$ 38,954	2	11,658	1	48,884	2	46,977	1
	Profit attributable to:								
8610	Owners of parent	\$ 42,311	2	18,923	2	60,167	2	29,373	1
8620	Non-controlling interests	13,449	1	5,843	-	17,952	1	7,461	-
		\$ 55,760	3	24,766	2	78,119	3	36,834	1
	Comprehensive income attributable to:								
8710	Owners of parent	\$ 28,516	2	8,175	1	36,187	1	35,365	1
8720	Non-controlling interests	10,438	-	3,483	-	12,697	1	11,612	-
		\$ 38,954	2	11,658	1	48,884	2	46,977	1
	Earnings per share (expressed in NTD) (note 6(p)):								
9750	Basic earnings per share	\$ 0.27		0.12		0.38		0.18	
9850	Diluted earnings per share	\$ 0.27		0.12		0.38		0.18	

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

CHENNING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent						Other component of equity			Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Treasury stock	Non-controlling interests	
Balance on January 1, 2019	\$ 1,629,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	269,675	2,610,152
Appropriation and distribution of retained earnings:	-	-	11,005	-	(11,005)	-	-	-	-	-
Legal reserve	-	-	-	14,123	(14,123)	-	-	-	-	-
Special reserve	-	-	-	-	(48,881)	(48,881)	-	-	-	(48,881)
Cash dividends on ordinary shares	-	-	-	-	29,373	29,373	-	-	7,461	36,834
Profit for the six months ended June 30, 2019	-	-	-	-	-	-	5,992	-	4,151	10,143
Other comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	5,992	-	4,151	10,143
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	-	5,992	-	4,151	10,143
Purchase of treasury shares	-	-	-	-	29,373	29,373	-	(52,512)	1,612	46,977
Retirement of treasury shares	(70,000)	(2,162)	-	-	(32,377)	(32,377)	-	104,539	-	(52,512)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	32,644	-	-	-	-	-	-	-	32,644
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(99,216)	(99,216)
Balance on June 30, 2019	\$ 1,629,350	82,967	284,492	45,219	304,291	634,002	(39,226)	-	182,071	2,489,164
Balance on January 1, 2020	\$ 1,629,350	82,967	284,492	45,219	407,034	736,745	(81,209)	(49,810)	189,548	2,507,591
Appropriation and distribution of retained earnings:	-	-	13,290	-	(13,290)	-	-	-	-	-
Legal reserve	-	-	-	35,990	(35,990)	-	-	-	-	-
Special reserve	-	-	-	-	(46,781)	(46,781)	-	-	-	(46,781)
Cash dividends of ordinary share	-	-	-	-	60,167	60,167	-	-	17,952	78,119
Profit for the six months ended June 30, 2020	-	-	-	-	-	-	(23,980)	-	(5,255)	(29,235)
Other comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	-	(23,980)	-	12,697	(11,283)
Total comprehensive income for the six months ended June 30, 2020	-	-	-	-	-	-	(23,980)	-	12,697	(11,283)
Purchase of treasury shares	-	-	-	-	60,167	60,167	-	(38,712)	-	(21,545)
Retirement of treasury shares	(70,000)	(3,564)	-	-	(14,958)	(14,958)	-	88,522	-	(21,545)
Balance on June 30, 2020	\$ 1,559,350	79,403	297,782	81,209	356,182	735,173	(105,189)	-	202,245	2,470,982

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 Cash Flows

For the six months ended June 30, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 119,575	51,329
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	111,588	126,221
Amortization expense	752	866
Expected credit loss (gain)	965	(819)
Net loss on financial assets or liabilities at fair value through profit or loss	7	-
Interest expense	5,210	5,423
Interest income	(945)	(819)
Loss on disposal of property, plant and equipment, net	7,634	94
Other	118	(161)
Total adjustments to reconcile profit (loss)	<u>125,329</u>	<u>130,805</u>
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(3,000)	-
Decrease (increase) in trade receivables	(58,187)	410,267
Decrease in inventories	38,642	6,993
Decrease (increase) in other current assets	(44,677)	27,019
Decrease in other financial assets	247	10,942
Increase (decrease) in contract liabilities	(306)	112
Decrease in trade payables	(101,060)	(417,067)
Decrease in other payables and other current liabilities	(25,961)	(82,202)
Total changes in operating assets and liabilities	<u>(194,302)</u>	<u>(43,936)</u>
Total adjustments	<u>(68,973)</u>	<u>86,869</u>
Cash inflow generated from (used in) operations	50,602	138,198
Interest received	945	819
Income taxes paid	(39,357)	(27,135)
Net cash flows from (used in) operating activities	<u>12,190</u>	<u>111,882</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant, and equipment	(20,640)	(30,640)
Increase in prepayment for business facilities	(12,810)	(14,047)
Decrease (increase) in refundable deposits	(327)	983
Net cash flows from (used in) investing activities	<u>(33,777)</u>	<u>(43,704)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	50,000	(52,000)
Proceeds from long-term loans	-	40,000
Repayment of long-term loans	(6,000)	(10,000)
Increase (decrease) in guarantee deposits	(634)	108
Payment of lease liabilities	(7,069)	(3,137)
Payments to acquire treasury shares	(38,712)	(52,512)
Interest paid	(5,280)	(5,455)
Acquisition of non-controlling interests	(25,783)	(19,671)
Net cash flows from (used in) financing activities	<u>(33,478)</u>	<u>(102,667)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(7,000)</u>	<u>5,809</u>
Net increase (decrease) in cash and cash equivalents	<u>(62,065)</u>	<u>(28,680)</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>\$ 286,546</u>	<u>392,334</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 June 30, 2020 and 2019

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 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 six months ended June 30, 2020 and 2019 were authorized for issue by the Board of Directors on August 5, 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.

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
Amendments to IFRS 16 “Covid-19-Related Rent Concessions”	June 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:

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, 2023

(Continued)

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 23, 2022	Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

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.

(Continued)

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

(b) Basis of consolidation

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Description
			June 30, 2020	December 31, 2019	June 30, 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 %	82 %	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%.

(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.

(Continued)

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

(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.

(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>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Cash on hand	\$ 50	50	837
Checking accounts and demand deposits	<u>286,496</u>	<u>348,561</u>	<u>391,497</u>
	<u>\$ 286,546</u>	<u>348,611</u>	<u>392,334</u>

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

(b) Financial assets at fair value through profit or loss – current

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate-Funds	<u>\$ 2,993</u>	<u>-</u>	<u>-</u>

(Continued)

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

(c) Trade receivables

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Trade receivables	\$ 2,092,333	2,053,607	1,565,355
Less: Loss allowance	<u>(1,452)</u>	<u>(513)</u>	<u>(1,490)</u>
Trade receivables, net	<u>\$ 2,090,881</u>	<u>2,053,094</u>	<u>1,563,865</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 was determined as follows:

	<u>June 30, 2020</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average expected credit loss rate</u>	<u>Allowance lifetime expected credit loss</u>
Current	\$ 2,064,433	0.06%	1,296
1 to 30 days past due	14,524	0.13%	19
31 to 150 days past due	<u>13,376</u>	1.02%	<u>137</u>
	<u>\$ 2,092,333</u>		<u>1,452</u>
	<u>December 31, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average expected credit loss rate</u>	<u>Allowance lifetime expected credit loss</u>
Current	\$ 2,035,354	0.02%	455
1 to 30 days past due	17,417	0.16%	28
31 to 150 days past due	<u>836</u>	3.59%	<u>30</u>
	<u>\$ 2,053,607</u>		<u>513</u>
	<u>June 30, 2019</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average expected credit loss rate</u>	<u>Allowance lifetime expected credit loss</u>
Current	\$ 1,552,768	0.05%	774
1 to 30 days past due	5,754	0.50%	29
31 to 150 days past due	2,646	6.50%	172
151 to 360 days past due	<u>4,187</u>	12.30%	<u>515</u>
	<u>\$ 1,565,355</u>		<u>1,490</u>

(Continued)

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

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

	For the six months ended June 30,	
	2020	2019
Balance on January 1	\$ 513	2,290
Impairment losses recognized (reversed)	965	(819)
Foreign exchange gains / (losses)	(26)	19
Balance on June 30	<u>\$ 1,452</u>	<u>1,490</u>

As of June 30, 2020, December 31, 2019, and June 30, 2019, the Group did not pledge any receivables as collateral.

(d) Inventories

	June 30, 2020	December 31, 2019	June 30, 2019
Raw materials	\$ 284,923	270,294	222,855
Work in progress	232,157	273,932	329,700
Finished goods and merchandise inventories	411,394	429,569	447,101
	<u>\$ 928,474</u>	<u>973,795</u>	<u>999,656</u>

The Group's composition details of operating cost for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Cost of goods sold	\$ 1,426,507	1,191,829	2,673,456	2,435,475
Revenue from sale of scraps	(17,151)	(10,981)	(29,947)	(25,241)
Inventories valuation and obsolescence losses	15,837	8,474	13,565	12,165
Loss on scrapping of inventories	31,518	38,755	61,761	71,803
Overage of inventories	-	(9)	-	(9)
	<u>\$ 1,456,711</u>	<u>1,228,068</u>	<u>2,718,835</u>	<u>2,494,193</u>

The write-down of the inventories to net realizable value amounted to \$15,837, \$8,474, \$13,565 and \$12,165 for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, respectively. The write-downs are included in operating costs.

As of June 30, 2020, December 31, 2019, and June 30, 2019, the Group did not pledge any inventories as collaterals.

(Continued)

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

(e) 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 June 30, 2020, the Group still has the remaining balance of \$25,783, which was recognized as other payable-related parties. As of June 30, 2020, the Group has already made its payment.

(f) Property, plant, and equipment

The cost and accumulated depreciation of the property, plant, and equipment of the Group for the six months ended June 30, 2020 and 2019 were as follows:

	<u>Land</u>	<u>Properties</u>	<u>Machinery and equipment</u>	<u>Office equipment and others</u>	<u>Total</u>
Cost:					
Balance on January 1, 2020	\$ 210,897	776,469	512,811	92,048	1,592,225
Additions	-	-	48,592	6,050	54,642
Disposals	-	-	(112,287)	(45,467)	(157,754)
Reclassifications	-	-	20,496	290	20,786
Effect of changes in exchange rates	-	(4,871)	(4,637)	(232)	(9,740)
Balance on June 30, 2020	<u>\$ 210,897</u>	<u>771,598</u>	<u>464,975</u>	<u>52,689</u>	<u>1,500,159</u>
Balance on January 1, 2019	\$ 210,897	783,604	534,195	121,264	1,649,960
Additions	-	-	13,694	1,918	15,612
Disposals	-	-	(499)	(1,587)	(2,086)
Reclassifications	-	-	4,957	-	4,957
Effect of changes in exchange rates	-	2,094	1,622	91	3,807
Balance on June 30, 2019	<u>\$ 210,897</u>	<u>785,698</u>	<u>553,969</u>	<u>121,686</u>	<u>1,672,250</u>
Depreciation:					
Balance on January 1, 2020	\$ -	260,358	291,065	70,880	622,303
Depreciation	-	17,037	73,977	9,483	100,497
Disposals	-	-	(105,868)	(44,252)	(150,120)
Effect of changes in exchange rates	-	(1,369)	(2,383)	(121)	(3,873)
Balance on June 30, 2020	<u>\$ -</u>	<u>276,026</u>	<u>256,791</u>	<u>35,990</u>	<u>568,807</u>
Balance on January 1, 2019	\$ -	227,436	213,198	71,664	512,298
Depreciation	-	17,555	81,605	18,252	117,412
Disposals	-	-	(405)	(1,587)	(1,992)
Effect of changes in exchange rates	-	313	261	26	600
Balance on June 30, 2019	<u>\$ -</u>	<u>245,304</u>	<u>294,659</u>	<u>88,355</u>	<u>628,318</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 June 30, 2020	<u>\$ 210,897</u>	<u>495,572</u>	<u>208,184</u>	<u>16,699</u>	<u>931,352</u>
Balance on June 30, 2019	<u>\$ 210,897</u>	<u>540,394</u>	<u>259,310</u>	<u>33,331</u>	<u>1,043,932</u>

(Continued)

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

As of June 30, 2020, December 31, 2019, and June 30, 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.

(g) Right-of-use assets

The Group leases many assets including land and 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	-	8,693	1,876	-	10,569
Write-off	-	-	(844)	-	(844)
Effect of changes in exchange rates	(2,435)	(165)	-	-	(2,600)
Balance at June 30, 2020	<u>\$ 241,061</u>	<u>10,442</u>	<u>12,817</u>	<u>2,476</u>	<u>266,796</u>
Balance at January 1, 2019	\$ 247,063	2,036	7,742	1,759	258,600
Write-off	-	(48)	-	-	(48)
Effect of changes in exchange rates	1,047	22	-	-	1,069
Balance at June 30, 2019	<u>\$ 248,110</u>	<u>2,010</u>	<u>7,742</u>	<u>1,759</u>	<u>259,621</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2020	\$ 9,703	1,914	3,608	703	15,928
Depreciation of the period	4,827	2,897	2,409	340	10,473
Write-off	-	-	(799)	-	(799)
Effect of changes in exchange rates	(120)	(88)	-	-	(208)
Balance at June 30, 2020	<u>\$ 14,410</u>	<u>4,723</u>	<u>5,218</u>	<u>1,043</u>	<u>25,394</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Depreciation of the period	4,964	1,121	1,750	356	8,191
Effect of changes in exchange rates	(21)	(12)	-	-	(33)
Balance at June 30, 2019	<u>\$ 4,943</u>	<u>1,109</u>	<u>1,750</u>	<u>356</u>	<u>8,158</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 June 30, 2020	<u>\$ 226,651</u>	<u>5,719</u>	<u>7,599</u>	<u>1,433</u>	<u>241,402</u>
Balance at June 30, 2019	<u>\$ 243,167</u>	<u>901</u>	<u>5,992</u>	<u>1,403</u>	<u>251,463</u>

(h) 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 June 30, 2020	<u>\$ 152,640</u>	<u>44,378</u>	<u>197,018</u>
Balance on June 30, 2019	<u>\$ 152,640</u>	<u>45,615</u>	<u>198,255</u>

(Continued)

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

There were no material addition, disposal, impairment, or reversal situation of investment properties for the six months ended June 30, 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 June 30, 2020, December 31, 2019, and June 30, 2019.

(i) Short-term loans

The short-term loans were summarized as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Credit loans	\$ 220,000	230,000	318,000
Secured loans	<u>220,000</u>	<u>160,000</u>	<u>-</u>
	\$ 440,000	390,000	318,000
Unused credit line for short-term loans	<u>\$ 613,712</u>	<u>621,552</u>	<u>717,744</u>
Annual interest rates	<u>1.0%~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)(s).

(ii) As of June 30, 2020, December 31, 2019, and June 30, 2019, the Group provided part of its assets as collateral for short-term loans, please refer to note (8) for details.

(j) Long-term loans

The long-term loans were summarized as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Secured bank loans	\$ 300,000	306,000	242,000
Unsecured bank loans	-	-	70,000
Less: Current portion	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ 300,000	306,000	312,000
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)(s).

(iii) The Group provided part of its assets as collateral for long term loans. Please refer to note (8) for details.

(Continued)

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

(k) Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Current	<u>\$ 7,915</u>	<u>4,382</u>	<u>4,535</u>
Non-current financial assets	<u>\$ 5,559</u>	<u>5,693</u>	<u>3,850</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Interest on lease liabilities	<u>\$ 161</u>	<u>107</u>	<u>280</u>	<u>232</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 244</u>	<u>511</u>	<u>722</u>	<u>709</u>
Expenses relating to short-term leases	<u>\$ 133</u>	<u>119</u>	<u>257</u>	<u>246</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 28</u>	<u>7</u>	<u>66</u>	<u>14</u>

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

	For the six months ended June 30,	
	2020	2019
Total cash outflow for leases	<u>\$ 8,394</u>	<u>4,338</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 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.

(l) Operating lease

There were no significant changes in operating lease for the six months ended June 30, 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.

(Continued)

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

(m) 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.

The pension costs of the defined benefit plans were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Operating expense	\$ <u>(64)</u>	<u>(80)</u>	<u>(128)</u>	<u>(161)</u>

(ii) Defined contribution plans

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Operating expense	\$ <u>938</u>	<u>912</u>	<u>1,896</u>	<u>1,830</u>

(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		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Operating cost	\$ 11,301	14,862	23,542	36,032
Operating expense	<u>1,082</u>	<u>503</u>	<u>2,323</u>	<u>1,361</u>
	<u>\$ 12,383</u>	<u>15,365</u>	<u>25,865</u>	<u>37,393</u>

(n) Income taxes

(i) The components of income tax for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 were as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Current tax expense	\$ <u>31,044</u>	<u>9,903</u>	<u>41,456</u>	<u>14,495</u>

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

(Continued)

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

(iii) Assessment of tax

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

(o) 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 June 30, 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 June 30, 2020, December 31, 2019, and June 30, 2019, were as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
Additional paid-in capital	\$ 10,551	14,115	14,115
Difference arising from subsidiary's share price and its carrying value	<u>68,852</u>	<u>68,852</u>	<u>68,852</u>
	<u>\$ 79,403</u>	<u>82,967</u>	<u>82,967</u>

(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 approved in the shareholders' meeting on June 12, 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 six months ended June 30, 2020 and 2019, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased both 3,500 shares, respectively as treasury shares in order to protect the Company's integrity and shareholders' equity. As of June 30, 2020, all treasury shares repurchased had be cancelled.

(Continued)

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

Movement of treasury share was as follows:

	For the six months ended June 30,			
	2020		2019	
	Share (thousands)	Amount	Share (thousands)	Amount
Balance on January, 1	3,500	\$ 49,810	3,500	\$ 52,027
Repurchase	3,500	38,712	3,500	52,512
Retirement	(7,000)	(88,522)	(7,000)	(104,539)
Balance on June 30	-	\$ -	-	\$ -

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.

(p) Earnings per share

For the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the Company's earnings per share were calculated as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ 42,311	18,923	60,167	29,373
Weighted-average number of ordinary shares (share in thousands)	155,935	162,935	157,494	163,783
	\$ 0.27	0.12	0.38	0.18
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (after adjusted the influence of potential ordinary shares)	\$ 42,311	18,923	60,167	29,373

(Continued)

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Weighted-average number of ordinary shares with potential influence of ordinary shares				
Weighted-average number of ordinary shares	155,935	162,935	157,494	163,783
Effect of employee stock remuneration (share in thousands)	<u>112</u>	<u>80</u>	<u>283</u>	<u>213</u>
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u><u>156,047</u></u>	<u><u>163,015</u></u>	<u><u>157,777</u></u>	<u><u>163,996</u></u>
	<u><u>\$ 0.27</u></u>	<u><u>0.12</u></u>	<u><u>0.38</u></u>	<u><u>0.18</u></u>
 (q) Revenue from contracts with customers				
 (i) Disaggregation of revenue				
	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Primary geographical markets				
Taiwan	\$ 352,639	238,821	655,670	456,466
China	1,005,518	739,109	1,650,734	1,557,085
Japan	134,399	198,755	387,231	341,281
Other	<u>138,172</u>	<u>147,713</u>	<u>297,941</u>	<u>359,023</u>
	<u><u>\$ 1,630,728</u></u>	<u><u>1,324,398</u></u>	<u><u>2,991,576</u></u>	<u><u>2,713,855</u></u>
Major products				
PC chassis	\$ 1,264,493	1,074,817	2,329,924	2,171,097
Mobile device components	194,164	203,425	349,167	436,386
Mold	<u>172,071</u>	<u>46,156</u>	<u>312,485</u>	<u>106,372</u>
	<u><u>\$ 1,630,728</u></u>	<u><u>1,324,398</u></u>	<u><u>2,991,576</u></u>	<u><u>2,713,855</u></u>

(Continued)

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

(ii) Contract balances

	June 30, 2020	December 31, 2019	June 30, 2019
Trade receivables	\$ 2,092,333	2,053,607	1,565,355
Less: Loss allowance	(1,452)	(513)	(1,490)
	\$ 2,090,881	2,053,094	1,563,865
Contract liabilities	\$ 915	1,221	2,135

The amount of revenue recognized for the six months ended June 30, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$1,215 and \$634, 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.

(r) 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 \$450, \$800, \$1,450 and \$1,200; and the remuneration to directors and supervisors was \$375, \$250, \$750 and \$500 for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 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.

(s) 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.

(Continued)

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

(i) Receivable securities

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

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.

(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>
June 30, 2020				
Secured loans	\$ 520,000	220,000	-	300,000
Unsecured loans	220,000	220,000	-	-
Trade payables	1,287,669	1,287,669	-	-
Lease liabilities (including current and non-current)	13,474	7,915	3,105	2,454
Other payables and dividends payable	312,085	312,085	-	-
Guarantee deposits	7,057	3,787	3,270	-
	<u>\$ 2,360,285</u>	<u>2,051,456</u>	<u>6,375</u>	<u>302,454</u>
December 31, 2019				
Secured loans	\$ 466,000	160,000	-	306,000
Unsecured loans	230,000	230,000	-	-
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>
June 30, 2019				
Secured loans	\$ 242,000	-	203,000	39,000
Unsecured loans	388,000	318,000	70,000	-
Trade payables	1,085,231	1,085,231	-	-
Lease liabilities (including current and non-current)	8,385	4,535	1,690	2,160
Other payables (including related parties) and dividends payable	250,901	250,901	-	-
Guarantee deposits	6,497	3,047	-	3,450
	<u>\$ 1,981,014</u>	<u>1,661,714</u>	<u>274,690</u>	<u>44,610</u>

(Continued)

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

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	June 30, 2020			December 31, 2019			June 30, 2019			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets										
Monetary items										
USD to NTD	\$	27,942	29,630	827,921	32,199	29.98	965,326	22,779	31.060	707,516
USD to CNY		30,030	7.0795	889,789	30,710	6.9762	920,686	22,420	6.8747	758,485
CNY to NTD		143,545	4.191	601,597	106,342	4.305	457,802	96,441	4.521	436,010
Financial liabilities										
Monetary items										
USD to NTD		4,191	29,630	124,179	7,571	29.98	226,979	6,618	31.060	205,555
USD to CNY		2,644	7.0795	78,342	2,259	6.9762	67,725	2,773	6.8747	86,129
CNY to NTD		200,616	4.191	840,782	195,510	4.305	841,671	120,566	4.521	545,079

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 June 30, 2020 and 2019, would have affected the net profit before tax as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
USD (against the NTD)		
Strengthening 5%	\$ 35,187	25,098
Weakening 5%	(35,187)	(25,098)
USD (against the CNY)		
Strengthening 5%	40,572	33,618
Weakening 5%	(40,572)	(33,618)
CNY (against the NTD)		
Strengthening 5%	(11,959)	(5,453)
Weakening 5%	11,959	5,453

(Continued)

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

3) Exchange gains and losses of monetary items

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

	For the six months ended June 30,			
	2020		2019	
	Exchange profit (loss)	Average rate	Exchange profit (loss)	Average rate
NTD	\$ 7,643	-	4,308	-
CNY	2,107	4.2468	(34)	4.5698

(iv) Interest rate analysis

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

	Carrying amount	
	June 30, 2020	June 30, 2019
Variable rate instruments:		
Financial assets	\$ 286,433	392,126
Financial liabilities	740,000	630,000

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 \$567 and \$297 for the six months ended June 30, 2020 and 2019, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(v) Fair value

1) The categories 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.

(Continued)

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

June 30, 2020					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss-					
Beneficiary certificate-Funds	\$ 2,993	2,993	-	-	2,993
Financial assets measured at amortized cost					
Cash and cash equivalents	286,546	-	-	-	-
Trade receivables, net	2,090,881	-	-	-	-
Other financial assets	496	-	-	-	-
Refundable deposits	24,749	-	-	-	-
	<u>2,402,672</u>				
	<u>\$ 2,405,665</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 740,000	-	-	-	-
Trade payables	1,287,669	-	-	-	-
Lease liabilities	13,474	-	-	-	-
Other payables (including related parties) and dividends payable	312,085	-	-	-	-
Guarantee deposit	7,057	-	-	-	-
	<u>\$ 2,360,285</u>				
December 31, 2019					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 348,611	-	-	-	-
Trade receivables, net	2,053,094	-	-	-	-
Other financial assets	743	-	-	-	-
Refundable deposits	24,422	-	-	-	-
	<u>\$ 2,426,870</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 696,000	-	-	-	-
Trade payables	1,380,417	-	-	-	-
Lease liabilities	10,075	-	-	-	-
Other payables (including related parties)	282,895	-	-	-	-
Guarantee deposits	7,691	-	-	-	-
	<u>\$ 2,377,078</u>				

(Continued)

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

		June 30, 2019				
		Book value	Fair Value			Total
		Level 1	Level 2	Level 3	Total	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 392,334	-	-	-	-	
Trade receivable, net	1,563,865	-	-	-	-	
Other financial assets	5,200	-	-	-	-	
Refundable deposits	<u>20,037</u>	-	-	-	-	
	<u>\$ 1,981,436</u>					
Financial liabilities measured at amortized cost						
Bank loans	\$ 630,000	-	-	-	-	
Trade payables	1,085,231	-	-	-	-	
Lease liabilities	8,385	-	-	-	-	
Other payables (including related parties) and dividends payable	250,901	-	-	-	-	
Guarantee deposits	<u>6,497</u>	-	-	-	-	
	<u>\$ 1,981,014</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.

(Continued)

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.

(t) 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.

(u) 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.

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

Reconciliation of liabilities arising from financing activities for the six months ended June 30, 2020 and 2019 were as follows:

	January 1, 2020	Cash flows	Non-cash flows			June 30, 2020
			Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 306,000	(6,000)	-	-	-	300,000
Short-term loans	390,000	50,000	-	-	-	440,000
Lease liabilities	10,075	(7,069)	10,569	(45)	(56)	13,474
Guarantee deposits	7,691	(634)	-	-	-	7,057
Total liabilities from financing activities	<u>\$ 713,766</u>	<u>36,297</u>	<u>10,569</u>	<u>(45)</u>	<u>(56)</u>	<u>760,531</u>

(Continued)

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

	January 1, 2019	Cash flows	Non-cash flows Foreign exchange movement	June 30, 2019
Long-term loans	\$ 282,000	30,000	-	312,000
Short-term loans	370,000	(52,000)	-	318,000
Lease liabilities	11,537	(3,185)	33	8,385
Guarantee deposits	6,389	108	-	6,497
Total liabilities from financing activities	<u>\$ 669,926</u>	<u>(25,077)</u>	<u>33</u>	<u>644,882</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
UNECC 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 June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019 amounted to \$857, \$629, \$1,714 and \$1,486, 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 December 31, 2019, the Group still have remaining balance of \$25,783, which was recognized as other payables-related parties. As of March 31, 2020, the Group has already paid off its payable. Please refer to note (6)(e) for related information.

(Continued)

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 June 30		For the six months ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	\$ 2,275	3,064	5,043	5,740
Post-employment benefits	76	124	152	205
	\$ 2,351	3,188	5,195	5,945

(ii) Guarantee

The main management was the guarantor of the syndication contract, and the amounts of syndication were \$300,000, \$306,000 and \$312,000, as of June 30, 2020, December 31, 2019, and June 30, 2019, respectively.

(8) Pledged assets

The carrying values of pledged assets were as follows:

Assets	Subject	June 30, 2020	December 31, 2019	June 30, 2019
PPE and investment properties	Short-term loans and long-term			
– land	loans	\$ 347,804	347,804	347,804
– properties	Short-term loans and long-term			
	loans	133,520	135,307	137,095
Other financial asset	Customs deposits			
– non-current		20,234	22,255	19,290
		\$ 501,558	505,366	504,189

(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) Based on the resolution approved during the Board of Directors' meeting held on August 5, 2020, the Company indirectly invested in CHENMING ELECTRONIC (NINGBO) CO., LTD., via current investment structure, to acquire 10% of its ownership for USD \$2,050 in cash, resulting in the Company's shareholding in CHENMING ELECTRONIC (NINGBO) CO., LTD. to increase to 92%.

(Continued)

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

- (c) A resolution was approved during the Board of Directors' meeting held on June 24, 2020 for the Company to enter into a real estate agreement with SHIN DE KNITTING CORP. and SHIN TA KNITTING MACHINERY CORP. on July 31, 2020 to acquire a parcel of land for its office building at the total price of NTD \$410,000.

(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 June 30, 2020			Three months ended June 30, 2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	332,197	49,123	381,320	297,401	48,440	345,841
Labor and health insurance	-	1,545	1,545	-	1,511	1,511
Pension	11,301	1,956	13,257	14,862	1,335	16,197
Others	18,582	4,249	22,831	15,141	4,796	19,937
Depreciation	49,690	2,502	52,192	59,247	2,277	61,524
Amortization	170	200	370	185	247	432

By function By item	Six months ended June 30, 2020			Six months ended June 30, 2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	641,040	95,849	736,889	635,279	92,911	728,190
Labor and health insurance	-	3,104	3,104	-	3,036	3,036
Pension	23,542	4,091	27,633	36,032	3,030	39,062
Others	32,424	6,962	39,386	35,488	8,914	44,402
Depreciation	106,029	4,941	110,970	121,023	4,580	125,603
Amortization	344	408	752	371	495	866

The depreciation expense, which subtracts the depreciation expense from investment properties, were both \$309, \$309, \$618 and \$618 for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 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:

(Continued)

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

(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 INTERNATION LIMITED	GERSHWIN INTERNATION LIMITED	Trade receivables due from related parties	Yes	177,780	177,780	118,520	1.03713~2.60550%	Short-term financial	-	Operating demand	-	-	-	2,109,912 (note 1)	2,109,912 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Trade receivables due from related parties	Yes	155,067	155,067	155,067	4.67625%	Short-term financial	-	Operating demand	-	-	-	449,434 (note 2)	449,434 (note 2)
Total						<u>332,847</u>	<u>273,587</u>									

Note 1: The total amount for lending to a subsidiary whose voting shares are 100% owned, directly or indirectly, by TOP CITY INTERNATION LIMITED for funding for a short-term period shall not exceed the net worth of TOP CITY INTERNATION LIMITED, which amounted to \$2,109,912. And the total amount lendable to each of such borrowers still shall not exceed the net worth of TOP CITY INTERNATION LIMITED, which amounted to \$2,109,912.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed ten percent of the net worth of CHENMING ELECTRONIC (NINGBO) CO., LTD, which amounted to \$449,434 (\$1,123,584*40%). In addition, the total amount lendable to any one borrower shall be no more than twenty percent of the borrower's net worth, which amounted to \$449,434 (\$1,123,584*40%).

(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	907,495	50,292	50,292	-	-	2.22 %	1,814,990	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 an entity shall not exceed 40% of the Company's net worth.

(iii) Securities held as of June 30, 2020 (excluding investment in subsidiaries, associates, and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Beneficiary certificate: Taishin Short Duration Emerging High Yield Bond Fund	-	Current financial assets at fair value through profit or loss	300	2,993	- %	2,993	-

(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.

(Continued)

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

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land	Note 1	410,000	-	SHIN DE KNITTING CORP. and SHIN TA KNITTING MACHINERY CORP.	None	N/A	N/A	N/A	-	Valuation report	Operation use, and not yet transferred	None

Note 1: Based on the resolution of the Board of Director' meeting held on June 24, 2020, the Company decided to acquire the land for its office building and signed a real estate contract with SHIN DE KNITTING CORP. and SHIN TA KNITTING MACHINERY CORP. on July 31, 2020. with the total price of NT\$410,000, please refer to Note (11).

- (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	1,185,629	99 %	Net 60 days from the end of month of purchase	No suppliers for comparison	Net 60 days from the end of month of purchase and depending on the operating demand	Trade payables (371,936)	(93)%	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(1,185,629)	62 %	Net 60 days from the end of month of delivery	No customers for comparison	Net 60 days from the end of month of delivery and depending on the operating demand	Trade receivables 371,936	39 %	None

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 1)	Allowance for bad debts	Note
					Amount	Action taken			
Dongguan Chenming Electronic Co., Ltd	The Company	Subsidiaries	Trade receivables 371,936	5.10	-	-	371,936	-	Note 2

Note 1: Balance of August 5, 2020.

Note 2: The transactions have been eliminated in the consolidated financial statements.

- (ix) Trading in derivative instruments: None.

(Continued)

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

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

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	118,520	Rate 1.03713%-2.60550%	2%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	1,185,629	The price is based on the fixed ratio of final selling price, and the credit period is net 60 days from the end of month of delivery	40%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Trade receivables	371,936	"	8%

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 six months ended June 30, 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 June 30, 2020			Net income (losses) of the investment	Investment income (losses)	Note
				June 30, 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 %	2,109,912	42,841	42,841	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USD, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100 %	3,358	(1,350)	(1,350)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	1,045,142	(40,015)		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 %	921,457	81,735		The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED

Note: The investment income (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.

(Continued)

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 United States 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 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2020	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2 and 3)	Carrying amount as of June 30, 2020 (note 3)	Accumulated remittance of earnings as of June 30, 2020
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,911,135 (USD64,500)	note 1 and 7	542,398 (USD17,800)	25,830 (USD860) (note 6)	-	568,228 (USD18,660)	99,736	82 %	81,784	921,339	-
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)	(24,624)	100 %	(24,624)	781,570	-

- (ii) Limitation on investment in mainland China:

Company Name	Accumulated Investment in Mainland China as of June 30, 2020	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (note 3)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	1,318,983 (USD 43,560)	1,415,129 (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 \$29.63 as of June 30, 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".

(Continued)

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

(d) Major shareholders:

(Unit: Share)

Shareholder's Name	Shareholding	Shares	Percentage
Lin, Mu-Ho		25,000,230	16.03 %
Hui Chi Investment Co., Ltd.		14,749,758	9.45 %

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 stocks 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 has only one segment, which mainly produce computer and mobile device components. Operating segment information is consistent 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.