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uneec[®] **Chenming Electronic
Technology Corporation**
(formerly known as CHENMING MOLD IND. CORP.)

2020

Annual Report

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One. Letter to Shareholders

Ladies and gentlemen:

We express our deepest gratitude for shareholders’ support to the management in the past year. Outbreak of COVID-19 has severely impacted global business activities since 2020. As time passed, people started adapting to the new norm, and uprise of “remote service,” “cloud computing,” and “digital solutions” presented the IT/electronics industry with new opportunities. Chenming was able to capitalize on this new trend by continually adopting automated production and smart process management solutions to further improve production efficiency and product quality. In light of emerging trends such as home-based economy, remote management, IoT applications, and cloud-based services, Chenming will be undergoing aggressive digital transformation as a means to increase revenues, asset size, and profits in shareholders’ favor.

- I. 2020 business results:
 - (I) Financial performance
 - 1. Business results

The Company generated net consolidated revenues totaling NT\$6,124,518,000 in 2020, up 1.6% from the NT\$6,028,702,000 reported in 2019, and concluded net income of NT\$62,798,000 for 2020, which was equivalent to an EPS of NT\$0.4. In the coming year, the Company will continue adhering to its principles of pragmatism and grow businesses amidst intensive competition.

- 2. Budget implementation: The Company did not publish any financial forecast for 2020.
- 3. Incomes, expenses, and profitability analysis

Item		2020	2019
Return on assets		1.79%	3.29%
Return on shareholders’ equity		2.68%	5.71%
As a percentage of paid-in capital (%)	Operating profit	12.28%	11.40%
	Pre-tax profit	6.97%	13.04%
Net profit margin		1.03%	2.60%
EPS		0.40	0.82

- (II) Research and development progress
 - 1. Completed development Fe-49Co-2V, an acid-deformed soft magnetic material with high magnetic induction for MIM process.
 - 2. Completed development of F75 (Co-28Cr-6Mo), an acid-deformed, corrosion-resistant, wear-resistant, and non-magnetic cobalt-based alloy for MIM process.

3. Completed development of smart shaping MIM manufacturing technique and process.
4. Completed development of MIM hollow components and production methods.

II. Summary of 2021 business plan:

(I) Operational guidelines

1. Production

The Company will continue increasing the weight of automated production while introducing automation modules, advanced manufacturing technologies, Industry 4.0, and smart production solutions for greater efficiency. Additional investments will be made at appropriate timing to expand current facilities and incorporate new and enhanced processes for higher production yield.

2. Products

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

3. Management

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

4. Market development

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

(II) Research and development plans

1. Continue development of continuous furnace for MIM production of acid-deformed injection material Fe-49Co-2V.
2. Continue development of CIM (Ceramic Injection Molding) surface treatment technique.
3. Continue development of continuous furnace for MIM production of High Strength Non-Magnetic Austenitic Stainless Steel (X15 CrMnMoN 17-11-3).
4. Continue development of continuous furnace for production of cobalt-based alloy F75 (Co-28Cr-6Mo), and MIM process involving continuous furnace.
5. Development of AISI 420 high strength martensite: for MIM process optimization (sintering and heat treatment) and micro structure analysis.
6. Design and development of edge computing server chassis for 5G

applications.

7. Design and development of outdoor, high weather-resistance edge computing server chassis for 5G applications.

(III) Expected sales volume and basis

According to TrendForce, a market research institution, global shipment of smartphones fell to 1.25 billion units in 2020 due to COVID-19, and is expected to grow by 9% to 1.36 billion in 2021 as 5G smartphones make their ways into the market. TrendForce estimates 5G smartphone sales to reach 500 million units and achieve penetration rate of 37% worldwide as users transition into new technology. Meanwhile, DIGITIMES Research forecasts remote office and online shopping to become the new norm in 2021, and will continue to drive demand for work-from-home, e-commerce, social networking, and online video solutions, whereas introduction of new CPU platform also stimulates upgrades. Overall, research institutions and businesses are optimistic about global server shipments resuming positive growth in the coming year. The global server industry and market demands for servers will surge following rapid expansion of global data centers and cloud services, and global server shipments are expected to grow by 5%-6% annually. It is meaningless to predict sales volume of metal parts as specifications, materials, and production methods vary for each product. Nevertheless, the Company will strive to achieve growth at above-industry rate.

III. Future development strategies

Chenming will continue improving competitiveness and exploring market opportunities in fields such as smart innovation, technological application, industrial evolution, cloud computing, and AI. By making ongoing improvements to R&D, technology, quality, and design capacity, the Company aims to diversify its product lines and maintain the level of competitiveness needed to overcome competition in the future. Chenming will continue building on top of its advantage in cloud servers and MIM (metal powder injection molding) products, while at the same time adopt Industry 4.0 smart production, acquire automated equipment, and establish physical and virtual platforms so as to maintain a highly efficient logistic and management system that enables rapid service delivery and cost reduction. By transitioning into smart production and a technology-oriented business model, the Company hopes to secure the foundation for sustainable growth.

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

(I) The external competitive environment:

The Company's product portfolio consists mainly of mobile device components, DT accessories, and server chassis. As people adapt to the COVID-19 pandemic, uprise of "remote service," "cloud computing," and "digital solutions" present the IT/electronics industry with new opportunities,

and Chenming was able to capitalize on this new trend by continually adopting automated production and smart process management solutions to further improve production efficiency and product quality. Internally, Chenming has been creating differentiated competitive advantage through continual innovation, research, development, cost reduction, cost structure optimization, process enhancement, and application of new materials; whereas externally, the Company takes the initiative to raise product visibility, explore new customers, and maintain relationship with existing customers.

(II) The regulatory environment:

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

(III) The overall business environment:

Given the world-wide adoption of new technologies such as smart manufacturing, smart factory, IoT, AI, big data, cloud computing, cybersecurity, and 5G, production and sale of consumer electronic parts and IT products still exhibit immense potentials in the future. The Company will keep aiming at intelligence, innovation, technological application, industrial evolution and cloud computing to upgrade its competitiveness and control the market opportunity.

Faced with a difficult global business environment caused by COVID-19, the Company's management team has responded quickly with initiative, and acted cautiously and responsibly to every change. In addition to optimizing cost structure, we also work with current business partners in good faith in a mutually beneficial manner, take pro-active approach towards exploring new customers, and strive to achieve profit growth through competitive advantage and innovative capabilities. To ensure the sustainability and consistent growth of Chenming's business, we shall continue improving our management practices. By continuously improving the R&D, technology, quality and design ability to satisfy the trend for diversified products, we sustain the steady and positive development for any competition from the industry in the future. We will endeavor for the sound corporate governance, implementation of corporate social responsibility and enhancement of shareholders' interests as a return of shareholders' supports and expectation.

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

Chairman: Lin Mu-Ho

Two. Company Profile

I. Date of establishment: June 17, 1976

II. Company history:

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

2. Made a cash issue totaling NT\$100 million in July to improve financial position and expand working capital, and capitalized NT\$175 million of earnings. Share capital was increased to NT\$617 million as a result.
 3. Rated by IBM as the No. 1 global server OEM in terms of production output in the third quarter of year 2000.
 4. Ranked 246th in CommonWealth Magazine's "Top-1000 Companies in Taiwan."
 5. Received "Outstanding Quality Contribution Award" and "Long-term Partner Contribution Award" from HP.
 6. Used "UNEEC" as the new corporate identity.
- 2001
1. Received "Best Supplier Award" from Asustek and Mitac.
 2. Ranked 204th in CommonWealth Magazine's "Top-1000 Companies in Taiwan."
 3. Founded Ding Du International Co., Ltd. as a holding company for the Company's overseas investments.
 4. New shares were issued against capitalized earnings and capital reserve totaling NT\$253 million. Share capital was increased to NT\$870 million as a result.
- 2002
1. The Company's name was changed to "Chenming Mold Ind. Corp." by the resolution of the shareholder meeting in May.
 2. The Company was listed for trading in September. New shares were issued in September against capitalized earnings and capital reserve totaling NT\$270 million that month, which increased share capital to NT\$1.114 billion.
 3. Received "Top-performing Supplier Award" from IBM Japan.
 4. Received "Best Partner Award" from TECO Image Systems.
 5. Founded Chueh Rong International Co., Ltd. through Ding Du International Co., Ltd.
 6. Founded Ding Chih Co., Ltd. through Ding Du International Co., Ltd.
- 2003
1. New shares were issued in July against capitalized earnings and capital reserve totaling NT\$183 million in July. Share capital was increased to NT\$1.323 billion as a result.
 2. Ranked 193rd in CommonWealth Magazine's "Top-1000 Manufacturers in Taiwan."
 3. Ranked 24th in Wealth Magazine's "Top-100 Entrepreneurs" and 19th in Wealth Magazine's "Top-20 Electronic Manufacturers."
 4. Founded Chenming Electronic (Hangzhou) Co.,Ltd. through Ding Chih Co., Ltd.
- 2004
1. New shares were issued in July against capitalized earnings and capital reserve, which increased share capital to NT\$1,454,214,490.
 2. Chenming Mold won the 5th Industrial Sustainable Excellence Award from Industrial Development Bureau, Ministry of Economic Affairs.
 3. Named "Outstanding Supplier of the Year" by Gigabyte Technology.
 4. Received "Outstanding Supplier Award" from TOSHIBA.
- 2005
1. New shares were issued in July against capitalized earnings and capital reserve, which increased share capital to NT\$1,453,135,820.

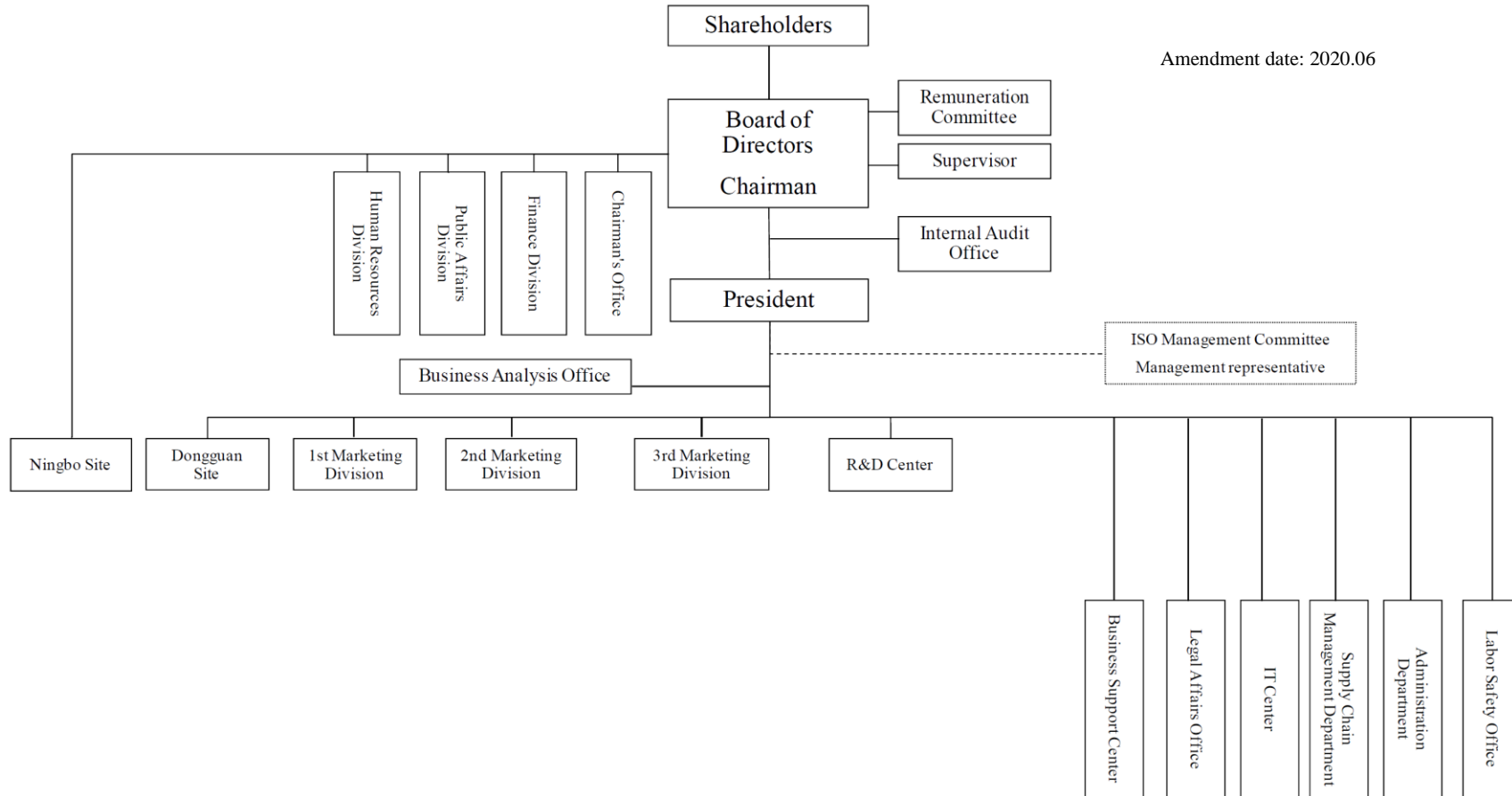
2. As part of a strategic alliance, the Company made an investment in Kenmos, a manufacturer of NB backlighting module and display components, in December. Furthermore, the Company developed a series of proprietary components for clamshell phones.
 3. Began collaboration with Fujitsu in December to develop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

- | | |
|------|---|
| 2014 | <ol style="list-style-type: none"> 1. Ranked 803rd in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.” 2. Hosted the “8th UNEEC Applied Design Award.” 3. Received “2013 Outstanding Supplier Award” from Quanta Computer. 4. Received “Best Partner Award” from Gigabyte Technology. 5. Dissolved Chenming Electronic (Hangzhou) Co.,Ltd. through Ding Chih Co., Ltd. |
| 2015 | <ol style="list-style-type: none"> 1. Ranked 762nd in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.” 2. Hosted the “9th UNEEC Applied Design Award.” 3. Received “Best Partner Award” from Gigabyte Technology. |
| 2016 | <ol style="list-style-type: none"> 1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 52%. through 2nd-tier subsidiary Ding Chih Co., Ltd. 2. Ranked 686th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.” 3. Hosted the “10th UNEEC Applied Design Award.” |
| 2017 | <ol style="list-style-type: none"> 1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 72%. through 2nd-tier subsidiary Ding Chih Co., Ltd. 2. Ranked 554th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.” 3. Hosted the “11th UNEEC Applied Design Award.” |
| 2018 | <ol style="list-style-type: none"> 1. Ranked 532nd in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan”. 2. Hosted the “12th UNEEC Applied Design Award”. |
| 2019 | <ol style="list-style-type: none"> 1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 82%. through 2nd-tier subsidiary Ding Chih Co., Ltd. 2. Established the subsidiary in the U.S.A. In July. 3. Ranked 457th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan”. 4. Hosted the “13th UNEEC Applied Design Award.” |
| 2020 | <ol style="list-style-type: none"> 1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 92%. through 2nd-tier subsidiary Ding Chih Co., Ltd. 2. Ranked 447th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.” 3. Hosted the “14th UNEEC Applied Design Award.” 4. Shang Mei Precision Industry Co., Ltd. became a shareholder of the company holding 10% of the shares. There are no major changes in the company’s operating rights, operating methods, and business content, and it does not affect shareholders’ rights and interests. |
| 2021 | <ol style="list-style-type: none"> 1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 100%. through 2nd-tier subsidiary Ding Chih Co., Ltd. |

Three. Corporate Governance Report

I. Organization

(I) Organization structure



(II) Responsibilities of major departments

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

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

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

(I) Directors and supervisors

1. Directors' and supervisors' background

April 13, 2021

Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected/appointed	Term of office	Date first elected (Note 2)	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 3)	Concurrent position in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Remarks (Note 4)
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship	
Chairman	R.O.C.	Lin Mu-Ho	Male	2020/06/12	3 years	1976/06/17	25,000,230	15.68%	25,000,230	16.03%	1,425,809	0.91%	0	0%	Career background: Chenming Mold Ind. Corp. - Chairman Academic background: MBA, Pacific Western University	The Company's person-in-charge Ding Du International Co., Ltd. - Representative Chueh Rong International Co., Ltd. - Representative Dongguan Chenming Electronics Co., Ltd. - Representative Ding Chih Co., Ltd. - Representative Chenming Electronic (Ningbo) Co., Ltd. - Representative	Director Supervisor	Lin Feng-Ran, Lin Pei-Yu	Father and son Father and Daughter	None
Director	R.O.C.	Lin Feng-Ran	Male	2020/06/12	3 years	2017/06/16	6,612,310	4.15%	6,612,310	4.24%	423,956	0.27%	0	0%	Career background: CHENMING ELECTRONIC TECHNOLOGY CORPORATION - Vice Chairman Academic background: Electronic Engineering, National Yunlin University of Science and Technology	The Company's Vice Chairman	Chairman Supervisor	Lin Mu-Ho Lin Pei-Yu	Father and son Brother and sister	None
Director	R.O.C.	Lo Chih-Chi	Male	2020/06/12	3 years	2017/06/16	573,958	0.36%	573,958	0.37%	208,446	0.13%	0	0%	Career background: Chenming Mold Ind. Corp. - President Academic background: Department of Banking and Finance, Tamkang University	President of the Company	None	None	None	None

Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected/appointed	Term of office	Date first elected (Note 2)	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 3)	Concurrent position in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Remarks (Note 4)
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship	
Director	R.O.C.	Chen Hsiao-Chun	Female	2020/06/12	3 years	2000/05/24	259,456	0.16%	259,456	0.17%	0	0%	0	0%	Career background: Central Times Arts Column - Vice President Academic background: Shih Chien University	Xi Zhi Tang Co., Ltd. - Person-in-charge	None	None	None	None
Director (Departed on 2020.6.12)	R.O.C.	Ching Chi-Ben	Male	2017/06/16	3 years	2017/06/16	0	0%	00	0%	0	0%	0	0%	Career background: Leader Construction Co., Ltd. - Chairman Academic background: Ph.D in Civil, Commercial and Economic Law, China University of Political Science and Law	Leader Construction Co., Ltd. - Chairman	None	None	None	None
Independent Director	R.O.C.	Chen Hung-Chang	Male	2020/06/12	3 years	2020/06/12	0	0%	0	0%	0	0%	0	0%	Career: De Jang Tax Account Office - President Taiwan Tax Account Quality Assurance Association - Executive Director Education: Department of Accounting and Statistics, Kuo-Chi Junior College of Commerce	De Jang Tax Account Office - President	None	None	None	None
Independent Director	R.O.C.	Chen Chien-Chun	Male	2020/06/12	3 years	2020/06/12	0	0%	0	0%	0	0%	0	0%	Career: Ju Cheng CPA Firm - CPA Education: Department of Finance, Southern Taiwan University of Science and Technology	Ju Cheng CPA Firm - CPA	None	None	None	None
Independent Director	R.O.C.	Chou Liang-Cheng	Female	2020/06/12	3 years	2020/06/12	0	0%	0	0%	0	0%	0	0%	Career: Chia Hua Law Firm - Attorney-at-law Xin Fu Law Firm - Attorney-at-law Chen Shyuu & Pun Law Offices - Attorney-at-law Education: Dept. of Law, Fu Jen Catholic University	Chia Hua Law Firm - Attorney-at-law	None	None	None	None

Title (Note 1)	Nationality or place of registration	Name	Gender	Date elected/appointed	Term of office	Date first elected (Note 2)	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 3)	Concurrent position in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads			Remarks (Note 4)
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship	
Independent Director (Departed on 2020.6.12)	R.O.C.	Lin Chiang-Feng	Male	2017/06/16	3 years	2005/06/10	0	0%	0	0%	0	0%	0	0%	Career background: Associate Professor of International Business, Tamkang University; CEO of EMBA Program, Tamkang University; consultant of Taiwan WTO Center, Chung Hua Institution for Economic Research Academic background: Doctor of Law, Madison Campus of Wisconsin University, the United States	Associate Professor of Department of International Business, Tamkang University	None	None	None	None
Independent Director (Departed on 2020.6.12)	R.O.C.	Chang Yi-Min	Male	2017/06/16	3 years	2002/05/20	0	0%	0	0%	0	0%	0	0%	Career background: Certified Public Accountant in public practice, South Region National Taxation Bureau; Chu Cheng Certified Public Accountant Office Academic background: Department of Accounting, Tamkang University	Certified Public Accountant in public practice of Chu Cheng Certified Public Accountant Office	None	None	None	None
Supervisor (Departed on 2020.6.12)	R.O.C.	Lin Po-Hsiang	Male	2017/06/16	3 years	2005/06/10	0	0%	0	0%	0	0%	0	0%	Career background: Lu Cheng International Law Office Academic background: Central Police University	Lu Cheng International Law Office - Licensed Attorney	None	None	None	None
Supervisor (Departed on 2020.6.12)	R.O.C.	Lin Pei-Yu	Female	2017/06/16	3 years	2000/05/24	4,512,755	2.66%	1,204,755	0.77%	0	0%	0	0%	Career background: Chenming Mold Ind. Corp. - Officer Academic background: Chungyu Institute of Technology	None	Chairman Director	Lin Mu-Ho Lin Feng-Ran	Father and daughter Brother and sister	None

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

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

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

Note 4: In situations where the Company's President or manager of the highest equivalent grade is the same person as or a spouse or first-degree relative of the Chairman, please explain the reasons, rationality and necessity of such an arrangement and any response measures taken (such as introduction of independent directors). Furthermore, disclose whether more than half of directors are involved in concurrent duty as employees or managers.

2. Professionalism and independence

April 13, 2021

Name (Note 1)	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 2)												Number of public companies in which concurrently serves as an independent director
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	11	12	
Lin Mu-Ho	No	No	Yes					✓	✓	✓	✓	✓		✓	✓	None
Lin Feng-Ran	No	No	Yes		✓			✓	✓	✓	✓	✓		✓	✓	None
Lo Chih-Chi	No	No	Yes		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chen Hsiao-Chun	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chen Hung-Chang	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chen Chien-Chun	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chou Liang-Cheng	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2
Ching Chi-Ben (Departed on 2020.6.12)	No	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Chang Yi-Min (Departed on 2020.6.12)	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Lin Chiang-Feng (Departed on 2020.6.12)	Yes	No	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Lin Pei-Yu (Departed on 2020.6.12)	No	No	Yes	✓	✓			✓	✓	✓	✓	✓		✓	✓	None
Lin Po-Hsiang (Departed on 2020.6.12)	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

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

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

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director, supervisor, or employee of the Company or any of its affiliates (this restriction does not apply to independent director positions in the Company its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a spouse, relative within 2nd degree of kinship, or lineal relative by blood within 3rd degree of kinship or closer to the managers described in Item (1) or persons described in the Item (2) and Item (3).

- (5) Not a director, supervisor, or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (6) Not a director, supervisor or employee of any company controlled by the same person that holds a majority of the director seats or voting shares of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, which have been appointed in accordance with the Act, or laws of the registered country).
- (7) Not a director, supervisor or employee of any company who is the same person as, or the spouse of, Chairman and President or equivalent of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past 2 years has received cumulative compensation not exceeding NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Not a spouse or relative of 2nd degree of kinship or closer to any other directors.
- (11) Not a person who satisfies the conditions specified in any of the sub-paragraphs of Article 30 of the Company Act.
- (12) Not elected as a government, institutional investor, or representative thereof, as described in Article 27 of The Company Act.

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

April 13, 2021

Title (Note 1)	Nationality	Name	Gender	Date elected/ appointed	Shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 2)	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship	
President	R.O.C.	Lo Chih-Chi	Male	2017.07.15	573,958	0.37%	208,446	0.13%	0	0%	Career background: Chenming Mold Ind. Corp. - President Academic background: Department of Banking and Finance, Tamkang University	None	None	None	None	None
Vice President	R.O.C.	Fan Yu-Hsiang	Male	2015.11.13	21,130	0.01%	9	0.00%	0	0%	Career background: Manager of Chun Yu Plastics Co., Ltd., and Sunrise Technology Co., Ltd. Academic background: St. Aloysius Technical School	Dongguan Chenming Electronics Co., Ltd. - President	None	None	None	None
Vice President	R.O.C.	Wu Ruei-Chuan	Female	2020.11.06	39,494	0.03%	0	0%	0	0%	Career background: Lun Kuang Co., Ltd., IBM Academic background: EMBA, National Taipei University	None	None	None	None	None
Assistant Vice President	R.O.C.	Wu Chien-Shen g	Male	2018.09.28	8,649	0.01%	0	0%	0	0%	Career background: Suzhou Fuhongqi Electronic Co., Ltd.-Plant Manager Academic background: Southern Taiwan University of Science and Technology	Chenming Electronic (Ningbo) Co., Ltd. - Vice President	None	None	None	None
Assistant Vice President	R.O.C.	Chueh Chung-Hui	Male	2018.08.08	1,798	0.00%	0	0%	0	0%	Career: CHENMING ELECTRONIC TECHNOLOGY CORPORATION - Senior Manager Academic background: Tatung University - Doctor	None	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date elected/ appointed	Shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 2)	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship	
Assistant Vice President	R.O.C.	Chang Chin-Hsing	Female	2012.10.08	64,357	0.04%	24	0.00%	0	0%	Career background: Lead Year Enterprises Co., Ltd. - Sales Representative Academic background: EMBA, Sun Yat-sen University	None	None	None	None	None
Assistant Vice President	R.O.C.	Hsiao Kuang-Chih	Male	2015.11.13	52,000	0.03%	0	0%	0	0%	Career background: Heshan Jianhao Lighting - Manager of Business Division Academic background: Hsinpu Junior College	Dongguan Chenming Electronics Co., Ltd. - Vice President	None	None	None	None
Assistant Vice President	R.O.C.	Huang Shih-Chieh	Male	2017.07.15	13,000	0.01%	0	0%	0	0%	Career background: Chenming Mold Ind. Corp. - Assistant Vice President of Finance Division Academic background: Business Administration, National Defense University	None	None	None	None	None
Accounting Manager	R.O.C.	Su Chung-Chin g	Male	2017.07.15	67	0%	0	0%	0	0%	Career background: Chenming Mold Ind. Corp. - Head of Accounting Department Academic background: Accounting, Overseas Chinese University	None	None	None	None	None

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

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

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

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

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

1. Remuneration to directors (including independent directors)

Unit: NTD

Title	Name	Director's remuneration				The sum of A, B, C and D as a percentage of net income		Compensation as company employee						The sum of A, B, C, D, E, F, and G as a percentage of net income		Compensation from parent company or business investments other than subsidiaries		
		Compensation (A)		Pension (B)		Remuneration to directors (C)		Fees for services rendered (D)		Salaries, bonuses, special allowances etc (E)		Pension (F)		Employee Compensation (G)				
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements		The Company	All companies included in the financial statements
Director	Chairman	Lin Mu-Ho																None
	Director and Vice Chairman	Lin Feng-Ran																
	Director and President	Lo Chih-Chi	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Director	Chen Hsiao-Chu																
	Director	Ching Chi-Ben (Departed on 2020.)																
Independent Director	Director	Chang Yi-Min (Departed on 2020.)																None
	Director	Lin Chiang-Feng (Departed on 2020.)																
	Director	Chen Hung-Char			0	0	0	0										
	Director	Chen Chien-Chu			0	0	0	0	73,245	57,247	2.51%	2.51%	0	0	0	0	0	
	Director	Chou Liang-Che	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<p>1. Please state the policies, systems, standards and structure of remuneration to independent directors, and the relations between the remuneration and the job responsibility, risk and engagement hours borne by the independent directors: The Company's remuneration to independent directors is determined based on the directors' performance appraisal result. Additionally, according to the Articles of Incorporation, the Remuneration Committee is authorized to review each director's participation in the Company's operation and contribution value, as well as the Company's operating performance. Then, the same is paid upon discussion and approval of the Board of Directors.</p> <p>2. Other than the remuneration disclosed in said table, the remuneration received by any of the Company's directors for providing services to any companies included in the financial statement, e.g., as an advisor other than employee in the most recent year: N/A.</p>																		

1-1 Compensation brackets table

Range of remuneration paid to directors	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements H	The Company	All companies included in the financial statements I
Below NT\$ 1,000,000	Lin Mu-Ho, Lin Feng-Ran, Ching Chi-Ben (departed 2020.6.12), Chen Hsiao-Chun, Chang Yi-Min (departed 2020.6.12), Lin Chiang-Feng (departed 2020.6.12), Lo Chih-Chi, Chen Hung-Chang, Chen Chien-Chun, Chou Liang-Cheng	Same as described on the left.	Lin Mu-Ho, Ching Chi-Ben (departed 2020.6.12), Chen Hsiao-Chun, Chang Yi-Min (departed 2020.6.12), Lin Chiang-Feng (departed 2020.6.12), Chen Hung-Chang, Chen Chien-Chun, Chou Liang-Cheng	Same as described on the left.
1,000,000 (inclusive) ~ 2,000,000 (exclusive)				
2,000,000 (inclusive) ~ 3,500,000 (exclusive)			Lin Feng-Ran	Same as described on the left.
3,500,000 (inclusive) ~ 5,000,000 (exclusive)				
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)				
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)			Lo Chih-Chi	Same as described on the left.
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)				
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)				
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)				
NT\$ 100,000,000 and above				
Total	10	10	10	10

2. Remuneration to supervisors

Unit: NTD

Title	Name	Supervisor's remuneration						The sum of A, B and C as a percentage of net income		Compensation from parent company or business investments other than subsidiaries
		Compensation (A)		Remuneration (B)		Fees for services rendered (C)		The Company	All companies included in the financial statements	
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements			
Supervisor	Lin Pei-Yu (departed 2020.6.12)	0	0	0	0	3,020	3,020	0.005%	0.005%	None
Supervisor	Lin Po-Hsiang (departed 2020.6.12)									

2-1. Compensation brackets table

Supervisor's remuneration bracket	Name of supervisor	
	Sum of the first 3 items (A+B+C)	
	The Company	All companies included in the financial statements D
Below NT\$ 1,000,000	Lin Po-Hsiang (departed 2020.6.12), Lin Pei-Yu (departed 2020.6.12)	Same as described on the left.
1,000,000 (inclusive) ~ 2,000,000 (exclusive)		
2,000,000 (inclusive) ~ 3,500,000 (exclusive)		
3,500,000 (inclusive) ~ 5,000,000 (exclusive)		
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)		
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)		
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)		
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)		
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	2	2

3. Remuneration to the President and Vice Presidents

Unit: NTD

Title	Name	Salary (A)		Pension (B)		Bonus and special allowances (C)		Employee Compensation (D)				Sum of A, B, C and D as a percentage of net income (%)		Compensation from parent company or business investments other than subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Lo Chih-Chi	4,601,692	7,977,464	6,508,000	8,953,048	2,808,333	4,228,833	20,000	0	400,000	0	22.48%	34.33%	None
Vice President	Fan Yu-Hsiang													
Vice President	Wu Ruei-Chuan													

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

3-1. Compensation brackets table

Range of remuneration to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies included in the financial statements E
Below NT\$ 1,000,000		
1,000,000 (inclusive) ~ 2,000,000 (exclusive)		
2,000,000 (inclusive) ~ 3,500,000 (exclusive)		
3,500,000 (inclusive) ~ 5,000,000 (exclusive)	Wu Ruei-Chuan	Fan Yu-Hsiang, Wu Ruei-Chuan
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)		
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)	Lo Chih-Chi	Same as described on the left.
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)		
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)		
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	2	3

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

April 13, 2021

	Title (Note 1)	Name (Note 1)	Amount paid in shares	Amount paid in cash	Total	Total as a percentage of net income (%)
Managerial officers	President	Lo Chih-Chi	-	1,470,000	1,470,000	2.34%
	Vice President	Fan Yu-Hsiang				
	Vice President	Wu Ruei-Chuan				
	Assistant Vice President	Wu Chien-Sheng				
	Assistant Vice President	Chueh Chung-Hui				
	Assistant Vice President	Chang Chin-Hsing				
	Assistant Vice President	Hsiao Kuang-Chih				
	Assistant Vice President	Huang Shih-Chieh				
	Accounting Manager	Su Chung-Ching				

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

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

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

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

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

(II) Disclosure of compensations to the five top-paid managers, if any of the circumstances listed in Item 2-1 or Item 2-5, Subparagraph 3, Article 10 of the guidelines apply: None.

(III) Amount of compensation paid in the last 2 years by the Company and all companies included in the consolidated financial statements to the Company’s directors, supervisors, President, and Vice Presidents, and their respective percentages to standalone or consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which compensations were determined, and their association with business performance and future risks:

Year		2019			2020		
Title		Director	Supervisor	President and Vice President	Director	Supervisor	President and Vice President
The Company	As a percentage of net income	6.97%	0.40%	4.84%	29.05%	0.005%	22.48%
All companies included in the consolidated statements	As a percentage of net income	6.97%	0.40%	8.27%	29.05%	0.005%	34.33%

- Note: 1. The percentage of directors’, President’s, and vice presidents’ compensations relative to net income was higher in 2020 due to a decrease in profits compared to 2019. Supervisors’ compensation relative to net income was lower in 2020 compared to 2019 due to the Company having assembled an Audit Committee in place of supervisors in 2020.
2. Pursuant to Article 19 of the Articles of Incorporation, pre-tax profit before employee/director/supervisor remuneration in a given year shall first be taken to offset previous losses; any surplus remaining shall then be subject to employee remuneration of no less than 2%, and director and supervisor remuneration of no more than 2%.
3. Directors’ and supervisors’ remuneration include travel allowance and compensation from earnings distribution. President’s and Vice Presidents’ remuneration include salary, bonus, and share of profit as employees; salaries were paid according to the Company’s grade-based compensation principles, whereas bonus and employee profit sharing were allocated based on current year’s performance. Director performance assessment covers 6 main aspects: director’s awareness toward the Company’s goals and missions, awareness to duties, level of participation in the Company’s operations, maintenance of internal relations and communication, professionalism and ongoing education, and enforcement of internal control. Manager performance assessment covers a number of financial indicators such as revenue, pre-tax profit, and net income attainment rates. The calculation of remuneration has taken into account of the Company’s overall business performance, future operational risk and development trend in the industry, personal performance and contribution to the company, and thereby a reasonable compensation would be determined. The appraisal and salary was reviewed by the Remuneration Committee and the board of directors for their reasonableness and adjusted based on actual practice and relevant laws as a mean to maintain the balance between sustainable operation and risk management.

IV. Corporate governance

(I) Functionality of board of directors

1. The Company convened 7 board of directors meetings in 2020 and 2 board meetings in 2021 up until the publication date of annual report for a total of 9 meetings (A). Below are the directors' and supervisors' attendance records:

Service of the previous (14th) board of directors and supervisors ended on June 15, 2020. During the annual general meeting held on June 12, 2020, the Company re-elected its directors (including independent directors) and assembled an Audit Committee to replace the supervisors.

Title	Name (Note 1)	Actual attendance count (B)	Attendance by proxy	Percentage of in-person attendance (%) (B/A)(Note 2)	Remarks
Chairman	Lin Mu-Ho	9	0	100%	Re-elected
Director	Lin Feng-Ran	7	0	78%	Re-elected
Director	Lo Chih-Chi	9	0	100%	Re-elected
Director	Chen Hsiao-Chun	0	6	0%	Re-elected
Director	Ching Chi-Ben	3	0	100%	Former
Independent Director	Chang Yi-Min	3	0	100%	Former
Independent Director	Lin Chiang-Feng	3	0	100%	Former
Independent Director	Chen Hung-Chang	6	0	100%	Newly elected
Independent Director	Chen Chien-Chun	6	0	100%	Newly elected
Independent Director	Chou Liang-Cheng	6	0	100%	Newly elected
Supervisor	Lin Pei-Yu	0	0	0%	Departed
Supervisor	Lin Po-Hsiang	3	0	100%	Departed

Other remarks:

- I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the company has responded to such opinions:

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

Board of Directors	Details of agenda	All independent directors' opinions and the resolution	Company's response to independent directors' opinions
Motion 3 on January 15, 2020	Subject: The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd.	Passed without objection from all attending independent directors	None
2020/03/12 - Motion #9	Subject: The motion for amendments to certain articles of the Company's "Procedures for the Acquisition or Disposal of Assets" is submitted for review accordingly.	Passed without objection from all attending independent directors	None
2020/03/12 -	Subject: The motion for amendments to	Passed without	None

Motion #10	certain articles of the Company's "Operating Procedure for Loaning of Funds to Others" is submitted for review accordingly.	objection from all attending independent directors	
2020/03/12 - Motion #11	Subject : The motion for amendments to certain articles of the Company's "Operating Procedure for Making of Endorsements/Guarantees" is submitted for review accordingly.	Passed without objection from all attending independent directors	None
2020/06/24 - Motion #1	Summary: Proposal to amend the Company's "Internal Control System (including internal audit system)" and Internal Audit Implementation Rules; the motion is ready for discussion.	Passed without objection from all attending independent directors	None
2020/06/24 - Motion #2	Subject: The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd.	Passed without objection from all attending independent directors	None
2020/06/24 - Motion #8	Summary: Proposal to acquire local land for the construction of production facilities; the motion is ready for discussion.	Passed without objection from all attending independent directors	None
2020/08/05 - Motion #1	Summary: Proposal to renew endorsement/guarantee for Mainland subsidiary - Chenming Electronic (Ningbo) Co., Ltd. in the Company's capacity; the motion is ready for discussion.	Passed without objection from all attending independent directors	None
2020/08/05 - Motion #2	Summary: Proposal to have Chenming Electronic (Ningbo) Co., Ltd. offer endorsement/guarantee for Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion.	Passed without objection from all attending independent directors	None
2020/08/05 - Motion #3	Summary: Proposal to acquire 10% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 92% in Chenming Electronic (Ningbo).	Passed without objection from all attending independent directors	None
2020/11/06 - Motion #2	Subject: The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd.	Passed without objection from all attending independent directors	None
2021/01/29 - Motion #3	Subject: The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd.	Passed without objection from all attending independent directors	None
2021/03/17 - Motion #7	Summary: Proposal to acquire 8% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 100% in Chenming Electronic (Ningbo).	Passed without objection from all attending independent directors	None

(II) Any other documented objections or reservations raised by independent director against board resolution in relation to matters other than those described above: None.

II. Disclosure regarding avoidance of interest-conflicting motions, including the names of directors concerned, the motions, the nature of conflicting interests, and the voting process:

Board of Directors	Details of agenda	Name of director	The nature of conflicting interests and voting process
2020/08/05 Motion #3	- Summary: Proposal to acquire 10% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through 2nd-tier subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 92% in Chenming Electronic (Ningbo).	Chairman Lin Mu-Ho	With the exception of disassociated director due to conflicting interests, the proposal was unanimously passed by the remaining attending directors.
2020/08/05 Motion #6	- Summary: Review settlement of managers' years of service under the old pension scheme; the motion is ready for discussion.	Vice Chairman Lin Feng-Ran Director Lo Chih-Chi	After excluding the recused director(s), the motion was unanimously passed by the remaining attending directors without objection.
2021/03/17 Motion #7	- Summary: Proposal to acquire 8% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 100% in Chenming Electronic (Ningbo).	Chairman Lin Mu-Ho Vice Chairman Lin Feng-Ran	With the exception of disassociated director due to conflicting interests, the proposal was unanimously passed by the remaining attending directors.

III. Cycle, duration, scope, method, and detail of board performance self (peer) evaluation:

Assessment cycle	Assessment duration	Scope of assessment	Assessment method	Assessment details
Once a year	2020/01/01-12/31	Board of Directors Performance assessment	Board of directors internal self-assessment	Scope of the performance appraisal on the Board of Directors: 1. Level of participation in the Company's operations. 2. Improvement of board decision quality. 3. Composition of the board of directors. 4. Election and continuing education of directors. 5. Internal control.
Once a year	2020/01/01-12/31	Performance assessment of individual directors	Director self-assessment	Scope of the performance appraisal on the Board members: 1. Comprehension of the Company's targets and missions. 2. Directors' duty awareness. 3. Level of participation in the Company's operations. 4. Management and communication of internal relations. 5. Director's professionalism and ongoing education. 6. Internal control.
		Evaluation of functional committee performance (Audit Committee/Remuneration Committee)	Functional committee internal self-assessment	Scope of the performance appraisal on functional committees: 1. Level of participation in the Company's operations. 2. Awareness towards duties of the functional committee. 3. Improvements to the quality of decisions made by functional committees. 4. Composition of the functional committee and selection of committee members. 5. Internal control.

1. Outcome of board performance evaluation will be taken into consideration when electing or nominating directors. Performance evaluation of individual directors will be taken into consideration when determining compensation for individual directors.
 2. Outcome of assessment has been reported during the 2021 first-quarter board of directors meeting (March 17) to provide reference for future enhancements to board function. Results are also disclosed on the Company's website for investors' reference.
- IV. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc), and the progress of such enhancements:
1. Goals of enhancing functionality of the board of directors.
 - (1) The Board has functioned in line with the Company's "Parliamentary Rules for Directors' Meetings" and relevant laws and regulations. The finance and accounting manager and chief internal auditor would attend the board meetings and issue relevant reports for directors' reference. Information of directors' attendance and continuing education is submitted to the Market Observation Post System on a regular basis.
 - (2) The Company held a re-election of its directors (including independent directors) during the annual general meeting dated June 12, 2020. Four directors including Lin Mu-Ho, Lin Feng-Ran, Chen Hsiao-Chun, and Lo Chih-Chi and three independent directors including Chou Liang-Cheng, Chen Hung-Chang, and Chen Chien-Chun were elected. The board also convened a meeting on the same day to elect Mr. Lin Mu-Ho as Chairman.
 - (3) A decision was passed during the board of directors meeting dated June 24, 2020 to appoint Ms Chou Liang-Cheng, Mr. Chen Hung-Chang, and Mr. Chen Chien-Chun as members for the Company's 4th Remuneration Committee. Mr. Chen Hung-Chang was elected convener for the Remuneration Committee. During the board of directors meeting held on January 29, 2021, a resolution was passed to amend "Articles of Association of Remuneration Committee" to facilitate better support of board functions, and to impose regular reviews of performance assessment, salary/compensation policies, systems, standards, and structure for directors and managers.
 - (4) The board of directors passed a decision to amend "Regulations Governing Board of Directors Self or Peer Assessment" during the board meeting held on January 29, 2021 and renamed it "Board of Directors Performance Assessment Policy." Performance assessments on board of directors, board members, and functional committees for 2020 have been completed; outcomes of which were reported along with improvement plans to the board of directors during the meeting held on March 17, 2021.
 - (5) On June 12, 2020, the Company assembled an Audit Committee to take over supervisor duties and appointed committee members according to Article 4 of Articles of Association of Audit Committee. Later on January 29, 2021, the board of directors passed a resolution to amend "Articles of Association of Audit Committee" to facilitate better support of board duties.
 2. Progress: The Company is dedicated to maintaining operational transparency, and discloses important resolutions on Market Observation Post System immediately after each board meeting for shareholders' interest.

(II) Functionality of the Audit Committee

1. The Company assembled an Audit Committee on June 12, 2020 to support the board of directors' supervisory duties and administrative functions. The Audit Committee consists entirely of independent directors and has a total of 3 members. The committee convenes meetings at least once per quarter.
2. Responsibilities of the committee are as follows:
 - Establishment or amendment of internal control system according to Article 14-1 of the Securities and Exchange Act.
 - Evaluation over the effectiveness of internal control system.
 - Establishment or amendment of asset acquisition and disposal procedures,

derivative trading procedures, external party lending procedures, external party endorsement and guarantee procedures, and other procedures of major financial or business consequences according to Article 36-1 of the Securities Exchange Act.

- Matters concerning directors' personal interests.
- Major asset or derivative transactions.
- Major lending, endorsement, or guarantee to an external party.
- Offering, issuance, or private placement of securities with equity characteristics.
- Appointment, dismissal, or compensation of financial statement auditors.
- Appointment and dismissal of finance, accounting, or internal audit managers.
- Annual and semi-annual financial reports.
- Other issues deemed material by the Company or the authority.

3. Below is a summary of the committee's annual task focus:

(1) Review of financial reports

The Audit Committee was assembled on June 12, 2020, just before the board of directors prepared the Company's 2020 second-quarter financial statements, to which KPMG had completed its audit and issued an independent auditor's report.

The Audit Committee reviewed the abovementioned financial statements and found no misstatement.

(2) Assessment of effectiveness of the internal control system

The Audit Committee evaluates the effectiveness of the Company's internal control system, policy, and procedures (including control measures on financial, operational, risk management, information security, and compliance aspects), and reviews regular reports, including risk management and compliance reports, submitted by internal auditors, financial statement auditors, and the management. The Audit Committee considers the Company's risk management and internal control systems to be effective, and that the Company has adopted necessary control mechanisms to monitor and rectify violations.

(3) The Audit Committee convened 3 meetings in 2020 and 2 meetings in 2021 up until the publication date of annual report for a total of 5 meetings (A).

Below are independent directors' attendance records:

Title	Name	Actual attendance (B)	Attendance by proxy	In-person attendance rate (%) (B/A) (Note)	Remarks
Independent Director	Chen Hung-Chang	5	0	100%	Convener
Independent Director	Chen Chien-Chun	5	0	100%	
Independent Director	Chou Liang-Cheng	5	0	100%	

Other remarks:

I. For Audit Committee meetings that meet any of the following descriptions, state the date and session of board of directors meeting held, the discussed topics, the Audit Committee’s resolution, and how the Company has responded to Audit Committee’s opinions.

(I) Conditions described in Article 14-5 of the Securities and Exchange Act.

Date	Major resolutions	Conditions described in §14-5 of the Securities and Exchange Act	Audit Committee resolution	Company’s response to Audit Committee’s opinions
2020/6/24	1. Proposal to amend the Company’s “Internal Control System (including internal audit system)” and Internal Audit Implementation Rules; the motion is ready for discussion.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	2. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. lend capital to Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion.	V		
	3. Proposal to acquire local land for the construction of production facilities; the motion is ready for discussion.	V		
2020/8/5	1. Presentation of the Company’s 2020 second-quarter consolidated financial statements; the motion is ready for discussion.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	2. Summary: Proposal to renew endorsement/guarantee for Mainland subsidiary - Chenming Electronic (Ningbo) Co., Ltd. in the Company’s capacity; the motion is ready for discussion.	V		
	3. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. offer endorsement/guarantee for Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion.	V		
	4. Proposal to acquire 10% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 92% in Chenming Electronic (Ningbo).	V		
	5. Proposal to file an application for investing US\$2.05 million into Chenming Electronic (Ningbo) Co., Ltd. in the Mainland.	V		
2020/11/6	1. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. lend capital to Dongguan Chenming Electronics Co., Ltd.; the motion is	V	Passed without objection from all	Passed without objection from all

	ready for discussion.		attending independent directors of the Audit Committee	attending directors
2021/1/29	1. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. lend capital to Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
2021/3/17	1. Motion to prepare the Company's 2020 "Declaration of Internal Control System" in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies."	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	2. Presentation of the Company's 2020 business report and financial statements; the motion is ready for discussion.	V		
	3. Proposal to acquire 8% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 100% in Chenming Electronic (Ningbo).	V		
	4. Proposal to file an application for investing US\$1.7 million into Chenming Electronic (Ningbo) Co., Ltd. in the Mainland.	V		

(II) Other than those described above, any resolutions unapproved by the Audit Committee but passed by more than two-thirds of directors: None.

II. Avoidance of involvements in interest-conflicting discussions by independent directors; state the names of concerned independent directors, the discussions, the nature of conflicting interests, and the voting process: None.

III. Communication between independent directors and internal/external auditors (e.g. discussions concerning the Company's financial and business affairs, the method of communication used, and the outcome):

1. Independent directors, supervisors, and CPAs engage in regular discussions at least once a year. CPAs would report and brief independent directors and supervisors on issues concerning the Company's financial position, profitability, operations, internal control, and internal audit, and communicate on the accounting impacts of regulatory amendments.
2. The chief internal auditor shall discuss with independent directors and supervisors to report the implementation and status of the internal control of the Company periodically, at least once per quarter, and may convene a meeting at any time in the case of material abnormality.
3. Summary of communication:

Date	Counterpart of communication	Method of communication	Matters communicated	Outcome
2020/1/15	Chief internal auditor, independent directors, supervisors	Conference	<ul style="list-style-type: none"> ● Report on the execution of internal audit from October to December 2019. ● Execution of the 2019 audit plan. 	No objection was raised during this conference.
2020/3/12	Independent directors, supervisors, and CPAs	Conference	<ul style="list-style-type: none"> ● External CPA's report to independent directors and supervisors on the financial position, profitability, overall operations and audit of internal control system for 2019. ● 2019 "Declaration of Internal Control System." ● Improvements made to internal control weaknesses and flaws identified in 2019. 	No objection was raised during this conference.
2020/4/29	Chief internal auditor, independent directors, supervisors	Conference	<ul style="list-style-type: none"> ● Report on the execution of internal audit from January to March 2020. 	No objection was raised during this conference.
2020/8/5	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> ● Report on the execution of internal audit from April to June 2020. 	No objection was raised during this conference.
2020/11/6	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> ● Report on the execution of internal audit from July to September 2020. 	No objection was raised during this conference.
2021/1/29	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> ● Report on the execution of internal audit from October to December 2020. ● Execution of the 2020 audit plan. 	No objection was raised during this conference.
2021/3/17	Chief internal auditor, independent directors, CPAs	Conference	<ul style="list-style-type: none"> ● External CPA's report to independent directors and supervisors on the financial position, profitability, overall operations and audit of internal control system for 2020. ● 2020 "Declaration of Internal Control System." ● Improvements made to internal control weaknesses and flaws identified in 2020. 	No objection was raised during this conference.

Note:

- * The date of resignation is specified for independent directors who had resigned prior to the close of the financial year. The in-person attendance rate (%) is calculated based on the number of Audit Committee meetings held and the number of meetings attended in-person during active duty.
- * If a re-election of independent directors had taken place prior to the close of the financial year, independent directors of both the previous and the current board are listed; in which case, the remarks column will address the re-election date and specify whether the independent director was elected in the previous board, the new board, or both. The in-person attendance rate (%) is calculated based on the number of Audit Committee meetings held and the number of in-person attendances made during active duty.

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

1. The Company convened a total of 3 board of directors meetings (A) in 2020 and 2021 up until the publication date of annual report. Below are the attendance records:

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Supervisor	Lin Pei-Yu	0	0%	Service ended on 2020/06/12
Supervisor	Lin Po-Hsiang	3	100%	Service ended on 2020/06/12

2. Other information

- (1) Composition and obligations of supervisors:

- (i) Supervisors' communication with employees and shareholders (e.g. communication channels and methods):
The Company's supervisors attend annual shareholder meetings to communicate with shareholders face-to-face. They communicate with employees each month to discuss about the Company's policies and benefits, and are in regular contact with the Chief Internal Auditor via telephone and email to discuss execution of internal control system.

- (ii) Communication between supervisors and internal/external auditors; state the matters discussed (e.g. the company's financial and business positions, the methods and outcome of communication):

- a. The Chief Internal Auditor presents audit reports to supervisors on a monthly basis, which provides supervisors with greater understanding over the Company's internal control. Meetings between CPAs and supervisors are arranged at least once a year to communicate the result of financial statement audit, as well as any recommendations to the Company's internal control and compliance practices.

- b. The chief internal auditor shall discuss with independent directors and supervisors to report the implementation and status of the internal control of the Company periodically, at least once per quarter, and may convene a meeting at any time in the case of material abnormality.

Summary of communication:

Date	Counterpart of communication	Method of communication	Matters communicated	Outcome
2020/1/15	Chief internal auditor, independent directors, supervisors	Conference	<ul style="list-style-type: none"> • Report on the execution of internal audit from October to December 2019. • Execution of the 2019 audit plan. 	No objection was raised during this conference.
2020/3/12	Independent directors, supervisors, and CPAs	Conference	<ul style="list-style-type: none"> • External CPA's report to independent directors and supervisors on the financial position, profitability, overall operations and audit of internal control system for 2019. • 2019 "Declaration of Internal Control System." • Improvements made to internal control weaknesses and flaws identified in 2019. 	No objection was raised during this conference.
2020/4/29	Chief internal auditor, independent directors, supervisors	Conference	<ul style="list-style-type: none"> • Report on the execution of internal audit from January to March 2020. 	No objection was raised during this conference.

Note: The Company assembled an Audit Committee to replace supervisors on June 12, 2020.

- (2) Opinions expressed by supervisors in board meetings; state the date and term of the meeting held, the motion, the board's resolution, and how the Company has responded to supervisors' opinions:
None.

(IV) Deviation and causes of deviation of the Company’s actual governance from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
I. Has the Company established and disclosed its corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company established its “Corporate Governance Code of Conduct” on December 24, 2014 with the approval of the board of directors and subsequently amended on June 24, 2020. The code of conduct has been disclosed on the Company’s website.	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
II. Shareholding structure and shareholders’ interests				Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(I) Has the company implemented a set of internal procedures to handle shareholders’ suggestions, queries, disputes and litigations?	V		(I) The Company has a spokesperson system and a legal department in place to handle the above issues.	
(II) Is the company constantly informed of the identities of its major shareholders	V		(II) The Company engages professional share transfer agency to handle matters concerning shareholders’ interests, and is constantly informed of shareholding positions of directors, managers, and shareholders with more than 5% ownership interest. In addition, the Company attempts to establish the identities of its major	

Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
<p>and the ultimate controller?</p> <p>(III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?</p> <p>(IV) Has the company established internal policies that prevent insiders from trading securities against non-public information?</p>	V		<p>shareholders and ultimate controller by reviewing changes in the shareholder registry.</p> <p>(III) The Company has established and implemented relevant procedures as required by law; an internal audit unit exists to perform unscheduled audits in this regard.</p> <p>(IV) The Company has internal policies in place to prohibit insiders from trading securities against non-public information. These policies provide the basis for the Company's practices on material information handling and disclosure, and are reviewed and revised from time to time to ensure conformity with current regulations and practical needs. The same may be accessed on the Company's website.</p> <p>The Company organizes the educational propagation for the "Procedures for Preventing Insider Trading" and related laws & regulations for the existing directors, managers and employees at least for once per year. On April 13, July 14, and October 16, 2020, the Company distributed e-mails to promote awareness towards regulations and prohibitions on insider trading among insiders including directors and managers. Other employees are made aware of the issue by the human resources department as part of their ethics training prior to employment. Materials used in the above training courses are uploaded to the Intranet and made accessible to all employees of the Company.</p>	
III. Assembly and obligations of the				Consistent with Corporate Governance

Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
(I) board of directors Has the board devised and implemented policies to ensure diversity of its members?	V		(I) The Company has implemented a diversity policy for board members according to Article 20 of its “Corporate Governance Code of Conduct.” The Company’s board of directors currently comprises 7 directors as its members. 29% of board members concurrently held positions as employee, whereas 43% of board members were independent directors. The Company also places great emphasis on gender equality, and has female directors making up 29% of the board. All independent directors have served less than 3 years on board. The board has one director aged 70 and above, one aged 60-70, three aged 50-59, and two aged below 50. All board members are skilled in business administration, leadership, decision-making, and industry knowledge. Among which, Directors Lin Feng-Ran, Chen Hung-Chang, Chen Chien-Chun, and Chen Hsiao-Chun are particularly well-versed in industry knowledge, finance, and accounting; Directors Lin Mu-Ho and Lo Chih-Chi are especially capable in business administration, leadership, and decision-making; whereas Director Chou Liang-Cheng has extensive expertise in international markets and laws to provide the Company with professional advices from different perspectives. The Company has met its management targets of having at least one-third of independent directors on board and having less than one-third of directors concurrently serving as managers. The Company also has plans to increase the number of independent director seats to more than half of the board for improved diversity among board members.	Best-Practice Principles for TWSE/TPEX Listed Companies

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			<p>Implementation of board diversification policy by individual director:</p> <table border="1"> <thead> <tr> <th>Core measurement Name of director</th> <th>Gender</th> <th>Concurrent employment at the Company</th> <th>Age >70</th> <th>Age 60-70</th> <th>Age 50-59</th> <th>Age <50</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>Lin Mu-Ho</td> <td>Male</td> <td></td> <td>V</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Lin Feng-Ran</td> <td>Male</td> <td>V</td> <td></td> <td></td> <td></td> <td>V</td> <td></td> </tr> <tr> <td>Chen Hsiao-Chun</td> <td>Female</td> <td></td> <td></td> <td></td> <td>V</td> <td></td> <td></td> </tr> <tr> <td>Lo Chih-Chi</td> <td>Male</td> <td>V</td> <td></td> <td></td> <td>V</td> <td></td> <td></td> </tr> <tr> <td>Chen Hung-Chang</td> <td>Male</td> <td></td> <td></td> <td>V</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Chou Liang-Cheng</td> <td>Female</td> <td></td> <td></td> <td></td> <td>V</td> <td></td> <td></td> </tr> <tr> <td>Chen Chien-Chun</td> <td>Male</td> <td></td> <td></td> <td></td> <td></td> <td>V</td> <td></td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Core items Name of director</th> <th>Gender</th> <th>Industrial knowledge</th> <th>Finance and Accounting</th> <th>Operation Management</th> <th>Leadership Decision making</th> <th>Global perspectives</th> <th>Laws</th> </tr> </thead> <tbody> <tr> <td>Lin Mu-Ho</td> <td>Male</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Lin Feng-Ran</td> <td>Male</td> <td>V</td> <td></td> <td>V</td> <td></td> <td>V</td> <td></td> </tr> <tr> <td>Chen Hsiao-Chun</td> <td>Female</td> <td>V</td> <td></td> <td>V</td> <td></td> <td>V</td> <td></td> </tr> <tr> <td>Lo Chih-Chi</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Chen Hung-Chang</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td></td> </tr> <tr> <td>Chou Liang-Cheng</td> <td>Female</td> <td>V</td> <td></td> <td>V</td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Chen Chien-Chun</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td></td> </tr> </tbody> </table>	Core measurement Name of director	Gender	Concurrent employment at the Company	Age >70	Age 60-70	Age 50-59	Age <50	Remarks	Lin Mu-Ho	Male		V					Lin Feng-Ran	Male	V				V		Chen Hsiao-Chun	Female				V			Lo Chih-Chi	Male	V			V			Chen Hung-Chang	Male			V				Chou Liang-Cheng	Female				V			Chen Chien-Chun	Male					V		Core items Name of director	Gender	Industrial knowledge	Finance and Accounting	Operation Management	Leadership Decision making	Global perspectives	Laws	Lin Mu-Ho	Male	V		V	V	V		Lin Feng-Ran	Male	V		V		V		Chen Hsiao-Chun	Female	V		V		V		Lo Chih-Chi	Male	V	V	V	V	V		Chen Hung-Chang	Male	V	V	V		V		Chou Liang-Cheng	Female	V		V		V	V	Chen Chien-Chun	Male	V	V	V		V		
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(II) Apart from the Remuneration Committee and Audit Committee, has the company assembled other functional committees at its own discretion?	V		(II) The Company has assembled a Remuneration Committee and an Audit Committee in accordance with laws. Other functional committees will be assembled in the future according to relevant regulations and industry practices as deemed appropriate.	
(III) Has the Company established a set of policies and assessment tools for evaluating board performance, and conducted performance evaluation on a yearly basis? Are performance evaluation results reported to the board of directors and used as reference for compensation, remuneration, and	V		<p>(III) The Company has a set of “Board of Directors Performance Assessment Policy” in place that requires performance assessments to be conducted on the board of directors, Audit Committee, Remuneration Committee, and board members at least once a year. Outcome of performance assessment is reported to the board of directors.</p> <p>The scope of performance appraisal on the Board of Directors shall at least consist of the following five major elements:</p> <ol style="list-style-type: none"> 1. Degree of participation in the Company’s operation; 2. Upgrading the quality of the Board of Directors’ decision making; 3. Formation and structure of the Board of Directors; 4. Election and continuing education of directors; 5. Internal control. <p>Directors’ individual performance assessment covers at least the following six main aspects:</p> <ol style="list-style-type: none"> 1. Comprehension of the Company’s targets and missions. 2. Awareness toward directors’ responsibilities and duties; 	

Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
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nomination decisions?			<p>3. Degree of participation in the Company's operation; 4. Management of internal relations and communication; 5. Expertise and continuing education of directors; 6. Internal control.</p> <p>The scope of performance appraisal on the functional committees shall at least consist of the following five elements:</p> <p>1. Degree of participation in the Company's operation; 2. Awareness toward the functional committees' responsibilities and duties; 3. Upgrading the quality of the functional committees' decision making; 4. Formation of the functional committees and election of members; 5. Internal control.</p> <p>The assessment was conducted in the form of questionnaire, which surveyed Board of Directors' operations, directors' engagement, and functional committee operations. Furthermore, "Board of Directors Self-Performance Assessment Questionnaire," "Board Members Self Performance Assessment Questionnaire," and "Functional Committee Self-Performance Assessment Questionnaire" were distributed for completion by the respective respondents. The questionnaires were collected by the execution unit, which then recorded and reported the assessment results. Outcome of the above performance evaluation will be taken into consideration when electing or nominating directors. Performance evaluation of individual directors and functional committees will be taken into consideration when determining compensation and nominating individual members.</p> <p>The Company completed performance assessment on Board of Directors, individual Board members, Remuneration Committee, and Audit Committee in February 2021. Assessment results and corrective action plans were reported at the Board meeting convened on March 17, 2021.</p>	

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			<p>Assessments of 2020 performance were rated A+ to A++, and were considered fair. Suggestions to the Board of Directors and functional committees, and corrective action plans are stated as following:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Result</th> <th>Corrective action plan</th> </tr> </thead> <tbody> <tr> <td rowspan="7">Self-assessment by Members of Board of Directors</td> <td>Members of the board</td> <td>Self-assessment rating</td> <td rowspan="7">Each director has completed continuing education for no less than 6 hours each year.</td> </tr> <tr> <td>Lin Mu-Ho</td> <td>A+</td> </tr> <tr> <td>Lin Feng-Ran</td> <td>A+</td> </tr> <tr> <td>Lo Chih-Chi</td> <td>A++</td> </tr> <tr> <td>Chen Hsiao-Chun</td> <td>A+</td> </tr> <tr> <td>Chen Hung-Chang</td> <td>A++</td> </tr> <tr> <td>Chou Liang-Cheng</td> <td>A++</td> </tr> <tr> <td>Chen Chien-Chun</td> <td>A++</td> </tr> <tr> <td>Overall performance appraisal on the Board of Directors</td> <td>A+</td> <td>Each director is encouraged to complete the continuing education for no less than 6 hours each year.</td> </tr> <tr> <td>Performance appraisal on Remuneration Committee</td> <td>A++</td> <td>Remuneration to employees and directors is allocated based on employees' and directors' personal performance.</td> </tr> <tr> <td>Performance</td> <td>A++</td> <td>CPAs report to Audit</td> </tr> </tbody> </table>	Item	Result	Corrective action plan	Self-assessment by Members of Board of Directors	Members of the board	Self-assessment rating	Each director has completed continuing education for no less than 6 hours each year.	Lin Mu-Ho	A+	Lin Feng-Ran	A+	Lo Chih-Chi	A++	Chen Hsiao-Chun	A+	Chen Hung-Chang	A++	Chou Liang-Cheng	A++	Chen Chien-Chun	A++	Overall performance appraisal on the Board of Directors	A+	Each director is encouraged to complete the continuing education for no less than 6 hours each year.	Performance appraisal on Remuneration Committee	A++	Remuneration to employees and directors is allocated based on employees' and directors' personal performance.	Performance	A++	CPAs report to Audit	
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(IV) Are external auditors' independence assessed on a regular basis?	V		<table border="1"> <tr> <td>evaluation on Audit Committee</td> <td>Committee members on the financial position, profitability, overall operations, and audit of internal control system at least once a year.</td> </tr> </table>	evaluation on Audit Committee	Committee members on the financial position, profitability, overall operations, and audit of internal control system at least once a year.											
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			<p>(IV) Independence of financial statement auditors is evaluated on a yearly basis. Financial statement auditors are required to issue a "Declaration of Independence" and undergo a series of checks to determine whether they are directors, shareholders, paid employees or stakeholders of the Company. Assessment of CPAs' independence was completed at the Board meeting dated November 6, 2020. Financial statement auditors have been instructed to disassociate themselves from tasks that pose direct or indirect conflicts with their own interests. Rotation of auditors within the accounting firm is also subject to comply with certain rules. Evaluation of the External Auditor's Independence:</p> <table border="1"> <thead> <tr> <th>Assessment criteria</th> <th>Assessment result</th> <th>Compliance of independence</th> </tr> </thead> <tbody> <tr> <td>1. Whether the external auditor has a direct or material indirect financial interest in the Company.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. Whether the external auditor has provided or received loans or guarantee to or from the Company or the Company's directors.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>3. Whether the external auditor has a close business relationship or entered into a potential employment</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>	Assessment criteria	Assessment result		Compliance of independence	1. Whether the external auditor has a direct or material indirect financial interest in the Company.	No	Yes	2. Whether the external auditor has provided or received loans or guarantee to or from the Company or the Company's directors.	No	Yes	3. Whether the external auditor has a close business relationship or entered into a potential employment	No	Yes
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			<p>negotiations with the Company.</p> <p>4. Whether the external auditor or a member of the assurance team is or has been a director or a manager of the Company, or employed by the Company in a position to exert significant influence over the subject matter of the engagement within the last two years.</p> <p>5. Whether the external auditor has provided the Company the non-assurance service that would affects directly a material item of the assurance engagement.</p> <p>6. Whether the external auditor has promoted or brokered the Company's shares or other securities issued by the Company.</p> <p>7. Whether the external auditor has acted as a coordinator or an advocate on behalf of the Company in litigation or disputes with third parties.</p> <p>8. Whether the external auditor has a close or immediate family member who is a director or manager of the Company or an employee who is in a position to exert significant influence over the subject matter of the engagement.</p>	
IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a	V		<p>The Company has a spokesperson system in place to serve as communication channel with shareholders.</p> <p>The Company has a stakeholders section created on its website to serve as a communication channel.</p> <p>The Company has finance, human resource, and administration departments available to oversee execution of corporate governance affairs and compliance with relevant laws.</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
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corporate governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?			<p>Their responsibilities include:</p> <ol style="list-style-type: none"> 1. Establishment of a suitable corporate governance framework that promotes board independence, information transparency, compliance, and internal audit/control. 2. Consulting directors and outlining meeting proceedings prior to board meetings, issuing meeting advice to all directors at least 7 days in advance, and providing them with adequate information about the agendas being discussed. Where the agenda concerns the personal interest of a particular director, the concerned party will be reminded to avoid involvement in advance. <p>Setting the date for annual shareholder meetings in accordance with law; preparing meeting advice, conference handbook, and minutes before the statutory due date; and making proper registrations after director election or after amendments are made to the Articles of Incorporation.</p>	
V. Has the Company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues	V		<p>A stakeholders section has been created on the Company's website. Shareholders, employees, customers, suppliers and anyone in need to discuss corporate responsibility issues may have their queries addressed in a proper manner by the spokesperson, human resource department, business unit, or procurement unit. In order to ensure the fulfillment of various major issues and achievement of targets, the CSR organizes the discussion about economic, social and environmental issues periodically. The related results and information are reported to the Board of Directors each year. Communication with stakeholders and details of reports made in 2020 are stated below:</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

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that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?			Stakeholders	Concerned issues	Communication channel/frequency	Contact window/response
			Employees	Overview of Operations Employment relationship Health and safety Talent cultivation and training	Labor-employment meeting (periodic) Employees' suggestion box (from time to time) Intranet and Internet (periodic) Employee Welfare Committee (periodic)	Contact window for employees - Lai Hsin-Lun Email - hr_tpe@tw.uneec.com
			Shareholders	Industrial outlook Profitability Corporate Governance Transparency of Information Disclosure	Corporate Website (from time to time) General Shareholders' Meeting Institutional Investors Conference (from time to time) Important news released by Market Observation Post System (periodic)	Contact window for investor relationship - Huang Shih-Chieh Email - invest@tw.uneec.com
			Customers	Business review Customer satisfaction survey Customer audit Product and social responsibility	Customer audit (from time to time) Customer satisfaction survey (periodic) Customer quarterly business review meeting (periodic)	Contact window for business - Lin Chung-Hui E-mail - sales@tw.uneec.com
			Suppliers	Working environment and sanitation Technological capabilities Economic performance Supplier Management	Complaint box (from time to time) Supplier audit (periodic) Supplier management system (periodic)	Contact window for suppliers - Fan Chi-Hung Email - vender@tw.uneec.com

Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
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VI. Does the company engage a share administration agency to handle shareholder meeting affairs?	V		The Company has commissioned Chinatrust Bank as the share administration agency, which is responsible for handling shareholder meeting affairs.	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
VII. Information disclosure (I) Has the company established a website that discloses financial, business, and corporate governance-related information? (II) Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of	V V		(I) The Company has created a website to disclose financial, business and corporate governance-related information. (II) The Company has a spokesperson system in place; documents and recordings of every investor seminar are uploaded onto the website.	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
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investor conferences via the company website)? (III) Whether the Company announces and reports the annual financial report within two months at the end of each fiscal year, and the financial report for Q1, Q2, and Q3 and monthly operation overview before the prescribed time limit?		V	(III) The Company currently does not publish annual financial reports within two months after the end of each fiscal year, but files financial reports for Q1, Q2, and Q3 and discloses monthly operational overviews before due date.	
VIII.Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations,	V		<ol style="list-style-type: none"> 1. Employee rights and care: The Company has a retirement policy and a profit-sharing system designed for employees. Employees who provide service over a certain number of years, or reach a certain age, or reach a state no longer deemed capable for the tasks assigned may apply for (or be notified for) retirement. Earnings concluded from year-end closing are partially allocated to employees as bonus according to the Company Act and the Articles of Incorporation. 2. Investor relations: The Company has a spokesperson system in place; investors may obtain information for whatever queries they may have through the spokesperson. 3. Supplier relations: The Company's suppliers are evaluated on a regular basis. They are assessed based 	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

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stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and liability insurance for directors and supervisors)?			<p>on product delivery, quality and price, and the best supplier is chosen through elimination. As for payments, which is an issue of great concern to suppliers, the Company has measures in place to ensure that payments are made in strict accordance with the agreed terms.</p> <p>4. Stakeholders' interests: The Company's directors are highly disciplined, and refrain from voting on any agenda that concern their own interests. Directors' and supervisors' continuing education: The Company actively encourages all directors to engage in continuing education. Information regarding their continuing education has been uploaded to the Market Observation Post System.</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Course date</th> <th>Organizer</th> <th>Course name</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td>Director</td> <td>Lo Chih-Chi</td> <td>2020/12/17</td> <td>Economic Daily News</td> <td>Economic Investment Outlook Forum - The 2021 Comeback</td> <td>8.0</td> </tr> <tr> <td></td> <td></td> <td>2020/11/25</td> <td>Economic Daily News</td> <td>Innovation Forum - The New 5G Era</td> <td>8.0</td> </tr> <tr> <td></td> <td></td> <td>2020/11/16</td> <td>Economic Daily News</td> <td>The Post-pandemic Economy</td> <td>8.0</td> </tr> <tr> <td></td> <td></td> <td>2020/09/23</td> <td>Economic Daily News</td> <td>New Lifestyles Inspired by 5G x AI</td> <td>8.0</td> </tr> <tr> <td></td> <td></td> <td>2020/09/22</td> <td>Taiwan Institute of Directors</td> <td>Directors/Supervisors Certification Courses - KPMG Leaders Forum: Corporate Governance Enhancement as a Response to Changing Risks</td> <td>3.0</td> </tr> <tr> <td></td> <td></td> <td>2020/09/16</td> <td>Economic Daily News</td> <td>Industry Strategy Summit - Transformation Opportunities in the Post-pandemic Era</td> <td>8.0</td> </tr> </tbody> </table>	Title	Name	Course date	Organizer	Course name	Training hours	Director	Lo Chih-Chi	2020/12/17	Economic Daily News	Economic Investment Outlook Forum - The 2021 Comeback	8.0			2020/11/25	Economic Daily News	Innovation Forum - The New 5G Era	8.0			2020/11/16	Economic Daily News	The Post-pandemic Economy	8.0			2020/09/23	Economic Daily News	New Lifestyles Inspired by 5G x AI	8.0			2020/09/22	Taiwan Institute of Directors	Directors/Supervisors Certification Courses - KPMG Leaders Forum: Corporate Governance Enhancement as a Response to Changing Risks	3.0			2020/09/16	Economic Daily News	Industry Strategy Summit - Transformation Opportunities in the Post-pandemic Era	8.0	
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		2020/09/22	Taiwan Institute of Directors	Directors/Supervisors Certification Courses - KPMG Leaders Forum: Corporate Governance Enhancement as a Response to Changing Risks	3.0																																									
		2020/09/16	Economic Daily News	Industry Strategy Summit - Transformation Opportunities in the Post-pandemic Era	8.0																																									

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies												
	Yes	No	Summary													
			<p>and business functions choose their suppliers and customers in a stringent manner, and carry out the Company's business activities in the utmost integrity and fairness.</p> <p>7. Customer policy: The Company grants its customers more favorable credit terms as relationship progresses. Accounts receivables are monitored regularly, while collection experience is shared with peers to obtain up-to-date information on customers' financial position.</p> <p>8. Liability insurance for directors:</p> <table border="1"> <thead> <tr> <th>Insured parties</th> <th>Insurance company</th> <th>Sum assured (US\$)</th> <th>Period of coverage (start/end)</th> <th>Status of coverage</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>All directors</td> <td>Fubon Insurance Co., Ltd.</td> <td>20,000,000</td> <td>From: June 10, 2020 To: June 10, 2021</td> <td>Renewal coverage</td> <td></td> </tr> </tbody> </table>	Insured parties	Insurance company	Sum assured (US\$)	Period of coverage (start/end)	Status of coverage	Remarks	All directors	Fubon Insurance Co., Ltd.	20,000,000	From: June 10, 2020 To: June 10, 2021	Renewal coverage		
Insured parties	Insurance company	Sum assured (US\$)	Period of coverage (start/end)	Status of coverage	Remarks											
All directors	Fubon Insurance Co., Ltd.	20,000,000	From: June 10, 2020 To: June 10, 2021	Renewal coverage												
<p>IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. (Not applicable as the Company is not one of the evaluated subjects)</p> <ul style="list-style-type: none"> · The Company assembled an Audit Committee on June 12, 2020. · Appointment, dismissal, assessment, and compensation of internal auditors are approved either by the board of directors or by the Chairman with the recommendation of the chief internal auditor. Outcomes of which are disclosed on the Company's website. · Succession plans are being made for board members and key management personnel. Implementation is disclosed on the Company's website or in annual reports. · The Company will assemble functional committees comprising no fewer than 3 members with at least half of them being independent directors in addition to the mandatory functional committees required by law. 																

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

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

1. Remuneration Committee members

Identity (Note 1)	Criteria Name	Having more than 5 years of work experience and the following qualifications			Compliance of independence (Note 2)										Number of other public companies in which concurrently serves as Remuneration Committee member	Remarks	
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the company's operations in a public or private tertiary institution	Judge, prosecutor, lawyer, accountant, or holder of national exam or professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10			
Independent Director	Lin Chiang-Feng	Yes	No	Yes	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None	Former (re-election held on 2020/06/24)
Independent Director	Chang Yi-Min	No	Yes	Yes	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None	Former (re-election held on 2020/06/24)
Independent Director	Chen Hung-Chang	No	Yes	Yes	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None	Re-elected (re-election held on 2020/06/24) Note 3
Independent Director	Chen Chien-Chun	No	Yes	Yes	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	None	Newly elected (re-election held on 2020/06/24) Note 3
Independent Director	Chou Liang-Cheng	No	Yes	Yes	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Newly elected (re-election held on 2020/06/24) Note 3

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

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

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director, supervisor, or employee of the Company or any of its affiliates (this restriction does not apply to independent director positions in the Company its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a spouse, relative within 2nd degree of kinship, or lineal relative by blood within 3rd degree of kinship or closer to the managers described in Item (1) or persons described in the Item (2) and Item (3).
- (5) Not a director, supervisor or employee of any corporate shareholder that: 1. holds 5% or more of the Company's outstanding shares; 2. is a top-5 shareholder; or 3. appoints

director/supervisor representative in the Company according to Paragraph 1 or 2, Article 27 of The Company Act. (This excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).

- (6) Not a director, supervisor, or employee of any other company that controls directorship in the Company or where more than half of total voting rights are controlled by a single party (this excludes concurrent independent director positions held within the Company and its parent/subsidiary, or in other subsidiary of the parent company that are compliant with the Act or local laws).
- (7) Not a director, supervisor or employee of any company who is the same person as, or the spouse of, Chairman and President or equivalent of the Company (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, or any subsidiary of the same parent company which have been appointed in accordance with the Act, or laws of the registered country).
- (8) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company (however, this excludes concurrent independent director positions held within companies or institutions that hold more than 20% but less than 50% outstanding shares of the Company, or in the Company's parent or subsidiary, or in another subsidiary of the parent that is compliant with the Act or local laws).
- (9) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliated company of the Company, or that provides commercial, legal, financial, accounting or related services to the Company or any affiliated company of the Company for which the provider in the past 2 years has received cumulative compensation not exceeding NT\$500,000, or a spouse thereof, provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Securities and Exchange Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
- (10) Does not meet any of the conditions stated in Article 30 of The Company Act.

Note 3: Functions and Responsibilities of Remuneration Committee

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

2. In order to perform the job duty, the Remuneration Committee shall help the Board of Directors execute and assess the Company's overall remuneration and welfare policies, and remuneration to the directors and managers. Director remuneration and employee profit-sharing are determined based on current year's business performance in accordance with the percentages stated in the Articles of Incorporation and distribution policies established by the board of directors.

3. Functionality of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) The Company re-elected Remuneration Committee members on June 24, 2020. Service of current committee members began June 24, 2020 and ends June 11, 2023. From 2020, the Remuneration Committee held a total of 6 meetings (A) up until the publication date of annual report in 2021; details of members' eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Percentage of actual attendance (%) (B/A)(Note)	Remarks
Convener	Chen Hung-Chang	6	0	100%	Re-elected (re-election held on 2020/06/24)
Committee member	Chen Chien-Chun	4	0	100%	Newly elected (re-election held on 2020/06/24)
Committee member	Chou Liang-Cheng	4	0	100%	Newly elected (re-election held on 2020/06/24)
Convener	Lin Chiang-Feng	2	0	100%	Former (re-election held on 2020/06/24)
Committee member	Chang Yi-Min	2	0	100%	Former (re-election held on 2020/06/24)
Other remarks:					
I. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and how the company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.					
II. Should any committee member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions, and how their opinions were addressed: None.					

- Note: (1) Date of resignation is shown for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.
- (2) If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the current Remuneration Committee will be listed; in which case, the remarks column will specify whether the committee member was elected in the previous board, the new board, or both. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.

- (3) Motions discussed by the Remuneration Committee and resolutions thereof, and the Company's response to the members' opinions:

All motions raised for discussion by the Remuneration Committee in 2020 and 2021 up until the publication date of annual report were passed without alternative opinion.

Date of Remuneration Committee Meeting	Motion	Resolution	The Company's response to the Remuneration Committee's opinions
2020/01/15	Review of 2019 year-end bonus allocation principles for managers.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
2020/03/12	Amount and method of allocation for 2019 employee/director/supervisor remuneration.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
2020/08/05	Review on the settlement of managers' years of service accumulated under the old pension scheme.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
2020/11/06	Promotion and change of compensation for managers.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
2021/01/29	Review of 2020 year-end bonus allocation principles for managers.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
2021/03/17	Amount and method of allocation for the 2020 employee/director/supervisor remuneration.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.

(VI) Fulfillment of social responsibilities and deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies:

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
I. Has the Company conducted risk assessment on environmental, social, and corporate governance issues that are relevant to its operations, and implemented risk management policies or strategies based on principles of materiality? (Note 3)	V		In response to the global major economic, social and environmental risks, the Company establishes the systematic risk response policies and procedures in accordance with the risk management guidelines and guidance. In order to perform the Company's risk identification operations, the product R&D, manufacturing and sales units, and the finance, legal affairs, HR, information center and environmental safety management units, annually review the scenario in terms of the corporate sustainability, including the financial elements, such as market and liquidity risks, and non-financial risks, e.g. Compliance, information security, climate and environmental protection, and social issues, in order to seek the opportunity to respond to the risks. Outside the organization, the risk management is primarily focused on the product competition and market strategies, while the risk management inside the organization is focused on the information security management and compliance. As the management focus on the overall strategies, the Company promotes the competitiveness through differentiation of products and high-quality technology and thereby creates the financial effects for the Company successfully. Internally, the Company performs drills to build up response to business interruptions caused by incidents relating to climate, laws, and information	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<p>security, strengthen internal systems that are vulnerable to failure, and improve resilience of the Company's operations.</p> <p>(1) Environmental issues: In order to improve the environmental protection constitution, the Company adopts the policies including green innovation, energy saving and carbon reduction, and expansion of the inspection on greenhouse gas and paperless & recycling. The Company wishes to make some contribution to the land it loves so deeply. Meanwhile, the Company promotes the vegetarian diet and encourages the energy saving and carbon reduction activities, e.g. use of staircase instead of elevator, saving water, turning off lights where appropriate, and garbage sorting. The Company also replaces all lighting equipment with LED and uses its best effort to upgrade the overall competitiveness. On the basis of corporate sustainability, the Company continues to work with the stakeholders including its employees, customers, suppliers and shareholders, governments and competent authorities to aim at creation of the sustainable economic, environmental and social value.</p> <p>(2) Social issues: The Company has complied with local labor laws and international frameworks, and follows "UN Universal Declaration of Human Rights," "UN International Labour</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<p>Organization,” “ UN Guiding Principles on Business and Human Rights,” as well as principles of International Bills of Human Rights. It also respects globally recognized basic human rights, and enforces them with measures of diversity, inclusion, equal opportunity, reasonable working hours, healthy and safe working environment, freedom of association, collective bargaining, and privacy protection. The Company also provides complete and sound welfare policies and safe working environments in the hope of providing protection and ensuring work-life balance for every employee.</p> <p>(3) corporate governance issues: The Company continues to enhance its corporate governance by deepening the governance cultures, practicing the directors’ functions effectively, promoting shareholders’ activism, improving the quality of information disclosure and enhancing legal compliance. Meanwhile, the Company adopts related policies and regulations to be followed by employees, including the Ethical Corporate Management Best Practice Principles, and regulations governing response actions against illegal and unethical conducts.</p>	
II. Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does the	V		The Company has established the cross-department Corporate Social Responsibility Team convened by Group President and divided into 4 sub-teams: labor and human rights, health and	Consistent with Corporate Social Responsibility Best

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
unit report its progress to the board of directors?			safety, environmental protection, and professional ethics. With regard to the aspects of human rights, environmental protection, ethics, public welfare, employee health and safety, audits and reports on the CSR initiatives of each department are made monthly. The CSR sub-teams would then summarize and submit the CSR policies, management guidelines and initiatives to the board of directors on a regular basis annually.	Practice Principles for TWSE/TPEX Listed Companies
<p>III. Environmental issues</p> <p>(I) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?</p> <p>(II) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p>	V	V	<p>(I) The group's operating systems and procedures have passed multiple international certifications such as ISO 9001, ISO 14001, ISO 13485, TS-16949, OHSAS 18001 etc. In recent years, the Company has been adopting Electronics Industry Code of Conduct (EICC) to regulate workers' rights, workers' safety, and environmental protection. It has made extensive efforts to establish relationship between the management and employees, and between the management and customers.</p> <p>(II) The Company is dedicated to solving problems at the source. LED lighting equipment with certified level of energy efficiency is used throughout office premises. Air conditioning and lighting equipment are equipped with additional controllers to automatically switch on/off during/after work hours and lunch breaks. Factories adopt policies to recycle packing materials and re-use waste</p>	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
(III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	V		<p>materials. Garbage sorting is implemented in the office area to improve re-use of resources.</p> <p>All above measures have been taken to reduce raw material input and waste output, and minimize impact on the environment.</p> <p>(III) Given the increasingly significant impact rendered by the temperature rise and climate changes, the Company is aware of the threat to the natural environment and problems associated with energy shortage, and takes the initiative to support environmental protection. Meanwhile, by adopting policies such as green innovation, energy conservation, carbon reduction, greenhouse gas survey, the paperless movement, and recycling, the Company hopes to contribute to the environment that has nurtured its growth to date.</p> <p>Chenming is dedicated to protecting the environment and is constantly exploring ways to reduce energy, carbon, paper, greenhouse gas, and operating costs as part of its corporate social responsibilities.</p> <p>The Company's efforts in this respect revolve around three main objectives: "voluntary carbon reduction," "climate change disclosure," and "climate policy engagement."</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies																				
	Yes	No	Summary description (Note 2)																					
			<table border="1"> <tr> <td>Risks of climate change</td> <td>Extreme weathers such as Typhoon, flood, and drought</td> <td colspan="2">Rise in GHG emission cost</td> </tr> <tr> <td>Risk impacts</td> <td>Reduction or disruption of production capacity, impairment or replacement of assets</td> <td colspan="2">Increase in operating cost</td> </tr> <tr> <td>Opportunities of climate change</td> <td>Improved response to extreme weathers</td> <td>Improvement of energy efficiency</td> <td>Use of low-carbon energy sources</td> </tr> <tr> <td>Effects of opportunities</td> <td>Reduced loss of capacity and materials</td> <td>Reduced operating costs</td> <td>Reduced GHG emission</td> </tr> <tr> <td>Response measures</td> <td>Chenming has made emergency response plans and preparations to mitigate risks of extreme weathers.</td> <td>Chenming has made plans to reduce GHG emission and replace equipment of low energy efficiency.</td> <td>Chenming has photovoltaic devices in place that generated 192,000 kWh of clean energy in 2020.</td> </tr> </table>	Risks of climate change	Extreme weathers such as Typhoon, flood, and drought	Rise in GHG emission cost		Risk impacts	Reduction or disruption of production capacity, impairment or replacement of assets	Increase in operating cost		Opportunities of climate change	Improved response to extreme weathers	Improvement of energy efficiency	Use of low-carbon energy sources	Effects of opportunities	Reduced loss of capacity and materials	Reduced operating costs	Reduced GHG emission	Response measures	Chenming has made emergency response plans and preparations to mitigate risks of extreme weathers.	Chenming has made plans to reduce GHG emission and replace equipment of low energy efficiency.	Chenming has photovoltaic devices in place that generated 192,000 kWh of clean energy in 2020.	
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Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
(IV) Whether the Company discloses the annual greenhouse gas emission, water consumption and gross weight of waste for the past two years, and adopts policies for energy conservation and carbon reduction, greenhouse gas reduction, reduction of water consumption or management of exhaust gas and other waste goods?	V		<p>For details on the Company's commitments to climate change, please refer to the corporate sustainability report. In the future, the Company will keep upholding the spirit as an entrepreneur to pursue customers' satisfaction and upgrade its overall competitiveness actively. On the basis of corporate sustainability, the Company continues to work with the stakeholders including its employees, customers, suppliers and shareholders, governments and competent authorities to aim at creation of the sustainable economic, environmental and social value.</p> <p>(IV) The Company has energy conservation and resource management procedures in place. It constantly encourages employees to adopt vegetarian diet, use of staircase instead of elevator, save water, turn off lights where appropriate, and garbage sorting. All lighting equipment has been replaced with LED.</p> <p>The Company calculates CO2 emission using the guidelines provided on the environmental protection website of the industrial park. In 2019, the Company emitted 323,109.12kg of CO2 from energy consumption, 122,528.00kg from transportation, 232,485.39kg from the workplace, 92.60kg from entertainment, 33,608.52kg from appliances, and 180,599.58kg from other categories. Total CO2 emission was calculated at 892,423.21kg, water consumption totaled 1,189</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<p>cubic meters, and domestic waste totaled 3,600kg in 2019. In 2020, the Company emitted 323,604.98kg of CO2 from energy consumption, 137,917.11kg from transportation, 232,556.23kg from the workplace, 96.81kg from entertainment, 33,793.99kg from appliances, and 179,315.33kg from other categories. Total CO2 emission was calculated at 907,284.44kg, water consumption totaled 1,502 cubic meters, and domestic waste totaled 3,600kg in 2020. In 2021, the Company plans to reduce carbon emission by 1% on a per-production-unit basis.</p> <p>Outcomes of the Company's energy and carbon reduction measures undertaken in response to greenhouse gases:</p> <ol style="list-style-type: none"> (1) Indoor office temperature was set at 26-28 degrees Celsius to lessen the use of air conditioning, while replacement of lighting equipment with LED, energy-efficient variants continued in 2018. These measures reduced CO2 emission by approximately 20,000kg per year. (2) Recycling and re-use of paper helped reduce the overall volume of waste, and 80% of which can be processed into reclaimed paper. The Company recycles approximately 700kg of paper each year. (3) The Company introduced a document online sign-off system (Web version) in 2019 as part of its paperless 	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			movement. The system notifies authorized persons to sign-off documents online via E-Mail (10 tasks were introduced in 2019 and 14 tasks were introduced in 2020), which not only improves the efficiency of internal processes but also reduces the use of paper.	
<p>IV. Social issues</p> <p>(I) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p>	V		<p>(I) The Company has complied with local labor laws and international frameworks, and follows “UN Universal Declaration of Human Rights,” “UN International Labour Organization,” “UN Guiding Principles on Business and Human Rights,” as well as principles of International Bills of Human Rights. It also respects globally recognized basic human rights, and enforces them with measures of diversity, inclusion, equal opportunity, reasonable working hours, healthy and safe working environment, freedom of association, collective bargaining, and privacy protection. In order to protect employees’ important rights, we have also developed the employee code of conduct in the Work Rules to make every employee understand, acknowledge and commit to the Rules since their first day in the Company. Concerns about human rights, and practices thereof:</p> <p>(1) The affected subjects in the respectful and safe working environment projects refer to the whole employees, including 0 employee exposed to high risk. The specific</p>	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<p>practices include:</p> <ul style="list-style-type: none"> . Aim to “provide a respectful and safe working environment”, e.g. renovation of offices, kitchen and meeting rooms, in order to build a more open and relax working space. Additionally, the Company has already erected the private and secret breastfeeding room voluntarily per the government’s requirement, so that the relevant workers may take care of their family and work at the same time after being in labor. . The Company arranges annual employee health checkups according to Article 15 of “Worker Health Protection Rules” of the Ministry of Labor to track employees’ health conditions. Furthermore, the Company provides health-related information through website and various forms of seminar. . The Company encourages the employees to attend the sexual harassment prevention training program. Meanwhile, it prescribes the “sexual harassment prevention” guidelines in the “work rules” and uses the best effort to protect the employees, maintain the gender equality in employment and provide the working environment free from sexual harassment. <p>(2) With respect to eliminating discrimination and ensuring work opportunities, the Company has implemented</p>	

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

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<p>from employing child labors and shall inspect hired employees to ensure zero negligence through the double check.</p> <p>(4) With respect to the prohibition of forced labor, there is 0 employee with high risk. The specific practices include: . Enforcement of local employment regulations, international standards and the Company’s “Work Rules.” Prior to hiring, the Company ensures that employees have agreed to the employment terms and are providing service willingly free of coercion.</p> <p>(5) The affected subjects in the project for helping employees maintain the physical and mental health, and balance between work and life, refer to the whole employees, including 0 employee exposed to high risk. The specific practices include: . Provide multiple allowances and subsidies to diversify the employees’ idea about “maintenance of mental and physical health, and balance between work and life”, e.g. three major festival bonus, birthday allowance, travel allowance, year-end party and bonus, et al.. . In order to protect female employees’ interest and right, and help them take care of work, health and family at the same time, the Company offers the</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
(II) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence, and other benefits), and appropriately reflected business performance or outcome in employees' compensations?	V		<p>“menstrual leave”, “family care leave”, “maternity leave”, “paternity leave”, “breastfeeding time” and “regulations governing leave without pay”.</p> <p>(II) The Company is dedicated to providing complete and sound welfare policies and safe working environment in the hope of providing protection and ensuring work-life balance for every employee. With respect to the compensation system, the Company optimizes salary and bonus packages in line with changes in the salary level of industry peers, and evaluates employees' performance at the end of each year to serve as reference for bonus and salary adjustment, in addition to the Company's overall performance for the year. The welfare policies are stated as following:</p> <ol style="list-style-type: none"> 1. Flexible attendance system The Company allows various types of leave pursuant to laws, and the flexible attendance hours to satisfy any worker's need to apply for leave, or to work and leave earlier. 2. Three major festival bonus (coupon) and subsidy Labor Day, Mid-Autumn Festival and Dragon Boat Festival gift vouchers, and birthday gifts. Marriage cash gift, childbirth cash gift, hospitalization allowance and funeral assistance. Multiple dinner parties and travel allowances. 	

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

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

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
(IV) Has the Company established some effective career development training plan for employees?	V		<p>is maintained or repaired annually, quarterly or monthly as required to ensure its best performance at all time. The Company has also purchased the public liability insurance for additional protection for its employees.</p> <p>(IV) In light of its human resource principle of growing with employees, the Company implements the policy of combining trainings with jobs and develops a complete training system that contains a series of training courses from orientation to on-the-job professional skill training. Employees in position that requires special skills are sent to professional institutions for professional skill training and certification. In addition, at the end of each year, each department is required to submit a list of desired training courses for the following year. Through various forms of training, we wish to improve employees' theoretical and practical knowledge, provide help and instruction for our employees, and help them apply knowledge in their jobs and lives. The Company arranges reasonable number of management trainees depending on the growth objectives every year. Through the open, fair, competitive and selective internal promotion mechanism, the Company creates the environment and conditions for outstanding young managers and selects the trainees via multiple channels. In 2020, the Company organized internal and external training courses</p>	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
(V) Has the Company complied with laws and international standards with respect to customers' health, safety, and privacy, marketing and labeling in all products and services offered, and implemented consumer protection policies and complaint procedures?	V		that received a total of 268 enrollments and trained a total of 806.5 man-hours. (V) The Company has been enhancing green competitiveness of its products in order to reduce environmental impacts of the Company's products, fulfill corporate responsibility, and meet international green product standards as demanded by customers. Through its Green Procurement Guidelines, the Company requires its suppliers to comply with EU REACH, RoHS, and hazardous-substances management regulations of the HF, and sign the environmental protection declaration as a commitment to compliance. New suppliers are required to sign or publish declaration for green commitment. All internal departments have coordinated with the Legal Affairs Department and implemented complaint procedures and operating rules for the protection of consumers' rights. Complaints may be raised via phone or email.	
(VI) Whether the Company adopts any specific suppliers' management policy demanding that the suppliers should comply with the related regulations governing environmental protection, occupational safety and health or labors' human rights, and how the policy is implemented?	V		(VI) The Company demands its suppliers to obtain certification for ISO 14001 - Environmental Management System and EICC, and offers guidance to help them achieve so. The Company requires all goods and service suppliers to sign a "Social Responsibility Commitment" before placing purchase orders to them. When conducting annual or new supplier evaluation, all departments are required to include the Company's standards on labor rights, business ethics,	

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
			<p>environmental protection, and occupational safety and health as part of the evaluation.</p> <p>The Company has a unit that specializes in social responsibility/EICC management. The scope of management extends to suppliers and contractors, meaning that any violation of corporate social responsibilities by a supplier or contractor that causes significant impact to the environment or society would result in the termination of service contract.</p>	
V. Does the Company prepare corporate social responsibility report or any report of non-financial information based on international reporting standards or guidelines? Whether said report has been assured or guaranteed by a third party certification unit?	V		The Company prepares the CSR report in accordance with the GRI Standards 2016 issued by the Global Reporting Initiative (GRI), disclosing the Company’s sustainability issues, strategies, goals and policies. The Company prepared its own corporate social responsibility report, but has not sought any third party for certification.	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
<p>VI. If the Company has established its own corporate social responsibility code of conducts in accordance with the “Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX-Listed Companies”, please describe the current practices and any deviations of its own code of conduct from said Principles:</p> <p>The Company has established Chenming Mold Ind. Corp. Corporate Social Responsibility Code of Conduct based on “Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies.” The Code of Conduct includes principles on corporate governance, sustainable environment, public welfare, and disclosure of corporate social responsibility information; these principles have been duly enforced and hence there is no deviation from the best practice principles.</p>				
<p>VII. Other information useful to the understanding of corporate social responsibilities:</p> <p>The Company joined the CSR Alliance in 2017 and has been sponsoring the reforestation program to plant the seeds of hope. In 2020, the Company</p>				

Assessment criteria	Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary description (Note 2)	
<p>continued to promote ideas of green economy and green innovation and enforce corporate social responsibility and environmental sustainability. The Company has long been concerned with the disadvantaged group in the society and worked hard to feed back to the society. In 2020, the Company gathered its employees to extend care for the elderly living alone in the community for charity. In addition, the Company would invite bloodmobiles to host blood donations for charity on site from time to time.</p>				

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

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

Note 3: Materiality principle refers to environmental, social and corporate governance issues that are of material impact to the Company’s investors and stakeholders.

(VII) Enforcement of business integrity, deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies:

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>I. Establishment of integrity policies and solutions</p> <p>(I) Whether the Company adopts the ethical management policy approved by the Board of Directors, and expressly states the ethical corporate management policy and rules, and its fulfillment by the Board of Directors and senior management in its Articles of Incorporation and public documents?</p> <p>(II) Has the Company developed systematic practices for assessing integrity risks? Does the Company perform regular analyses and assessments on business activities that are prone to higher risk of dishonesty, and implement preventions against dishonest conducts that include at least the measures mentioned in Paragraph 2, Article 7 of “Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies”?</p>	V		<p>(I) The Company has established integrity code of conduct, corporate governance code of conduct, policies for handling illegal and unethical conducts, and guidelines for professional ethics to fulfill its commitment to ethical operation, and these guidelines have been published on the Company’s website.</p> <p>(II) In order to protect the core value of corporate culture, the Company is committed to conducting its business activities in good faith and following the utmost ethical requirements. It has also established relevant policies and guidelines for employees to comply, including integrity code of conduct and policy for handling illegal and unethical conducts. Moreover, it has published its business and financial information in accordance with applicable laws and regulations, complied with anti-corruption laws (e.g. FCPA) in conducting any transactions, respected intellectual property rights, executed fair trade advertisement and competition standard, followed anonymous complaint procedure to protect the informant, held responsibility in the</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Has the Company defined and enforced operating procedures, behavioral guidelines, penalties, and grievance systems as part of its preventive measures against dishonest conducts? Are the above measures reviewed and revised on a regular basis?	V		<p>procurement of minerals, protected personal information of all counter-parties, protected and complied with laws related to confidentiality and information security, and adopted protection procedures to stop retaliation.</p> <p>(III) The Company has established a recusal system for directors as a part of its “Parliamentary Rules for Directors’ Meetings.” Directors are required to disassociate from all discussion and voting, but may express opinion and reply, in any motion that poses a conflict of interest between the Company and themselves or the entities they represent. Furthermore, they are prohibited from exercising voting rights on behalf of other directors.</p> <p>Additionally, the Company has clearly stated in “Guidelines for Professional Ethics” the standard of conducts and professional ethics each individual is expected to uphold. In order to implement the abovementioned rules and eliminate any violations by employees, the Company has also set up a compliant hotline and mailbox. In the event that any violation by employees is concluded in an investigation, the handling personnel shall pass on case information and relevant documents to human</p>	

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			resource department where the case shall be handled accordingly. Given the severity of the violation, the case may be passed to the judicial authorities.	
<p>II. Enforcing ethical management</p> <p>(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Does the Company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?</p>	V		<p>(I) The Company evaluates the integrity history of all parties it has business dealings with. It has been stated in the integrity code of conduct that the Company may terminate or cancel its contract at anytime with any business partner that violates the integrity code of conduct.</p> <p>(II) The Chairman's Office is responsible for the establishment, supervision, and execution of the integrity policy. A report was last made to the board of directors in November 2020. Its main responsibilities include the following:</p> <p>I. Assisting in incorporating ethics and moral values into this Corporation's business strategy and adopting appropriate prevention measures against corruption and malfeasance to ensure ethical management in compliance with the requirements of laws and regulations.</p> <p>II. Adopting programs to prevent unethical conduct and setting out in each program the standard operating procedures and conduct guidelines with respect to this</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>Corporation's operations and business.</p> <p>III. Planning the internal organization, structure, and allocation of responsibilities and setting up check-and-balance mechanisms for mutual supervision of the business activities within the business scope which are possibly at a higher risk for unethical conduct.</p> <p>IV. Promoting and coordinating awareness and educational activities with respect to ethics policy.</p> <p>V. Developing a whistle-blowing system and ensuring its operating effectiveness.</p> <p>VI. Assisting the board of directors and the management in assessing the effectiveness of existing integrity practices and preventions; assessing compliance of business procedures; and making regular reports to the board of directors.</p> <p>Execution of business integrity policy in 2020:</p> <p>(1) Education and training The Company organized internal and external training courses that received a total of 268 enrollments and trained a total of 806.5 man-hours during the year</p>	

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>to address integrity issues such as food safety, legal security, information security, financial and accounting system, and internal controls.</p> <p>(2) Regular inspections The Company assesses corruption risk of business activities taking place at all locations. The Company conducts self-audits and compliance self-assessments each year to ensure effective control and proper execution of existing systems, thereby prevent dishonest conducts. There had been no incident of corruption or anti-competitive behavior in 2020.</p> <p>(3) Whistleblower system and protection The Company has outlined its whistleblower system in “Corporate Governance Code of Conduct,” “Integrity Code of Conduct,” “Guidelines for Professional Ethics,” and “Policy for Handling Illegal and Unethical Conducts.” The Company actively prevents dishonest conducts by encouraging insiders and outsiders to report dishonest or improper behaviors through means such as mailbox and</p>	

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		hotline. All reported misconducts will be investigated by the human resources department on a case-by-case basis. The website also has a stakeholders section available to facilitate effective communication with employees, shareholders, stakeholders, and outsiders. There was no report of dishonest conduct in 2020. (III) The Company's Parliamentary Rules for Directors' Meetings have outlined requirements for directors to avoid discussion and voting on any agendas that present a conflict of interest between them and the Company.	
(IV) Has the Company implemented effective accounting policy and internal control system to maintain business integrity? Has an internal or external audit unit been assigned to devise audit plans based on the outcome of integrity risk assessment, and to audit employees' compliance with various preventions against dishonest conduct?	V		(IV) The Company has established effective accounting policies and internal control system. Internal auditors are assigned to conduct regular audits to ensure compliance with the above-mentioned policies/systems, and will identify the high-risk operations as the first priority in the annual audit plan based on the risk assessment.	
(V) Does the company organize internal or external training on a regular basis to maintain business integrity?	V		(V) The Company has provided relevant educational training and promotional materials on its Intranet to facilitate employees'	

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			understanding of the most recent regulation changes and trends. The Company organized internal and external training courses that received a total of 268 enrollments and trained a total of 806.5 man-hours during the year to address integrity issues such as food safety, legal security, information security, financial and accounting system, and internal controls. These training courses gave employees a better understanding of prevailing regulations, policies, and compliance focus.	
<p>III. Whistle-blowing system</p> <p>(I) Does the company provide incentives and means for employees to report misconducts? Does the company assign dedicated personnel to investigate the reported misconducts?</p> <p>(II) Whether the Company defines the standard operating procedure, follow-up measures to be taken upon completion of the investigation, and nondisclosure mechanism toward the investigation of complaints as accepted?</p>	V	V	<p>(I) The Company has policies in place to handle illegal and unethical conducts. Misconducts can be reported via mail or telephone, and all reported misconducts are investigated upon by internal audit units.</p> <p>(II) The Company has operating procedures in place to maintain the confidentiality of informants. The misconducts shall be processed by a dedicated unit and passed to an independent unit (audit unit) for further investigation. When it is necessary, inclusion of legal affairs department or other relevant departments shall be considered. In the event of violation of laws or company policies, given the severity of the</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Has the company provided proper whistleblower protection?	V		violation, it shall be passed to juridical authorities or handled accordingly with the Company's regulations. If the violation is significant or may cause material damage to the Company, it shall be reported to the board of directors in writing. On the other hand, if no evident is found, the case will be closed. (III) If the informant is a company employee, it is prohibited to publish identity of the informant or treat the informant in any way that results in loss of interest or work discrimination. The informant may request the handling unit for protection of identity and fair treatment in advance, and the Company will ensure that the informant is not retaliated for reporting misconduct. Any threat, intimidation or other such actions shall be reported to competent authorities.	
IV. Enhancing information disclosure Has the Company disclosed its integrity principles and progress onto its website and MOPS?	V		The Company has established business integrity code of conduct and disclosed it on website. Business and financial information is also disclosed regularly on the Company's website.	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
V. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established integrity code of conduct and related policies; details can be found in the Corporate Governance section of the Company's website (http://www.uneec.com/tw).				

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>VI. Other important information that is helpful in understanding the corporate ethical management operation of the Company? (e.g., the Company has amended the corporate ethical management best practice principles, etc.):</p> <ul style="list-style-type: none"> . In order to reduce the environmental impacts of the Company's products as its corporate responsibility and meet the international green product standards as required by customers, it has strengthened the green competitiveness of its products. Based on its Green Procurement Guidelines, the Company has required its suppliers to comply with EU REACH , RoHS, hazardous-substances management regulations of the HF, and sign the environmental protection declaration for consistent compliance. A total of 18 new suppliers signed or published their declaration for green commitment in 2020. . The Company regulates its suppliers to follow RBA, ISO 14001 Environmental Management, OHSAS 18001 Occupational Health and Safety and local laws and regulations. It requests it suppliers to show respect for the human rights of each and every employee, provide a healthy and safe working environment, be responsible for protecting environment, and comply with the utmost ethical standards and anti-corruption laws. Via on-site evaluation and signing of operational documents, the Company can ensure a supplier's understanding of regulations regarding social responsibility and demand for continuous improvement. . Significant matters such as major operational policies, investments, acquisition and disposal of assets, loans to others, guarantees and endorsements were discussed and analyzed in conformity with relevant regulations, resolved by authorized personnel and published according to relevant laws and regulations. 				

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

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

Material information relating to the Company's operation has been disclosed in accordance with relevant laws and regulations on the Company's website and made accessible to investors and shareholders, please refer to the Company's website

(<http://www.uneec.com/>)

About Chenming--Corporate Governance section for key internal policies including: the Articles of Incorporation, Integrity Code of Conduct, Corporate Governance Code of Conduct, Procedures for Preventing Insider Trading, Policy for Handling Illegal and Unethical Conducts, Guidelines for Professional Ethics, and Corporate Social Responsibility Code of Conduct.

These policies are gathered, maintained, disclosed, and updated by dedicated personnel on a regular basis, and are made

available investors' financial or business inquiries and for purposes such as investor conference.

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

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

- (X) Execution of internal control system
1. Declaration of Internal Control System

Chenming Electronic Technology Corporation
Declaration of Internal Control System

Date: March 17, 2021

The following declaration regarding the Company's internal control system has been made based on its 2020 self-assessment:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc), reliable, timely and transparent financial reporting, and regulatory compliance.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether the existing system continues to be effective. Criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for more details.
- IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2020. This system (including supervision and management of subsidiaries) has provided assurance with regards to the Company's business results and target accomplishment, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This Declaration was passed unanimously without objection by all 7 Directors present at the Board meeting dated March 17, 2021.

Chenming Electronic Technology Corporation

Chairman: Lin Mu-Ho

President: Lo Chih-Chi

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

(XI) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control system, in the most recent year up until the publication date of annual report that may significantly impact shareholders' interest or security price; describe details of the penalty, areas of weakness and any corrective actions taken: None.

(XII) Major resolutions passed in shareholder meetings and board of directors meetings in the most recent year up until the publication date of annual report:

Shareholder/board of directors meeting	Date	Major resolutions
Board of Directors	2020/01/15	<ol style="list-style-type: none"> 1. Discussion of Remuneration Committee's resolution. 2. Proposal to set the baseline date for capital reduction against the Company's 2019 treasury stock buyback. 3. The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd. 4. The motion to renew the credit limit granted by Chinatrust Commercial Bank Limited upon expiry. 5. The motion to apply for increase in the credit limit from Mega International Commercial Bank.
Board of Directors	2020/03/12	<ol style="list-style-type: none"> 1. The motion for amount and method of payment for the remuneration to employees and directors/supervisors in 2019 as resolved by the Remuneration Committee is submitted for review accordingly.. 2. The motion to convene the Company's 2020 Annual General Meeting is submitted for review accordingly. 3. The motion for the Company's 2019 standalone and consolidated financial statements is submitted for review accordingly. 4. The motion to review the 2019 business report is submitted for review accordingly. 5. The motion to re-elect directors and accept the nomination of candidates of director (including independent director) to be elected during the Company's 2020 Annual General Meeting. 6. The motion to terminate the non-competition restriction imposed on new directors is submitted for review accordingly. 7. The motion for preparation of the 2019 "Declaration of Internal Control System" in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies". 8. Amendments to the Company's "Articles of Incorporation" 9. The motion to amend certain articles of the Company's "Procedures for Acquisition or Disposal of Assets" is submitted for review accordingly. 10. The motion for amendments to certain articles of the Company's "Operating Procedure for Loaning of Funds to Others" is submitted for review accordingly. 11. The motion for amendments to certain articles of the Company's "Operating Procedure for Making of Endorsements/Guarantees" is submitted for review accordingly. 12. The motion to amend certain articles of the Company's "Regulations Governing Elections of Directors and Supervisors" is submitted for review accordingly. 13. The motion to amend certain articles of the Company's "Parliamentary Rules For Directors' Meetings" is submitted for review accordingly. 14. The motion to amend certain articles of the Company's "Ethical Corporate Management Best Practice Principles" is submitted for review accordingly. 15. The motion to execute the first buyback of the Company's shares in 2020 is submitted for review accordingly.

Shareholder/board of directors meeting	Date	Major resolutions
Board of Directors	2020/04/29	<ol style="list-style-type: none"> 1. The motion for appropriation of the Company's 2019 earnings is submitted for review accordingly. 2. The motion to resolve the name list of candidates of director (including independent director) to be elected during the Company's 2020 Annual General Meeting. 3. The motion to adopt the Company's "Articles of Association of Audit Committee" is submitted for review accordingly. 4. The motion to add the internal control operating procedure for the parliamentary operation of the Audit Committee is submitted for review accordingly. 5. The motion to set the record date for capital reduction against the Company's 2020 first treasury stock buyback. 6. The motion to renew the credit limit granted by First Bank.
Annual general meeting	2020/06/12	<ol style="list-style-type: none"> 1. Acknowledgment of 2019 business report and financial statements. Execution: The motion was passed as proposed without objection, and provided the basis for 2019 earnings appropriation. 2. Acknowledgment of 2019 earnings appropriation. Current progress: The motion was passed as proposed without objection. The distribution baseline date was set at July 19, 2020 whereas the payment date was set at August 7, 2020 (NT\$0.3 cash per share) during the board of directors meeting held on June 24, 2020. Payment has been fully completed. 3. Passed the motion to amend the Company's "Articles of Incorporation" submitted for review. Execution: The motion was passed as proposed without objection. Change of company registration was approved by the Ministry of Economic Affairs later on June 22, 2020, and the amended procedures have since been effected. 4. Passed the motion to amend the Company's "Procedures for Acquisition or Disposal of Assets" submitted for review. Status: The motion was passed unanimously, and the amended procedures were put in place. 5. Passed the motion to amend the Company's "Operating Procedure for Loaning of Funds to Others" submitted for review. Status: The motion was passed unanimously, and the amended procedures were put in place. 6. Passed the motion to amend the Company's "Operating Procedure for Making of Endorsements/Guarantees" submitted for review. Status: The motion was passed unanimously, and the amended procedures were put in place. 7. Passed amendments to the Company's "Regulations Governing Elections of Directors and Supervisors" submitted for discussion. Status: The motion was passed unanimously, and the amended procedures were put in place. 8. Re-election of directors (including independent directors). Execution: Mr. Lin Mu-Ho, Mr. Lin Feng-Ran, Ms Chen Hsiao-Chun, and Mr. Lo Chih-Chi were elected directors, whereas Mr. Chen Hung-Chang, Ms Chou Liang-Cheng, and Mr. Chen Chien-Chun were elected independent directors. A major announcement was made on June 12, 2020 for the above, and change of company registration was approved by the Ministry of Economic Affairs later on June 22, 2020. 9. Proposal to remove restrictions against competing business involvement for new directors. Execution: Restrictions on competing business involvement was removed for Director Lin Mu-Ho, and a major announcement was made for the above on June 12, 2020.

Shareholder/board of directors meeting	Date	Major resolutions
Board of Directors	2020/06/24	<ol style="list-style-type: none"> 1. Proposal to amend the Company’s “Internal Control System (including internal audit system)” and Internal Audit Implementation Rules; the motion is ready for discussion. 2. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. lend capital to Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion. 3. Appointment of members for the 4th Remuneration Committee; the motion is ready for resolution. 4. Proposal to set the baseline date for cash dividend distribution; the motion is ready for discussion. 5. Partial amendments to the Company’s “Trade Suspension and Resumption Procedures”; the motion is ready for discussion. 6. Partial amendments to the Company’s “Corporate Governance Code of Conduct”; the motion is ready for discussion. 7. Partial amendments to the Company’s “Procedures for Preventing Insider Trading”; the motion is ready for discussion. 8. Proposal to acquire local land for the construction of production facilities; the motion is ready for discussion.
Board of Directors	2020/08/05	<ol style="list-style-type: none"> 1. The motion for renewal of the endorsements/guarantees made by the Company for its subsidiary in Mainland China, Chenming Electronic (Ningbo) Co., Ltd. is submitted for review accordingly. 2. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. offer endorsement/guarantee for Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion. 3. Proposal to acquire 10% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 92% in Chenming Electronic (Ningbo). 4. Proposal to file an application for investing US\$2.05 million into Chenming Electronic (Ningbo) Co., Ltd. in the Mainland. 5. Proposal to apply for additional medium/long term credit and total credit limits from Hua Nan Bank. 6. Review settlement of managers’ years of service under the old pension scheme; the motion is ready for discussion. 7. Review on changes in managers’ compensation; the motion is ready for discussion.
Board of Directors	2020/11/06	<ol style="list-style-type: none"> 1. Promotion and change of compensation for managers; the motion is ready for discussion. 2. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. lend capital to Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion. 3. Establishment of the Company’s 2021 Audit Plan; the motion is ready for discussion. 4. Proposal to renew credit limit granted by Mega International Commercial Bank upon expiry.
Board of Directors	2021/01/29	<ol style="list-style-type: none"> 1. Review the 2020 year-end bonus allocation principles for managers; the motion is ready for discussion. 2. Review the changes in managers’ compensation; the motion is ready for discussion. 3. The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd. 4. Partial amendments to “Articles of Association of Remuneration Committee”; the motion is ready for discussion. 5. Partial amendments to the “Articles of Association of Audit Committee”; the motion is ready for discussion. 6. The motion to amend certain articles of the Company’s “Parliamentary Rules For Directors’ Meetings” is submitted for review accordingly. 7. Partial amendments to the “Regulations Governing Board of Directors Self or Peer Assessment”; the motion is ready for discussion. 8. Proposal to renew credit limits granted by CTBC Bank upon expiry.

Shareholder/board of directors meeting	Date	Major resolutions
Board of Directors	2021/03/17	<ol style="list-style-type: none"> 1. Amount and method of allocation for the 2020 employee/director/supervisor remuneration; the motion is ready for discussion. 2. Motion to prepare the Company's 2020 "Declaration of Internal Control System" in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies." 3. Presentation of the Company's 2020 business report and financial statements; the motion is ready for discussion. 4. Appropriation of the Company's 2020 earnings; the motion is ready for discussion. 5. Partial amendments to the Company's "Shareholder Meeting Conference Rules"; the motion is ready for discussion. 6. Proposal to set details concerning the Company's 2021 annual general meeting and acceptance of shareholders' motion proposals; the motion is ready for discussion. 7. Proposal to acquire 8% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 100% in Chenming Electronic (Ningbo). 8. Proposal to file an application for investing US\$1.7 million into Chenming Electronic (Ningbo) Co., Ltd. in the Mainland.

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

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

V. Disclosure of auditors' remuneration

(I) Disclosure of audit remuneration, non-audit remuneration, and details of non-audit services, if the sum of non-audit remuneration paid to the auditor, accounting firm, and affiliated companies amount to more than one-quarters of total audit remuneration: None.

(II) Any change of accounting firm that resulted in the reduction of audit fee from the previous year; disclose audit fees before and after the change and the cause of such change: None.

(III) Any reduction in audit fee by more than 10% compared to the previous year; state the amount, percentage, and reason of such variation: None.

Audit remuneration brackets table

Name of accounting firm	Name of CPA		Audit period	Remarks
KPMG Accounting firm	Wang Michelle	Yen Hsing-Fu	2020/01-2020/12	

Unit: NTD thousands

Fee category		Audit remuneration	Non-audit remuneration	Total
Range				
1	Below NT\$ 2,000,000	0	160	160
2	NT\$2,000,000 (inclusive) ~ NT\$4,000,000	4,000	0	4,000
3	NT\$4,000,000 (inclusive) ~ NT\$6,000,000			
4	NT\$6,000,000 (inclusive) ~ NT\$8,000,000			
5	NT\$8,000,000 (inclusive) ~ NT\$10,000,000			
6	NT\$10,000,000 and above			

Unit: NTD thousands

Name of accounting firm	Name of CPA	Audit remuneration	Non-audit remuneration					Period of audit service	Remarks
			System design	Business registration	Human resource	Others (Note 2)	Subtotal		
KPMG	Wang Michelle	4,000	-	-	-	160	160	2020/01-2020/12	Issuance of opinions on treasury stock buyback and transfer pricing report
	Yen Hsing-Fu								

Note 1: If there is any change of auditor or accounting firm during the year, please specify the duration of their services separately and state the reason for making the change in the remarks field. Any audit and non-audit remuneration paid to auditors should also be disclosed separately.

Note 2: Please list non-audit fees according to service categories. If "other fees" of non-audit fees amount to more than 25% of non-audit fees, details of service should be disclosed in the remarks section.

VI. Change of auditor

(I) Information relating to the former auditor

Date of reappointment	March 31, 2019		
Reason for reappointment	Internal rotation within KPMG		
Whether the termination of audit service was initiated by the client or by the auditor	Parties involved	CPA	Client
	Situation		
	Service terminated by	Daisy Kuo	
	Service no longer accepted (continued) by		
An opinion other than unqualified opinion issued in the last two years, and the cause for such an opinion	None		
Any disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit coverage or procedures
			Others
	None		
	Explanation		
(Disclosures deemed necessary under Item 1-4 to Item 1-7, Subparagraph VI, Article 10 of the Guidelines)	None		

(II) Information relating to the succeeding auditor

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

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

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

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

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

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

Title	Name	2020		Year-to-date as at April 13	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Lin Mu-Ho	—	—	—	—
Director and Vice Chairman	Lin Feng-Ran	—	(2,000,000)	—	—
Director	Chen Hsiao-Chun	—	—	—	—
Director and President	Lo Chih-Chi	—	—	—	—
Independent Director	Chou Liang-Cheng	—	—	—	—
Independent Director	Chen Hung-Chang	—	—	—	—
Independent Director	Chen Chien-Chun	—	—	—	—
Vice President	Fan Yu-Hsiang	—	—	—	—
Vice President	Wu Ruei-Chuan	—	—	—	—
Assistant Vice President	Wu Chien-Sheng	—	—	—	—
Assistant Vice President and Finance Manager	Huang Shih-Chieh	—	—	—	—
Assistant Vice President	Chang Chin-Hsing	—	—	—	—
Assistant Vice President	Hsiao Kuang-Chih	—	—	—	—
Assistant Vice President	Chueh Chung-Hui	—	—	—	—
Accounting Manager	Su Chung-Ching	—	—	—	—

Title	Name	2020		Year-to-date as at April 13	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Shareholder with more than 10% ownership interest	Shang Mei Precision Industrial Co., Ltd.	16,000,000	—	—	—
Director	Ching Chi-Ben (departed on 2020/06/12)	—	—	—	—
Independent Director	Chang Yi-Min (departed on 2020/06/12)	—	—	—	—
Independent Director	Lin Chiang-Feng (departed on 2020/06/12)	—	—	—	—
Supervisor	Lin Pei-Yu (departed on 2020/06/12)	—	—	—	—
Supervisor	Lin Po-Hsiang (departed on 2020/06/12)	—	—	—	—

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

(III) Disclosure of shares pledged to related parties:

Name (Note 1)	Reason for change of pledge (Note 2)	Date of change	Counterparty	Counterparty's relationship with the Company's directors, supervisors, managers, and shareholders with more than 10% ownership interest	Shares held	Shareholding percentage	Percentage of pledge	Amount pledged (redeemed)
Lin Feng-Ran	Redeemed	2020.12.31	Mega International Commercial Bank Co., Ltd. Keelung Branch	None	2,000,000	4.24%	0.00%	—

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

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

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

Name (Note 1)	Personal shareholding		Shares held by spouse and underage children Shareholding		Shares held in the names of others		Relationship characterized as spouse or relative of second degree or closer among the top-10 shareholders. (Note 3)		Remarks
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Name	Relationship	
Lin Mu-Ho	25,000,230	16.03%	1,425,809	0.91%	—	—	Tsai Chiu-Hua Lin Mu-Rong Lin Ching-Yuan Lin Feng-Ran	Spouse Brothers Father and son Father and son	None
Shang Mei Precision Industrial Co., Ltd.	16,000,000	10.26%	—	—	—	—	—	—	None
Representative: Chan Chung-Chih	2,004,000	1.29%	—	—	—	—	—	—	None
Lin Ching-Yuan	7,103,430	4.56%	221,931	0.14%	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Feng-Ran	Father and son Mother and son Brothers	None
Lin Feng-Ran	6,612,310	4.24%	423,956	0.27%	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Ching-Yuan	Father and son Mother and son Brothers	None
Hui Chi Investment Co., Ltd.	6,426,758	4.12%	—	—	—	—	—	—	None
Representative: Lin Ching-Yuan	7,103,430	4.56%	221,931	0.14%	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Feng-Ran	Father and son Mother and son Brothers	None
Lin Mu-Rong	5,630,469	3.61%	991,369	0.64%	—	—	Lin Mu-Ho Lin Chun-Yi	Brothers Father and son	None
Chan Chung-Chih	2,004,000	1.29%	—	—	—	—	-	-	None
Tsai Chiu-Hua	1,425,809	0.91%	25,000,230	16.03%	—	—	Lin Mu-Ho Lin Feng-Ran Lin Ching-Yuan	Spouse Mother and son Mother and son	None
Lin Chun-Yi	1,257,262	0.81%	—	—	—	—	Lin Mu-Rong	Father and son	None
Chang Ting-Chen	1,245,000	0.80%	110,000	0.07%	—	—	—	—	None

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

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

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

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

Unit: thousand shares/thousands

Invested business (Note 1)	Invested by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Shares / units	Shareholding percentage	Shares / units	Shareholding percentage	Shares / units	Shareholding percentage
Ding Du International	62,858	100.00%	0	0%	62,858	100.00%
Chueh Rong International	45,988	100.00%	0	0%	45,988	100.00%
Ding Chih Co., Ltd.	20,710	100.00%	0	0%	20,710	100.00%
CHENMING ELECTRONIC TECHNOLOGY USA, INC.	200	100.00%	0	0%	200	100.00%
Dongguan Chenming	Note 2	100.00%	0	0%	Note 2	100.00%
Chenming Electronic (Ningbo)	Note 2	100.00%	0	0%	Note 2	100.00%

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

Note 2: Limited liability company.

Four. Funding Status

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

(I) Source of capital:

April 13, 2021

Year / month	Issue price	Authorized capital		Paid-up capital		Source of capital	Remarks	Capital contributed in properties other than cash Offset by any property	Others	Approval reference
		Shares	Amount	Shares	Amount					
1999.07	10	34,200,000	342,000,000	34,200,000	342,000,000	Capitalized earnings NT\$85.5 million and capital reserves NT\$66.5 million	0	None	Jing-(088)-Shang-129976 dated 1999.08.16	
2000.07	50					Cash issue NT\$100 million, employee bonus NT\$4 million				
	10	79,000,000	790,000,000	61,700,000	617,000,000	Capitalized earnings NT\$171 million	0	None	Jing-(089)-Shang-133304 dated 2000.09.14	
2001.07	10	110,000,000	1,100,000,000	87,000,000	870,000,000	Capitalized earnings NT\$185.1 million, employee bonus NT\$6.2 million Capitalized capital reserves NT\$61.7 million	0	None	Jing-(090)-Shang-09001293930 dated 2001.08.03 Letter No. 09001293930	
2002.09	10	120,000,000	1,200,000,000	114,000,000	1,140,000,000	Capitalized earnings NT\$174 million, employee bonus NT\$9 million Capitalized capital reserves NT\$87 million	0	None	Shang-09101404120 dated 2002.10.03	
2003.07	10	247,200,000	2,472,000,000	132,300,000	1,323,000,000	Capitalized earnings NT\$57 million, employee bonus NT\$12 million Capitalized capital reserves NT\$114 million	0	None	Shang-09201248100 dated 2003.08.19	
2004.01	10	247,200,000	2,472,000,000	133,476,470	1,334,764,700	NT\$ 11,764,700 (conversion from corporate bonds)	0	None	Shang-09301009900 dated 2004.01.19	
2004.04	10	247,200,000	2,472,000,000	137,929,391	1,379,293,910	NT\$ 44,529,210 (conversion from corporate bonds)	0	None	Shang-09301074800 dated 2004.04.29	
2004.07	10	247,200,000	2,472,000,000	137,947,038	1,379,470,380	NT\$ 176,470 (conversion from corporate bonds)	0	None	Shang-09301130400 dated 2004.07.29	
2004.09	10	247,200,000	2,472,000,000	145,421,449	1,454,214,490	Capitalized earnings NT\$25.8976 million, employee bonus NT\$10 million Capitalized capital reserves NT\$38.8464 million	0	None	Shang-09301157100 dated 2004.09.06	
2004.1	10	247,200,000	2,472,000,000	137,421,449	1,374,214,490	NT\$ -80,000,000 (retirement of treasury stock)	0	None	Shang-09301188300 dated 2004.10.12	
2005.01	10	247,200,000	2,472,000,000	128,921,449	1,289,214,490	NT\$ -85,000,000 (retirement of treasury stock)	0	None	Shang-09401017480 dated 2005.01.28	
2005.08	10	247,200,000	2,472,000,000	142,313,593	1,423,135,930	Capitalized earnings NT\$43.3725 million, employee bonus NT\$10 million, Capitalized capital reserves NT\$80.5489 million	0	None	Shang-09401160120 dated 2005.08.22	
2005.1	10	247,200,000	2,472,000,000	145,313,582	1,453,135,820	NT\$ 29,999,890 (conversion from corporate bonds)	0	None	Shang-09401206880 dated 2005.10.20	
2006.07	10	247,200,000	2,472,000,000	140,313,582	1,403,135,820	NT\$ -50,000,000 (retirement of treasury stock)	0	None	Shang-09501134950 dated 2006.07.05	
2006.08	10	247,200,000	2,472,000,000	155,931,787	1,559,317,870	Capitalized earnings NT\$28.0627 million, employee bonus NT\$5.6 million, Capitalized NT\$42.094 million from capital reserves, and NT\$80,425,250 from conversion of corporate bonds	0	None	Shang-09501185100 dated 2006.08.24	
2007.01	10	247,200,000	2,472,000,000	156,163,928	1,561,639,280	NT\$ 2,321,410 (conversion from corporate bonds)	0	None	Shang-09601008170 dated 2007.01.12	
2007.04	10	247,200,000	2,472,000,000	158,887,131	1,588,871,310	NT\$ 27,232,030 (conversion from corporate bonds)	0	None	Shang-09601087320 dated 2007.04.25	
2007.07	10	247,200,000	2,472,000,000	160,940,691	1,609,406,910	NT\$ 20,535,600 (conversion from corporate bonds)	0	None	Shang-09601160770 dated 2007.07.12	
2007.08	10	247,200,000	2,472,000,000	169,948,887	1,699,488,870	Capitalized earnings NT\$62.4655 million, employee bonus NT\$12 million Capitalized capital reserves NT\$15.6163 million	0	None	Shang-09601210270 dated 2007.08.31	
2007.1	10	247,200,000	2,472,000,000	174,561,410	1,745,614,100	NT\$ 46,125,230 (conversion from corporate bonds)	0	None	Shang-09601249620 dated 2007.10.12	
2008.01	10	247,200,000	2,472,000,000	174,948,198	1,749,481,980	NT\$ 3,867,880 (conversion from corporate bonds)	0	None	Shang-09701005760 dated 2008.01.11	
2008.04	10	247,200,000	2,472,000,000	205,819,156	2,058,191,560	NT\$ 308,709,580 (conversion from corporate bonds)	0	None	Shang-09701088600 dated 2008.04.11	

Year / month	Issue price	Authorized capital		Paid-up capital		Remarks			
		Shares	Amount	Shares	Amount	Source of capital	Capital contributed in properties other than cash Offset by any property	Others	Approval reference
2008.08	10	247,200,000	2,472,000,000	216,081,018	2,160,810,180	Capitalized earnings NT\$51.4547 million, employee bonus NT\$10 million	0	None	Shang-09701215160 dated 2008.08.26
2008.1	10	247,200,000	2,472,000,000	198,081,018	1,980,810,180	Capitalized capital reserves NT\$41.1638 million	0	None	Shang-09701270770 dated 2008.10.24
2009.12	10	247,200,000	2,472,000,000	188,081,018	1,880,810,180	NT\$ -180,000,000 (retirement of treasury stock)	0	None	Shang-09801293510 dated 2009.12.22
2012.03	10	247,200,000	2,472,000,000	185,171,018	1,851,710,180	NT\$ -100,000,000 (retirement of treasury stock)	0	None	Shang-10101049820 dated 2012.03.23
2013.05	10	247,200,000	2,472,000,000	182,171,018	1,821,710,180	NT\$ -29,100,000 (retirement of treasury stock)	0	None	Shang-10201095570 dated 2013.05.22
2014.1	10	247,200,000	2,472,000,000	180,000,018	1,800,000,180	NT\$ -30,000,000 (retirement of treasury stock)	0	None	Shang-10301221430 dated 2014.10.28
2015.08	10	247,200,000	2,472,000,000	177,935,018	1,779,350,180	NT\$ -21,710,000 (retirement of treasury stock)	0	None	Shang-10401171260 dated 2015.08.13
2016.08	10	247,200,000	2,472,000,000	169,935,018	1,699,350,180	NT\$ -20,650,000 (retirement of treasury stock)	0	None	Shang-10501202410 dated 2016.08.16
2019.03	10	247,200,000	2,472,000,000	162,935,018	1,629,350,180	NT\$ -80,000,000 (retirement of treasury stock)	0	None	Shang-Zi No. 10801031730 dated March 28, 2019
2020.02	10	247,200,000	2,472,000,000	159,435,018	1,594,350,180	NT\$ -70,000,000 (retirement of treasury stock)	0	None	Shang-Zi No. 10901018580 dated February 10, 2020
2020.03	10	247,200,000	2,472,000,000	155,935,018	1,559,350,180	NT\$ -35,000,000 (retirement of treasury stock)	0	None	Shang-Zi No. 10901072970 dated May 11, 2020

Share category	Authorized capital				Remarks
	Outstanding shares (public listed)	Treasury stock	Unissued shares	Total	
Registered ordinary shares	155,935,018	0	91,264,982	247,200,000	None

(II) Shareholders structure:

April 13, 2021

Shareholders structure	Government institutions	Financial institutions	Other corporate entities	Foreign institutions and foreigners	Natural persons	Treasury stock	Total
Head count	1	0	25	37	11,207	0	11,270
Number of shares held	98	0	23,799,294	2,548,873	129,586,753	0	155,935,018
Shareholding percentage (%)	0.00%	0.00%	15.26%	1.63%	83.11%	0.00%	100.00%

(III) Diversity of ownership:

April 13, 2021

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage (%)
1-999	2,690	348,503	0.22%
1,000-5,000	6,173	13,755,884	8.82%
5,001-10,000	1,164	9,876,283	6.33%
10,001-15,000	293	3,848,323	2.47%
15,001-20,000	298	5,669,609	3.64%
20,001-30,000	225	5,988,698	3.84%
30,001-40,000	100	3,648,586	2.34%
40,001-50,000	74	3,510,548	2.25%
50,001-100,000	147	10,599,178	6.80%
100,001-200,000	53	7,314,489	4.69%
200,001-400,000	27	7,542,963	4.84%
400,001-600,000	9	4,895,562	3.14%
600,001-800,000	3	1,918,000	1.23%
800,001-1,000,000	2	1,991,369	1.28%
1,000,001 and above	12	75,027,023	48.11%
Total	11,270	155,935,018	100.00%

(IV) List of major shareholders:

April 13, 2021

Serial number	Account number	Name of major shareholder	Number of shares held	Shareholding percentage (%)
1	1	Lin Mu-Ho	25,000,230	16.03%
2	60020	Shang Mei Precision Industrial Co., Ltd.	16,000,000	10.26%
3	10	Lin Ching-Yuan	7,103,430	4.56%
4	115	Lin Feng-Ran	6,612,310	4.24%
5	13	Hui Chi Investment Co., Ltd.	6,426,758	4.12%
6	2	Lin Mu-Rong	5,630,469	3.61%
7	58916	Chan Chung-Chih	2,004,000	1.29%
8	5	Tsai Chiu-Hua	1,425,809	0.91%
9	321	Lin Chun-Yi	1,257,262	0.81%
10	42555	Chang Ting-Chen	1,245,000	0.80%

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

Item		Year	2019	2020	Year-to-date as at March 31
Market price per share	High		19.20	16.20	17.20
	Low		13.25	9.97	13.10
	Average		15.12	12.86	14.13
Net worth per share	Before dividend		14.54	15.19	Note 5
	After dividend		14.54	Note 1	Note 5
EPS	Weighted average outstanding shares (in thousands)		162,479	156,710	Note 5
	EPS		0.82	0.4	Note 5
Per-share dividend	Cash dividends		0.3	Note 1	Note 5
	Stock dividends	From earnings	0	Note 1	Note 5
		From capital reserves	0	Note 1	Note 5
	Cumulative unpaid dividends		0	Note 1	Note 5
Analysis of investment returns	P/E ratio (Note 2)		18.44	32.15	Note 5
	Price to dividend ratio (Note 3)		50.40	Note 1	Note 5
	Cash dividend yield (Note 4)		1.98%	Note 1	Note 5

Note 1: Appropriation of earnings for the year had yet to be resolved in a shareholder meeting.

Note 2: P/E ratio = average closing price per share for the year / earnings per share.

Note 3: Price to dividends ratio = average closing price per share for the year / cash dividends per share.

Note 4: Cash dividend yield = cash dividends per share / average closing price per share for the current year.

Note 5: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2021.

(VI) Dividend policy and execution:

1. Dividend policy:

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

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

A proposal has been raised for the 2021 annual general meeting to distribute cash dividends at NT\$0.3 per share from 2020 earnings. This proposal conforms with the Articles of Incorporation.

3. Expected change in dividend policy: None.

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

Not applicable.

(VIII) Employee/director/supervisor remuneration:

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

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

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

- (1) Amounts are estimated based on percentages specified in the Articles of Incorporation, which includes employee remuneration of no lesser than 2% of pre-tax profit and director/supervisor remuneration of no higher than 2% of pre-tax profit.

- (2) Not applicable as no proposal was made to pay employees' remuneration in shares.

- (3) If a different amount is resolved on a later date, the difference shall be treated as a change in accounting estimates and recognized as gains or losses in the year the resolution is made.

3. Remuneration passed by the board of directors

- (1) Employee/director/supervisor remuneration, in cash or in shares: Employee remuneration totaling NT\$3 million and director/supervisor remuneration totaling NT\$1.5 million have been proposed. Both amounts will be paid in cash. There was no difference between the amount of expenses recognized and the amount estimated for the year.

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

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

The Company paid NT\$5,000,000 of remuneration to employees and NT\$1,500,000 of remuneration to directors/supervisors in cash in the previous year (2019). The amount actually paid was indifferent from the amount previously recognized.

(IX) Shares repurchased by the Company:

1. Buybacks completed:

Unit: NT\$

Term of buyback	The first buyback in 2020
Purposes of buyback	In an effort to safeguard the Company's credit standing and shareholders' equity
Period of buyback	2020/03/13~2020/04/14
Price range of buyback	NT\$ 9 ~NT\$ 18
Types and number of shares bought back	3,500,000 common shares
Amount of buyback	NT\$38,712,454
Quantity bought back as a percentage of planned buyback (%)	100%
Number of shares retired and transferred	3,500,000 shares
Accumulated holding of the Company's shares	0 shares
Cumulative holding of own shares as a percentage to total outstanding shares (%)	0%
Date of verification	2020/04/21
Approval Letter No.	Letter Jin-Guan-Zheng-Jiao-Zi 1090339697

Note: The above data was accurate as of the publication date of annual report (April 30).

2. Under execution: None.

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

(I) Corporate bonds :

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

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

III. Progress on planned use of fund:

(1) Status of unfinished issuance or private placement of securities: NA

(2) For financing plans that were completed in the previous quarter before the date of the report's publication or in the most recent three years but have not yet fully yielded the planned benefits: NA

Five. Business Overview

I. Operations:

(I) Scope of business

1. Principal business activities

- (1) Processing, manufacturing, import, export, and trading of metalworking machines, stamping beds, steel molds, hardware, and electromechanical parts (manufacturing of computer chassis, peripherals, and molds).
- (2) CC01030 Electrical Appliances and Audiovisual Electronic Products Manufacturing.
- (3) CC01060 Wired Communication Equipment and Apparatus Manufacturing.
- (4) CC01050 Data Storage Media Units Manufacturing.
- (5) CC01070 Telecommunication Equipment and Apparatus Manufacturing.
- (6) CC01080 Electronics Components Manufacturing.
- (7) E605010 Computer Equipment Installation.
- (8) F113070 Wholesale of Telecom Instruments.
- (9) F213060 Retail Sale of Telecom Instruments.
- (10) F601010 Intellectual Property.
- (11) I301010 Software Design Services.
- (12) I301020 Data Processing Services.
- (13) I301030 Digital Information Supply Services.
- (14) I501010 Product Designing.
- (15) IE01010 Telecommunications Service Number Agencies.
- (16) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Principal business activities and weight

Unit: NTD thousand

Product	2020 sales amount	as a percentage of annual sales
PC and server chassis	4,586,048	75%
Mobile device components	1,006,311	16%
Mold	532,159	9%
Total	6,124,518	100%

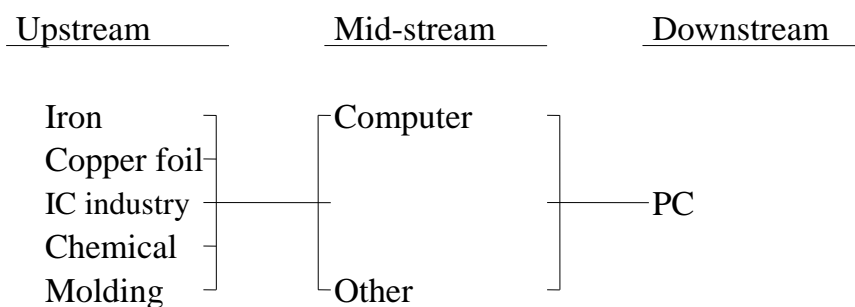
3. The Company's current products (services)
Design, manufacturing, and sale of PC and server chassis and handheld devices.
4. New products (services) planned for the future
 - (1) Continue development of continuous furnace for MIM production of acid-deformed injection material Fe-49Co-2V.
 - (2) Continue development of CIM (Ceramic Injection Molding) surface treatment technique.
 - (3) Continue development of continuous furnace for MIM production of High Strength Non-Magnetic Austenitic Stainless Steel (X15 CrMnMoN 17-11-3).
 - (4) Continue development of continuous furnace for production of cobalt-based alloy F75 (Co-28Cr-6Mo), and MIM process involving continuous furnace.
 - (5) Development of AISI 420 high strength martensite: for MIM process optimization (sintering and heat treatment) and micro structure analysis.
 - (6) Design and development of edge computing server chassis for 5G applications.
 - (7) Design and development of outdoor, high weather-resistance edge computing server chassis for 5G applications.

(II) Industry overview

1. Current and future industry prospects

PC/server chassis is a computer peripheral, and falls in the hardware category of the IT industry. Given the adoption of new technologies such as smart manufacturing, smart factory, IoT, AI, big data, cloud computing, cybersecurity, and 5G, production and sale of consumer electronic parts and IT products still exhibit immense potentials in the future. The Company will continue improving competitiveness and exploring market opportunities in fields such as smart innovation, technological application, industrial evolution, cloud computing, and AI. These were the goals that drove the Company into exploring breakthrough application of new processes and technologies, developing new chassis and racks for cloud computing servers, and expanding customer reach and product lines in recent years.

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



3. Product trend and competition

As people adapt to the COVID-19 pandemic, uprise of “remote service,” “cloud computing,” and “digital solutions” present the IT/electronics industry with new opportunities, and Chenming was able to capitalize on this new trend by continually adopting automated production and smart process management solutions to further improve production efficiency and product quality. In light of emerging trends such as home-based economy, remote management, IoT applications, and cloud-based services, Chenming will be undergoing aggressive digital transformation as a means to increase revenues, asset size, and profits in shareholders’ favor.

(III) Technological research and development

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

Unit: NTD

thousand

	2016	2017	2018	2019	2020	Year-to-date as at March 31 (Note)
R&D expenses	40,737	34,036	35,697	49,128	52,899	-
Operating revenue	4,274,910	4,840,129	6,186,402	6,028,702	6,124,518	-
R&D expenses as a percentage of net operating revenues	0.95%	0.70%	0.58%	0.82%	0.86%	-

Note: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2021.

2. Technologies or products successfully developed

- (1) Completed development Fe-49Co-2V, an acid-deformed soft magnetic material with high magnetic induction for MIM process.
- (2) Completed development of F75 (Co-28Cr-6Mo), an acid-deformed, corrosion-resistant, wear-resistant, and non-magnetic cobalt-based alloy for MIM process.
- (3) Completed development of smart shaping MIM manufacturing technique and process.

- (4) Completed development of MIM hollow components and production methods.

(IV) Long and short-term business plans

1. Short-term business plans

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

2. Long-term business plans

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

II. Market and sales overview

(I) Market analysis

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

Computer chassis and cellphone components are the main products of the Company. The Company exports most of the products it produces. It manufactured approximately 17.73 million pieces of computer chassis and 130.69 million pieces of cellphone components during the year.

Unit: NTD thousand; %

Year		2018		2019		2020	
		Sales amount	Sales percentage	Sales amount	Sales percentage	Sales amount	Sales percentage
Domestic sale		34,298	0.55	197,736	3.28	297,228	4.85
Export sale	America	540,315	8.73	405,299	6.72	638,690	10.43
	Europe	198,719	3.21	166,008	2.75	18,140	0.30
	Asia	5,413,070	87.51	5,259,659	87.25	5,170,460	84.42
Total		6,186,402	100.00	6,028,702	100.00	6,124,518	100.00

2. Future market supply, demand and growth

(1) Future market supply and demand

Desktop PCs exhibit little growth potential due to their tendency to be replaced by notebook and tablet PCs in the future. However, world-wide adoption of new technologies such as smart manufacturing, smart factory, IoT, AI, big data, cloud computing, cybersecurity, and 5G still presents consumer electronic parts and IT products with immense growth potentials in the future. This shift of computing activity will also drive growth of servers and data centers, as well as demands for more computing, storage, and network capacity. Overall, demands for server chassis and smartphone components will continue to grow at the expense of desktop PC growth.

(2) Future market growth

Chassis manufacturing is closely tied to the IT industry. Although demands for desktop PCs have declined, new applications such as multimedia, networking, and smart homes have grown consistently, whereas remote solutions, IoT, and cloud computing surged due to the uprise of home-based economy, and 5G products are starting to make their ways into the market. Overall, the Company is optimistic about its future growth.

3. Competitive advantage

(1) Superior R&D and design capability

(2) Comprehensive production procedures and product lines

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

(4) Fast and reliable product delivery

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

4. Opportunities, threats and responsive measures

(1) Opportunities

- A. Consumers are paying more attention to the pattern and material of the chassis they use. These products are less substitutable and highly standardized to assure a relatively long life cycle.
- B. The Company works with world-renowned IT brands and is constantly developing new products.
- C. The Company maintains long-term relationship with suppliers to secure the source of its materials, and competitiveness of its products.
- D. The percentage of handheld device components manufactured using the MIM process continues to increase.

(2) Threats and response measures

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

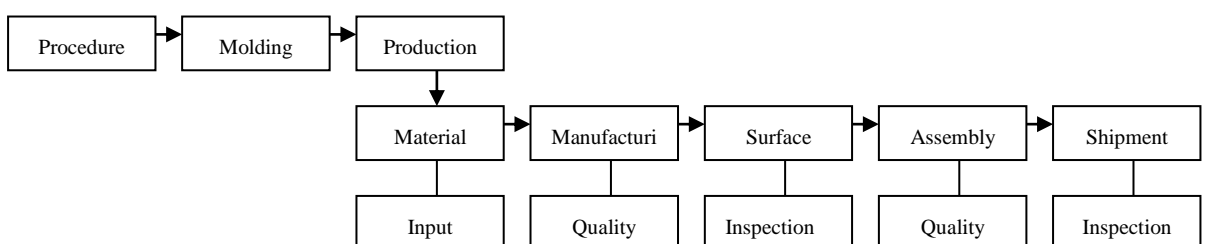
(II) Main product applications and production processes:

1. Main product applications

The Company is mainly involved in the production and sale of computer chassis, mobile device components, server chassis and related components.

Its products are used for the assembly and for protection of desktop PCs, handheld devices, and servers.

2. Production process



(III) Supply of key materials:

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

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

1. Main suppliers in the last two years

Unit: NTD thousand

Item	2019				2020				2021 up until the first quarter (Note 2)			
	Name	Amount	As a percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage of annual net purchases (%)	Relationship with the issuer	Name	Amount	As a percentage of net purchases [%] in the first quarter of the current year	Relationship with the issuer
1	Company A	208,825	6%	None	Company A	370,505	11%	None	-	-	-	-
	Others	3,152,198	94%	None	Others	3,028,062	89%	None	-	-	-	-
	Net purchase	3,361,023	100%		Net purchase	3,398,567	100%		-	-	-	

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

Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2021.

Change in main suppliers in the last two years and cause of variation:

Item	Name	Amount in 2019	Amount in 2020	Difference between the two periods	Cause of variation
1	Company A	208,825	370,505	161,680	Increased order and demand
	Others	3,152,198	3,028,062	(124,136)	
	Net sales	3,361,023	3,398,567	37,544	

2. Main customers in the last two years

Unit: NTD thousand

Item	2019				2020				2021 up until the first quarter (Note 2)			
	Name	Amount	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	As a percentage of current year net sales up till the previous quarter (%)	Relationship with the issuer
1	Company A	896,771	15%	None	Company A	1,009,143	16%	None	-	-	-	-
2	Company B	1,812,090	30%	None	Company B	1,719,951	28%	None	-	-	-	-
3	Company C	944,618	16%	None	Company C	1,342,055	22%	None	-	-	-	-
4	Company D	975,190	16%	None	Company D	611,118	10%	None	-	-	-	-
	Others	1,400,033	23%	None	Others	1,442,251	24%	None	-	-	-	-
	Net sales	6,028,702	100%		Net sales	6,124,518	100%		-	-	-	-

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

Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2021.

Cause of customer changes in the last two years:

Item	Name	Amount in 2019	Amount in 2020	Difference between the two periods	Cause of variation
1	Company A	896,771	1,009,143	112,372	Increase in customer's demand
2	Company B	1,812,090	1,719,951	(92,139)	Decrease in customer's demand
3	Company C	944,618	1,342,055	397,437	Increase in customer's demand
4	Company D	975,190	611,118	(364,072)	Decrease in customer's demand
	Others	1,400,033	1,442,251	42,218	
	Net sales	6,028,702	6,124,518	95,816	

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

Unit: thousand pieces/NTD thousand

Year/Production volume or value	2019			2020		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
PC chassis	20,203	19,824	4,876,704	21,705	18,088	4,449,602
Mobile device components	137,648	114,231	879,579	146,634	133,304	1,026,438
Mold (Note)	-	-	287,055	-	-	538,040
Total	157,851	134,055	6,043,338	168,339	151,392	6,014,080

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

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

Unit: thousand pieces/NTD thousands

Year	2019				2020			
	Domestic sale		Export sale		Domestic sale		Export sale	
Main products	Volume	Value	Volume	Value	Volume	Value	Volume	Value
PC chassis	91	184,416	19,072	4,691,589	124	254,197	17,609	4,331,851
Mobile device components	-	-	113,507	874,003	-	-	130,690	1,006,311
Mold (Note)	-	13,320	-	265,374	-	43,031	-	489,128
Total	91	197,736	132,579	5,830,966	124	297,228	148,299	5,827,290

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

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

March 31, 2021

Year		2019	2020	Current year up until March 31, 2021
Employee count	Indirect employees	1,471	1,744	1,674
	Direct employees	3,930	3,678	3,216
	Total	5,401	5,422	4,890
Average age		31.83	32.47	34.53
Average years of service		2.67	2.83	3.07
Distribution of academic background (%)	Doctoral Degree	0.07%	0.07%	0.08%
	Masters Degree	0.33%	0.33%	0.31%
	Bachelors Degree	9.05%	8.97%	9.53%
	Senior High School	11.92%	9.75%	9.54%
	Below high school	78.61%	80.86%	80.51%

IV. Contribution to environmental protection

- (I) Losses (including damage compensation) arising as a result of pollution in the last three years up until the publication date of annual report (including any violation against environmental protection law found during environmental inspection; explain the date of penalty, reference number, the laws violated, the violating action, and the nature of penalty), and response measures: None.
- (II) Describe the current state of pollution and how improvements may affect the Company's earnings, competitiveness, and capital expenditure; estimate major capital expenditures on environmental protection in the next 3 years: None.

V. Labor-management relations

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

1. Welfare

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

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

2. Training and continuing education

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

Item No.	Department	Course name	Trainer	Course date	Training hours	Expenses
1	Administration Department	Retraining for fire safety officers	Fire Fighter Educational Foundation	6/30/2020	6	1,600
2	Administration Department	Retraining for fire safety officers	Fire Fighter Educational Foundation	7/17/2020	6	1,600
3	Internal Audit Office	Productive Labor-management Relations: Employment Dispute and Employee Fraud	Securities & Futures Institute	7/22/2020	6	3,500
4	Internal Audit Office	Trends of Enterprise Personal Data Management and Case Study of Business Secrecy - Effects of EU GDPR	Securities & Futures Institute	7/30/2020	6	3,500
5	Internal Audit Office	Government Assistance for Enterprise Financial Statement Preparation and Internal Control	Accounting Research and Development Foundation	8/6/2020	6	3,500

Item No.	Department	Course name	Trainer	Course date	Training hours	Expenses
		Practices				
6	Internal Audit Office	Enterprise Cost Saving and Audit Controls and Practices in Competition Strategy	Accounting Research and Development Foundation	8/7/2020	6	3,500
7	Finance Division	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Accounting Research and Development Foundation	2020/9/28-29	12	8,000
8	IT Center	2020 Taiwan Cyber Security Summit	ITHOME	2020/8/11-12	16	-
9	Internal Audit Office	IT Audit	The Institute of Internal Auditors, R.O.C	9/16/2020	6	3,000
10	Internal Audit Office	Practices Following Implementation of The Company Act	The Institute of Internal Auditors, R.O.C	9/25/2020	6	3,000
11	IT Center	Cloud Edge Summit Taiwan 2020	ITHOME	9/8/2020	7	-
12	Advanced Procedures R&D Department	On-job Training for First-aid Personnel	China Safety & Health Management Society R.O.C	10/16/2020	3	800
13	Administration Department	On-job Training for First-aid Personnel	China Safety & Health Management Society R.O.C	10/16/2020	3	800
14	Administration Department	On-job Training for First-aid Personnel	China Safety & Health Management Society R.O.C	10/19/2020	3	800
15	Finance Division	Analysis of Latest Corporate Governance Policies and Audit/Compliance Practices for Corporate Governance Personnel	Accounting Research and Development Foundation	11/25/2020	6	3,500
16	Finance Division	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Accounting Research and Development Foundation	2020/11/26.27	12	8,000

3. Pension system

The Company complies with regulations and has been contributing a sum totaling 6% of employees' monthly salaries into their personal accounts held under the Bureau of Labor Insurance for all employees who came onboard after July 1, 2005 and for existing employees who opted for the new pension scheme introduced by the Labor Pension Fund Act. Meanwhile, the Company continues to make appropriate contributions to the pension fund account held with Bank of Taiwan according to its pension policy for existing employees who opted for the old pension scheme and for existing employees who opted for the new scheme (based on the years of service completed under the old scheme). In August 2020, the Company submitted a request to the Bureau of Labor Insurance to settle and clear off all employees' years of service accumulated under the old scheme. Employees who are assigned from one related company to another may have years of service carried forward. It is the Company's intention to provide employees with as much protection as possible to facilitate circulation of talents within the group.

Overseas subsidiaries adopt the defined contribution pension plan,

in which they make monthly contributions to the pension, healthcare and social security systems as required by local governments.

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

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

(II) Losses arising as a result of employment disputes in the last year up until the publication date of annual report (including violations against Labor Standards Act found during labor inspection; explain the date of penalty, reference number, the laws violated, the violating action, and the nature of penalty); disclose current and possible future losses and state any response actions:

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

VI. Major contracts: None.

Six. Financial Summary

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

(I) Summary balance sheet and statement of comprehensive income

1. Summary balance sheet - consolidated

Unit: NTD thousand

Item	Year	Financial information for the latest 5 years (Note 1)					Financial information as at March 31, 2021 (Note 3)
		2016	2017	2018	2019	2020	
Current assets		2,458,237	2,876,139	3,485,627	3,451,479	3,154,950	-
Property, plant, and equipment		1,180,980	1,128,528	1,137,662	969,922	1,315,813	-
Intangible assets		3,555	3,617	2,368	1,390	2,653	-
Other assets		526,723	532,098	495,759	514,162	490,623	-
Total assets		4,169,495	4,540,382	5,121,416	4,936,953	4,964,039	-
Current liabilities	Before dividend	1,316,145	1,696,528	2,217,813	2,105,047	1,867,332	-
	After dividend	1,401,113	1,781,496	2,266,694	2,151,828	Note 2	-
Non-current liabilities		254,769	220,226	293,451	324,315	636,351	-
Total liabilities	Before dividend	1,570,914	1,916,754	2,511,264	2,429,362	2,503,683	-
	After dividend	1,624,295	2,001,722	2,560,145	2,476,143	Note 2	-
Equity attributable to parent company shareholders		2,598,581	2,382,915	2,340,477	2,318,043	2,369,341	-
Share capital		1,699,350	1,699,350	1,699,350	1,629,350	1,559,350	-
Capital reserves		14,722	52,485	52,485	82,967	131,819	-
Retained earnings	Before dividend	534,525	662,176	685,887	736,745	737,192	-
	After dividend	449,557	577,208	637,006	689,964	Note 2	-
Other equity items		(29,978)	(31,096)	(45,218)	(81,209)	(59,020)	-
Treasury stocks		-	-	(52,027)	(49,810)	-	-
Non-controlling equity		379,962	240,713	269,675	189,548	91,015	-
Total equity	Before dividend	2,598,581	2,623,628	2,610,152	2,507,591	2,460,356	-
	After dividend	2,513,613	2,538,660	2,561,271	2,460,810	Note 2	-

Note 1: Consolidated financial information for years 2016 and 2020 have been audited.

Note 2: Shareholder meeting has yet to be convened.

Note 3: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2021.

1-1. Summary balance sheet - standalone

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Notes 1 and 2)					
	2016	2017	2018	2019	2020	
Current assets	1,027,287	960,032	1,105,479	994,126	769,080	
Property, plant, and equipment	321,546	314,933	311,662	309,099	709,658	
Intangible assets	-	-	-	-	-	
Other assets	1,868,439	2,133,239	2,162,291	2,300,965	2,461,660	
Total assets	3,217,272	3,408,204	3,579,432	3,604,190	3,940,398	
Current liabilities	Before dividend	749,626	806,985	948,083	969,640	941,402
	After dividend	834,594	891,953	996,964	1,016,421	Note 2
Non-current liabilities	249,027	218,304	290,872	316,507	629,655	
Total liabilities	Before dividend	998,653	1,025,289	1,238,955	1,286,147	1,571,057
	After dividend	1,083,621	1,110,257	1,287,836	1,332,928	Note 2
Equity attributable to parent company shareholders	2,218,619	2,382,915	2,340,477	2,318,043	2,369,341	
Share capital	1,699,350	1,699,350	1,699,350	1,629,350	1,559,350	
Capital reserves	14,722	52,485	52,485	82,967	131,819	
Retained earnings	Before dividend	534,525	662,176	685,887	736,745	737,192
	After dividend	449,557	577,208	637,006	689,964	Note 2
Other equity items	(29,978)	(31,096)	(45,218)	(81,209)	(59,020)	
Treasury stocks	-	-	(52,027)	(49,810)	-	
Non-controlling equity	-	-	-	-	-	
Total equity	Before dividend	2,218,619	2,382,915	2,340,477	2,318,043	2,369,341
	After dividend	2,133,651	2,297,947	2,291,596	2,271,262	Note 2

Note 1: Consolidated financial information for years 2016 to 2020 has been audited.

Note 2: Shareholder meeting has yet to be convened.

2. Summary statement of comprehensive income - consolidated

Unit: NTD thousand

Item \ Year	Financial information for the latest 5 years (Note 1)					Financial information as at March 31, 2021 (Note 2)
	2016	2017	2018	2019	2020	
Operating revenue	4,274,785	4,840,129	6,186,402	6,028,702	6,124,518	-
Gross profit	608,044	661,920	472,143	564,907	556,527	-
Operating profit	261,216	321,059	98,852	185,813	191,559	-
Non-operating revenues and expenses	37,123	(40,992)	86,415	26,626	(82,811)	-
Pre-tax profit	298,339	280,067	185,267	212,439	108,748	-
Current net income from continuing operations	256,053	245,918	144,505	157,008	80,176	-
Loss of discontinued operations	-	-	-	-	-	-
Net income (loss)	256,053	245,918	144,505	157,008	80,176	-
Other comprehensive income for the current period (net, after-tax)	72,578	(8,139)	(20,986)	(41,794)	18,342	-
Total comprehensive incomes in the current period	183,475	237,779	123,519	115,214	98,518	-
Net income attributable to parent company shareholders	197,801	212,909	110,051	132,900	62,798	-
Net income attributable to non-controlling shareholders	58,252	33,009	34,454	24,108	17,378	-
Comprehensive income attributable to parent company shareholders	152,895	211,501	94,557	96,125	84,375	-
Comprehensive income attributable to non-controlling shareholders	30,580	26,278	28,962	19,089	14,143	-
EPS	1.14	1.25	0.65	0.82	0.40	-

Note 1: Consolidated financial information for years 2016 to 2020 has been audited.

Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2021.

2-2. Summary statement of comprehensive income - standalone

Unit: NTD thousands

Item	Year	Financial information for the last 5 years (Note 1)				
		2016	2017	2018	2019	2020
Operating revenue		2,740,828	2,808,551	3,138,229	2,827,726	2,771,049
Gross profit		314,671	347,036	224,277	195,585	197,264
Operating profit		122,535	215,368	100,455	60,710	72,333
Non-operating revenues and expenses		117,552	31,690	50,358	84,496	(1,163)
Pre-tax profit		240,087	247,058	150,813	145,206	71,170
Current net income from continuing operations		197,801	212,909	110,051	132,900	62,798
Loss of discontinued operations		-	-	-	-	-
Net income (loss)		197,801	212,909	110,051	132,900	62,798
Other comprehensive income/loss for the current period (net, after-tax)		44,906	(1,408)	(15,494)	(36,775)	21,577
Total comprehensive incomes in the current period		152,895	211,501	94,557	96,125	84,375
Net income attributable to parent company shareholders		197,801	212,909	110,051	132,900	62,798
Net income attributable to non-controlling shareholders		-	-	-	-	-
Comprehensive income attributable to parent company shareholders		152,895	211,501	94,557	96,125	84,375
Comprehensive income attributable to non-controlling shareholders		-	-	-	-	-
EPS		1.14	1.25	0.65	0.82	0.40

Note 1: Consolidated financial information for years 2016 to 2020 has been audited.

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

Year	Accounting firm	Name of CPA	Audit opinion
2016	KPMG	Yen Hsing-Fu, Daisy Kuo	Unqualified opinion
2017	KPMG	Yen Hsing-Fu, Daisy Kuo	Unqualified opinion
2018	KPMG	Yen Hsing-Fu, Daisy Kuo	Unqualified opinion
2019	KPMG	Yen Hsing-Fu, Michelle Wang	Unqualified opinion
2020	KPMG	Michelle Wang, Yen Hsing-Fu	Unqualified opinion

II. Financial analysis for the last 5 years:

(I) Financial analysis - consolidated

Analysis (Note 3)		Financial analysis for the last 5 years (Note 1)					Current year up until March 31, 2021 (Note 2)
		2016	2017	2018	2019	2020	
Financial position (%)	Debt to assets ratio	37.68	42.22	49.03	49.21	50.44	-
	Long-term capital to property, plants and equipment	240.19	251.09	254.22	290.08	234.25	-
Solvency (%)	Current ratio	186.78	169.53	157.17	163.96	168.95	-
	Quick ratio	135.06	118.62	108.69	114.13	113.79	-
	Interest coverage ratio	43.31	53.89	22.3	21.61	11.55	-
Operating efficiency	Accounts receivable turnover (times)	4.19	3.69	3.60	2.99	3.23	-
	Average cash collection days	87.10	98.93	101.42	121.89	112.94	-
	Inventory turnover (times)	6.49	5.95	6.42	5.52	5.74	-
	Accounts payable turnover (times)	5.60	4.17	4.23	3.79	4.22	-
	Average inventory turnover days	56.28	61.36	56.90	66.15	63.6	-
	Property, plant and equipment turnover (times)	3.62	4.29	5.44	6.22	4.65	-
	Total assets turnover (times)	1.03	1.07	1.21	1.22	1.23	-
Profitability	Return on assets (%)	6.88	5.75	3.14	3.29	1.79	-
	Return on equity (%)	10.59	9.42	5.52	5.71	2.68	-
	Pre-tax profit to paid-up capital (%) (Note 7)	17.56	16.48	10.90	13.04	6.97	-
	Net profit margin (%)	6.00	5.08	2.34	2.60	1.03	-
	Earnings per share (NT\$)	1.14	1.25	0.65	0.82	0.40	-
Cash flow	Cash flow ratio (%)	56.48	22.48	1.60	9.66	25.58	-
	Cash flow adequacy ratio (%)	146.21	165.93	95.74	109.65	103.50	-
	Cash reinvestment ratio (%)	25.02	10.52	-1.68	5.18	13.70	-
Degree of leverage	Operating leverage	2.02	1.65	3.53	2.33	2.10	-
	Financial leverage	1.03	1.02	1.10	1.06	1.06	-

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

- I. Solvency: Interest coverage ratio decreased due to lower pre-tax profit.
- II. Operating efficiency: Property, plant, and equipment turnover decreased due to an increase in net fixed assets.
- III. Profitability: Profitability decreased due to an increase of loss on exchange, which reduced the amount of profits earned.
- IV. Cash flow: Cash flow ratio and cash reinvestment ratio increased due to higher cash flow from operating activities.

Note 1: Consolidated financial information for years 2016 and 2020 have been audited.

Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2021.

Note 3: Formulas of various analyses are defined below:

(I) Financial analysis - standalone

Analysis (Note 2)		Year (Note 1)		Financial analysis for the last 5 years				
		2016	2017	2018	2019	2020		
Financial position (%)	Liabilities to assets ratio	31.04	30.08	34.61	35.68	39.87		
	Long-term capital to property, plants and equipment ratio	764.00	823.32	841.45	848.93	421.52		
Solvency (%)	Current ratio	137.04	118.97	116.6	102.53	81.70		
	Quick ratio	136.76	118.92	116.53	100.39	80.96		
	Interest coverage ratio	35.05	48	22.9	15.77	8.30		
Operating efficiency	Accounts receivable turnover (times)	3.97	3.73	3.71	3.08	3.48		
	Average cash collection days	91.88	97.83	98.39	118.40	104.83		
	Inventory turnover (times)	1565.26	3057.78	92506.41	324.62	236.27		
	Accounts payable turnover (times)	6.95	4.57	5.6	5.23	4.68		
	Average inventory turnover days	0.23	0.12	0.00	1.12	1.54		
	Property, plant and equipment turnover (times)	8.52	8.92	10.07	9.15	3.90		
	Total assets turnover (times)	0.85	0.82	0.88	0.78	0.70		
Profitability	Return on assets (%)	6.59	6.56	3.31	3.92	1.87		
	Return on equity (%)	8.88	9.25	4.66	5.71	2.68		
	<u>Pre-tax profit to paid-up capital (%)</u>	14.13	14.54	8.87	8.91	4.56		
	Net profit margin (%)	7.22	7.58	3.51	4.70	2.27		
	Earnings per share (NT\$)	1.14	1.25	0.65	0.82	0.40		
Cash flow	Cash flow ratio (%)	51.02	22.52	-13.73	6.89	37.64		
	Cash flow adequacy ratio (%)	1744.56	715.89	305.07	200.28	117.37		
	Cash reinvestment ratio (%)	14.53	4.04	-8.85	0.73	10.89		
Degree of leverage	Operating leverage	1.09	0.66	1.29	1.10	1.10		
	Financial leverage	1.06	1.03	1.07	1.19	1.16		

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

- I. Financial position: Long-term capital to fixed asset decreased due to an increase in net fixed assets.
- II. Solvency: Interest coverage ratio decreased due to lower pre-tax profit.
- III. Operating efficiency: Inventory turnover times decreased due to the additional inventory the Company had undertaken to meet increased demands from customers.
Average inventory turnover days increased due to lower inventory turnover times.
Property, plant, and equipment turnover times decreased due to acquisition of production site in Taiwan.
- IV. Profitability: Profitability decreased due to a decrease in current net income.
- V. Cash flow: Cash flow ratio and cash reinvestment ratio increased due to higher cash flow from operating activities.
Cash flow adequacy ratio decreased mainly due to higher cash flow from operating activities.

Note 1: Consolidated financial information for years 2016 and 2020 have been audited.

Note 2: Formulas of various analyses are defined below:

1. Financial position

- (1) Debt to asset ratio = total liabilities/ total assets.
- (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
- (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.

3. Operating efficiency

- (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
- (2) Average cash collection days = 365 / receivables turnover.
- (3) Inventory turnover = cost of sales/average inventory balance.
- (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
- (5) Average inventory turnover days = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
- (7) Total asset turnover = net sales/average total assets.

4. Profitability

- (1) Return on assets = (net income + interest expenses x (1 - tax rate)) / average asset balance.
- (2) Return on equity = net income / average shareholders' equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares. (Note 4)

5. Cash flow

- (1) Cash flow ratio = net cash flow from operating activities / current liabilities
- (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)

6. Degree of leverage:

- (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 6).
- (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

Note 4: Calculation of earnings per share has taken the following factors into account:

1. Weighted average outstanding common shares are used, instead of year-end outstanding shares.
2. Effects of cash issues or treasury stocks, weighed by the number of outstanding shares and calculated for the length of time they were in circulation.
3. Where any additional shares were issued against capitalized earnings or reserves, the full year or half-year earnings per share are adjusted retrospectively, regardless of when the additional shares were issued.
4. Where preferred shares were cumulative and non-convertible in nature, all current year dividends (whether distributed or not) are deducted from net income, or added to net loss. If preferred shares were non-cumulative, then the preferred share dividends are deducted from net income, but no adjustment is required for net loss.

Note 5: Cash flow analyses have taken the following factors into account:

1. Net cash flow from operating activities is taken from net cash inflow from operating activities presented in the cash flow statement.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. Increase in inventory is used only if closing balance exceeds opening balance. The value will be substituted with zero if closing inventory balance is lesser than the opening balance.
4. Cash dividends include both common and preference share cash dividends.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 6: The Company, as a securities issuer, is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

Note 7: For companies that issue shares without face value or at any face value other than NT\$10 per share, all above percentages that involve paid-up capital in the denominator shall be substituted with equity attributable to parent company shareholders instead.

III. **Audit Committee's report on the review** of the latest financial statements

**Chenming Electronic Technology Corporation
Audit Committee's Review Report**

We have reviewed the Company's 2020 business report, financial statements, and earnings distribution proposal prepared by the board of directors. The financial statements have been audited by CPA Michelle Wang and CPA Yen Hsing-Fu of KPMG, to which the firm issued an independent auditor's report. The Audit Committee found no misstatement in the above business report, financial statements, or earnings distribution, and hereby issues its report as presented above in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of The Company Act.

For:

2021 Annual General Meeting

Audit Committee convener: Chen Hung-Chang

March 17, 2021

IV. Latest financial statements and independent auditor's report

Consolidated financial statements enclosed herewith.

Stock Code:3013

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

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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

Representation Letter

The entities that are required to be included in the combined financial statements of Chenming Electronic Technology Corp. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chenming Electronic Technology Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Chenming Electronic Technology Corp.
Chairman: Lin, Mu-Ho
Date: March 17, 2021

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of CHENMING ELECTRONIC TECHNOLOGY CORP. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Inventory valuation

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

Description of key audit matters:

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

Our principal audit procedure included: testing the related controls of production cycle and assessing the allowance for loss due to price decline, analyzing the aging of inventory of each period; as well as testing the interval classification of the inventory aging report and the relevant value of the calculation table of the lower of the cost, and the net realizable value, to verify the rationality of assessment on the allowance estimated by the management of the Group.

Other Matter

CHENMING ELECTRONIC TECHNOLOGY CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

KPMG
Taipei, Taiwan (Republic of China)
March 17, 2021

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019						
Assets	Amount	%	Amount	%			\$		
Current assets:									
1100 Cash and cash equivalents (note (6)(a))	\$ 366,138	7	348,611	7	2100	Short-term loans (note (6)(h))	296,960	6	390,000 8
1170 Trade receivables, net (notes (6)(b) and (p))	1,735,973	35	2,053,094	42	2130	Current contract liabilities (note (6)(p))	615	-	1,221 -
1310 Inventories, net (note (6)(c))	966,616	20	973,795	20	2170	Trade payables	1,260,274	25	1,380,417 28
1476 Other current financial assets	22,738	-	743	-	2200	Other payables	274,570	6	273,309 5
1479 Other current assets	63,485	2	75,236	1	2220	Other payables-related parties (notes (6)(d) and (7))	24,208	-	25,783 1
	<u>3,154,950</u>	<u>64</u>	<u>3,451,479</u>	<u>70</u>	2230	Current tax liabilities	4,704	-	29,300 1
Non-current assets:					2280	Current lease liabilities (note (6)(j))	5,448	-	4,382 -
1600 Property, plant, and equipment (notes (6)(e) and (8))	1,315,813	27	969,922	20	2300	Other current liabilities	553	-	635 -
1755 Right-of-use assets (note (6)(f))	238,573	5	243,743	5		<u>1,867,332</u>	<u>37</u>	<u>2,105,047</u>	<u>43</u>
1760 Investment property, net (notes (6)(g) and (8))	196,399	4	197,636	4		Non-current liabilities:			
1780 Intangible assets	2,653	-	1,390	-	2540	Long-term loans (note (6)(i))	622,000	13	306,000 6
1840 Deferred income tax assets (notes (6)(m))	3,021	-	4,850	-	2570	Deferred income tax liabilities	-	-	4,931 -
1980 Other non-current financial assets (note (8))	26,598	-	24,422	-	2580	Non-current lease liabilities (note (6)(j))	6,297	-	5,693 -
1990 Other non-current assets (note (6)(l))	26,032	-	43,511	1	2645	Guarantee deposits	8,054	-	7,691 -
	<u>1,809,089</u>	<u>36</u>	<u>1,485,474</u>	<u>30</u>		<u>636,351</u>	<u>13</u>	<u>324,315</u>	<u>6</u>
						<u>2,503,683</u>	<u>50</u>	<u>2,429,362</u>	<u>49</u>
						Total liabilities			
						Equity attributable to owners of parent			
						(note (6)(n)):			
					3100	Ordinary shares	1,559,350	31	1,629,350 33
					3200	Capital surplus	131,819	3	82,967 2
					3300	Retained earnings	737,192	15	736,745 15
					3410	Exchange differences on translation of foreign financial statements	(59,020)	(1)	(81,209) (2)
					3500	Treasury shares	-	-	(49,810) (1)
						<u>2,369,341</u>	<u>48</u>	<u>2,318,043</u>	<u>47</u>
						Total equity attributable to owners of parent			
					36XX	Non-controlling interests	91,015	2	189,548 4
						<u>2,460,356</u>	<u>50</u>	<u>2,507,591</u>	<u>51</u>
						Total equity			
						Total liabilities and equity	<u>\$ 4,964,039</u>	<u>100</u>	<u>4,936,953 100</u>
Total assets	<u>\$ 4,964,039</u>	<u>100</u>	<u>4,936,953</u>	<u>100</u>					

	December 31, 2020		December 31, 2019	
Liabilities and Equity	Amount	%	Amount	%

Current liabilities:

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
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	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (note 6(p))	\$ 6,124,518	100	6,028,702	100
5000 Operating costs (notes (6)(c), (l) and (12))	5,567,991	91	5,463,795	91
5900 Gross profit from operations	556,527	9	564,907	9
6000 Operating expenses (notes (6)(l) and (12)):				
6100 Selling expenses	128,186	2	135,274	2
6200 Administrative expenses	183,883	3	194,692	3
6300 Research and development expenses	52,899	1	49,128	1
	364,968	6	379,094	6
6900 Net operating income	191,559	3	185,813	3
7000 Non-operating income and expenses:				
7050 Finance costs, net (note (6)(j))	(10,308)	-	(10,307)	-
7100 Interest income	1,474	-	1,473	-
7110 Rent revenue (notes (6)(k) and (7))	15,555	-	14,421	1
7190 Other income	27,255	1	13,076	-
7230 Foreign exchange gains (losses) (note (6)(r))	(106,851)	(2)	8,519	-
7590 Other expense and losses	(9,936)	-	(556)	-
	(82,811)	(1)	26,626	1
7900 Profit from continuing operations before tax	108,748	2	212,439	4
7950 Less: Income tax expenses (note (6)(m))	28,572	1	55,431	1
Profit	80,176	1	157,008	3
8300 Other comprehensive income:				
8310 Components of other comprehensive income (loss) that not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	-	-	(980)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	612	-	(196)	-
Total components of other comprehensive income that will not be reclassified to profit or loss	(612)	-	(784)	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	18,954	-	(41,010)	(1)
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	18,954	-	(41,010)	(1)
8300 Other comprehensive income (loss)	18,342	-	(41,794)	(1)
8500 Comprehensive income	\$ 98,518	1	115,214	2
Profit attributable to:				
8610 Owners of parent	\$ 62,798	1	132,900	3
8620 Non-controlling interests	17,378	-	24,108	-
	\$ 80,176	1	157,008	3
Comprehensive income attributable to:				
8710 Owners of parent	\$ 84,375	1	96,125	2
8720 Non-controlling interests	14,143	-	19,089	-
	\$ 98,518	1	115,214	2
Earnings per share (expressed in NTD) (note (6)(o)):				
9750 Basic earnings per share	\$ 0.40		0.82	
9850 Diluted earnings per share	\$ 0.40		0.82	

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent										
	Ordinary shares	Capital surplus	Legal reserve	Retained earnings			Other component of equity Exchange differences on translation of foreign financial statements	Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
				Special reserve	Unappropriated retained earnings	Total retained earnings					
Balance on January 1, 2019	\$ 1,699,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	2,340,477	269,675	2,610,152
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	11,005	-	(11,005)	-	-	-	-	-	-
Special reserve	-	-	-	14,123	(14,123)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(48,881)	(48,881)	-	-	(48,881)	-	(48,881)
Profit for the year ended December 31, 2019	-	-	-	-	132,900	132,900	-	-	132,900	24,108	157,008
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(784)	(784)	(35,991)	-	(36,775)	(5,019)	(41,794)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	132,116	132,116	(35,991)	-	96,125	19,089	115,214
Purchase of treasury shares	-	-	-	-	-	-	-	(102,322)	(102,322)	-	(102,322)
Retirement of treasury shares	(70,000)	(2,162)	-	-	(32,377)	(32,377)	-	104,539	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	32,644	-	-	-	-	-	-	32,644	-	32,644
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(99,216)	(99,216)
Balance on December 31, 2019	1,629,350	82,967	284,492	45,219	407,034	736,745	(81,209)	(49,810)	2,318,043	189,548	2,507,591
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	13,290	-	(13,290)	-	-	-	-	-	-
Special reserve	-	-	-	35,990	(35,990)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(46,781)	(46,781)	-	-	(46,781)	-	(46,781)
Profit for the year ended December 31, 2020	-	-	-	-	62,798	62,798	-	-	62,798	17,378	80,176
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(612)	(612)	22,189	-	21,577	(3,235)	18,342
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	62,186	62,186	22,189	-	84,375	14,143	98,518
Purchase of treasury shares	-	-	-	-	-	-	-	(38,712)	(38,712)	-	(38,712)
Retirement of treasury shares	(70,000)	(3,564)	-	-	(14,958)	(14,958)	-	88,522	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	52,416	-	-	-	-	-	-	52,416	-	52,416
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(112,676)	(112,676)
Balance on December 31, 2020	\$ 1,559,350	131,819	297,782	81,209	358,201	737,192	(59,020)	-	2,369,341	91,015	2,460,356

See accompanying notes to consolidated financial statements.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from (used in) operating activities:		
Profit before tax	\$ 108,748	212,439
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	209,414	245,649
Amortization expense	1,718	1,743
Expected credit loss (gain)	167	(1,764)
Net loss on financial assets or liabilities at fair value through profit or loss	(124)	-
Interest expense	10,308	10,307
Interest income	(1,474)	(1,473)
Loss on disposal of property, plant and equipment, net	9,816	103
Other	252	(12)
Total adjustments to reconcile profit (loss)	230,077	254,553
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	325,228	(105,592)
Decrease (increase) in inventories	10,700	22,925
Decrease (increase) in other current assets	11,461	(6,746)
Decrease (increase) in other financial assets	743	15,399
Decrease (increase) in defined benefit plan assets	22,746	-
Increase (decrease) in contract liabilities	(606)	(802)
Increase (decrease) in trade payables	(126,014)	(104,312)
Increase (decrease) in other payables and other current liabilities	(27,953)	(30,598)
Total changes in operating assets and liabilities	216,305	(209,726)
Total adjustments	446,382	44,827
Cash inflow generated from (used in) operations	555,130	257,266
Interest received	1,474	1,473
Income taxes paid	(79,019)	(55,324)
Net cash flows from (used in) operating activities	477,585	203,415
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(4,500)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,624	-
Acquisition of property, plant, and equipment	(488,567)	(78,615)
Decrease (increase) in prepayment for business facilities	(25,832)	(20,807)
Decrease (increase) in refundable deposits	(2,176)	(3,402)
Acquisition of intangible assets	(2,981)	(798)
Net cash flows from (used in) investing activities	(519,432)	(103,622)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(93,040)	20,000
Increase in long-term loans	638,000	200,000
Repayment of long-term loans	(322,000)	(176,000)
Increase (decrease) in guarantee deposits	363	1,302
Payment of lease liabilities	(14,134)	(6,170)
Distribution of cash dividends	(46,781)	(48,881)
Payments to acquire treasury shares	(38,712)	(102,322)
Interest paid	(10,092)	(10,354)
Acquisition of non-controlling interests	(61,835)	(40,789)
Net cash flows from (used in) financing activities	51,769	(163,214)
Effect of exchange rate changes on cash and cash equivalents	7,605	(8,982)
Net increase (decrease) in cash and cash equivalents	17,527	(72,403)
Cash and cash equivalents at beginning of period	348,611	421,014
Cash and cash equivalents at end of period	\$ 366,138	348,611

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

Notes to the Consolidated Financial Statements

For the years ended December 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. (the “Company”) (Formerly Chenming Mold Ind. Corp.) was incorporated on June 1976. The business activities of the Company are the production of computer cases, and the manufacturing and development of mobile devices.

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

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

These consolidated financial statements for the years ended December 31, 2020 and 2019 were authorized for issue by the Board of Directors on March 17, 2021.

(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 Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Group, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>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.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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.

The Group does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies

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

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

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

Shareholding

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	December 31, 2020	December 31, 2019	Description
The Company	TOP CITY INTERNATIONAL LIMITED	Investment	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%	
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Investment	100%	100%	
GERSHWIN INTERNATIONAL LIMITED	Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	100%	100%	
PEAK SHREWD INC.	CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	92%	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%. Again, the Company acquired 10% interest of CHENMING ELECTRONIC (NINGBO) CO., LTD in August 2020, resulting in its ratio of shareholding to increase from 82% to 92%.

(d) Foreign currencies

(i) Foreign currency transaction

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

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

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

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It held the liability primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

3) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

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(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(k) Leases

(i) Identifying a lease

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

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

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

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) As a lessee

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

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

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

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

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

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

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

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

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

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

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

As a practical expedient, the Group elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

- (i) the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- (ii) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (iii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (iv) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

- (v) As a lessor

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

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Notes to the Consolidated Financial Statements

(l) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent Expenditure

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

(iii) Amortization

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

The estimated useful lives for computer software for the current and comparative periods are 1~4 years.

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

(m) Impairment of non-financial assets

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

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

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

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

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

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

(n) Revenue

(i) Revenue from contracts with customers

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

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

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

(ii) Financing components

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

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Notes to the Consolidated Financial Statements

(o) 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.

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(q) Income taxes

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

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

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

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

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

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

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

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

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

- (r) Earnings per share

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

- (s) Operating segments

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

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

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

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

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

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Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 416	50
Checking accounts and demand deposits	365,722	348,561
	\$ 366,138	348,611

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

(b) Trade receivables

	December 31, 2020	December 31, 2019
Trade receivables	\$ 1,736,665	2,053,607
Less: Loss allowance	(692)	(513)
Trade receivables, net	\$ 1,735,973	2,053,094

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:

	December 31, 2020		
Gross carrying amount	Weighted-ave rage expected credit loss rate	Allowance lifetime expected credit loss	
Current	\$ 1,733,374	0.04%	615
1 to 30 days past due	1,683	0.18%	3
31 to 150 days past due	1,608	4.60%	74
	\$ 1,736,665		692

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	December 31, 2019		
	Gross carrying amount	Weighted-ave rage 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
	<u>\$ 2,053,607</u>		<u>513</u>

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

	2020	2019
Balance on January 1	\$ 513	2,290
Impairment losses recognized (reversed)	167	(1,764)
Foreign exchange gains / (losses)	12	(13)
Balance on December 31	<u>\$ 692</u>	<u>513</u>

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

(c) Inventories

	December 31, 2020	December 31, 2019
Raw materials	\$ 236,860	270,294
Work in progress	191,097	273,932
Finished goods and merchandise inventories	538,659	429,569
	<u>\$ 966,616</u>	<u>973,795</u>

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

	2020	2019
Cost of goods sold	\$ 5,482,555	5,349,440
Revenue from sale of scraps	(62,360)	(62,402)
Inventories valuation and obsolescence losses (gain from price recovery of inventory)	1,285	19,307
Loss on scrapping of inventories	146,487	157,381
Overage of inventories	24	69
	<u>\$ 5,567,991</u>	<u>5,463,795</u>

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

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(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 thousand) 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 increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 72% to 82%. As of December 31, 2019, the remaining unpaid balance of \$25,783, which was recognized as other payable-related parties. As of December 31, 2020, the Group has already made its payment.

To increase all shareholders' equity and enhance the corporate governance, the Company decided on August 5, 2020, to purchase 10% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD. amounting to \$60,260 (US\$2,050 thousand) from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary PEAK SHREWD INC., a fully owned subsidiary of the Group. The contract was signed and the related transfer procedures had been completed in August 2020. The Group increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 82% to 92%. As of December 31, 2020, the remaining unpaid balance of \$24,208, which was recognized as other payable-related parties.

(e) Property, plant, and equipment

The cost and accumulated depreciation of the property, plant, and equipment of the Group for the years ended 2020 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	402,817	-	102,040	12,627	517,484
Disposals	-	(756)	(229,293)	(74,351)	(304,400)
Reclassifications	-	-	20,503	289	20,792
Effect of changes in exchange rates	-	3,076	2,507	157	5,740
Balance on December 31, 2020	\$ 613,714	778,789	408,568	30,770	1,831,841
Balance on January 1, 2019	\$ 210,897	783,604	534,195	121,264	1,649,960
Additions	-	-	59,028	7,034	66,062
Disposals	-	-	(77,357)	(35,921)	(113,278)
Reclassifications	-	-	3,668	-	3,668
Effect of changes in exchange rates	-	(7,135)	(6,723)	(329)	(14,187)
Balance on December 31, 2019	\$ 210,897	776,469	512,811	92,048	1,592,225
Depreciation:					
Balance on January 1, 2020	\$ -	260,358	291,065	70,880	622,303
Depreciation	-	34,119	135,576	16,029	185,724
Disposals	-	(701)	(221,805)	(72,078)	(294,584)
Effect of changes in exchange rates	-	1,125	1,384	76	2,585
Balance on December 31, 2020	\$ -	294,901	206,220	14,907	516,028

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	Land	Properties	Transportation	others	Total
Balance on January 1, 2019	\$ -	227,436	213,198	71,664	512,298
Depreciation	-	34,791	158,185	35,292	228,268
Disposals	-	-	(77,255)	(35,920)	(113,175)
	-	(1,869)	(3,063)	(156)	(5,088)
Balance on December 31, 2019	\$ -	260,358	291,065	70,880	622,303
Book value:					
Balance on December 31, 2020	\$ 613,714	483,888	202,348	15,863	1,315,813
Balance on December 31, 2019	\$ 210,897	516,111	221,746	21,168	969,922

The Group entered into two separate real estate agreements with SHIN DE KNITTING CORP. and SHIN TA MACHINERY CORP. on July 31, 2020 for the acquisition of a parcel of land for its plant, at the total price of NTD 410,000, based on the resolution approved during the board meeting held on June 24, 2020. The related transfer procedures had been completed on October 30, 2020.

As of December 31, 2020 and 2019 the Group had provided parts of the property, plant, and equipment as collaterals for its long-term loans and credit lines. Please refer to note (8) for details.

(f) Right-of-use assets

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

	Land	Properties	Transportation	others	Total
Cost:					
Balance at January 1, 2020	\$ 243,496	1,914	11,785	2,476	259,671
Additions	-	8,704	7,144	-	15,848
Write-off	-	-	(844)	-	(844)
Effect of changes in exchange rates	1,538	288	-	-	1,826
Balance at December 31, 2020	\$ 245,034	10,906	18,085	2,476	276,501
Balance at January 1, 2019	\$ 247,063	2,036	7,742	1,759	258,600
Additions	-	-	4,043	1,455	5,498
Write-off	-	(48)	-	(738)	(786)
Effect of changes in exchange rates	(3,567)	(74)	-	-	(3,641)
Balance at December 31, 2019	\$ 243,496	1,914	11,785	2,476	259,671
Accumulated depreciation and impairment losses:					
Balance at January 1, 2020	\$ 9,703	1,914	3,608	703	15,928
Depreciation of the period	9,681	7,297	4,794	681	22,453
Write-off	-	-	(799)	-	(799)
Effect of changes in exchange rates	145	201	-	-	346
Balance at December 31, 2020	\$ 19,529	9,412	7,603	1,384	37,928
Balance at January 1, 2019	\$ -	-	-	-	-
Depreciation of the period	9,845	1,988	3,608	703	16,144
Effect of changes in exchange rates	(142)	(74)	-	-	(216)
Balance at December 31, 2019	\$ 9,703	1,914	3,608	703	15,928
Book value:					
Balance at December 31, 2020	\$ 225,505	1,494	10,482	1,092	238,573
Balance at December 31, 2019	\$ 233,793	-	8,177	1,773	243,743

(g) Investment property

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

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Notes to the Consolidated Financial Statements

	<u>Land</u>	<u>Properties</u>	<u>Transportation</u>	<u>others</u>	<u>Total</u>
	<u>Land</u>	<u>Properties</u>			<u>Total</u>
Cost					
Balance on January 1, 2020 (Same balance as December 31, 2017)	\$	152,640	63,116		215,756
Balance on January 1, 2019 (Same balance as December 31, 2018)	\$	152,640	63,116		215,756
Depreciation					
Balance on January 1, 2020	\$	-	18,120		18,120
Depreciation		-	1,237		1,237
Balance on December 31, 2020	\$	-	19,357		19,357
Balance on January 1, 2019	\$	-	16,883		16,883
Depreciation		-	1,237		1,237
Balance on December 31, 2019	\$	-	18,120		18,120
Book Value					
Balance on December 31, 2020	\$	152,640	43,759		196,399
Balance on December 31, 2019	\$	152,640	44,996		197,636
Fair Value					
Balance on December 31, 2020				\$	534,612
Balance on December 31, 2019				\$	547,048

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

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

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(h) Short-term loans

The short-term loans were summarized as follows:

	December 31, 2020	December 31, 2019
Credit loans	\$ -	230,000
Secured loans	296,960	160,000
	\$ 296,960	390,000
Unused credit line for short-term loans	\$ 860,992	621,552
Annual interest rates	0.5%~1.3%	1.0%~1.3%

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

(ii) As of December 31, 2020 and 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:

December 31, 2019				
	Currency	Range of interest rates	Expiration	Amount
Secured bank loans	NTD	1.0%~1.5%	2023~2040	\$ 622,000
Current				\$ -
Non-current				622,000
Total				\$ 622,000
Unused long-term credit lines				\$ 786,000

December 31, 2020				
	Currency	Range of interest rates	Expiration	Amount
Secured bank loans	NTD	1.0%~1.5%	2023~2025	\$ 306,000
Current				\$ -
Non-current				306,000
Total				\$ 306,000
Unused long-term credit lines				\$ 130,000

(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 collaterals for long-term loans. Please refer to note (8) for details.

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(j) Lease liabilities

	December 31, 2020	December 31, 2019
Current	<u>\$ 5,448</u>	<u>4,382</u>
Non-current financial assets	<u>\$ 6,297</u>	<u>5,693</u>

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	<u>\$ 498</u>	<u>416</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 725</u>	<u>1,424</u>
Expenses relating to short-term leases	<u>\$ 521</u>	<u>452</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 160</u>	<u>71</u>

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

	2020	2019
Total cash outflow for leases	<u>\$ 16,038</u>	<u>8,533</u>

(i) Real estate leases

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

(ii) Other leases

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

(k) Operating lease

(i) Leases as lessor

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

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

	December 31, 2020
Less than one year	\$ 13,665
One to five years	36,400
Total undiscounted lease payments	<u>\$ 50,065</u>

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

	December 31, 2019
Less than one year	\$ 15,552
One to five years	6,984
	<u>\$ 22,536</u>

The lease revenue from investment properties were \$16,792 and \$15,658 in 2020 and 2019, respectively. Moreover, the related depreciation expense both amounted to \$1,237.

(1) Employee benefits

(i) Defined benefit plans

The Group settled the old labor pension plan of all of its employees on August 7, 2020, and fully refunded the entire planned assets of \$26,384 from the Bureau of Labor Funds, Ministry of Labor. As of December 31, 2019, the reconciliation of defined obligation present value and plan asset at fair value is as follows:

	December 31, 2019
Present value of defined benefit obligations	\$ 36,746
Fair value of plan assets	(59,492)
Net defined benefit liabilities (assets)	<u>\$ (22,746)</u>

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

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1) Composition of plan assets

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

For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	2019
Defined benefit obligation at January 1	\$ 33,422
Current service costs and interest costs	459
Remeasurements in net defined benefit liability (assets)	2,865
Defined benefit obligation at December 31	\$ 36,746

3) Movements of defined benefit plan assets

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

	2019
Fair value of plan assets at January 1	\$ (56,826)
Expected return on plan assets	(781)
Remeasurement in net defined benefit liability (assets)	(1,885)
Fair value of plan assets at December 31	\$ (59,492)
Actual return on plan assets	\$ (2,666)

4) Expenses recognized in profit or loss

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

	2020	2019
Interest costs	\$ 207	459
Expected rate of return on plan assets	(335)	(781)
	\$ (128)	(322)
Administrative expense	\$ (128)	(322)

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Notes to the Consolidated Financial Statements

5) Actuarial assumptions

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

	December 31, 2019
	<hr/>
Discount rate	1.125%
Future salary increase rate	1.000%

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

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

6) Sensitivity Analysis

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

	Influences of defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
	<hr/>	<hr/>
December 31, 2019		
Discount rate	\$ (1,283)	1,339
Future salary increasing rate	1,322	(1,266)

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

(ii) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to \$3,752 and \$3,675 for the years ended December 31, 2020 and 2019, respectively.

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:

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	<u>2020</u>	<u>2019</u>
Operating cost	\$ 62,351	71,156
Operating expense	5,992	5,894
	<u>\$ 68,343</u>	<u>77,050</u>

(m) Income taxes

(i) The amount of income tax for 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ 30,429	57,649
Undistributed earnings additional tax	1,803	1,733
Adjustment for prior period	54	(584)
	<u>32,286</u>	<u>58,798</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	(3,714)	(3,367)
	<u>(3,714)</u>	<u>(3,367)</u>
Income tax expenses	<u>\$ 28,572</u>	<u>55,431</u>

(ii) The amount of income tax recognized in other comprehensive income for 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Items that may not be reclassified subsequently to profit or loss		
Remeasurement from defined benefit plan	<u>\$ 612</u>	<u>(196)</u>

(iii) Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Profit excluding income tax	\$ 108,748	212,439
Income tax using the Company's domestic tax rate	33,219	72,166
Under (over) provision in prior periods	54	(584)
Undistributed earnings additional tax	1,803	1,733
Others	(6,504)	(17,884)
	<u>\$ 28,572</u>	<u>55,431</u>

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2020 and 2019. Also, management considered it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	<u>\$ 34,553</u>	<u>28,400</u>

2) Unrecognized deferred tax assets

Details of unrecognized deferred tax assets as follow:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Unrecognized tax losses	<u>\$ 10,619</u>	<u>3,357</u>

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

As of December 31, 2020, tax loss from unrecognized deferred tax asset in Dongguan CHENMING Electronic Co., Ltd.:

<u>Year of loss</u>	<u>Unused</u> <u>tax loss</u>	<u>Expiration date</u> <u>of the deficit</u>
2020 (Estimated)	<u>\$ 42,477</u>	2025

3) Recognized deferred tax assets and liabilities

	<u>Defined</u> <u>benefit plans</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:			
Balance on January 1, 2020	\$ 4,991	(60)	4,931
Recognized in (profit) or loss	(5,543)	-	(5,543)
Recognized in other comprehensive income	612	-	612
Balance on December 31, 2020	<u>\$ 60</u>	<u>(60)</u>	<u>-</u>

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

	Defined		
	benefit plans	Others	Total
Deferred tax assets:			
Balance on January 1, 2020	\$ -	4,850	4,850
Recognized in profit or (loss)	-	(1,829)	(1,829)
Balance on December 31, 2020	<u>\$ -</u>	<u>3,021</u>	<u>3,021</u>
Balance on January 1, 2019	\$ -	1,418	1,418
Recognized in profit or (loss)	-	3,432	3,432
Balance on December 31, 2019	<u>\$ -</u>	<u>4,850</u>	<u>4,850</u>

(v) Assessment of tax

The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the authorized common stocks were both \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which 155,935 and 162,935 thousand shares, were issued, respectively. All issued shares were paid up upon issuance.

(ii) Capital surplus

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

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$ 10,551	14,115
Difference arising from subsidiary's share price and its carrying value	121,268	68,852
	<u>\$ 131,819</u>	<u>82,967</u>

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(iii) Retained Earnings

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

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

The appropriations of earnings for the year of 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.

(iv) Treasury shares

In 2020 and 2019, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 3,500 and 7,000 thousand shares, respectively as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2020, all treasury shares repurchased had be cancelled.

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Movements of treasury share were as follows:

	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	7,000	102,322
Retirement	(7,000)	(88,522)	(7,000)	(104,539)
Balance on December 31	<u>-</u>	<u>\$ -</u>	<u>3,500</u>	<u>\$ 49,810</u>

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

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

(o) Earnings per share

For the years ended December 31, 2020 and 2019, the Company's earnings per share was calculated as follows:

	2020	2019
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	<u>\$ 62,798</u>	<u>132,900</u>
Weighted-average number of ordinary shares (share in thousands)	<u>156,710</u>	<u>162,479</u>
	<u>\$ 0.40</u>	<u>0.82</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjusted the influence of potential ordinary shares)	<u>\$ 62,798</u>	<u>132,900</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	156,710	162,479
Effect of employee stock remuneration (share in thousands)	298	412
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>157,008</u>	<u>162,891</u>
	<u>\$ 0.40</u>	<u>0.82</u>

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(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020	2019
Primary geographical markets		
Taiwan	\$ 1,192,692	1,111,019
China	3,519,480	3,288,605
USA	637,883	404,166
Japan	607,504	839,340
Other	166,959	385,572
	\$ 6,124,518	6,028,702
Major products		
PC and server chassis	\$ 4,586,048	4,876,005
Mobile device components	1,006,311	874,003
Mold	532,159	278,694
	\$ 6,124,518	6,028,702

(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2018
Trade receivables	\$ 1,736,665	2,053,607	1,975,622
Less: Loss allowance	(692)	(513)	(2,290)
	\$ 1,735,973	2,053,094	1,973,332
Contract liabilities	\$ 615	1,221	2,023

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$1,221 and \$2,023, 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.

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

The Group'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.

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The Group's remuneration to employees were \$3,000 and \$5,000, respectively; and the remuneration to directors and supervisors both amounted to \$1,500 for the years ended December 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 employee remuneration were calculated based on the closing price of the Company's shares on the day before the approval from the Board of Directors.

The remuneration to employees was \$5,000 and the remuneration to directors and supervisors was \$1,500 in 2019. There were no differences in the actual amount and the estimated amount as of December 31, 2019. The related information would be available at the Market Observation Post System website.

(r) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration to credit risk

The customers of the Group are mainly high-tech companies, trade receivables have 76% and 80% are composed by five clients in December 31, 2020 and 2019. Thus, the company has concentration to credit risk situation.

(ii) Receivable securities

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

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

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(iii) Liquidity Risk

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

	<u>Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2020					
Secured loans	\$ 918,960	(918,960)	(296,960)	(200,000)	(422,000)
Unsecured loans	-	-	-	-	-
Trade payables	1,260,274	(1,260,274)	(1,260,274)	-	-
Lease liabilities (including current and non-current)	11,745	(12,122)	(5,683)	(4,253)	(2,186)
Other payables (including related parties)	298,778	(298,778)	(298,778)	-	-
Guarantee deposits	8,054	(8,054)	(4,784)	(1,470)	(1,800)
	<u>\$ 2,497,811</u>	<u>(2,498,188)</u>	<u>(1,866,479)</u>	<u>(205,723)</u>	<u>(425,986)</u>
December 31, 2019					
Secured loans	\$ 466,000	(466,000)	(160,000)	-	(306,000)
Unsecured loans	230,000	(230,000)	(230,000)	-	-
Trade payables	1,380,417	(1,380,417)	(1,380,417)	-	-
Lease liabilities (including current and non-current)	10,075	(10,598)	(4,651)	(2,824)	(3,123)
Other payables (including related parties)	299,092	(299,092)	(299,092)	-	-
Guarantee deposits	7,691	(7,691)	(4,421)	(3,270)	-
	<u>\$ 2,393,275</u>	<u>(2,393,798)</u>	<u>(2,078,581)</u>	<u>(6,094)</u>	<u>(309,123)</u>

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

(iv) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD to NTD	\$ 26,457	28.480	753,495	32,199	29.980	965,326
USD to CNY	27,171	6.5249	773,830	30,710	6.9762	920,686
CNY to NTD	114,473	4.377	501,048	106,342	4.305	457,802
Financial liabilities						
Monetary items						
USD to NTD	5,322	28.480	151,571	7,571	29.98	226,979
USD to CNY	1,398	6.5249	39,815	2,259	6.9762	67,725
CNY to NTD	201,881	4.377	883,633	195,510	4.305	841,671

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 or strengthening 5% of each major foreign currency against Group entities' functional currency as of December 31, 2020, would have affected the net profit before tax as follows:

	December 31, 2020	December 31, 2019
USD (against the NTD)		
Strengthening 5%	\$ 30,096	36,917
Weakening 5%	(30,096)	(36,917)
USD (against the CNY)		
Strengthening 5%	36,701	42,648
Weakening 5%	(36,701)	(42,648)
CNY (against the NTD)		
Strengthening 5%	(19,129)	(19,193)
Weakening 5%	19,129	19,193

3) Exchange gains and losses of monetary items

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

	For the years ended December 31,			
	2020		2019	
	Exchange profit (loss)	Average rate	Exchange profit (loss)	Average rate
NTD	\$ (38,779)	-	(2,952)	-
CNY	(15,912)	4.278	2,566	4.4703

(v) Interest rate analysis

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

	Carrying amount	
	December 31, 2020	December 31, 2019
Variable rate instruments:		
Financial assets	\$ 365,659	348,498
Financial liabilities	918,960	696,000

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$1,383 and \$869 for the years ended December 31, 2020 and 2019, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(vi) Fair value

1) Procedure of valuation

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

2) Fair value hierarchy

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

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

3) The kinds of financial instruments and fair value

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

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2020				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 366,138	-	-	-	-
Trade receivables, net	1,735,973	-	-	-	-
Other financial assets	22,738	-	-	-	-
Refundable deposits	26,598	-	-	-	-
	<u>\$ 2,151,447</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 918,960	-	-	-	-
Trade payables	1,260,274	-	-	-	-
Lease liabilities	11,745	-	-	-	-
Other payables (including related parties)	298,778	-	-	-	-
Guarantee deposit	8,054	-	-	-	-
	<u>\$ 2,497,811</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)	299,092	-	-	-	-
Guarantee deposits	7,691	-	-	-	-
	<u>\$ 2,393,275</u>				

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

Financial liability with amortized cost evaluation

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

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

Non-derivative financial instruments

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

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

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

- (s) Financial risk management

- (i) Briefings

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

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

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Trade receivables and other receivables

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

The Group constantly evaluate clients' financial situation, but usually does not ask clients offer collaterals.

2) Guarantees

As of December 31, 2020 and 2019, the Group do not offer any endorsement and guarantees except to the entities in the Group, please refer to note (13)(a).

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to note 6(h) and note 6(i) for unused short-term and long-term bank facilities as of December 31, 2020 and 2019.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(v) Market risk

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

1) Currency risk

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

To avoid the fluctuation from foreign exchange, the Group use short-term loans and accounts receivable (payable) in foreign currency to avoid foreign rate risk. This kind of derivative can help the Group to reduce the influence of foreign currency exchange but can't exclude all the risk.

2) Interest rate risk

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

3) Other market value risk

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

(t) Capital management

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

Debt-to-asset ratio in December 31, 2020 and 2019 as follow:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 2,503,683	2,429,362
Total assets	4,964,039	4,936,953
Debt-to-asset ratio	50%	49%

As of December 31, 2020, the capital management method do not change.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2020 and 2019 were as follows:

	January 1, 2020	Cash flows	Non-cash flows			December 31, 2020
			Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 306,000	316,000	-	-	-	622,000
Short-term loans	390,000	(93,040)	-	-	-	296,960
Lease liabilities	10,075	(14,134)	15,848	(44)	-	11,745
Guarantee deposits	7,691	363	-	-	-	8,054
Total liabilities from financing activities	\$ 713,766	209,189	15,848	(44)	-	938,759

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

(7) Related-party transactions

- (a) Names and relationships with related parties

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

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

- (b) Transaction among other relative parties

- (i) Lease

The Group rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. The rental fee is determined based on nearby office rental rates. The rental revenue for the years ended December 31, 2020 and 2019 amounted to \$3,429 and \$2,514, respectively.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Equity trading

To increase all shareholders' equity and enhance the corporate governance, the Company decided on August 5, 2020 and March 18, 2019 to purchase 10% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD amounting to \$60,260 (US\$2,050) and \$66,572 (US\$2,160), respectively, from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary PEAK SHREWD INC., a fully owned subsidiary of the Group. The contracts, were signed and the related transfer procedures had been completed. The Group increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 82% to 92%. As of December 31, 2020 and 2019, the remaining unpaid balance of \$24,208 and \$25,783, respectively, which was recognized as other payables related parties. Please refer to note (6)(d) for related information.

(c) Key management personnel compensation

(i) Key management personnel compensation was comprised of:

	2020	2019
Short-term employee benefits	\$ 12,280	10,827
Post-employment benefits	8,953	270
	\$ 21,233	11,097

(ii) Guarantee

The main management was the guarantor of the syndication contract, and the amounts of syndication were \$622,000 and \$306,000, as of December 31, 2020 and 2019, respectively.

(8) Pledged assets

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2020	December 31, 2019
PPE and investment properties	Short-term loans and long-term		
— land	loans	\$ 750,621	347,804
— properties	Short-term loans and long-term		
	loans	131,732	135,307
Other financial asset	Customs deposits		
— non-current		20,235	22,255
		\$ 902,588	505,366

(9) Commitments and contingencies: None.

(10) Losses due to major disasters: None.

(11) Subsequent events

Based on the resolution approved during the Board of Directors' meeting held on March 17, 2021, the Company decided to invest indirectly in CHENMING ELECTRONIC (NINGBO) CO., LTD., via current investment structure, to obtain 8% of its ownership for USD \$1,700 thousand in cash, resulting in the Company to acquire the entire shareholdings of CHENMING ELECTRONIC (NINGBO) CO., LTD.

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 was as follows:

By function By item	December 31, 2020			December 31, 2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,378,380	196,776	1,575,156	1,333,712	194,904	1,528,616
Labor and health insurance	-	6,131	6,131	-	6,105	6,105
Pension	62,351	9,616	71,967	71,156	9,247	80,403
Others	67,815	14,564	82,379	70,907	15,794	86,701
Depreciation	198,006	10,171	208,177	235,212	9,200	244,412
Amortization	978	740	1,718	725	1,018	1,743

Note: The depreciation expense, which subtracts the depreciation expense from investment properties, were both \$1,237 for the years ended December 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 INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Trade receivables due from related parties	Yes	170,880	170,880	113,920	0.93-2.6055%	Short-term financial	-	Operating demand	-	-	-	2,236,001 (note 1)	2,236,001 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Trade receivables due from related parties	Yes	315,144	175,080	175,080	4.67-6.25%	Short-term financial	-	Operating demand	-	-	-	455,076 (note 2)	455,076 (note 2)
Total						345,960	289,000									

Note 1: The total amount for lending to a subsidiary whose voting shares are 100% owned, directly or indirectly, by TOP CITY INTERNATIONAL LIMITED for funding for a short-term period shall not exceed the net worth of TOP CITY INTERNATIONAL LIMITED, which amounted to \$2,236,001. And the total amount lendable to each of such borrowers still shall not exceed the net worth of TOP CITY INTERNATIONAL LIMITED, which amounted to \$2,236,001.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed forty percent of the net worth of CHENMING ELECTRONIC (NINGBO) CO., LTD, which amounted to \$455,076 (\$1,137,691*40%). In addition, the total amount lendable to any one borrower shall be no more than forty percent of the borrower's net worth, which amounted to \$455,076 (\$1,137,691*40%).

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

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(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	92% owned subsidiary	947,736	52,524	52,524	-	-	2.22%	1,895,473 (note 1)	Yes	No	Yes
	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Both are subsidiaries of the Company	455,076	52,524	52,524	39,393	-	4.62%	910,153 (note 2)	No	No	Yes

Note 1: The total amount of endorsement guarantees of the Company and its subsidiaries 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. The total endorsement guarantees of the Company shall not exceed 40% of the net worth of the Company which amounted to \$947,736. (\$2,369,341*40%). In addition, the total endorsement guarantees of the Company shall be no more than 80% of the Company's net worth, which amounted to \$1,895,473 (\$2,369,341*80%).

Note 2: The total amount of endorsement guarantees of CHENMING ELECTRONIC (NINGBO) CO., LTD., shall not exceed 80% of its net worth; the amount of endorsement guarantees for an entity shall not exceed 40% of its net worth. The total endorsement guarantees of CHENMING ELECTRONIC (NINGBO) CO., LTD., shall not exceed 40% of the net worth of CHENMING ELECTRONIC (NINGBO) CO., LTD., which amounted to \$455,076. (\$1,137,691*40%). In addition, the total endorsement guarantees of CHENMING ELECTRONIC (NINGBO) CO., LTD., shall be no more than 80% of its net worth, which amounted to \$910,153 (\$1,137,691*80%).

(iii) Securities held as of December 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 NTD300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NTD300 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	Paid	SHIN DE KNITTING CORP. and SHIN TA KNITTING MACHINERY CORP.	None	N/A	N/A	N/A	-	Valuation report	Set up the production line based in Taiwan, with the plant still under construction	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 NTDS410,000, please refer to Note(6)(e).

(vi) Disposal of individual real estate with an amount exceeding the lower of NTD300 million or 20% of the capital stock: None.

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(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/trade receivables (payables)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ trade receivables (payables)	
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	2,546,860	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 (589,420)	(99) %	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,546,860)	(64) %	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 589,420	55 %	None
Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC CO., LTD	Subsidiaries of PEAK SHREWD INC.	(Sale)	(111,971)	(3) %	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	-	- %	"
CHENMING ELECTRONIC CO., LTD	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	111,971 (CNY 26,109)	11 %	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	-	- %	"

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

(viii) Receivables from related parties with amounts exceeding the lower of NTD100 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 589,420	4.65	-	-	426,761	-	Note 2

Note 1: Balance of March 5, 2021.

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

(ix) Trading in derivative instruments: None.

(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	113,920	Rate 0.932%~2.60550%	2%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	2,546,860	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	42%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Trade receivables	589,420	"	12%
2	Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC (NINGBO) CO., LTD	2	Sales	111,971	"	2%
3	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	2	Other current financial assets	175,080	Rate 4.35%~4.67625%	4%

Note 1: The numbers filled in as follows:
1. 0 represents the Company.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Subsidiaries are sorted in a numerical order starting from 1.
 Note 2: Relationship with the transactions labeled as follows:
 1 represents the transactions between the subsidiaries and the parent company.
 2 represents the transactions between subsidiaries.
 3 represents the transactions from the parent company to its subsidiaries.

(b) Information on investees:

The following is the information on investees for the years ended December 31, 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 December 31, 2020			Highest balance during the year		Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value	Shares / Units (thousands)	Percentage of ownership			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,061,572	2,002,903	62,008	100%	2,236,002	62,008	100	35,443	35,443	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USD, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100%	2,770	200	100	(1,802)	(1,802)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100%	1,070,094	45,988	100	(15,064)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grands company
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC	Samoa	Investment	697,395	638,726	19,860	100%	1,022,581	19,860	100	49,372	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grands company

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.

(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 December 31, 2020	Net income (losses) of the investment	Percentage of ownership	Highest balance during the year		Investment income (losses) (note 2 and 3)	Carrying amount as of December 31, 2020 (note 3)	Accumulated remittance of earnings as of December 31, 2020
					Outflow	Inflow				Shares/Units (thousands)	Percentage of ownership			
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,836,960 (USD64,500)	note 1 and 7	506,944 (USD17,800)	58,669 (USD2,060) (note 6)	-	565,613 (USD19,860)	65,518	92%	-	92	48,141	1,046,676	-
Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	825,293 (USD28,978) (note 4 and 5)	note 1 and 8	709,152 (USD24,900)	-	-	709,152 (USD24,900)	13,849	100%	-	100	13,849	820,044	-

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(ii) Limitation on investment in mainland China:

(In Thousands of USD)

Company Name	Accumulated Investment in Mainland China as of December 31, 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	1,274,765 (USD44,760)	1,418,589 (USD49,810)	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 \$28.48 as of December 31, 2020.

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

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

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

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

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

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

(iii) Significant transactions:

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

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to 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.		16,000,000	10.26%

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.

(a) Overall information of the Group

(i) Product information: Please refer to note (6)(p).

(ii) Geographic information

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

1) Revenue from external customers: Please refer to note (6)(p).

2) Non-current Assets:

<u>Country</u>	<u>2020</u>	<u>2019</u>
Taiwan	\$ 926,488	511,068
Mainland China	852,982	922,387
	<u>\$ 1,779,470</u>	<u>1,433,455</u>

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

(iii) Important clients information

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

	<u>2020</u>	<u>2019</u>
I company	\$ 1,097,593	1,278,807
B company	1,342,055	944,618
C company	1,009,143	896,771
A company	661,430	524,363
D company	622,358	533,283
H company	611,118	975,190

V. Latest audited standalone financial statements

Standalone financial statement enclosed herewith.

Stock Code:3013

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

FINANCIAL STATEMENTS

**With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019**

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

Independent Auditors' Report

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

Opinion

We have audited the financial statements of CHENMING ELECTRONIC TECHNOLOGY CORP. (“the Company”), which comprise the balance sheets as of December 31, 2020 and 2019, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2020 and 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit of the financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the CHENMING ELECTRONIC TECHNOLOGY CORP. in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

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

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

Description of key audit matters:

Due to the impact of product life cycle and customized design in electronics industry, the price

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

Audit Procedure:

Our principal audit procedure included: testing the related controls of subsidiary's production cycle and assessing the allowance for loss due to price decline, as well as obsolete and slow moving inventories, to determine whether they are in compliance with the Company's accounting policies; inspecting the inventory aging statement; analyzing the aging of inventory of each period; as well as testing the interval classification of the inventory aging report and the relevant value of the calculation table of the lower of the cost, and the net realizable value, to verify the rationality of assessment on the allowance estimated by the management of the Company.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

KPMG
Taipei, Taiwan (Republic of China)
March 17, 2021

Notes to Readers

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

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

(English Translation of Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP.
Statements of Comprehensive Income
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue(note (6)(p) and (7))	\$ 2,771,049	100	2,827,726	100
5000 Operating costs (note (6)(c) and (7))	2,573,785	93	2,632,141	93
5900 Gross profit from operations	197,264	7	195,585	7
6000 Operating expenses (note (6)(l) and (12)):				
6100 Selling expenses	29,569	1	35,807	1
6200 Administrative expenses	73,715	3	80,042	3
6300 Research and development expenses	21,647	1	19,026	1
	124,931	5	134,875	5
6900 Net operating income	72,333	2	60,710	2
7000 Non-operating income and expenses:				
7050 Finance costs, net	(9,755)	-	(9,831)	-
7100 Interest income	423	-	694	-
7110 Rent revenue (note (6)(k) and (7))	13,312	-	12,368	-
7190 Other income (note (7))	4,648	-	4,998	-
7230 Foreign exchange gains (losses), net	(43,432)	(2)	(13,097)	-
7590 Other expense and losses	-	-	-	-
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	33,641	1	89,364	3
	(1,163)	(1)	84,496	3
7900 Profit from continuing operations before tax	71,170	1	145,206	5
7951 Less: Income tax expenses (note (6)(m))	8,372	-	12,306	-
Profit	62,798	1	132,900	5
8300 Other comprehensive income:				
8310 Components of other comprehensive income (loss) that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	-	-	(980)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	612	-	(196)	-
	(612)	-	(784)	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	22,189	1	(35,991)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	22,189	1	(35,991)	(1)
8300 Other comprehensive income (loss)	21,577	1	(36,775)	(1)
8500 Comprehensive income	<u>\$ 84,375</u>	<u>2</u>	<u>96,125</u>	<u>4</u>
Earnings per share (expressed in dollars) (note (6)(o)):				
9750 Basic earnings per share	<u>\$ 0.40</u>		<u>0.82</u>	
9850 Diluted earnings per share	<u>\$ 0.40</u>		<u>0.82</u>	

(English Translation of Financial Statements Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statements of Changes in Equity

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings				Other components of equity Exchange differences on translation of foreign financial statements	Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings			
Balance at January 1, 2019	\$ 1,699,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	2,340,477
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	11,005	-	(11,005)	-	-	-	-
Special reserve	-	-	-	14,123	(14,123)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(48,881)	(48,881)	-	-	(48,881)
Profit for the year ended December 31, 2019	-	-	-	-	132,900	132,900	-	-	132,900
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(784)	(784)	(35,991)	-	(36,775)
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	132,116	132,116	(35,991)	-	96,125
Purchase of treasury shares	-	-	-	-	-	-	-	(102,322)	(102,322)
Retirement of treasury share	(70,000)	(2,162)	-	-	(32,377)	(32,377)	-	104,539	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	32,644	-	-	-	-	-	-	32,644
Balance at December 31, 2019	1,629,350	82,967	284,492	45,219	407,034	736,745	(81,209)	(49,810)	2,318,043
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	13,290	-	(13,290)	-	-	-	-
Special reserve	-	-	-	35,990	(35,990)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(46,781)	(46,781)	-	-	(46,781)
Profit (loss) for the year ended December 31, 2020	-	-	-	-	62,798	62,798	-	-	62,798
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(612)	(612)	22,189	-	21,577
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	62,186	62,186	22,189	-	84,375
Other changes in capital surplus:									
Purchase of treasury shares	-	-	-	-	-	-	-	(38,712)	(38,712)
Retirement of treasury share	(70,000)	(3,564)	-	-	(14,958)	(14,958)	-	88,522	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	52,416	-	-	-	-	-	-	52,416
Balance at December 31, 2020	\$ 1,559,350	131,819	297,782	81,209	358,201	737,192	(59,020)	-	2,369,341

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statements of Cash Flows

For the years ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 71,170	145,206
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	6,449	4,810
Amortization expense	740	1,018
Expected credit loss (gain)	(95)	(600)
Interest expense	9,755	9,831
Interest income	(423)	(694)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(33,641)	(89,364)
Total adjustments to reconcile profit (loss)	<u>(17,215)</u>	<u>(74,999)</u>
Changes in operating assets and liabilities:		
Decrease in trade receivables	212,620	31,810
Decrease (increase) in inventories	10,521	(16,091)
Decrease (increase) in other current assets	3,276	(3,928)
Increase in notes and trade payables	83,740	11,117
Decrease in other payables and other current liabilities	(10,044)	(541)
Decrease (increase) in net defined benefit plan assets	22,746	(322)
Other	121	296
Total changes in operating assets and liabilities	<u>322,980</u>	<u>22,341</u>
Total adjustments	<u>305,765</u>	<u>(52,658)</u>
Cash inflow generated from (used in) operations	376,935	92,548
Interest received	423	694
Income taxes paid	(22,973)	(26,432)
Net cash flows from (used in) operating activities	<u>354,385</u>	<u>66,810</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	(60,598)	(46,097)
Acquisition of property, plant and equipment	(403,609)	(378)
Acquisition of intangible assets	(797)	(798)
Increase in prepayments for business facilities	(12,332)	-
Other	(1,568)	(1,450)
Net cash flows from (used in) investing activities	<u>(478,904)</u>	<u>(48,723)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	(93,040)	20,000
Increase in long-term debt	638,000	160,000
Repayments of long-term debt	(322,000)	(136,000)
Payment of lease liabilities	(2,134)	(628)
Distribution in cash dividends	(46,781)	(48,881)
Payments to acquire treasury shares	(38,712)	(102,322)
Interest paid	(9,538)	(9,878)
Other	-	(540)
Net cash flows from (used in) financing activities	<u>125,795</u>	<u>(118,249)</u>
Net increase (decrease) in cash and cash equivalents	1,276	(100,162)
Cash and cash equivalents at beginning of period	71,449	171,611
Cash and cash equivalents at end of period	<u>\$ 72,725</u>	<u>71,449</u>

(English Translation of Financial Statements Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

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

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

These financial statements were authorized for issue by the board of directors on March 17, 2021.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>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.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies:

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

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It held the liability primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;

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- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

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3) Treasury shares

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

4) Financial liabilities

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

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(h) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statement are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(i) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

(k) Lease

(i) Identifying a lease

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

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

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

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(ii) As a lessee

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

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

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

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

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

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

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

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

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

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

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

As a practical expedient, the Company elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

- (i) the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- (ii) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (iii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (iv) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

- (v) As a lessor

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

- (1) Intangible assets

- (i) Recognition & measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

The estimated useful lives for computer software current and comparative periods are 1~3 years.

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

(m) Impairment of non-financial assets

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

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

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

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

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

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

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Notes to the Financial Statements

(n) Revenue

(i) Revenue from contracts with customers

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

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

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

(ii) Financing components

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

(o) Government grants

The Company 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 Company 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 Company 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.

(p) Employee benefits

(i) Defined contribution plans

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

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(ii) Defined benefit plans

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(q) Income taxes

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

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

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

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

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

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

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

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

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(r) Earnings per share

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

(s) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent-company-only financial statements.

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

The preparation of the financial statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of COVID-19 pandemic:

The share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method - subsidiary's inventory valuation

Inventories are supposed to be measured based on the lower of cost or net realizable value. This inventory evaluation is based on the estimated sales price in future, thus, it may be changed due to changes in industry and market. Please refer to Note (6)(d) of the financial statement for the share of profit (loss) of associates and joint ventures accounted for using equity method-Subsidiary's Inventory valuation.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 50	50
Checking accounts and demand deposits	72,675	71,399
	<u>\$ 72,725</u>	<u>71,449</u>

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

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(b) Trade receivables

	December 31, 2020	December 31, 2019
Trade receivables	\$ 689,557	902,177
Less: Loss allowance	(76)	(171)
Trade receivables, net	\$ 689,481	902,006

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

December 31, 2020			
	Gross carrying amount	Weighted-ave rage expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 688,358	0.01%	75
1 to 30 days past due	1,199	0.08%	1
	\$ 689,557		76
December 31, 2019			
	Gross carrying amount	Weighted-ave rage expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 896,539	0.02%	161
1 to 30 days past due	5,232	0.11%	6
31 to 150 days past due	406	0.99%	4
	\$ 902,177		171

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

	2020	2019
Balance on January 1	\$ 171	771
Impairment losses recognized (reversed)	(95)	(600)
Balance on December 31	\$ 76	171

As of December 31, 2020 and 2019, the Company did not pledge any receivable as collateral.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(c) Inventories

	December 31, 2020	December 31, 2019
Work in progress	\$ 21	21
Finished goods and merchandise inventories	5,612	16,133
	\$ 5,633	16,154

The cost of sales amounted to \$2,573,785 and \$2,632,141 for the years ended December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, the Company did not pledge any inventories as collateral.

(d) Investments accounted for using equity method

Investments accounted for using the equity method at the report date is as follows:

	December 31, 2020	December 31, 2019
Subsidiaries	\$ 2,238,772	2,069,928

(i) The Company invested an additional cash of \$60,598 (US\$2,060 thousand) and \$39,861 (US\$1,300 thousand) in TOP CITY INTERNATIONAL LIMITED in 2020 and 2019 to increase its capital for purchasing the shares of subsidiary, respectively.

(ii) The Company invested in the establishment of CHENMING ELECTRONIC TECHNOLOGY USA, Inc. in 2019, at an amount of \$6,236 (US\$200 thousand) in order to its respond to operational needs, serve nearby customers, and strive for joint development opportunities with customers in advance.

(iii) As of December 31, 2020 and 2019, the Company did not provide any investment accounted for using equity method as collateral.

(e) Property, Plant and Equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended 2020 were as follows:

	Land	Properties	Office equipment and others	Total
Cost:				
Balance on January 1, 2020	\$ 210,897	131,867	610	343,374
Additions	402,816	-	793	403,609
Disposal	-	-	(561)	(561)
Balance on December 31, 2020	\$ 613,713	131,867	842	746,422

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	<u>Land</u>	<u>Properties</u>	<u>Office equipment and others</u>	<u>Total</u>
Balance on January 1, 2019	\$ 210,897	131,867	2,057	344,821
Additions	-	-	378	378
Disposal	-	-	(1,825)	(1,825)
Balance on December 31, 2019	<u>\$ 210,897</u>	<u>131,867</u>	<u>610</u>	<u>343,374</u>
Depreciation:				
Balance on January 1, 2020	\$ -	34,118	157	34,275
Depreciation	-	2,586	464	3,050
Disposal	-	-	(561)	(561)
Balance on December 31, 2020	<u>\$ -</u>	<u>36,704</u>	<u>60</u>	<u>36,764</u>
Balance on January 1, 2019	\$ -	31,532	1,627	33,159
Depreciation	-	2,586	355	2,941
Disposal	-	-	(1,825)	(1,825)
Balance on December 31, 2019	<u>\$ -</u>	<u>34,118</u>	<u>157</u>	<u>34,275</u>
Book Value:				
Balance on December 31, 2020	<u>\$ 613,713</u>	<u>95,163</u>	<u>782</u>	<u>709,658</u>
Balance on December 31, 2019	<u>\$ 210,897</u>	<u>97,749</u>	<u>453</u>	<u>309,099</u>

The Company entered into two separate real estate agreements with SHIN DE KNITTING CORP. and SHIN TA MACHINERY CORP. on July 31, 2020 for the acquisition of a parcel of land for its plant, at the total price of NTD 410,000, based on the resolution approved during the board meeting held on June 24, 2020. The related transfer procedures had been completed on October 30, 2020.

As of December 31, 2020 and 2019 the Company had provided parts of the property, plant and equipment as collateral for its long-term loans and credit lines. Please refer to note (8) for details.

(f) Right-of-use assets

The Company leases many assets including transportation. Information about leases for which the Company as a lessee was presented below:

	<u>Transportation</u>
Cost:	
Balance on January 1, 2020	\$ 4,425
Additions	5,914
Write-off	(844)
Balance on December 31, 2020	<u>\$ 9,495</u>
Balance on January 1, 2019	\$ -
Effects of retrospective application	844
Additions	3,581
Balance on December 31, 2019	<u>\$ 4,425</u>

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	Transportation
Accumulated depreciation and impairment losses:	
Balance on January 1, 2020	\$ 632
Depreciation	2,162
Write-off	<u>(799)</u>
Balance on December 31, 2020	<u>\$ 1,995</u>
Balance on January 1, 2019	\$ -
Depreciation of the period	<u>632</u>
Balance on December 31, 2019	<u>632</u>
Book value:	
Balance on December 31, 2020	<u> </u>
Balance on December 31, 2019	<u>\$ 3,793</u>

(g) Investment Property

	Land	Properties	Total
Cost:			
Balance on January 1, 2020 (Same balance as December 31, 2020)	<u>\$ 152,640</u>	<u>63,116</u>	<u>215,756</u>
Balance on January 1, 2019 (Same balance as December 31, 2019)	<u>\$ 152,640</u>	<u>63,116</u>	<u>215,756</u>
Depreciation:			
Balance on January 1, 2020	\$ -	18,120	18,120
Depreciation	<u>-</u>	<u>1,237</u>	<u>1,237</u>
Balance on December 31, 2020	<u>\$ -</u>	<u>19,357</u>	<u>19,357</u>
Balance on January 1, 2019	\$ -	16,883	16,883
Depreciation	<u>-</u>	<u>1,237</u>	<u>1,237</u>
Balance on December 31, 2019	<u>\$ -</u>	<u>18,120</u>	<u>18,120</u>
Book Value:			
Balance on December 31, 2020	<u>\$ 152,640</u>	<u>43,759</u>	<u>196,399</u>
Balance on December 31, 2019	<u>\$ 152,640</u>	<u>44,996</u>	<u>197,636</u>
Fair Value:			
Balance on December 31, 2020			<u>\$ 534,612</u>
Balance on December 31, 2019			<u>\$ 547,048</u>

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

As of December 31, 2020 and 2019, the Company pledge investment properties as collateral. Please refer to note (8) for details.

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(h) Short-term loans

The short-term loans were summarized as follows:

	December 31, 2020	December 31, 2019
Credit Loan	\$ -	230,000
Secured Loan	296,960	160,000
	\$ 296,960	390,000
Unused credit lines for short-term loans	\$ 860,992	621,552
Annual interest rates	0.5%~1.3%	1.0%~1.3%

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

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

(i) Long-term loans

The long-term loans were summarized as follows:

December 31, 2020				
	Currency	Range of interest rates	Expiration	Amount
Secured bank loans	TWD	1.0%~1.5%	2023~2040	\$ 622,000
Current				\$ -
Non-current				622,000
Total				\$ 622,000
Unused credit lines				\$ 786,000
December 31, 2019				
	Currency	Range of interest rates	Expiration	Amount
Secured bank loans	TWD	1.0%~1.5%	2023~2025	\$ 306,000
Current				\$ -
Non-current				306,000
Total				\$ 306,000
Unused long-term credit lines				\$ 130,000

(i) The main management are the guarantor of long-term loan, please refer to note (7).

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

(iii) As of December 31, 2020 and 2019, the Company provided part of its assets as collateral for long-term loans. Please refer to note (8) for details.

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(j) Lease liabilities

	December 31, 2020	December 31, 2019
Current	\$ 3,147	1,491
Non-current	\$ 4,385	2,306

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	\$ 75	13
Expenses relating to short-term leases	\$ -	29
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ -	120

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

	2020	2019
Total cash outflow for leases	\$ 2,209	790

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

(k) Operating lease — Leases as lessor

The Company leases out its investment property, which has been classified as operating lease, as it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note (6)(g) for the information about the operating leases of investment property.

As of December 31, 2020, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2020
Less than one year	\$ 12,584
Between one and five years	36,400
Total undiscounted lease payment	\$ 48,984

The future lease receivables under non-cancellable lease are as follows:

	December 31, 2019
Less than one year	\$ 14,532
Between one and five years	6,984
	\$ 21,516

The lease revenue from investment properties were \$14,549 and \$13,605 in 2020 and 2019,

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respectively. Moreover, the related depreciation expense both amounted to \$1,237.

(1) Employee benefits

(i) Defined benefit plans

The Company settled the old labor pension plan of all of its employees on August 7, 2020, and fully refunded the entire planned assets of \$26,384 from the Bureau of Labor Funds, Ministry of Labor. As of December 31, 2019, the reconciliation of defined obligation present value and plan asset at fair value is as follows:

	December 31, 2019
Present value of the defined benefit obligations	\$ 36,746
Fair value of plan assets	(59,492)
Net defined benefit liabilities (assets)	<u><u>\$ (22,746)</u></u>

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

1) Composition of plan assets

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

For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	2019
Defined benefit obligations at January 1	\$ 33,422
Current service costs and interest costs	459
Remeasurement of net defined benefit liability (assets)	2,865
Defined benefit obligations at December 31	<u><u>\$ 36,746</u></u>

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3) Movements of defined benefit plan assets

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

	2019
Fair value of plan assets at January 1	\$ (56,826)
Expected return on plan assets	(781)
Remeasurement of net defined benefit liability (assets)	(1,885)
Fair value of plan assets at December 31	<u>\$ (59,492)</u>
Actual return on plan assets	<u>\$ (2,666)</u>

4) Expenses recognized in profit or loss

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

	2020	2019
Interest cost	\$ 207	459
Expected rate of return on plan assets	(335)	(781)
	<u>\$ (128)</u>	<u>(322)</u>
Administration expense	<u>\$ (128)</u>	<u>(322)</u>

5) Actuarial assumptions

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

	December 31, 2019
Discount rate	1.125%
Future salary increasing rate	1.000%

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

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

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6) Sensitivity Analysis

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

	Influences of defined benefit obligation	
	Increased 0.25 %	Decreased 0.25 %
December 31, 2019		
Discount rate	(1,238)	1,339
Future salary increasing rate	1,322	(1,266)

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

(ii) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to \$3,752 and \$3,675 for the years ended December 31, 2020 and 2019, respectively.

(m) Income taxes

(i) Income tax expenses

1) The amount of income tax for 2020 and 2019 was as follows:

	2020	2019
Current tax expense		
Current period	\$ 10,229	14,524
Undistributed earnings additional tax	1,803	1,733
Adjustment for prior period	54	(584)
	12,086	15,673
Deferred tax expense (income)		
Origination and reversal of temporary differences	(3,714)	(3,367)
	(3,714)	(3,367)
Income tax expense	\$ 8,372	12,306

2) The amount of income tax recognized in other comprehensive income for 2020 and 2019

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was as follows:

	2020	2019
Items that will not be reclassified subsequently to profit or loss		
Remeasurement from defined benefit plans	\$ 612	(196)

- 3) Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	2020	2019
Profit excluding income tax	\$ 71,170	145,206
Income tax using the Company's domestic tax rate	13,019	29,041
Under (over) provision in prior periods	54	(584)
Undistributed earnings additional tax	1,803	1,733
Other	(6,504)	(17,884)
	\$ 8,372	12,306

- (ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities:

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2020 and 2019. Also, management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2020	December 31, 2019
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	\$ 34,553	28,400

- 2) Unrecognized deferred tax assets

Unrecognized deferred tax assets: None.

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Notes to the Financial Statements

3) Recognized deferred tax assets and liabilities

	Defined benefit plans	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2020	\$ 4,991	(60)	4,931
Recognized in (profit) or loss	(5,543)	-	(5,543)
Recognized in other comprehensive income	612	-	612
Balance on December 31, 2020	<u><u>\$ 60</u></u>	<u><u>(60)</u></u>	<u><u>-</u></u>
Balance on January 1, 2019	\$ 5,122	(60)	5,062
Recognized in (profit) or loss	65	-	65
Recognized in other comprehensive income	(196)	-	(196)
Balance on December 31, 2019	<u><u>\$ 4,991</u></u>	<u><u>(60)</u></u>	<u><u>4,931</u></u>
	Defined benefit Plans	Others	Total
Deferred tax assets:			
Balance on January 1, 2020	\$ -	4,850	4,850
Recognized in profit or (loss)	-	(1,829)	(1,829)
Balance on December 31, 2020	<u><u>\$ -</u></u>	<u><u>3,021</u></u>	<u><u>3,021</u></u>
Balance on January 1, 2019	\$ -	1,418	1,418
Recognized in profit or (loss)	-	3,432	3,432
Balance on December 31, 2019	<u><u>\$ -</u></u>	<u><u>4,850</u></u>	<u><u>4,850</u></u>

(iii) The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the authorized common stocks were both \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which 155,935 and 162,935 thousand shares, were issued, respectively. All issued shares were paid up upon issuance.

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Notes to the Financial Statements

(ii) Capital surplus

The balances of capital surplus as of 2020, were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Additional paid-in capital	\$ 10,551	14,115
Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>121,268</u>	<u>68,852</u>
	<u>\$ 131,819</u>	<u>82,967</u>

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

(iii) Retained Earning

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

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

1) Legal reserve

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

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2) Special reserve

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

3) Earnings distribution

The appropriation of earnings for the year of 2019 approved in the shareholders' meeting on June 12, 2020 was \$46,781 by cash dividends.

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

(iv) Treasury stock

In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 3,500 and 7,000 thousand shares in 2020 and 2019, respectively, as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2020, all treasury shares repurchased had been cancelled.

Movement of treasury share were as follows:

	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	7,000	102,322
Retirement	(7,000)	(88,522)	(7,000)	(104,539)
Balance on December 31	<u>-</u>	<u>\$ -</u>	<u>3,500</u>	<u>\$ 49,810</u>

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

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

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(o) Earnings per share

For the years ended December 31, 2020 and 2019, the Company's earnings per share were calculated as follows:

	2020	2019
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 62,798</u>	<u>132,900</u>
Weighted-average number of ordinary shares (share in thousands)	<u>156,710</u>	<u>162,479</u>
	<u>\$ 0.40</u>	<u>0.82</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	<u>\$ 62,798</u>	<u>132,900</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	156,710	162,479
Effect of employee stock remuneration (share in thousands)	<u>298</u>	<u>412</u>
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>157,008</u>	<u>162,891</u>
	<u>\$ 0.40</u>	<u>0.82</u>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	2020	2019
Primary geographical markets		
Taiwan	\$ 745,235	510,640
Japan	607,444	839,002
China	815,285	733,080
USA	436,933	360,566
Others	<u>166,152</u>	<u>384,438</u>
	<u>\$ 2,771,049</u>	<u>2,827,726</u>
Major product		
PC chassis	\$ 1,580,452	1,901,436
Mobile device components	1,006,311	874,002
Mold	<u>184,286</u>	<u>52,288</u>
	<u>\$ 2,771,049</u>	<u>2,827,726</u>

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(ii) Contract balances

	December 31, 2020	December 31, 2019	January 1, 2019
Trade receivable	\$ 689,557	902,177	933,987
Less: Loss allowance	(76)	(171)	(771)
	\$ 689,481	902,006	933,216

(q) Employee directors' and supervisor's remuneration

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

The Company's remuneration to employees were \$3,000 and \$5,000, respectively; and the remuneration to directors and supervisors both amounted to \$1,500 for the years ended December 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 employee remuneration were calculated based on the closing price of the Company's shares on the day before the approval from the Board of Directors.

The remuneration to employees was \$5,000 and the remuneration to directors and supervisors was \$1,500 in 2019. There were no differences in the actual amount and the estimated amount as of December 31, 2019. The related information would be available at the Market Observation Post System website.

(r) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration to credit risk

The customers of the Company are mainly high tech companies, trade receivables have 71% and 69% are composed by five clients in December 31, 2020 and 2019. Thus, the company has concentration to credit risk situation.

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(ii) Receivable securities

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

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

(iii) Liquidity Risk

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

	<u>Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2020					
Secured loans	\$ 918,960	(918,960)	(296,960)	(200,000)	(422,000)
Notes and trade payables (including related parties)	592,237	(592,237)	(592,237)	-	-
Lease liabilities (including current and non-current)	7,532	(7,675)	(3,239)	(3,137)	(1,299)
Other payables	43,880	(43,880)	(43,880)	-	-
Guarantee deposits	3,270	(3,270)	(1,470)	-	(1,800)
	<u>\$ 1,565,879</u>	<u>(1,566,022)</u>	<u>(937,786)</u>	<u>(203,137)</u>	<u>(425,099)</u>
December 31, 2019					
Secured loans	\$ 466,000	(466,000)	(160,000)	-	(306,000)
Unsecured loans	230,000	(230,000)	(230,000)	-	-
Notes and trade payables (including related parties)	508,497	(508,497)	(508,497)	-	-
Lease liabilities (including current and non-current)	3,797	(3,877)	(1,536)	(1,221)	(1,120)
Other payables	53,560	(53,560)	(53,560)	-	-
Guarantee deposits	3,270	(3,270)	-	(3,270)	-
	<u>\$ 1,265,124</u>	<u>(1,265,204)</u>	<u>(953,593)</u>	<u>(4,491)</u>	<u>(307,120)</u>

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

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(iv) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follow:

	December 31, 2020			December 31, 2019			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets							
Monetary items							
USD to NTD	\$	26,261	28.480	747,913	32,036	29.98	960,439
Financial liabilities							
Monetary items							
USD to NTD		2,001	28.480	56,988	45	29.98	1,349

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables and trade payables, that are denominated in foreign currency. A weakening or strengthening 5% of each major foreign currency against the Company functional currency as of December 31, 2020 and 2019, would have affected the net profit before tax by \$34,546 and \$47,955, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

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

	2020	2019
	Exchange profit (loss)	Exchange profit (loss)
NTD	\$ (45,432)	(13,097)

(v) Interest Rate analysis

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

	Carrying amount	
	December 31, 2020	December 31, 2019
Variable rate instruments:		
Financial assets	\$ 72,612	71,336
Financial liabilities	918,960	696,000

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$2,116 and \$1,562 for the years ended December 31, 2020 and 2019, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(vi) Fair value

1) Procedure of valuation

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

2) Fair value hierarchy

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

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

3) The kinds of financial instruments and fair value

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

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

December 31, 2020					
		Fair Value			
Financial assets measured at amortized cost	Book value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 72,725	-	-	-	-
Trade receivables	689,481	-	-	-	-
Refundable deposits	<u>3,038</u>	-	-	-	-
	<u>\$ 765,244</u>				
Financial liabilities at amortized cost					
Bank loans	\$ 918,960	-	-	-	-
Trade payables (including related parties)	592,237	-	-	-	-
Lease liabilities	7,532	-	-	-	-
Other payables	43,880	-	-	-	-
Refundable deposits	<u>3,270</u>	-	-	-	-
	<u>\$ 1,565,879</u>				
December 31, 2019					
		Fair Value			
Financial assets measured at amortized cost	Book value	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 71,449	-	-	-	-
Trade receivables	902,006	-	-	-	-
Refundable deposits	<u>1,470</u>	-	-	-	-
	<u>\$ 974,925</u>				
Financial liabilities at amortized cost					
Bank loans	\$ 696,000	-	-	-	-
Trade payables (including related parties)	508,497	-	-	-	-
Lease liabilities	3,797	-	-	-	-
Other payables	53,560	-	-	-	-
Guarantee deposits	<u>3,270</u>	-	-	-	-
	<u>\$ 1,265,124</u>				

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

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

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

- a) Financial liability with amortized cost evaluation

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

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

- a) Non-derivative financial instruments

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

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

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

- (s) Financial risk management

- (i) Briefings

The Company is have exposed to the following risks arising from financial instruments :

- 1) Credit risk
- 2) Liquidity risk

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

3) Market risk

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Trade receivables and other receivables

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

The Company constantly evaluate clients' financial situation, but usually won't ask clients to offer collateral.

2) Guarantees

As of December 31, 2020 and 2019, the Company do not offer any endorsement and guarantees, except to its subsidiaries, please refer to note (13)(a).

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to note 6(h) and note 6(i) for unused short-term and long-term bank facilities as of December 31, 2020 and 2019.

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(v) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the New Taiwan Dollars (TWD).

To avoid the fluctuation from foreign exchange, the Company use short-term loans and accounts receivable (payable) in foreign currency to avoid foreign rate risk. This kind of derivative can help the Company to reduce the influence of foreign currency exchange but can't exclude all the risk.

2) Interest rate risk

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

3) Other market value risk

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

(t) Capital management

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

Debt-to-asset ratio in 2020 and 2019 as follow:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 1,571,057	1,286,147
Total assets	3,940,398	3,604,190
Debt-to-asset ratio	40%	36%

As of December 31, 2020, the capital management method do not change.

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Notes to the Financial Statements

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

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2020 and 2019 were as follows:

	January 1, 2020	Cash flows	Non-cash flows		December 31, 2020
			Additions	Write-off	
Long term loans	\$ 306,000	316,000	-	-	622,000
Short term loans	390,000	(93,040)	-	-	296,960
Lease liabilities	3,797	(2,134)	5,914	(45)	7,532
Guarantee deposits	3,270	-	-	-	3,270
Total liabilities from financing activities	\$ 703,067	220,826	5,914	(45)	929,762

	January 1, 2019	Cash flows	Non-cash flows		December 31, 2019
			Additions		
Long term loans	\$ 282,000	24,000	-	306,000	
Short term loans	370,000	20,000	-	390,000	
Lease liabilities	844	(628)	3,581	3,797	
Guarantee deposits	3,810	(540)	-	3,270	
Total liabilities from financing activities	\$ 656,654	42,832	3,581	703,067	

(7) Related-party transactions:

- (a) Names and relationship with related parties

Name of related party	Relationship with the Company
Dongguan Chenming Electronic Co., Ltd.	Subsidiary of the Company
Chenming Electronic (Ningbo) Co., Ltd.	Subsidiary of the Company
UNEEC Culture and Education Foundation	Same chairman with the Company
Lin, Mu-Ho	Chairman of the Company

- (b) Significant transactions with related parties

- (i) Selling products to related parties

	2020	2019
Subsidiaries	\$ -	34

There were no significant differences in the collection periods and sale prices between the related parties and other customers, and the payment term was 60 days.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(ii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	2020	2019
Subsidiary:		
Dongguan Chenming Electronic Co., Ltd.	\$ 2,546,860	2,636,951

The Company purchases certain products manufactured by its related parties. The purchase prices for related parties are no general supplier for comparison, and the collection period for related parties is 60 days and payment according to subsidiaries's financial needs.

(iii) Payables to Related Parties

The payables to related parties were as follows:

Account	Related party categories	December 31, 2020	December 31, 2019
Trade payables	Subsidiaries:		
	Dongguan Chenming Electronic Co., Ltd.	\$ 589,420	505,434

(iv) Lease

The Company rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. The rental fee is determined based on nearby office rental rates. The rental revenue for the years ended December 31, 2020 and 2019 amounted to \$3,429 and \$2,514, respectively.

(v) Guarantee

- 1) The main management was the guarantor of the syndication contract, and the amounts of syndication were \$622,000 and \$306,000, as of December 31, 2020 and 2019, respectively.
- 2) As of December 31, 2020 and 2019, the Company had provided a guarantee for loans taken out by CHENMING ELECTRONIC (NINGBO) Co. LTD. The credit limit of the guarantee was \$52,524 and \$51,660, respectively.

(vi) Other

The Company dispatched its employees to its subsidiaries for providing management services. As of December 31, 2020 and 2019, the relative revenue amounted to \$4,471 and \$4,408, respectively, which was recognized in other income.

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Notes to the Financial Statements

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	2020	2019
Short-term employee benefits	\$ 7,483	6,428
Post-employment benefits	6,508	108
	\$ 13,991	6,536

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged Assets	Object	December 31, 2020	December 31, 2019
PPE and investment properties	Short-term loans and long-term		
— land	loans	\$ 750,621	347,804
— properties	"	131,732	135,307
		\$ 882,353	483,111

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events:

Based on the resolution approved during the Board of Directors' meeting held on March 17, 2021, the Company decided to invest indirectly in CHENMING ELECTRONIC (NINGBO) CO., LTD., via current investment structure, to obtain 8% of its ownership for USD \$1,700 in cash, resulting in the Company to acquire the entire shareholdings of CHENMING ELECTRONIC (NINGBO) CO., LTD.

(12) Other:

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

By function By item	2020			2019		
	Cost of sales	Operatin g expenses	Total	Cost of sales	Operatin g expenses	Total
Employee benefits						
Salary	-	73,379	73,379	-	73,735	73,735
Labor and health insurance	-	6,131	6,131	-	6,105	6,105
Pension	-	3,624	3,624	-	3,353	3,353
Remuneration of directors	-	1,500	1,500	-	1,000	1,000
Others	-	4,151	4,151	-	5,102	5,102

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Depreciation	-	5,212	5,212	-	3,573	3,573
Amortization	-	740	740	-	1,018	1,018

Note: The depreciation expense, which subtract the depreciation expense from investment properties, Note both \$1,237 for the years ended December 31, 2020 and 2019, respectively, which were recognized in the subtraction of rent revenue.

	<u>2020</u>	<u>2019</u>
Number of employees	<u>80</u>	<u>80</u>
Non-employees directors	<u>5</u>	<u>5</u>
Average labor cost	<u>\$ 1,164</u>	<u>1,177</u>
Average salary and bonus	<u>\$ 978</u>	<u>983</u>
Percentage change in average salary and bonus	<u>(0.50)%</u>	<u>17.72%</u>
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy information is as follows:

- (a) The salary paid to managers and employees is divided into two types: fixed salary and variable salary. Fixed salary is the monthly salary regardless of profit or loss; while variable salary, including employee remuneration, business development bonus and year end performance bonus, depends on the Company's profit and factors such as performance review, job responsibility, contribution to the Company's operations, economic environment and market condition. The Company sets up related policies to reflect the work performance of its managers and employees.
- (b) The policy takes the current year's earning into consideration since it reflects the Company's operating performance.
- (c) The directors and supervisors of the Company do not have fixed remuneration. When there is earnings in the year, the directors and supervisors will be paid in accordance with the R.O.C. Company Act and the Company' articles. In addition to the Company's previous operating performance, competitors and listed companies are used as the benchmarks for the approval of the remuneration policy and structure. The remuneration to directors and supervisors is also reference to the total remuneration as the results of the directors' performance review, such as comprehensive review of their involvement in the Company's accounting, financial status, audit reports, and Company's business operation, in order to balance the Company's sustainable business and risk control.
- (d) The salary of managers not only refers to competitors and current year operating performance, but is also reference to long term goal indicators, such as proposals and strategies that are helpful to the operation and development of the Company, as well as deployment and operation of the planned target products and markets. Moreover, the managers are not guided to pursue short term rewards and engage in behaviors that surpass the Company's risks in order to balance the Company's sustainable business and risk control.

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Notes to Financial Statements

(13) Other disclosures

(a) Information on significant transactions:

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

(i) Loans to other parties:

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Trade receivables due from related parties	Yes	170,880	170,880	113,920	0.93% - 2.6055%	Short-term financial	-	Operating demand	-	-	-	2,236,001 (note 1)	2,236,001 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Trade receivables due from related parties	Yes	315,144	175,080	175,080	4.67625%	Short-term financial	-	Operating demand	-	-	-	455,076 (note 2)	455,076 (note 2)
Total						345,960	289,000									

Note 1: The total amount for lending to a subsidiary whose voting shares are 100% owned, directly or indirectly, by TOP CITY INTERNATIONAL LIMITED for funding for a short-term period shall not exceed the net worth of TOP CITY INTERNATIONAL LIMITED, which amounted to \$2,236,001. And the total amount lendable to each of such borrowers still shall not exceed the net worth of TOP CITY INTERNATIONAL LIMITED, which amounted to \$2,236,001.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed forty percent of the net worth of CHENMING ELECTRONIC (NINGBO) CO., LTD, which amounted to \$455,076 (\$1,137,691*40%). In addition, the total amount lendable to any one borrower shall be no more than forty percent of the borrower's net worth, which amounted to \$455,076 (\$1,137,691*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	92% owned subsidiary	947,736	52,524	52,524	-	-	2.22%	1,895,473 (note 1)	Yes	No	Yes
	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Both are subsidiaries of the Company	455,076	52,524	52,524	39,393	-	4.62%	910,153 (note 2)	No	No	Yes

Note 1: The total amount of endorsement guarantees of the Company and its subsidiaries 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. The total endorsement guarantees of the Company shall not exceed 40% of the net worth of the Company which amounted to \$947,736. (\$2,369,341*40%). In addition, the total endorsement guarantees of the Company shall be no more than 80% of the Company's net worth, which amounted to \$1,895,473 (\$2,369,341*80%).

Note 2: The total amount of endorsement guarantees of CHENMING ELECTRONIC (NINGBO) CO., LTD., shall not exceed 80% of its net worth; the amount of endorsement guarantees for an entity shall not exceed 40% of its net worth. The total endorsement guarantees of CHENMING ELECTRONIC (NINGBO) CO., LTD., shall not exceed 40% of the net worth of CHENMING ELECTRONIC (NINGBO) CO., LTD., which amounted to \$455,076(\$1,137,691*40%). In addition, the total endorsement guarantees of CHENMING ELECTRONIC (NINGBO) CO., LTD., shall be no more than 80% of its net worth, which amounted to \$910,153 (\$1,137,691*80%).

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- (iii) Securities held as of December 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 NTD300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NTD300 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	Paid	SHIN DE KNITTING CORP. and SHIN TA KNITTING MACHINERY CORP.	None	N/A	N/A	N/A	-	Valuation report	Set up the production line based in Taiwan, with the plant still under construction.	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 NTDS410,000, please refer to Note(6)(e).

- (vi) Disposal of individual real estate with an amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/trade receivables (payables)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ trade receivables (payables)	
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	2,546,860	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 (589,420)	(99) %	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,546,860)	(64) %	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 589,420	55 %	"
Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC CO., LTD (NINGBO)	Subsidiaries of PEAK SHREWD INC.	(Sale)	(111,971)	(3) %	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	-	- %	"
CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	111,971 (CNY26,109)	11 %	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	-	- %	"

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

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(viii) Receivables from related parties with amounts exceeding the lower of NTD100 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 589,420	4.65	-	-	426,761	-	Note 2

Note 1: Balance of March 5, 2021.

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

(ix) Trading in derivative instruments: None.

(b) Information on investees:

The following is the information on investees for the years ended December 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 December 31, 2020			Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,061,572	2,002,903	62,008	100%	2,236,002	35,443	35,443	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USD, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100%	2,770	(1,802)	(1,802)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100%	1,070,094	(15,064)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grands company
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC	Samoa	Investment	697,395	638,726	19,860	100%	1,022,581	49,372	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grands company

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.

(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 December 31, 2020	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2 and 3)	Carrying amount as of December 31, 2020 (note 3)	Accumulated remittance of earnings as of December 31, 2020
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,836,960 (USD64,500)	note 1 and 7	506,944 (USD17,800)	58,669 (USD2,060) (note 6)	-	565,613 (USD19,860)	65,518	92%	48,141	1,046,676	-
Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	825,293 (USD28,978) (note 4 and 5)	note 1 and 8	709,152 (USD24,900)	-	-	709,152 (USD24,900)	13,849	100%	13,849	820,044	-

(English Translation of Financial Report Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to Financial Statements

(ii) Limitation on investment in mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 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	1,274,765 (USD44,760)	1,418,589 (USD49,810)	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 \$28.48 as of December 31, 2020.

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

Note5: Invested the amount of \$USD 1,078 thousand 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".

(English Translation of Financial Report Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to 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.		16,000,000	10.26%

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 Company has provided the operating segments disclosure in the consolidated financial statements.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Cash and Cash Equivalents

December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty Cash		\$ 50
Checking accounts and demand deposits	NTD	10,255
	Foreign currency (US\$2,051 thousand ; JPY\$545 thousand ; RMB\$881 thousand)	<u>62,420</u>
		<u><u>\$ 72,725</u></u>

Note : The exchange rate is 28.48 New Taiwan dollars for 1 U.S. dollar ; 0.2763 New Taiwan dollars for 1 JPY ; 4.377 New Taiwan dollars for 1 RMB.

Statement of Trade Receivables

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Trade Receivables:		
Non-Related party:		
E Company	Non-Related party operating income	\$ 154,897
CC Company	"	132,962
F Company	"	75,017
AA Company	"	72,068
AE Company	"	53,326
Other (Note)	"	<u>201,287</u>
Total		689,557
Less: Loss allowance		<u>(76)</u>
Trade Receivables, net		<u><u>\$ 689,481</u></u>

Note : Items that do not reach the five percent benchmark for this account.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

<u>Investee Company</u>	<u>Beginning Balance</u>		<u>Additions (Note1)</u>		<u>Disposals</u>		<u>Investment income</u>	<u>Cumulative translation adjustment</u>	<u>Ending Balance</u>			<u>Market price or net value</u>	<u>Collaterals or Pledged assets</u>
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>			<u>Number of shares</u>	<u>Percentage of Ownership</u>	<u>Amount</u>		
TOP CITY INTERNAT IONAL LIMITED	59,948	\$ 2,065,182	2,060	113,014	-	-	35,443	22,363	62,008	100%	2,236,002	2,236,002	None
CHENMING ELECTROONIC TECHNOLOGY USA, Inc.	200	4,746	-	-	-	-	(1,802)	(174)	200	100%	2,770	2,770	None
		<u>\$ 2,069,928</u>		<u>113,014</u>			<u>33,641</u>	<u>22,189</u>			<u>2,238,772</u>	<u>2,238,772</u>	

Note1: The Company invested the additional cash of \$60,598 in its subsidiaries, resulting in the difference between the consideration and the carrying amounts to be \$52,416.

CHENMING ELECTRONIC TECHNOLOGY CORP.
Statement of Changes in Property, Plant and Equipment
December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Please refer to Note 6(e).

Statement of Changes in Investment Property

Please refer to Note 6(g).

Statement of Short-Term Borrowings
December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Creditor	Description	Amount	Contract period	Interest Rate	Loan commitments	Collaterals or Pledged assets
Mega International Commercial Bank Co.,Ltd	Secured Loans	\$ 166,960	2020.9.21~ 2021.6.18	Please refer to note (6)(h)	USD22,400thousand	Land, Properties and investment properties
Hua Nan Commercial Bank	Secured Loans	130,000	2020.12.25 ~ 2021.01.25	"	NTD350,000	Land, Properties and investment properties
		<u>\$ 296,960</u>				

**CHENMING ELECTRONIC TECHNOLO
CORP.**

Statement of Long-Term Loans

December 31, 2020

(Expressed in Thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>		<u>Interest Rate</u>	<u>Contract period</u>	<u>Cloaterals or Pledged assets</u>
		<u>Loan within 1 year</u>	<u>Loan more than 1 year</u>			
Mega International Commercial Bank Co.,Ltd	Secured Loans	\$ -	200,000	Please refer to Note 6(i)	2020.3~2021.3	Land, Properties and investment properties
Hua Nan Commercial Bank	Secured Loans	-	422,000	Please refer to Note 6(i)	2005.11~2040.11	Land, Properties and investment properties
		<u>\$ -</u>	<u>622,000</u>			

Statement of Notes and Trade Payables

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Notes and Trade payables:		
Dongguan Chenming Electronic Co., Ltd	Related party operating cost	\$ 589,420
Other (Note)	Non-Related party operating cost	<u>2,817</u>
		<u>\$ 592,237</u>

Note : Items that do not reach the five percent benchmark for this account.

**CHENMING ELECTRONIC TECHNOLOG
CORP.**

Statement of Operating Revenue

For the year ended December 31, 2020

**(Expressed in Thousands of New Taiwan
Dollars)**

<u>Item</u>	<u>Number — pieces in thousand</u>	<u>Amount</u>
Sales revenue:		
Computer and server case	863	\$ 1,585,020
Mobile components	82,514	1,006,311
Less: Sales discount		<u>(4,568)</u>
		2,586,763
Mold revenue		<u>184,286</u>
Net sales revenue		<u><u>\$ 2,771,049</u></u>

Statement of Operating Costs

<u>Item</u>	<u>Amount</u>
Raw materials, beginning of year	\$ -
Add: Purchase of raw material	16,714
Less: Raw materials, end of year	<u>-</u>
Raw materials used	16,714
Add: Work-in-process, beginning of year	21
Less: Work-in-process, end of year	<u>(21)</u>
Cost of finished goods	16,714
Finished goods, beginning of year	16,133
Finished goods purchased	2,546,860
Less: Finished goods, end of year	(5,612)
Other	<u>(310)</u>
Total	<u><u>\$ 2,573,785</u></u>

**CHENMING ELECTRONIC TECHNOLOG
CORP.**

Statement of Operating Expenses

For the year ended December 31, 2020

**(Expressed in Thousands of New Taiwan
Dollars)**

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Payroll expenses	\$ 18,787	39,827	14,765
Travel expenses	2,716	570	1,029
Insurance expenses	2,451	4,294	1,721
Depreciation expenses	868	4,206	138
Professional service fees	-	6,917	-
Safety and health expenses	-	4,471	-
Other (Note)	4,747	13,430	3,994
Total	\$ 29,569	73,715	21,647

Note : Items that do not reach the five percent benchmark for this account.

VI. Any financial distress experienced by the company or its affiliated enterprise and impacts on the company's financial status in the last year up till the publication date of this annual report:

None.

Seven. Review and Analysis of Financial Position and Business Performance, and Risk Management Issues

I. Financial position

Unit: NTD
thousand

Item \ Year	2019	2020	Variation	
			Amount	%
Current assets	3,451,479	3,154,950	(296,529)	-8.59
Long-term investments	-	-	-	-
Fixed assets	969,922	1,315,813	345,891	35.66
Other assets	515,552	493,276	(22,276)	(4.32)
Total assets	4,936,953	4,964,039	27,086	0.55
Current liabilities	2,105,047	1,867,332	(237,715)	(11.29)
Long-term liabilities	306,000	622,000	316,000	103.27
Other liabilities	18,315	14,351	(3,964)	(21.64)
Total liabilities	2,429,362	2,503,683	74,321	3.06
Share capital	1,629,350	1,559,350	(70,000)	(4.30)
Capital reserves	82,967	131,819	48,852	58.88
Retained earnings	736,745	737,192	447	0.06
Total shareholders' equity	2,507,591	2,460,356	(47,235)	(1.88)
Explanation to major variations:				
1. Fixed assets increased: due to acquisition of production site and plant in Taiwan.				
2. Long-term liability increased: due to additional long-term borrowings undertaken to finance plant acquisition.				
3. Capital reserves increased: due to differences between the price and book value of subsidiaries' equity upon acquisition.				

Note 1: All above financial information was taken from audited consolidated financial statements.

Note 2: Explanations are provided for variations above 20% and amounting to NT\$10 million or higher.

Note 3: Percentages are calculated on same accounts shown in different financial statements.

Note 4: Variation percentage is presented in relative terms, by setting previous year's value at 100%.

II. Business performance

Unit: NTD
thousand

Account	Year	2019	2020	Variation	Variation (%)
Operating revenue					
Sales revenue		6,028,702	6,124,518	95,816	1.59
Less: Sales return		-	-	-	-
Sales discount		-	-	-	-
Net operating revenues		6,028,702	6,124,518	95,816	1.59
Operating costs		5,463,795	5,567,991	104,196	1.91
Gross profit		564,907	556,527	(8,380)	(1.48)
Operating expenses		379,094	364,968	(14,126)	(3.73)
Operating profit		185,813	191,559	5,746	3.09
Non-operating revenues		37,489	44,284	6,795	18.13
Non-operating expenses		10,863	127,095	116,232	1069.98
Pre-tax profit		212,439	108,748	(103,691)	(48.81)
Income tax expense		55,431	28,572	(26,859)	(48.45)
Net income		157,008	80,176	(76,832)	(48.94)

(I) Explanation to major variations:

1. Non-operating expenses increased: due to fluctuation of foreign currency exchange rate.
2. Pre-tax profit, income tax expense, and net income decreased: due to higher loss on exchange, presented as non-operating expense.

(II) Expected sales volume and basis of estimate: The Company does not produce financial forecasts, hence not applicable.

(III) Possible financial impacts and responsive plans: The Company does not produce financial forecasts, hence not applicable.

Note 1: All above financial information was taken from audited consolidated financial statements.

Note 2: Explanations are provided for variations above 20% and amounting to NT\$10 million or higher.

Note 3: Percentages are calculated on same accounts shown in different financial statements.

Note 4: Variation percentage is presented in relative terms, by setting previous year's value at 100%.

III. Cash flow

(I) Liquidity analysis for the last 2 years

Item	Year	2019	2020	Variation (%)
Cash flow ratio		9.66	25.58	165%
Cash flow adequacy ratio		109.65	93.97	- 14%
Cash reinvestment ratio		5.18	12.78	147%
Cash flow ratio and cash reinvestment ratio increased: due to higher cash flow from operating activities. Cash flow adequacy ratio decreased: due to higher capital expenditure incurred in the current year.				

(II) Improvements for lack of liquidity: The Company's current ratio stood at 103.50%, which presents no concern for lack of liquidity.

(III) Liquidity analysis for the next year

Unit: NTD thousands

Opening cash balance (1)	Projected yearly net cash flow from operating activities (2)	Expected cash outflow for the year (3)	Expected cash surplus (deficit) (1)+(2)-(3)	Remedy for estimated cash shortage	
				Investment plans	Financing plans
366,138	455,000	433,455	387,683	-	-
1. Analysis of cash flow for the year: (1) Operating activities: Mainly due to increasing net income expected in the following year. (2) Investing activities: Mainly due to increasing machinery/equipment investments expected in the following year. (3) Financing activities: Mainly due to decreasing loans expected in the following year. 2. Responsive measures and liquidity analysis on expected cash flow deficits: Not applicable.					

IV. Material capital expenditures in the last year and impacts on financial position and business performance:

(I) Major capital spending and source of capital: The Company acquired NT\$410,000,000 of property at Jhongli Industrial Park in 2020 for the construction of Taiwan production site. The project was financed with a combination of proprietary working capital and loans from financial institutions.

(II) Expected benefits:

1. The project helps diversify risk of relying on a single production site, particularly given the ongoing China-USA trade dispute and the COVID-19 pandemic.
2. The project provides the additional production capacity needed to meet the market's demands for 5G, AI, and IoT solutions.

V. Causes of profits or losses incurred on investments in the last year, and any improvements or investments planned for the next year:

The Company operates as an operations center in Taiwan, and establishes production sites overseas. Investment gains in 2020 were mainly attributed to increased operating revenues and operating profits from investees recognized using the equity method. The Company will plan its investments for the next year based on the state of the industry and the Company's growth requirements. Investments will be carefully reviewed and presented to the board of directors for final approval.

VI. Evaluation of risk management issues in the last year up till the publish date of this annual report

(I) Impact of interest rate, exchange rate, and inflation on the company's earnings, and responsive measures:

1. Exchange rate changes:

The Company has always been mindful of exchange rate changes, and continues to execute the following measures as response:

- A. Natural hedge of assets and liabilities: The Company exports most of its products. Sales are mainly denominated in USD, while purchases made with suppliers are also mostly denominated in USD. This arrangement enables most recurring foreign currency-denominated sales and purchases to be offset against each other, and thereby achieve natural hedge.
- B. The Treasury Department maintains close communication with foreign currency departments of various banks, and constantly monitors exchange rate changes and trends to minimize adverse impacts of exchange rate fluctuation.
- C. Effects of exchange rate variation are taken into consideration when offering quotes to customers. The Company adopts a conservative estimate in this regard in order to minimize the impacts that exchange rate volatility may have on product margin.
- D. At times of high exchange rate fluctuation, the Company would use other tools such as forward exchange to hedge and mitigate exchange rate risks.

2. Interest rate changes:

The Company pays close attention to local and foreign interest rates and is able to borrow at favorable rates. It maintains good relationship with banks to make sure that loans are drawn at more favorable rates, and thereby reduce borrowing costs.

As of the publication date of this annual report, interest rate variations had not caused any significant impact on the Company's profit and loss.

3. Inflation:

The Company pays constant attention to changes in the environment, and adjusts selling price and inventory level to match movement of raw material prices in the market. As of the publication date of

annual report, inflation had not caused any significant impact to the Company.

(II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures:
The Company adopts a pragmatic business approach that aims to deliver consistent performance. Aside from long-term business investments, the Company does not engage in any high-risk or highly leveraged investment. All external party lending, endorsement, guarantee, and derivative trading activities are executed according to the Company's "External Party Lending, Endorsement, and Guarantee Procedures" and "Asset Acquisition and Disposal Procedures." The Company offers endorsements and guarantees to overseas business investments in which it holds 100% ownership. These endorsements/guarantees are intended to help business investments obtain credit limit with local banks, and thereby reduce the need and cost for cross-border fund transfer. The Company will continue to execute the above transactions strictly in accordance with procedures to protect the Company's interests.

(III) Future research and development plans and projected expenses:

I. Future R&D plans:

- (1) Continue development of continuous furnace for MIM production of acid-deformed injection material Fe-49Co-2V.
- (2) Continue development of CIM (Ceramic Injection Molding) surface treatment technique.
- (3) Continue development of continuous furnace for MIM production of High Strength Non-Magnetic Austenitic Stainless Steel (X15 CrMnMoN 17-11-3).
- (4) Continue development of continuous furnace for production of cobalt-based alloy F75 (Co-28Cr-6Mo), and MIM process involving continuous furnace.
- (5) Development of AISI 420 high strength martensite: for MIM process optimization (sintering and heat treatment) and micro structure analysis.
- (6) Design and development of edge computing server chassis for 5G applications.
- (7) Design and development of outdoor, high weather-resistance edge computing server chassis for 5G applications.

II. R&D expenses are budgeted based on the development progress of new products and new technologies. R&D expenses are raised progressively in line with business performance to secure the Company's competitive advantage.

The Company expects to spend NT\$50,000,000 on R&D in 2021 to achieve the above targets.

(IV) Financial impacts and response measures in the event of changes in local and foreign regulations:

The Company has always complied with and monitored changes in local as well as foreign policies and regulations, so that the management may have the most up-to-date information to review and revise the Company's policies

in line with current regulations. The Company has complied with regulatory requirements. Also, it will be introducing supporting measures and policies such as: independent director system, corporate social responsibility policy, directors/supervisors liability insurance, on-job training for managers etc. to enhance corporate governance. Up till the publication date of this annual report, there was no change to local and foreign regulations that may significantly impact the Company's financial and business operation.

(V) Financial impacts and responsive measures in the event of technological or industrial changes:

As people adapt to the COVID-19 pandemic, uprise of "remote service," "cloud computing," and "digital solutions" present the IT/electronics industry with new opportunities, and Chenming was able to capitalize on this new trend by continually adopting automated production and smart process management solutions to further improve production efficiency and product quality. Furthermore, by providing customers with more comprehensive services and expanding market exposure, the Company is able to create competitive advantage through differentiation.

These efforts have been made to minimize financial and business impacts in the event of technological or industrial exchanges. As of the publication date of annual report, the Company encountered no significant financial or business impact due to changes in technology or industry.

(VI) Crisis management, impacts, and response measures in the event of a change in corporate image:

The Company has maintained good reputation and encountered no significant change in the last year that resulted in corporate crisis. The Company remains committed to its existing business philosophy and encountered no change in corporate culture. Its comprehensive talent training program combined with a people-oriented management approach have successfully attracted outstanding talents and advanced knowledge into the organization. These advantages have been materialized into actual performance results and returned to shareholders in the form of profits, and to the public in the form of corporate social responsibilities. As of the publication date of this annual report, the Company encountered no change of corporate image that resulted in corporate crisis.

(VII) Expected benefits, risks and responsible measures in relation to mergers and acquisitions:

The Company had no merger or acquisition planned as at the publication date of this annual report.

(VIII) Expected benefits, risks and responsive measures associated with plant expansions:

Expected benefits:

- A. Minimizes impact of relying on a single location, particularly given the ongoing China-USA trade dispute and the COVID-19 pandemic.
- B. Provides the additional production capacity needed to meet the market's increasing demands for 5G, AI, and IoT solutions.

Potential risks:

- A. Cost of supply and labor far exceeds that of Mainland

manufacturers, and the Company may not be able to price its products to meet customers' needs.

- B. Personnel recruitment is limited by labor supply and government regulations, and the Company may not be able to construct plant facilities according to schedule.

Response measures:

- A. Adopt smart production and automation solutions for lower labor cost and improved production efficiency.
- B. Continually coordinate with customers to establish off-site backup to support business strategies and allow flexible adjustments.

(IX) Risks and responsive measures associated with concentrated sales or purchases:

1. Risk of concentrated purchase and responsive measures: The Company chooses to work only with reputable and qualified suppliers. Doing so not only assures flexibility and consistency of its supplies, but also provides the Company with the bargaining power needed to reduce costs. Meanwhile, the Company actively sources new suppliers, explores alternative materials, and manages inventory to minimize risk of supply shortage. Overall, the Company is not prone to the risk of concentrated purchase or supply disruption.
2. Risk of concentrated sales and responsive measures: The Company sells its products mostly to renowned high-tech manufacturers local and abroad. Its customer base is diverse and stable, and exhibits no concentration of sales. In addition to maintaining sound relationship with existing customers, the Company also tries to diversify its customer base by developing new products, markets and customers, and thereby reduce sales concentration risk to the minimum.

(X) Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest:

Shang Mei Precision Industry Co., Ltd. became a shareholder of the company holding 10% of the shares. There are no major changes in the company's operating rights, operating methods, and business content, and it does not affect shareholders' rights and interests.

(XI) Impacts, risks and responsive measures associated with a change of management:

The Company encountered no change of management, hence not applicable.

(XII) Major litigations, non-contentious cases, or administrative litigations involving the company or any director, supervisor, President, person-in-charge or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders or security prices of the company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report:

Taiwan Shilin District Prosecutor Office prosecuted Mr. Lin Mu-Ho, person-in-charge of the Company, on January 9, 2017 for violation against the Securities and Exchange Act. Taiwan Shilin District Court ruled Mr. Lin

Mu-Ho not guilty on March 26, 2020.

(XIII) Other material risks and responsive measures:

Information security risk evaluation analysis

1. Information security policy

In order to enhance the information security management, avoid internal/external threat and destruction, intentional or negligent, and mitigate potential risk and loss, the Company's Information Center shall be responsible for the information security governance, planning, supervision and promotion, and shall report the overview of information security governance to the Board of Directors periodically.

2. Information security management operating effectively and keeping improved

The Company establishes the computer virus security protection management procedure and countermeasures, and assess the upgrading of software/hardware equipment and resources each year to ensure that various information operations satisfy the related legal requirements. The related information security preventive measures are stated as following:

- (1) Endpoint risk: The Company requires individual users to make regular password changes and uses software to detect endpoint threats on an ongoing basis.
- (2) Network risk: Threats from the Internet are being detected in real-time using a multi-layer structure. Any intrusion threat intercepted from the Internet is notified through mail on a regular basis.
- (3) Bug risk: The Company has endpoint bug detection and patching platforms in place to address bug risks. Known bugs identified at endpoints are patched on a regular basis.

3. Assessment on information security and network risk

To check the information assets list periodically each year, and perform the risk evaluation based on the information security issues, information security incident and audit results, and invest adequate resources to improve, or enhance the control measures against, high-risk items to mitigate or remove the risk.

4. Effect of major information security incident, if any, and responsive measures:

By the date of publication of the annual report, the Company has not yet discovered any major cyber attack or incident, or major adverse effect produced to the Company. The Company also kept concerning the information security news and technology, and also kept improving the defensive or management approaches to block any new type of information security threat effectively and mitigate the business risk accordingly.

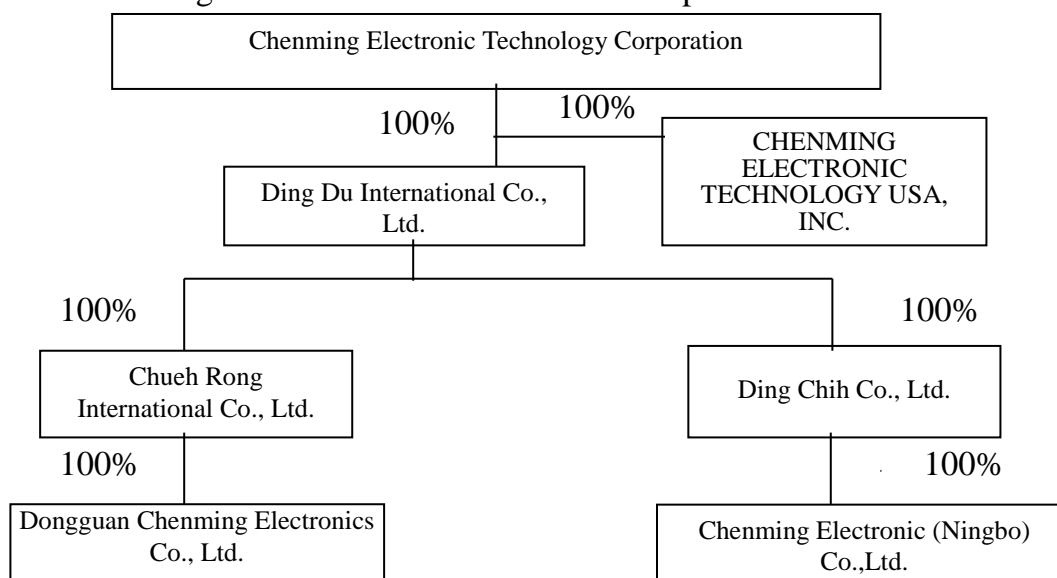
VII. Other important matters: None.

Eight. Special Remarks

I. Information of affiliated companies

(I) Consolidated business report

1. Organizational chart of affiliated companies:



2. Profile of affiliated companies

				Unit: NTD
Name	Date of establishment	Address	Paid-in capital	Main business activities or products
Ding Du International Co., Ltd.	September 30, 1999	Offshore Chambers P.O.Box217,Apia,Samoa	62,857,960 (USD)	Investment holding company
Chueh Rong International Co., Ltd.	January 5, 2000	Offshore Chambers P.O.Box217,Apia,Samoa	45,987,960 (USD)	Investment holding company
Dongguan Chenming Electronics Co., Ltd.	February 11, 2010	No. 442, Zhenan Road, Changan Dongguan City, Guangdong Province No. 442, Zhenan Road, Changan	28,978,000 (USD)	Manufacturing of computer chassis
Ding Chih Co., Ltd.	April 12, 2012	Offshore Chambers P.O.Box217,Apia,Samoa	20,710,000 (USD)	Investment holding company
Chenming Electronic (Ningbo) Co.,Ltd.	August 16, 2000	No. 25, Gangdong Avenue, Beilun District, Ningbo City, Zhejiang Province	64,500,000 (USD)	Manufacturing of computer chassis
CHENMING ELECTRONIC TECHNOLOGY USA, INC.	July 1, 2019	8101 SANDY SPRING ROAD SUITE 250, LAUREL, MD 20707	200,000 (USD)	Import/export of PC chassis

3. Common shareholders in controlling and controlled companies: None.
4. Businesses covered by affiliated companies and separation of duties:
The Company and affiliated companies are involved in: manufacturing and sale of PC/server chassis and components for mobile devices.
Overall, the separation of duties among affiliated companies is utilized to attain the maximum synergy through their mutual support in technology, capacity, marketing and service.
5. Directors, supervisors, and President of affiliated companies

Unit: shares; %

Name	Title	Name or name of representative	Shareholding	
			Number of shares	Shareholding percentage
Ding Du International Co., Ltd.	Director	Chenming Electronic Technology Corporation (Representative: Lin Mu-Ho)	62,857,960	100%
Chueh Rong International Co., Ltd.	Director	Ding Du International Co., Ltd. (Representative: Lin Mu-Ho)	45,987,960	100%
Dongguan Chenming Electronics Co., Ltd.	Director	Chueh Rong International Co., Ltd. (Representative: Lin Mu-Ho)	Note	100%
	President	Fan Yu-Hsiang		
Ding Chih Co., Ltd.	Director	Ding Du International Co., Ltd. (Representative: Lin Mu-Ho)	20,710,000	100%
Chenming Electronic (Ningbo) Co., Ltd.	Director	Ding Chih Co., Ltd. (Representative: Lin Mu-Ho)	Note	100%
	Vice President	Wu Chien-Sheng		
CHENMING ELECTRONIC TECHNOLOGY USA, INC	Director	Chenming Electronic Technology Corporation (Representative: Lin Mu-Ho)	200,000	100%

Note: Limited company

6. Performance of affiliated companies

Unit: thousand dollars; date: December 31, 2020

Name	Share capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current net profit	Earnings per share (\$)
Ding Du International Co., Ltd.	2,061,572	2,236,002	0	2,236,002	0	0	35,443	-
Chueh Rong International Co., Ltd.	1,471,994	1,226,927	156,833	1,070,094	0	(27,439)	(15,064)	-
Dongguan Chenming Electronics Co., Ltd.	825,293	2,050,979	1,230,935	820,044	3,955,061	16,434	13,849	-
Ding Chih Co., Ltd.	697,395	1,046,789	24,208	1,022,581	0	0	49,372	-
Chenming Electronic (Ningbo) Co., Ltd.	1,836,960	1,583,108	445,416	1,137,692	1,945,268	132,035	65,518	-
CHENMING ELECTRONIC TECHNOLOGY USA, INC	6,236	2,777	7	2,770	0	(1,802)	(1,802)	

(II) Consolidated financial statements of affiliated companies

Declaration

Affiliated enterprises subject to the preparation of consolidated business reports under “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were identical to the affiliated companies subject to the preparation of consolidated financial statements under IFRS10 for fiscal year 2020 (from January 1 to December 31, 2020). All mandatory disclosures of the consolidated business report has been disclosed in the consolidated financial statements for parent company and subsidiaries, therefore no separate consolidated financial statements for the affiliated enterprises were prepared.

Declaration made by the undersigned

Company name: Chenming Mold Ind. Corp.

Chairman: Lin Mu-Ho

Date: March 17, 2021

(III) Affiliation report: None.

II. Private placement of securities in the last year up until the publication date of annual report:

None.

III. Holding or disposal of the Company’s shares by subsidiaries in the last financial year, up until the publication date of annual report:

None.

IV. Other supplementary information:

None.

Nine. Occurrences Significant to Shareholders’ Equity or Securities Price, as Defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, in the Last Year Up Until the Publication Date of Annual Report:
None.

Chenming Electronic

Technology Corporation

Chairman: Lin Mu-Ho