

Stock code : 3013

uneec[®] **Chenming Electronic
Technology Corporation**

2023

Annual Report

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

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V. Name of overseas exchange where securities are listed, and method of inquiry: Not applicable
Name of overseas exchange where securities are listed, and method of inquiry:
Not applicable

VI. Company website:

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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. Recalling 2023, due to the violent lift rate by the United States and the slowdown in demand, the global GDP growth became sluggish. Notwithstanding, driven by the AI industry, the server industry became booming and thereby led the related industry's supply chain to move toward new opportunities. Today we are gathering together in the first year when AI starts to take off. Benefiting from the AI development, the Company's layout and technology have a new outlook again. The Company invested in establishment of Zhongli Plant in Taiwan established in 2021, which has started operation this year. Further, the Company also increased investment in the construction of the Thailand plant, which is expected to be put into operation in 2025. It will inject new momentum into the Group and make substantial to the operating revenue. In terms of new product technology, the Company has not only entered the fields of heat dissipation and power supplies to meet customer needs, but also in line with the customer's timeliness in the development of water-cooling and submersible liquid-cooling solutions for servers. It is believed that the rising demand for AI servers should remain a bright spot next year. In the future, Chenming will continue observing market trends while adopting automated production and smart process management solutions to further improve production efficiency, product quality, and overall competitiveness. In light of emerging trends such as AI, 5G, IoT, 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. 2023 business performance:

(I) Financial performance

1. Business results

The 2023 consolidated operating revenue, net was NT\$6,461,562 thousand. The 2023 net profit was NT\$253,144 thousand, with EPS of NT\$1.29, growing by 10.26% from that of NT\$1.17 in the previous year. The Company will uphold the ethical management policy to expand its business actively and ensure the ongoing business growth in the intensive industrial competition.

2. Budget implementation: The Company did not publish any financial forecast for 2023.

3. Incomes, expenses, and profitability analysis

Item		2023	2022
Return on assets		3.80%	3.33%
Return on shareholders' equity		8.07	8.37
As a percentage of paid-in capital (%)	Operating profit	11.62%	6.54%
	Pre-tax profit	14.91%	13.89%
Net profit margin		3.92%	3.38%
EPS		1.29	1.17

(II) Research and development progress

1. Complete the new ID design and moldmaking for Gaming PC.
2. Complete CLONE 2U Server moldmaking.
3. Complete the design of DC-MHS 2U Server.
4. Complete the development of 4U standardized immersion cooling equipment.
5. Complete the development of 7&7.5KW immersion cooling air-cooling coolant circulation system.
6. Complete phased development of HAP (hydroxyapatite; an artificial bone material).
7. Complete immersion cooling and self-developed heat transfer and heat dissipation testing and verification.

II. Summary of 2024 business plan:

(I) Operational guidelines

1. Manufacturing

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

D. Continue to promote AI server related products, provide solutions for water cooling and immersion liquid cooling, and continue to increase the involvement in development of computer peripheral devices and server chassis customer services to win new 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 developing AI server-related products proactively and provide solutions for water cooling and immersion liquid cooling to satisfy customers' demand.

(II) Research and development plans

1. Development of 2U MGX Server design.
2. Continued development of standardized immersion cooling equipment.
3. Development of liquid-cooling cabinets/energy-saving cabinets.
4. Development of EV chargers/energy storage systems/outdoor units etc.
5. Development of new 4U standard product server.
6. Continued development of testing, validation, and cooling solutions for various heat transfer and heat dissipation methods.

(III) Expected sales volume and basis

While demand for consumer electronics declined, the server segment has been presented with new opportunities from changes in lifestyle (e.g. work-from-home and learn-from-home), new trends (e.g. cloud computing, Internet of Things, metaverse, and AI), and a general movement towards digital transformation in the business world. As people rely on cloud service for more of their activities, demand for cloud computing surges and the increase in server implementation should continue to drive server sales in 2024. According to the Market Intelligence & Consulting Institute (MIC), the generative AI boom continues to drive the growth of the global AI server shipment. The global AI server shipment is expected to attain 1.942 million units in 2024, 2.364 units in 2025, and 3.206 units in 2027. The compound annual growth rate (CAGR) is 24.7% from 2022 to 2027. It is expected that the generative AI boom continues to drive the growth of the global AI server shipment and also the global server industry and market demand. 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 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 main products refer to the server chassis and computer chassis. The vigorous development of the server industry is driven by the AI industry, and so is the new opportunities that drive the related industry supply chain to move forward. The Company seizes the market trend and continues to implement automated production and intelligent process management to improve production efficiency and product quality. Internally, Chenming is committed to innovation, R&D, provision of solutions for water cooling and immersion liquid cooling, cost reduction and cost structure optimization, implements application of new materials and process enhancement. Externally, the Company takes the initiative to raise product visibility, explore new customers, and increase in the involvement in development of existing customers to create differentiated competitive advantages.

(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.

Due to the violent lift rate in the USA and sluggish demand, the global GDP growth slowed down accordingly. Notwithstanding, the Company's management team still 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. We have been refining our management practices to ensure the sustainability and consistency of chenming's business growth. By making ongoing improvements to R&D, technology, quality, and design capacity, the Company not only satisfies the market's demand for product diversity, but also prepares itself with the solid foundation needed to withstand intensifying competition of the industry in the future. Meanwhile, the Company responds to shareholders' support and expectations by directing attention towards corporate governance, social responsibilities, and equity enhancement.

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

Chairman: Lin Mu-Ho

Two. Company Profile

I. Date of establishment: June 17, 1976

II. Company history:

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

Award” from Acer Inc.

- 2000
1. In an attempt to establish strategic alliance and strengthen shareholder support, the Company welcomed Quanta Computer and Quanta Venture Capital as its new corporate shareholders.
 2. Made a cash issue totaling NT\$100 million in July to improve financial position and expand working capital, and capitalized NT\$175 million of earnings. Share capital was increased to NT\$617 million as a result.
 3. Rated by IBM as the No. 1 global server OEM in terms of production output in the third quarter of year 2000.
 4. Ranked 246th in CommonWealth Magazine’s “Top-1000 Companies in Taiwan.”
 5. Received “Outstanding Quality Contribution Award” and “Long-term Partner Contribution Award” from HP.
 6. Used “UNEEC” as the new corporate identity.
- 2001
1. Received “Best Supplier Award” from Asustek and Mitac.
 2. Ranked 204th in CommonWealth Magazine’s “Top-1000 Companies in Taiwan.”
 3. Founded Ding Du International Co., Ltd. as a holding company for the Company’s overseas investments.
 4. New shares were issued against capitalized earnings and capital reserve totaling NT\$253 million. Share capital was increased to NT\$870 million as a result.
- 2002
1. The Company’s name was changed to “Chenming Mold Ind. Corp.” by the resolution of the shareholder meeting in May.
 2. The Company was listed for trading in September. New shares were issued in September against capitalized earnings and capital reserve totaling NT\$270 million that month, which increased share capital to NT\$1.114 billion.
 3. Received “Top-performing Supplier Award” from IBM Japan.
 4. Received “Best Partner Award” from TECO Image Systems.
 5. Founded Chueh Rong International Co., Ltd. through Ding Du International Co., Ltd.
 6. Founded Ding Chih Co., Ltd. through Ding Du International Co., Ltd.
- 2003
1. New shares were issued in July against capitalized earnings and capital reserve totaling NT\$183 million in July. Share capital was increased to NT\$1.323 billion as a result.
 2. Ranked 193rd in CommonWealth Magazine’s “Top-1000 Manufacturers in Taiwan.”
 3. Ranked 24th in Wealth Magazine’s “Top-100 Entrepreneurs” and 19th in Wealth Magazine’s “Top-20 Electronic Manufacturers.”
 4. Founded Chenming Electronic (Hangzhou) Co.,Ltd. through Ding Chih Co., Ltd.
- 2004
1. New shares were issued in July against capitalized earnings and capital

- reserve, which increased share capital to NT\$1,454,214,490.
2. Chenming Mold won the 5th Industrial Sustainable Excellence Award from Industrial Development Bureau, Ministry of Economic Affairs.
 3. Named “Outstanding Supplier of the Year” by Gigabyte Technology.
 4. Received “Outstanding Supplier Award” from TOSHIBA.
- 2005
1. New shares were issued in July against capitalized earnings and capital reserve, which increased share capital to NT\$1,453,135,820.
 2. As part of a strategic alliance, the Company made an investment in Kenmos, a manufacturer of NB backlighting module and display components, in December. Furthermore, the Company developed a series of proprietary components for clamshell phones.
 3. Began collaboration with Fujitsu in December to develop LCD PCs.
- 2006
1. Taipei headquarters was relocated to UNEEC Building in July.
 2. New shares were issued in August against capitalized earnings and capital reserve, which increased share capital to NT\$1,559,317,870.
 3. Celebrated UNEEC’s 30th anniversary and the commissioning of headquarters building in September.
- 2007
1. Received “Best Partner Award” from Gigabyte Technology.
 2. New shares were issued in August against capitalized earnings and capital reserve, which increased share capital to NT\$1,699,488,870.
 3. Hosted the “1st UNEEC Applied Design Award.”
- 2008
1. Ranked 510th (by China Credit Information Service Ltd.) in the manufacturing category of “Taiwan Large Corporation TOP 5000.”
 2. Ranked 531st in Commonwealth Magazine’s “Top-1000 Manufacturers in Taiwan.”
 3. Hosted the “2nd UNEEC Applied Design Award.”
 4. New shares were issued in August against capitalized earnings and capital reserve, which increased share capital to NT\$2,160,810,180.
- 2009
1. Ranked 443rd (by China Credit Information Service Ltd.) in the manufacturing category of “Taiwan Large Corporation TOP 5000.”
 2. Ranked 491st in Commonwealth Magazine’s “Top-1000 Manufacturers in Taiwan.”
 3. Received “Top-performing Supplier Award” from Fujitsu Japan.
 4. Received “Gold Award for Outstanding Partner” from Gigabyte Technology.
 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

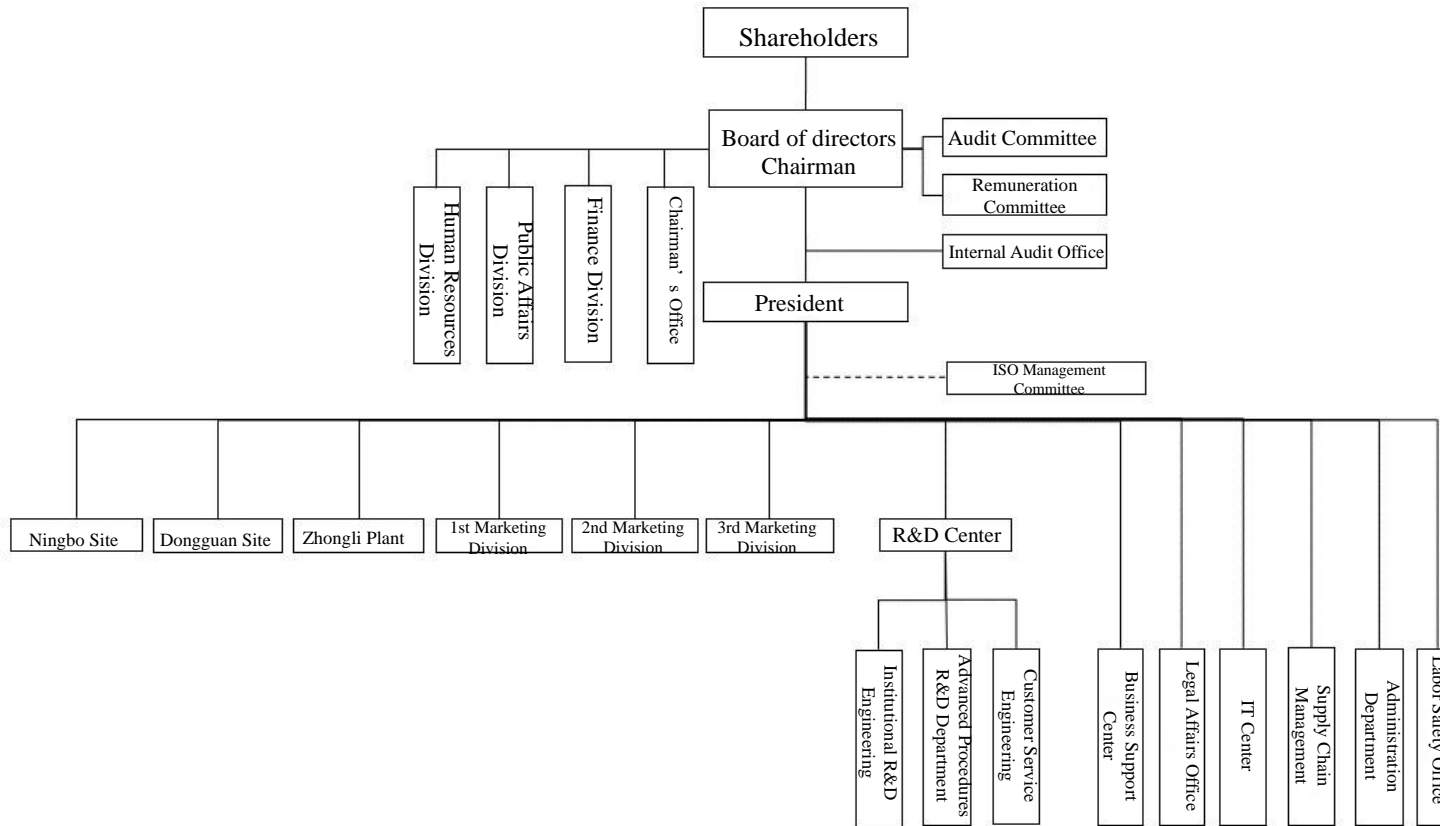
- Taiwan.”
2. Hosted the “5th UNEEC Applied Design Award.”
- 2012
1. Ranked 732nd in Commonwealth Magazine’s “Top-1000 Manufacturers in Taiwan.”
 2. Hosted the “6th UNEEC Applied Design Award.”
- 2013
1. Ranked 730th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
 2. Hosted the “7th UNEEC Applied Design Award.””
 3. Received “2012 Outstanding Supplier Award” from ASUS.
- 2014
1. Ranked 803rd in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
 2. Hosted the “8th UNEEC Applied Design Award.”
 3. Received “2013 Outstanding Supplier Award” from Quanta Computer.
 4. Received “Best Partner Award” from Gigabyte Technology.
 5. Dissolved Chenming Electronic (Hangzhou) Co.,Ltd. through Ding Chih Co., Ltd.
- 2015
1. Ranked 762nd in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
 2. Hosted the “9th UNEEC Applied Design Award.”
 3. Received “Best Partner Award” from Gigabyte Technology.
- 2016
1. Acquisition of the equity of Chenming Electronic (Ningbo) Co., Ltd. via the indirect subsidiary, Ding Chih Co., Ltd., and 52% equity acquired cumulatively.
 2. Ranked 686th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
 3. Hosted the “10th UNEEC Applied Design Award.”
- 2017
1. Acquisition of the equity of Chenming Electronic (Ningbo) Co., Ltd. via the indirect subsidiary, Ding Chih Co., Ltd., and 72% equity acquired cumulatively.
 2. Ranked 554th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
 3. Hosted the “11th UNEEC Applied Design Award.”
- 2018
1. Ranked 532nd in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
 2. Hosted the “12th UNEEC Applied Design Award.”
- 2019
1. Acquisition of the equity of Chenming Electronic (Ningbo) Co., Ltd. via the indirect subsidiary, Ding Chih Co., Ltd., and 82% equity acquired cumulatively.
 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
1. Acquisition of the equity of Chenming Electronic (Ningbo) Co., Ltd. via the indirect subsidiary, Ding Chih Co., Ltd., and 92% equity acquired cumulatively.
 2. Ranked 447th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
 3. Hosted the “14th UNEEC Applied Design Award.”
 4. Shang Mei Precision Industrial Co., Ltd. became the Company’s shareholder with 10% holding interest. There was no material change in the Company’s management, practices, or business activities, and the change did not affect shareholders’ interest.
- 2021
1. Acquisition of the equity of Chenming Electronic (Ningbo) Co., Ltd. via the indirect subsidiary, Ding Chih Co., Ltd., and 100% equity acquired cumulatively.
 2. Ranked 437th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
- 2022
1. Investment in foundation of Unique Electronics (Kunshan) Co., Ltd. via the indirect subsidiary, Ding Chih Co., Ltd.
 2. Chungli Factory was established.
 3. Ranked 546th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
- 2023
1. Established the subsidiary in Thailand in June.
 2. Cancellation of Unique Electronics (Kunshan) Co., Ltd. via the indirect subsidiary, Ding Chih Co., Ltd.
 3. Ranked 478th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
 4. Won the 2023 Happy Enterprise "Silver" Award from 1111 Human Resources Bank.

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	4. Responsible for the Company's finance and accounting tasks.
	5. Sourcing and allocation of working capital.
	6. Budget preparation, tracking and approval.
	7. Payment approval for purchases and payables.
Public Affairs Division	8. Monitoring sales collection and reporting abnormal findings.
	1. Design and application of corporate image and identity.
	2. Maintaining public relations for the Company.
Human Resources Division	3. Project design, management and execution.
	1. Management of human resource in line with organization development.
	2. Planning and execution of human resource policy.
Administration Department	3. Raising employees loyalty and satisfaction.
	1. Management of office equipment.
	2. Management of water, electricity and air-conditioning.
Labor Safety Office	3. Management of general affairs.
	1. Management of workplace health and safety.
IT Center	2. Disaster prevention and response.
	1. Planning for the Company's computer systems.
	2. Maintenance of computer-related software and hardware.
	3. Introduction of new technologies.
	4. Information security.
Legal Affairs Office	5. Software development.
	1. Review, drafting, and amendment of contractual terms.
	2. Assisting in litigations and patent/trademark applications.
Supply Chain Management Department	3. Other compliance-related matters.
	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.
Business Support Center	5. Establishment, control and following-up on material procurement plans.
	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.
R&D Center	3. Assisting in air freight procedures.
	1. Assisting business units with quotation works during new project development.

Department	Responsibilities
	<ul style="list-style-type: none"> 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.
1st Marketing Division	<ul style="list-style-type: none"> 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. 5. Preliminary development/market information gathering for new technologies.
2nd Marketing Division	<ul style="list-style-type: none"> 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.
Zhongli Plant	<ul style="list-style-type: none"> 1. A manufacturing and trial production center for server chassis and computer chassis. 2. A development center for trial production of new technologies and new models. 3. Establish a sound production operation mechanism and quality operation system, and comply with relevant laws and regulations on industrial safety and occupational health.

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

(I) Directors and supervisors

I. Directors' and supervisors' background

April 16, 2024

Title (Note 1)	Nationality or place of registration	Name	Gender/age (Note 2)	Date elected/appointed	Term of office	Date first elected (Note 3)	Shareholding when elected		Number of shares held currently		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 4)	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 5)
							Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Chairman	The Republic of China	Lin Mu-Ho	Male 71-80	2023/06/16	3	1976/06/17	30,000,230	15.31%	29,991,230	15.30	1,197,809	0.60%	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 Representative of CHENMING ELECTRONIC TECHNOLOGY USA, UNC. Representative of CHENMING ELECTRONIC TECHNOLOGY (THAILAND) CO., LTD.	Director	Lin Feng-Ran	Father and son	None
Director	The Republic of China	Lin Feng-Ran	Male 51-60	2023/06/16	3	2017/06/16	6,612,310	3.37%	6,289,310	3.16%	1,956	0%	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	Lin Mu-Ho	Father and son	None
Director	The Republic of China	Lo Chih-Chi	Male 51-60	2023/06/16	3	2017/06/16	573,958	0.29%	573,958	0.29%	208,446	0.10%	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
Director	The Republic of China	Chen Hsiao-Chun	Female 61-70	2023/06/16	3	2000/05/24	259,456	0.13%	259,456	0.13%	0	0%	0	0%	Career: Xi Zhi Tang - President; Chinese Culture and Fine Arts Association - The 15th Chairperson Education: Master of Art Administration, National Taiwan Normal University Department of Fine Arts	Xi Zhi Tang Co., Ltd. - Person-in-charge	None	None	None	None
Independent Director	The Republic of China	Chen Hung-Chang	Male 61-70	2023/06/16	3	June 12, 2020	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	The Republic of China	Chen Chien-Chun	Male 41-50	2023/06/16	3	June 12, 2020	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	The Republic of China	Chou Liang-Cheng	Female 51-60	2023/06/16	3	June 12, 2020	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

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: Age may be presented in ranges, such as 41-50 or 51-60.

Note 3: Any disruption of duty as a director or supervisor after the date first elected shall be addressed in a separate remark.

Note 4: 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 5: 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

A. Directors' expertise and independent directors' independence:

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Criteria Name	Professional qualification <u>and</u> experience	Independence criteria	Number of public companies in which concurrently serves as an independent director
Lin Mu-Ho	Main career background: Chenming Electronic Technology - Chairman Main academic background: MBA, Pacific Western University Does not meet any of the conditions stated in Article 30 of The Company Act.	Not applicable for independent directors	None
Lin Feng-Ran	Main career background: Chenming Electronic Technology - Vice Chairman Main academic background: Electronic Engineering, National Yunlin University of Science and Technology Does not meet any of the conditions stated in Article 30 of The Company Act.	Not applicable for independent directors	None
Lo Chih-Chi	Main career background: Chenming Electronic Technology - President Main academic background: Graduate Institute of Banking & Finance, Tamkang University Does not meet any of the conditions stated in Article 30 of The Company Act.	Not applicable for independent directors	None
Chen Hsiao-Chun	Main career background: Xi Zhi Tang - President; Chinese Culture and Fine Arts Association - The 15th Chairperson Main academic background: Master of Art Administration, National Taiwan Normal University Department of Fine Arts Does not meet any of the conditions stated in Article 30 of The Company Act.	Not applicable for independent directors	None

Criteria Name	Professional qualification <u>and experience</u>	Independence criteria	Number of public companies in which concurrently serves as an independent director
Chen Hung-Chang	Main career background: De Jang Tax Account Office - President; Taiwan Tax Account Quality Assurance Association - Executive Director Main academic background: Department of Accounting and Statistics, Kuo-Chi Junior College of Commerce Audit Committee convener Does not meet any of the conditions stated in Article 30 of The Company Act.	Compliance of independence (Note)	None
Chen Chien-Chun	Main career background: Ju Cheng CPA Firm - CPA Main academic background: Department of Finance, Southern Taiwan University of Science and Technology Audit Committee member Does not meet any of the conditions stated in Article 30 of The Company Act.	Compliance of independence (Note)	None
Chou Liang-Cheng	Main career background: Chia Hua Law Firm - Attorney-at-law; Xin Fu Law Firm - Attorney-at-law; Chen Shyuu & Pun Law Offices - Attorney-at-law Main academic background: Dept. of Law, Fu Jen Catholic University Audit Committee member Does not meet any of the conditions stated in Article 30 of The Company Act.	Compliance of independence (Note)	2

Note: Includes but is not limited to the following criteria: (1) The subject, spouse, and 2nd-degree relatives or closer do not serve as director, supervisor, or employee at the Company or any of its affiliated enterprises; (2) The subject, spouse, and 2nd-degree relatives or closer do not hold shares of the Company (or using names of others); (3) Does not serve as director, supervisor, or employee in the Company or in any company it has special relationship with (as defined in Subparagraphs 5-8, Paragraph 1, Article 3 of Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies); (4) Did not receive compensation from the Company or any of its affiliated enterprises in the last two years for commercial, legal, financial, and accounting services rendered.

B. Diversity and independence of the board of directors:

(I) Board diversity: The Company has implemented a diversity policy for board members according to Article 20 of its “Corporate Governance Best-Practice Principles.” The Company’s Board of Directors currently comprises 7 directors as its members. 29% of the 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 6 years on board. The board has one director aged 70 and above, two aged 60-70, three aged 50-59, and one 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. In terms of gender equality, the Company plans to have female directors accounting for more than 40% of board members in the future.

Implementation of board diversification policy by individual director:

Core Items Name of director	Gender	Concurrent employment at the Company	Age > 70	Age 60-70	Age 50-59	Age <50	Industry knowledge	Finance and accounting	Operational management	Leadership and decision-making	International markets	Laws
Lin Mu-Ho	Male		√				√		√	√	√	
Lin Feng-Ran	Male	√			√		√		√		√	
Chen Hsiao-Chun	Female			√			√		√		√	
Lo Chih-Chi	Male	√			√		√	√	√	√	√	
Chen Hung-Chang	Male			√			√	√	√		√	
Chou Liang-Cheng	Female				√		√		√		√	√
Chen Chien-Chun	Male					√	√	√	√		√	

(II) Board independence: The Company currently has 3 independent director seats that account for more than one-third of total director seats. In compliance with the independence requirements specified in “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies,” the Company has obtained written statement and relevant documentary proofs from each independent director to establish their independence and independence of law-defined relatives to the Company. The board as a whole has met the requirements stated in Paragraph 3, Article 26-3 of the Securities and Exchange Act, where more than half of board members are neither a spouse nor a 2nd-degree relative or closer to other directors. For this reason, the Company considers its board having met the independence requirements.

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

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Title (Note 1)	Nationality	Name	Gender	Date elected / appointed	Shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 2)	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
President	The Republic of China	Lo Chih-Chi	Male	July 15, 2017	573,958	0.29%	208,446	0.10%	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	The Republic of China	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. - President	None	None	None	None
Vice President	The Republic of China	Wu Ruei-Chuan	Female	November 6, 2020	39,494	0.02%	0	0%	0	0%	Career background: Lun Kuang Co., Ltd., IBM Academic background: EMBA, National Taipei University	None	None	None	None	None
Vice President	The Republic of China	Chang Chin-Hsing	Female	2012.10.08	0	0.00%	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
Vice President	The Republic of China	Chang Chu-Chih	Male	2022.05.11	0	0.00%	0	0%	0	0%	Career: Getac Technology - Senior Manager of Quality Assurance Education: De Lin Institute of Technology	Chenming Electronic (Ningbo) Co., Ltd. - President	None	None	None	None
Vice President	The Republic of China	Chueh Chung-Hui	Male	August 8, 2018	1,798	0.00%	0	0%	0	0%	Career background: Chenming Electronic Technology Corporation - Assistant Vice President Academic background: Tatung University - Doctor	None	None	None	None	None
Assistant Vice President (Note: Take office on March 13, 2024)	The Republic of China	Fan Shu-Hui	Female	March 13, 2024	3,000	0.00%	0	0%	0	0%	Work experience: Special Assistant, COMVISION ENTERPRISES LTD. Academic background: Department of Political Science, National Taiwan University	None	None	None	None	None
Assistant Vice President and also Finance Manager	The Republic of China	Chuang Chia-Ying	Female	November 8, 2023	0	0%	0	0%	0	0%	Work experience: Senior Manager, D-Link Corporation Academic background: Department of Accounting, National Cheng Kung University	None	None	None	None	None
Chief Corporate Governance Officer	The Republic of China	Huang Shih-Chieh	Male	May 3, 2023	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	The Republic	Su	Male	July 15, 2017	67	0%	0	0%	0	0%	Career background:	None	None	None	None	None

Title (Note 1)	Nationality	Name	Gender	Date elected / appointed	Shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 2)	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers			Remark (Note 3)
					Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage			Title	Name	Relationship	
Manager (Note: Discharged on January 24, 2024)	of China	Chung-Ching									Chenming Mold Ind. Corp. - Head of Accounting Department Academic background: Accounting, Overseas Chinese University					

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

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

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

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

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

1. Remuneration to directors (including independent directors)

Unit: NT\$

Title	Name	Director's remuneration								Sum of A, B, C, and D and as a percentage of net income (%)		Compensation as company employee						Sum of A, B, C, D, E, F, and G and relative percentage to net income		Compensation from parent company or business investments other than subsidiaries		
		Compensation (A)		Pension (B)		Director's remuneration ^①		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	The Company	All companies included in the financial statements			
Chairman	Lin Mu-Ho	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	None
Director and President	Lo Chih-Chi	0	0	0	0	0	0	0	0	0.00%	0.00%	7,408,563	7,408,563	108,000	108,000	500,000	0	500,000	0	8,016,563 3.17%	8,016,563 3.17%	None
Director	Chen Hsiao-Chun	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	None
Director	Lin Feng-Ran	0	0	0	0	0	0	0	0	0.00%	0.00%	1,638,987	1,638,987	87,048	87,048	100,000	0	100,000	0	1,826,035 0.72%	1,826,035 0.72%	None
Director	Chou Liang-Cheng	0	0	0	0	500,000	0	0	0	500,000 0.20%	500,000 0.20%	0	0	0	0	0	0	0	0	500,000 0.23%	500,000 0.23%	None
Director	Chen Hung-Chang	0	0	0	0	500,000	0	21,960	21,960	521,960 0.21%	521,960 0.21%	0	0	0	0	0	0	0	0	532,504 0.24%	532,504 0.24%	None
Director	Chen Chien-Chun	0	0	0	0	500,000	0	21,960	21,960	521,960 0.21%	521,960 0.21%	0	0	0	0	0	0	0	0	532,504 0.24%	532,504 0.24%	None

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.

2. Compensation received by director for providing service (e.g. consultancy service without the title of an employee to the parent company/any company included in the financial statements/any business investment) in the last year, except those disclosed in the above table: None

1-1 Remuneration brackets table

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

2. Remuneration to the President and Vice Presidents

Title	Name	Salary (A)		Pension (B)		Bonus and Special allowances (C)		Employee Compensation (D)				Sum of A, B, C, and D and relative percentage to 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	6,281,896	6,281,896	108,000	108,000	586,667	586,667	500,000	0	500,000	0	8,016,563 3.17%	8,016,563 3.17%	None
Vice President	Wu Ruei-Chuan	2,151,400	2,151,400	108,000	108,000	199,627	199,667	200,000	0	200,000	0	2,659,027 1.05%	2,659,027 1.05%	None
Vice President	Chang Chin-Hsing	2,510,220	2,510,220	107,748	107,748	156,000	156,000	200,000	0	200,000	0	2,973,948 1.17%	2,973,948 1.17%	None
Vice President	Chueh Chung-Hui	2,135,533	2,135,533	102,600	102,600	112,000	112,000	200,000	0	200,000	0	2,550,133 1.01%	2,550,133 1.01%	None
Vice President	Hsiao Kuang-Chih	0	2,427,194	0	108,000	0	161,000	0	0	200,000	0	0	2,896,194 1.14%	None
Vice President	Chang Chu-Chih	0	1,918,653	0	89,640	0	75,000	0	0	200,000	0	0	2,283,293 0.90%	None

Unit: NT\$

* 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.

2-1. Remuneration brackets table

Range of remuneration to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies included in the financial statements E
Below NT\$ 1,000,000		
NT\$ 1,000,000 (inclusive) - NT\$ 2,000,000 (non-inclusive)		
NT\$ 2,000,000 (inclusive) - NT\$ 3,500,000 (non-inclusive)	Wu Ruei-Chuan, Chang Chin-Hsing, Chueh Chung-Hui	Wu Rui-Chuan, Chang Chin-Hsing, Chueh Chung-Hui, Hsiao Kuang-Chih, Chang Ju-Chi
NT\$ 3,500,000 (inclusive) - NT\$ 5,000,000 (non-inclusive)		
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)	Lo Chih-Chi	Same as described on the left.
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)		
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)		
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)		
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	3	3

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

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	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	0	2,000,000	2,000,000	0.08%
	Vice President	Wu Ruei-Chuan				
	Vice President	Chang Chin-Hsing				
	Vice President	Chueh Chung-Hui				
	Vice President	Hsiao Kuang-Chih				
	Vice President	Chang Chu-Chih				
	Chief Corporate Governance Officer	Huang Shih-Chieh				
	Assistant Vice President(Note: Take office on March 13, 2024)	Fan Shu-Hui				
	Assistant Vice President and also Finance Manager	Chuang Chia-Ying				
	Accounting Manager Note: Discharged on January 24, 2024	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:

Title	Name	Salary (A)		Pension (B)		Bonus and special allowances (C)		Employee Compensation (D)				Sum of A, B, C, and D and relative percentage to 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	6,821,896	6,821,896	108,000	108,000	586,667	586,667	500,000	0	500,000	0	8,016,563 3.17%	8,016,563 3.17%	None
Vice President	Chang Chin-Hsing	2,510,200	2,510,200	107,748	107,748	156,000	156,000	200,000	0	200,000	0	2,973,948 1.17%	2,973,948 1.17%	None
Vice President	Hsiao Kuang-Chih	0	2,427,194	0	108,000	0	161,000	0	0	200,000	0	0 0%	2,896,194 1.14%	None
Vice President	Wu Ruei-Chuan	2,151,400	2,151,400	108,000	108,000	199,627	199,627	200,000	0	200,000	0	2,659,027 1.05%	2,659,027 1.05%	None
Vice President	Chueh Chung-Hui	2,135,533	2,135,533	102,600	102,600	112,000	112,000	200,000	0	200,000	0	2,550,133 1.01%	2,550,133 1.01%	None

Note 1: The term “top-5 paid managers” refers to “managers” that meet the definitions specified in Letter No. Tai-Cai-Zheng-(III)-0920001301 issued by (former) Securities and Exchange Commission, Ministry of Finance, on March 27, 2003. The notion of “top-5 paid” is ranked and determined based on the sum of salary, pension, bonus, special allowance, and employee remuneration received by managers from all companies included in the consolidated financial statements (i.e. sum of A+B+C+D). Any directors who concurrently served as abovementioned managers are disclosed in this table and in Table (1-1).

Note 2: Refers to salaries, allowances, and severance pay made to top-5 paid managers in the last year.

Note 3: Refers to other compensations such as bonus, incentive, travel allowance, special allowance, subsidy, accommodation, corporate vehicle or other in-kind benefits made to top-5 paid managers in the last year. Where housing, cars, vehicles, or personal allowances were granted, the nature and cost of assets, the rental rates (calculated based on actual or fair value), cost of petrol, and other subsidies are also disclosed. Where personal drivers were allocated, a footnote disclosure explaining the amount of compensations made to drivers is provided; these compensations do not count toward compensations of the above beneficiaries. Part of the salary expense was recognized according to IFRS2 – “Share-based Payment.” Amounts including employee stock options, restricted employee shares, and subscription to cash issues are also treated as compensation.

Note 4: Represents the amount of employee remuneration allocated to top-5 paid 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). Table 1-3 has been prepared in addition to the above details.

Note 5: The disclosure includes all companies covered by the consolidated financial statements (including the Company), and represents total amount of compensation paid by all companies above to top-5 paid managers.

Note 6: Net income refers to the amount shown in the standalone or separate financial statement in the most recent year.

Note 7: a. This field represents all forms of compensation that the top-5 paid managers received from the Company's parent company or business investments other than subsidiaries (or “None” if absent).

b. Compensation refers to any return, remuneration (including remuneration received as an employee, director and supervisor) and professional service fee that the top-5 paid managers received for serving as director, supervisor or manager in the parent company or business investments other than subsidiaries.

(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 separate 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:

I. The total compensation paid to the Company's directors, supervisors, presidents and vice presidents in the last two fiscal years to the net income in the parent company only financial statements or separate financial statements is stated as following:

Year		2022			2023		
Title		Director	Supervisor	President and Vice President	Director	Supervisor	President and Vice President
The Company	As a percentage of net income	5.04%	0%	6.02%	4.50%	0%	6.40%
All companies included in the consolidated statements	As a percentage of net income	5.04%	0%	7.43%	4.50%	0%	8.45%

Note: The decrease in remuneration to directors of the Company in 2023 from 2022 is primarily a result of the increase in net income in 2023. The increase in remuneration to the presidents and vice presidents as a percentage of net income from 2022 is primarily a result of the addition of three vice presidents in 2023.

II. The policy, standard and package of compensation payment, the procedure for determination of compensation and the connection with the operation performance and future risk:

(1) The policy, standard and package of compensation payment:

1. For the remuneration to the Company's directors, in accordance with Article 19 of the Company's Articles of Incorporation, the Board of Directors will determine the remuneration for individual directors' performance of duties, subject to the individual directors' participation level and contribution value, and in reference to the pay level adopted by peer companies. If the Company retains earnings in the current year, according to Article 19 of the Company's Articles of Incorporation, no more than 2% thereof shall be distributed as the remuneration to directors. The relevant performance appraisal and reasonableness of the remuneration have been reviewed by the Remuneration Committee and the Board of Directors:
 - (1) Operating performance: Based on the operating revenue growth rate, growth rate of income before tax, and operating income growth rate for the year.
 - (2) Pay level among peer companies: Take into the remuneration to directors paid by TWSE-listed companies in the chassis industry or the average remuneration to directors among peer companies.
2. For the compensation to the Company's managerial officers, various occupational allowances and bonuses are expressly defined in accordance with the salary regulations to encourage and reward the employees for the efforts paid by them. The relevant bonuses are verified also depending on the Company's annual operating performance, financial position, ESG achievement status, operating status and personal work performance. Meanwhile if the Company makes a profit in the year, it shall appropriate at least 2% thereof as the remuneration to employees in accordance with Article 19 of the Company's Articles of Incorporation. According to the "Performance Management Regulations," the Company conducts performance appraisal in December of each year. The appraisal results are used as a reference for the distribution of bonus to the managerial officers.
3. The remuneration package paid by the Company is determined based on the Remuneration Committee's organizational charter, including cash remuneration, stock options, stock dividends, retirement benefits or severance pay, various allowances and other measures providing substantial incentives. The scope thereof is consistent with that related to the compensation to directors and managers under the Regulations Governing Information to be Published in Annual Reports of Public Companies.

(2) The procedure for determination of compensation:

1. The remuneration to directors and managers is regularly evaluated based on the evaluation results generated under the Company's "Regulations Governing

Performance Appraisal on the Board of Directors,” and the “Performance Management Regulations” applicable to managers and employees. The remuneration to managers is determined in reference to the pay level among peer companies together with the Company’s business performance indicators, and subject to the approval by the Board of Directors.

2. According to the results of the Company’s 2023 manager performance appraisal, all managerial officers’ performance was found achieving or exceeding the target required. The Company’s annual business indicator evaluation result also showed that the highest standards were met.
3. The performance appraisal on the Company’s directors and managerial officers and reasonableness of the remuneration to them are regularly evaluated and reviewed by the Remuneration Committee and the Board of Directors every year. The actual amount of remuneration to directors and managers in 2023 was reviewed by the Remuneration Committee and then submitted to the Board of Directors for resolution.

(3) Connection with the operation performance and future risk:

1. The payment standards and system under the Company’s remuneration policy are reviewed subject to the Company’s entire operating status, and authorized based on the performance achievement rate and contribution level, in order to improve the overall organizational efficiency of the Board of Directors and management departments. Meanwhile, the pay level applicable in the same industry is also taken into consideration to ensure that the remuneration to the Company’s management is competitive in the industry to retain excellent management talents.
2. The performance targets of the Company’s managerial officers are combined with “risk control” to ensure that possible risks within the scope of duties may be managed and prevented. Meanwhile, the rating results are decided subject to the actual performance and linked with related human resources and related remuneration policy. The key decisions are made by the Company’s management after the management take various risk factors into consideration. The performance of the relevant decisions is reflected in the Company’s profitability and, therefore, the management’s compensation is related to the performance of risk control.

III. The policy for linking the remuneration to senior managers with ESG-related performance appraisal

(I) Establishment of incentives/assessment/performance indicators related to carbon reduction goals - connection of remuneration and sustainable performance:

1. Short-term goal (2024): Plan to include the net zero emission and green power procurement goals of ESG in the President’s annual performance goal, and the weight of it is planned to account for 15%.
2. Mid-term goals (2025 - 2028):
 - (1) Strengthen the link between remuneration and sustainable performance, include inclusion of the implementation target into senior executives, and planning about the weight ratio.
 - (2) Link to the net zero goal: assessment and formulation of linked items and weights
 - (3) Research on inclusion of the net zero goal into personal “behavioral assessment indicators.”
3. Long-term goals (2029~2036):
 - (1) Improve the link between remuneration and sustainable performance and extend it to the personnel at the executive level.
 - (2) Research on inclusion of the net zero goal into personal “behavioral assessment indicators.”

(II) Long-term performance goals: The long-term incentive performance goals for the Company’s president and vice president (senior executives) include the financial performance of the parent company and subsidiaries in next 3 years, long-term strategy implementation results and total rate of return for shareholders. Meanwhile, it is necessary to consider the risk management, corporate governance and weighted “sustainability indicators” plus 10% to implement the promotion of sustainable goals and link the managers’ liability and obligation toward the long-term performance.

President’s short-term performance goals: The weight of financial indicators accounts for 40%, weight of strategic management indicators 30%, and weight of sustainability indicators 30%. The sustainability indicators include focus on climate risk, legal compliance, and ethical management, and practicing of all key ESG tasks (including net zero emission and green power procurement and promotion of net zero emission as indicators accounting for 15%).

Short-term sustainability performance indicators for senior executives: The weight of sustainability indicators account for 30%, including 10% for climate change mitigation and adaptation, 10% for risk management, and 10% for green power procurement.

IV. Corporate governance

(I) Functionality of board of directors

- The Company convened 7 Board of Directors meetings in 2023 and 2 Board of Directors meetings in 2022 up to the date of publication of annual report. That is, the Board of Directors convened a total of 9 meetings (A). The directors' attendance record is stated as following:

Title	Name (Note 1)	Actual attendance count (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Chairman	Lin Mu-Ho	9	0	100%	
Director	Lin Feng-Ran	7	0	78%	
Director	Lo Chih-Chi	9	0	100%	
Director	Chen Hsiao-Chun	0	4	0%	
Independent Director	Chen Hung-Chang	9	0	100%	
Independent Director	Chen Chien-Chun	9	0	100%	
Independent Director	Chou Liang-Cheng	9	0	100%	

Other remarks:

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

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

Board of Directors	Details of agenda	All independent directors' opinions and the resolution	Company's response to independent directors' opinions
2023/01/11 - Motion #2	Summary: Proposal to discontinue the private placement of common shares for cash previously resolved in a 2022 extraordinary shareholder meeting.	Passed without objection from all attending independent directors	None
2023/01/11 - Motion #3	Summary: Lending of capital by Chenming Electronic (Ningbo) Co., Ltd. to Dongguan Chenming Electronics Co., Ltd.	Passed without objection from all attending independent directors	None
2023/01/11 - Motion #4	Cause of motion: Renewal of loans by Dongguan Chenming Electronics Co., Ltd. to Chenming Electronic (Ningbo) Co., Ltd.	Passed without objection from all attending independent directors	None
2023/03/22 - Motion #11	Summary: Dissolution of Unique Electronics (Kunshan) Co., Ltd.	Passed without objection from all attending independent directors	
2023/03/22 - Motion #12	Summary: Proposal to establish production site in Southeast Asia.	Passed without objection from all attending independent	None

		directors	
2023/05/03 - Motion #3	Cause of motion: Amendments to certain provisions of the Company's "Internal Control System (including Internal Audit System)."	Passed without objection from all attending independent directors	None
2023/07/12 - Motion #1	Cause of motion: Proposal to acquire the land for the construction of production facilities in Thailand.	Passed without objection from all attending independent directors	None
2023/07/12 - 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
2023/08/02 - Motion #2	Summary: Proposal to renew endorsement/guarantee for Mainland subsidiary - Chenming Electronic (Ningbo) Co., Ltd. in the Company's capacity.	Passed without objection from all attending independent directors	None
2023/08/02 - Motion #3	Summary: Proposal to renew endorsement/guarantee for Mainland subsidiary - Dongguan Chenming Electronics Co., Ltd. in the Company's capacity.	Passed without objection from all attending independent directors	None
2023/08/02 - Motion #4	Cause of motion: Proposal to issue the domestic secured convertible corporate bonds amounting to NT\$400 million.	Passed without objection from all attending independent directors	None
2023/11/08 - Motion #2	Cause of motion: Reappointment of the Company's new finance manager.	Passed without objection from all attending independent directors	None
2024/01/24 - Motion #2	Cause of motion: Transfer of the Company's accounting manager.	Passed without objection from all attending independent directors	None
2024/01/24 - Motion #3	Summary: Lending of capital by Chenming Electronic (Ningbo) Co., Ltd. to Dongguan Chenming Electronics Co., Ltd.	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. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the motion and resolution thereof, reason for not voting and actual voting counts:

Board of Directors	Details of agenda	Name of director	The nature of conflicting interests and voting process
2023/01/11 - Motion #1	Summary: Review of 2022 year-end bonus allocation principles for managers; the motion is ready for discussion.	Director Lo Chih-Chi	With the exception of disassociated director due to conflicting interests, the proposal was unanimously passed by the remaining attending directors.
2024/01/24 - Motion #1	Cause of motion: The 2023 year-end bonus allocation principles for managers is submitted for review and resolution.	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.

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	January 1, 2023~December 31, 2023	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	January 1, 2023~December 31, 2023	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. The assessment result has been reported during the 2023 Q1 Board of Directors meeting (January 24) in 2024, in order to provide reference for continuous enhancements to the Board of Directors' functions. The same is 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. Board functionality enhancement goals

- (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 shareholders' 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 over 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 2023 have been completed; outcomes of which were reported along with improvement plans to the board of directors during the meeting held on January 24, 2024.
- (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 is consisted 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 the head of finance, accounting, or internal audit.
- Annual financial report signed or sealed by Chairman, manager, and head of accounting, and Q2 financial reports subject to audit by CPA.
- Other issues deemed material by the Company or the competent authority.

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

(1) Review of financial reports

We, the Audit Committee, has reviewed the Company's 2023 quarterly financial statements prepared by the Board of Directors as audited by KPMG Taiwan, which also issued an independent auditor's report, and found no misstatement in the financial statements.

(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, cybersecurity, 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 6 meetings in 2023 and 2 meetings in 2024 up to the date of publication of annual report. That is, the Company's Audit Committee has convened a total of 8 meetings (A). The independent directors' attendance record is stated as following:

Title	Name	Actual attendance (B)	Attendance by proxy	Percentage of actual attendance (%) (B/A) (Note 1, Note 2)	Remarks
Independent Director	Chen Chien-Chun	8	0	100%	Convener
Independent Director	Chen Hung-Chang	8	0	100%	
Independent Director	Chou Liang-Cheng	8	0	100%	

Other remarks:

I. For Audit Committee meetings that meet any of the following descriptions, details such as the date and session of Audit Committee meeting held, the motions discussed, Independent Directors' objections, reservations, or key recommendations, the Audit Committee's resolution, and how the Company has responded to Audit Committee's opinions are disclosed in the chart below.

(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
January 11, 2022	1. The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	2. Lending of capital by Dongguan Chenming Electronics Co., Ltd. to Chenming Electronic (Ningbo) Co., Ltd.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	3. Proposal for private placement of common shares for cash in 2022.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
March 4, 2022	1. Proposal to issue the Company's 2021 "Declaration of Internal Control System."	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 2021 business report and 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
March 10, 2022	1. Reappointment of the Company's head of finance.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	2. Proposal to offer endorsement/guarantee for Mainland subsidiary - Dongguan Chenming Electronics Co., Ltd. in the Company's capacity; the motion is ready for	V	Passed without objection from all attending independent directors	Passed without objection from all attending directors

	discussion.		of the Audit Committee	
	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	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
March 23, 2022	1. Proposal to dispose of land located on Dongyuan Road, Jhongli Industrial Park.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	2. Proposal to invest indirectly into the establishment of production site at Kunshan, China, through a third location.			
2022/08/10	1. 2022 second-quarter consolidated financial statements of the Company.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	2. Proposal to renew the loan extended by Ding Du International Co., Ltd. to Chueh Rong International Co., Ltd.			
	3. Proposal to renew endorsement/guarantee for Mainland subsidiary - Chenming Electronic (Ningbo) Co., Ltd. in the Company's capacity.			
	4. Proposal to renew endorsement/guarantee for Mainland subsidiary - Dongguan Chenming Electronics Co., Ltd. in the Company's capacity.			
	5. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. renew endorsement/guarantee for Dongguan Chenming Electronics Co., Ltd.			
2023/01/11	2. Proposal to discontinue the private placement of common shares for cash previously resolved in a 2022 extraordinary shareholder meeting.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	3. Renewal of loans by Chenming Electronic (Ningbo) Co., Ltd. to Dongguan Chenming Electronics Co., Ltd.			
	4. Renewal of loans by Dongguan Chenming Electronics Co., Ltd. to Chenming Electronic (Ningbo) Co., Ltd.			
2023/03/22	1. Presentation of the Company's 2022 "Declaration of Internal Control System."	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 2022 business report and financial statements.			
	3. Dissolution of Unique Electronics (Kunshan) Co., Ltd.			
	4. Proposal to establish production site in Southeast Asia.			
2023/05/03	1. Cause of motion: Amendments to certain provisions of the Company's "Internal Control System (including Internal Audit System).	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
2023/07/12	1. Proposal to acquire the land for the construction of production facilities in Thailand.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	2. The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd.			
2023/08/02	1. 2023 Q2 consolidated financial statements of the Company.	V	Passed without objection from all	Passed without objection from all

	1. Proposal to renew endorsement/guarantee for Mainland subsidiary - Chenming Electronic (Ningbo) Co., Ltd. in the Company's capacity.		attending independent directors of the Audit Committee	attending directors
	2. Proposal to renew endorsement/guarantee for Mainland subsidiary - Dongguan Chenming Electronics Co., Ltd. in the Company's capacity.			
	3. The Company's proposal to issue the domestic secured convertible corporate bonds amounting to NT\$400 million.			
2023/11/08	1. Reappointment of the Company's new finance manager.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
January 24, 2024	1. Transfer of the Company's accounting manager.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	2. Renewal of loans by Chenming Electronic (Ningbo) Co., Ltd. to Dongguan Chenming Electronics Co., Ltd.			
March 13, 2024	1. Presentation of the Company's 2023 "Declaration of Internal Control System."	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 2023 business report and financial statements.			

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

II. Avoidance of involvements in interest-conflicting motions by independent directors, including details such as the name of independent director, the motion, 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 and CPAs engage in regular discussions at least once a year. CPAs would report and brief independent directors 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 engages independent directors in regular discussions at least once a quarter to report on the implementation of internal audit and internal control systems. Meetings may also be called on an ad-hoc basis in the occurrence of major event.
3. Summary of communication:

Date	Counterpart of communication	Method of communication	Matters communicated	Outcome of communication
2023/01/11	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> ● Report on the execution of internal audit from October to December 2022. ● Execution of the 2022 audit plan. 	No objection was raised during this conference.
2023/03/22	Chief internal auditor, independent directors, CPAs	Conference	<ul style="list-style-type: none"> ● CPAs report to the independent director on the financial position, profitability, overall operations and audit of internal control system for 2022. ● 2022 “Declaration of Internal Control System.” ● Improvements made to internal control weaknesses and flaws identified in 2022. 	No objection was raised during this conference.
2023/05/03	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> ● Report on the execution of internal audit from January to March 2023. 	No objection was raised during this conference.
2023/08/02	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> ● Report on the execution of internal audit from April to June 2023. 	No objection was raised during this conference.
2023/11/8	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> ● Report on the execution of internal audit from July to September 2023. 	No objection was raised during this conference.
January 24, 2024	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> ● Report on the execution of internal audit from October to December 2023. ● Execution of the 2023 annual audit plan. 	No objection was raised during this conference.
March 13, 2024	Chief internal auditor, independent directors, CPAs	Conference	<ul style="list-style-type: none"> ● CPAs report to the independent director on the financial position, profitability, overall operations and audit of internal control system for 2023. ● 2023 “Declaration of Internal Control System.” ● Improvements made to internal control weaknesses and flaws identified in 2023. 	No objection was raised during this conference.

Note 1: 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.

Note 2: 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. 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) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
I. Has the Company established and disclosed its corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company 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 and May 3, 2023. 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 (I) Has the company implemented a set of internal procedures to handle shareholders’ suggestions, queries, disputes and litigations? (II) Is the company constantly informed of the identities of its major shareholders and the ultimate controller? (III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with? (IV) Has the company established internal policies that prevent insiders from trading securities against non-public information?	V		(I) The Company has a spokesperson system and a legal department in place to handle the above issues. (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 shareholders and ultimate controller by reviewing changes in the shareholder registry.	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
	Yes	No		
	V		(III) The Company has established and implemented relevant procedures as required by law; an internal audit unit exists to perform unscheduled audits in this regard.	
	V		(IV) The Company has internal policies in place to prohibit insiders from trading securities against non-public information. These policies provide the basis for the Company's practices on material information handling and disclosure, and are reviewed and revised from time to time to ensure conformity with current regulations and practical needs. The same may be accessed on the Company's website. The Company organizes the educational propagation for the "Procedures for Preventing Insider Trading" and related laws & regulations for the existing directors, managers and employees at least for once per year. On January 16, April 17, July 17 and October 26, 2023, 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.	
III. Assembly and obligations of the board of directors (I) Does the board of directors have				Consistent with Corporate Governance

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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a diversity policy and management goals that are duly enforced?	V		<p>(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 the 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 6 years on board. The board has one director aged 70 and above, two aged 60-70, three aged 50-59, and one aged below 50. All board members are skilled in business administration, leadership, decision-making, and industry knowledge. Among which, Directors Lo Chih-Chi, 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 Lin Feng-Ran 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. In terms of gender equality, the Company plans to have female directors accounting for more than 40% of board members in the future.</p> <p>Implementation of board diversification policy by individual director:</p> <table border="1"> <thead> <tr> <th>Core Items</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>Name of director</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <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>V</td> <td></td> <td></td> </tr> <tr> <td>Chen Hsiao-Chun</td> <td>Female</td> <td></td> <td></td> <td>V</td> <td></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>	Core Items	Gender	Concurrent employment at the Company	Age > 70	Age 60-70	Age 50-59	Age <50	Remarks	Name of director								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		Best-Practice Principles for TWSE/TPEX Listed Companies
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(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 nomination decisions?	V																																																																											

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			<p>2. Awareness toward directors' responsibilities and duties; 3. Degree of participation in the Company's operation; 4. Management of internal relations and communication; 5. Expertise and continuing education of directors; 6. Internal control.</p> <p>The scope of performance appraisal on the functional committees shall at least consist of the following five elements: 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. When electing or nominating members of the board of directors, the Company shall base its election on the evaluation results of the performance of the Board and shall base its determination of an individual director's remuneration and nomination for reelection on the evaluation results of his or her performance.</p> <p>The Company completed performance assessment on Board of Directors, individual Board members, Remuneration Committee, and Audit Committee in January 2024. Assessment results and corrective action plans were reported at the Board meeting</p>	

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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			<p>convened on January 24, 2024.</p> <p>Assessments of 2023 performance were rated A+~A++, 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="8">Self-assessment by Members of Board of Directors</td> <td>Members of the board</td> <td>Self-assessment rating</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 continuing education for no less than 6 hours each year.</td> </tr> <tr> <td>Performance appraisal on Remuneration</td> <td>A++</td> <td>Remuneration to employees and directors is allocated based on employees' and</td> </tr> </tbody> </table>	Item	Result	Corrective action plan	Self-assessment by Members of Board of Directors	Members of the board	Self-assessment rating	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 continuing education for no less than 6 hours each year.	Performance appraisal on Remuneration	A++	Remuneration to employees and directors is allocated based on employees' and	
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Performance evaluation on Audit Committee	A++	Auditor-reviewed Q1, Q2, and Q3 financial statements are first presented for Audit Committee's review and subsequently raised for board of directors' resolution.								
	<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 8, 2023.</p> <p>The independent auditors have been instructed to recuse themselves from tasks that pose direct or indirect conflicts with their own interests. Rotation of auditors within the accounting firm is also subject to comply with certain rules.</p> <p>Evaluation of the External Auditor's Independence:</p>									

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IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a 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)?	V		<p>On May 3, 2023, the Company's Board of Directors approved the appointment of Special Assistant Huang Shih-Chieh as the chief corporate governance officer. Huang Shih-Chieh has more than three years' experience in the management of finance, meeting and shareholders services of public companies. The Chief Corporate Governance Officer is responsible for handling matters related to the Board of Directors and Shareholders' Meetings in accordance with the law, preparing minutes of the Board of Directors and Shareholders' Meetings, assisting directors in their assumption of office and continuing education, provide directors with the information needed to perform their duties, assist directors in complying with laws and regulations, and report to the Board of Directors on their review results of independent directors' qualifications in compliance with relevant laws and regulations at the time of nomination, election, and during the term of office, and handle matters related to transfer of directors.</p> <p>The status of duties performed by the chief corporate governance officer of the Company in 2023 is stated as follows:</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. 3. 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. 4. Conduct annual performance appraisal on the Board of Directors, members of the Board of Directors, Remuneration Committee and Audit Committee. 	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
V. Has the company provided proper	V		A stakeholders section has been created on the Company's website.	Consistent with

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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communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?			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 2023 are stated below:	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												

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
				Listed Companies
VII. Information disclosure				Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(I) Has the company established a website that discloses financial, business, and corporate governance-related information?	V		(I) The Company has created a website to disclose financial, business and corporate governance-related information.	
(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 investor conferences via the company website)?	V		(II) The Company has a spokesperson system in place; documents and recordings of every investor seminar are uploaded onto the 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	V		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	Consistent with Corporate Governance Best-Practice

Assessment criteria	Status (Note)			Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																		
	Yes	No																					
(including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of company directors and supervisors)?				<p>for (or be notified for) retirement. Earnings concluded from year-end closing are partially allocated to employees as bonus according to the Company Act and the Articles of Incorporation.</p> <p>2. Investor relations: The Company has a spokesperson system in place; investors may obtain information for whatever queries they may have through the spokesperson.</p> <p>3. Supplier relations: The Company's suppliers are evaluated on a regular basis. They are assessed based on product delivery, quality and price, and the best supplier is chosen through elimination. As for payments, which is an issue of great concern to suppliers, the Company has measures in place to ensure that payments are made in strict accordance with the agreed terms.</p> <p>4. Stakeholders' interests: The Company's directors are highly disciplined, and refrain from voting on any agenda that concern their own interests.</p> <p>5. Directors' and supervisors' continuing education: The Company actively encourages all directors 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>Lin Mu-Ho</td> <td>2023/10/20</td> <td>Securities & Futures Institute</td> <td>2023 Insider Trading Prevention Presentation Conference</td> <td>3.0</td> </tr> <tr> <td>Director</td> <td>Lin Feng-Ran</td> <td>2023/10/02</td> <td>Taiwan Institute of Directors</td> <td>Thinking and Resilience in</td> <td>3.0</td> </tr> </tbody> </table>	Title	Name	Course date	Organizer	Course name	Training hours	Director	Lin Mu-Ho	2023/10/20	Securities & Futures Institute	2023 Insider Trading Prevention Presentation Conference	3.0	Director	Lin Feng-Ran	2023/10/02	Taiwan Institute of Directors	Thinking and Resilience in	3.0	Principles for TWSE/TPEX Listed Companies
Title	Name	Course date	Organizer	Course name	Training hours																		
Director	Lin Mu-Ho	2023/10/20	Securities & Futures Institute	2023 Insider Trading Prevention Presentation Conference	3.0																		
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Assessment criteria	Status (Note)						Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No	Summary					
						the New International Order		
			Director	Lo Chih-Chi	2023/06/01	Economic Daily News/Mega Financial Holding Company	2023 Masters Forum - Taiwan's Economic Outlook from the Prospective of the Global Economic Condition	3.0
					2023/06/07	KPMG Taiwan/Monte Jade Science and Technology Association (Taiwan)	2023 Monte Jade KPMG Forum - Sector Relocation to New Game - Cross-Border Industrial Chain Layout Key Strategies	3.0
					2023/08/09	Economic Daily News/International Trade Administration, MOEA	2023 Industrial Strategy Summit - Global Attack by the Supply Chain	6.0
					2023/09/13	Economic Daily, Industrial	2023 Science and	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					
					Technology Research Institute and Institute for Information Industry	Technology Forum - The Wave of AI Innovative Applications		
				2023/10/20	Securities & Futures Institute	2023 Insider Trading Prevention Presentation Conference	3.0	
				2023/12/07	Economic Daily News	2023 Energy Vision Summit Forum - Green Energy 2.0 Accelerated Net Zero	7.0	
				2023/12/14	Economic Daily News/CTBC Bank	Economic Investment Outlook Forum - Overcoming 2024	8.0	
			Director	Chen Hsiao-Chun	2023/10/20	Securities & Futures Institute	2023 Insider Trading Prevention Presentation Conference	3.0
			Independent Director	Chen Chien-Chun	2023/09/07	Taiwan CPA Association, R.O.C	Anti-money Laundering and Counter	3.0

Assessment criteria	Status (Note)							Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary					
							Terrorism Financing	
					2023/11/23	Taiwan CPA Association, R.O.C	Topic about Preparation of Social Enterprise Financial Report	3.0
					2023/11/27	Taiwan CPA Association, R.O.C	Discussion on the strategy of real estate inheritance	3.0
			Independent Director	Chen Hung-Chang	2023/07/25	The Institute of Internal Auditors, R.O.C	Key Seminars on ESG Implementation and Integrated Application of Internal Audit/Control	6.0
			Independent Director	Chou Liang-Cheng	2023/04/13	Taiwan Institute of Directors	2023 KPMG Leadership Academy Forum - Business Opportunities and Challenges under Net Zero Boom	3.0

Assessment criteria	Status (Note)							Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies												
	Yes	No	Summary																	
					2023/04/14	Commission on Commercial Law	Discussion on the theory and practice of shareholders' recusal from exercise of voting rights	3.0												
			<p>6. Risk management policies and risk assessment standards: The Company has internal control systems in place for various activities, and an internal audit unit that conducts strict audits on a monthly basis. Any defects found during audit will be followed up closely for improvement. Both the procurement and business functions choose their suppliers and customers in a stringent manner, and carry out the Company's business activities in the utmost integrity and fairness.</p> <p>7. Customer policy: The Company grants its customers more favorable credit terms as relationship progresses. Accounts receivables are monitored regularly, while collection experience is shared with peers to obtain up-to-date information on customers' financial position.</p> <p>8. 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>10,000,000</td> <td>From: June 16, 2023 To: June 16, 2024</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.	10,000,000	From: June 16, 2023 To: June 16, 2024	Renewal coverage	
Insured parties	Insurance company	Sum assured (US\$)	Period of coverage (start/end)	Status of coverage	Remarks															
All directors	Fubon Insurance Co., Ltd.	10,000,000	From: June 16, 2023 To: June 16, 2024	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"> • Prepare the sustainability report and submit it to the Board of Directors for approval. • Financial statements are announced and uploaded ahead of time, and disclosed on the Company's website. • Disclose the remuneration to directors and managers and link it to ESG-related performance evaluation. 																				

Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No		
<ul style="list-style-type: none"> • Disclose the annual greenhouse gas emission volume (for two years). • The Company values the diversity of its board members in addition to professional capacity and independence. The Company has set goals to increase independent director seats to more than 50% of the Board members, and plans to add one independent director seat in the future. In terms of gender equality, female directors currently account for 29% of the board, and the Company plans to increase the percentage of female directors to more than 40% in the future. 				

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

(IV) Composition, responsibilities, and functionality of the Remuneration Committee:

1. Remuneration Committee members

Identity (Note 1)	Name	Criteria	Professional qualification and experience (Note 2)	Independence criteria (Note 3)	Number of other public companies in which concurrently serves as Remuneration Committee member
Independent Director	Chen Hung-Chang (convener)		Please see Page 15 – “A. Directors’ expertise and independent directors’ independence”		None
Independent Director	Chen Chien-Chun				None
Independent Director	Chou Liang-Cheng				2

Note 1: Years of work experience, professional qualification, and independence of each Remuneration Committee member are explained in the chart. For members who are also independent directors, references have been made to Attachment 1 – Directors’ and Supervisors’ Background (I) on page __. In the Identity field, each member is specified either as independent director or other (with additional remark for the role of convener).

Note 2: Professional qualification and experience: Professional qualification and experience for each member of the Remuneration Committee is explained.

Note 3: Compliance of independence: Independence of Remuneration Committee members is evaluated using several criteria including but not limited to: whether they or their spouse or 2nd-degree relatives or closer serve as director, supervisor, or employee in the Company or any of its related businesses; the number and percentage of Company shares held in their own names or names of spouse, 2nd-degree relative or closer (or proxy shareholder); whether the serve as director, supervisor, or employee in any entity that has certain relationship with the Company (refer to Subparagraphs 5-8, Paragraph 1, Article 6 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a

Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); and the amount of compensation received in the last two years for providing commercial, legal, financial, accounting or other professional services to the Company and its related businesses.

Note 4: For method of disclosure, please refer to the best practice examples presented on the website of Taiwan Stock Exchange Corporate Governance Center.

2. Duties of the 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.

3. Functionality of the Remuneration Committee

- (1) The Company's Remuneration Committee consists of 3 members.
- (2) A total re-election of Remuneration Committee members was held on July 12, 2023. The term of office to be held by the current Committee members begins on July 12, 2023 and ends on June 15, 2026.

The Remuneration Committee held 6 (A) meetings between 2023 and 2024 up to the date of publication of the annual report. The members' qualification and attendance record 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%	
Committee member	Chen Chien-Chun	6	0	100%	
Committee member	Chou Liang-Cheng	6	0	100%	
Other remarks:					
I. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and how the company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.					
II. Should any committee member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions, and how their opinions were addressed: None.					

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

(2) If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the

current Remuneration Committee will be listed; in which case, the remarks column will specify whether the committee member was elected in the previous board, the new board, or both. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.

- (3) Discussions and resolutions of the Remuneration Committee, and the Company's response to committee members' opinions:
All motions raised for discussion by the Remuneration Committee in 2023 and 2024 up to the date of publication of the annual report were passed without alternative opinion.

Date of Remuneration Committee Meeting	Motion	Resolution	The Company's response to the Remuneration Committee's opinions
2023/01/11	Review of 2022 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.
2023/03/22	Review of the amount and method of allocation for the 2022 employee/director remuneration.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
2023/05/03	Appointment of the Company's chief corporate governance officer.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
2023/11/08	1. Review on promotion of and remuneration to the managers. 2. Reappointment of the Company's new finance manager.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
January 24, 2024	1. Review of 2023 year-end bonus allocation principles for managers. 2. Transfer of the Company's accounting manager.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
March 13, 2024	1. Review of the amount and method of allocation for the 2023 employee/director remuneration. 2. Change of functions and remuneration of managers.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.

- (V) Sustainable development practices; deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies:

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Has the Company implemented a governance framework that supports sustainable development, and designated a unit that specializes (or is involved) in the promotion of sustainable development? Is the unit empowered by the board of directors and run by senior management, and how does the board supervise progress?	V		<p>The Company established its Sustainable Development Code of Conduct on March 30, 2022 and assembled a Sustainable Development Team comprising personnel from different departments. The Group President serves as the convener, and the Team is divided into 4 sub-teams: labor and human rights, health and safety, environmental protection, and professional ethics. The Company conducts monthly audits and makes regular performance reports on each department with regards to human rights, environmental protection, ethics, public welfare, and employee health and safety. Teams have been assigned to consolidate sustainable development strategies, management guidelines, and execution plans on a yearly basis, and the most recent report to the board of directors was made on November 8, 2023.</p> <p>Sustainable development is the concept that businesses should do more than just maximizing profits and shareholder value, but also bear responsibilities to stakeholders such as workers, consumers, the environment, and the community. One of the core principles is to protect the rightful interests of workers, which broadly covers issues concerning non-discrimination, prohibition of child labor, prohibition of forced labor, and workplace safety and health.</p> <ol style="list-style-type: none"> 1. Provide work and living conditions that are safe and healthy. 2. Offer legal compensations and benefits that meet employees' basic requirements. 3. Enhance corporate governance to maximize shareholder value 4. Respect intellectual property rights and engage in trades with integrity and fairness 	Consistent with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>5. Adopt energy and carbon reduction measures to lessen impact on the environment.</p> <p>The Board of Directors receives a sustainability report on a regular basis. The management is required to propose future visions and strategies to the board of directors, which the board will evaluate and instruct the management to make adjustments in line with changing circumstances. No significant abnormal occurrence had taken place in 2023.</p>	
<p>II. 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 2)</p>	V		<p>In response to the global major economic, social and environmental risks, the Company establishes the systematic risk response policies and procedures in accordance with the risk management guidelines and guidance. In order to perform the Company's risk identification operations, the product R&D, manufacturing and sales units, and the finance, legal affairs, HR, information center and environmental safety management units, annually review the scenario in terms of the corporate sustainability, including the financial elements, such as market and liquidity risks, and non-financial risks, e.g. Compliance, information security, climate and environmental protection, and social issues, in order to seek the opportunity to respond to the risks. Outside the organization, the risk management is primarily focused on the product competition and market strategies, while the risk management inside the organization is focused on the information security management and compliance. As the management focus on the overall strategies, the Company promotes the competitiveness through differentiation of products and high-quality technology and thereby creates the financial</p>	<p>Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</p>

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>effects for the Company successfully. Internally, the Company performs the drill to respond to the business interruption caused by the climate risk laws & regulations, and impact rendered by the information security, to enhance and well-found vulnerable internal system frameworks and improve the resilience of corporate sustainability.</p> <p>(1) Environmental issues: Through practices such as green innovation, energy/carbon reduction, greenhouse gas survey, paperless process, and resource recycling, the Company takes part in the ongoing environmental protection initiative and contributes to the local environment. Further, the Company constantly encourages employees to adopt vegetarian diet, take staircase instead of elevator, save water, turn off lights where appropriate, and sort garbage. All lighting equipment has been replaced with LED and various actions are being taken to improve overall competitiveness. These practices are estimated to reduce CO2 emission by approximately 22,000kg per year On the basis of corporate sustainability, the Company continues to work with stakeholders including employees, customers, suppliers, shareholders, government agencies, and competent authorities toward creating economic, environmental, social, and sustainability values.</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 Organization,” “UN Guiding Principles on Business and Human Rights,” as well</p>	

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>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. No employment dispute had arisen in 2023.</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. The Company has implemented relevant policies and guidelines to be followed by employees, including Integrity Code of Conduct and rules against illegal and unethical conduct.</p> <p>There had been no significant abnormality with regards to the identification of environmental, social, and governance issues, risk assessment process, outcome, and risk management policies and strategies within Chenming Group (including subsidiaries) in 2023.</p>	
<p>III. Environmental issues</p> <p>(I) Has the Company developed an appropriate environmental management system, given its</p>	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</p>	<p>Consistent with the Sustainable Development Best Practice Principles for</p>

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
distinctive characteristics?			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.	TWSE/TPEX Listed Companies
(II) Is the Company committed to making efficient use of energy, and using renewable materials that produce less impact on the environment?	V		<p>(II) The Company is dedicated to solving problems at the source. The office premises adopt the high-efficiency LED lighting equipment with power-saving logo. The air conditioning and lighting equipment are equipped with controllers additionally. The automatic switch on/off is set for the routine work and lunch break. The factory premises adopt the policies to recycle packing materials and re-use the waste materials. The office premises implement the garbage sorting to upgrade the recycling efficiency, thereby resulting in reduction of raw material input and waste output, and minimization of its impact on the environment.</p> <p>The Company purchased 1,000 kWh green electricity for Zhongli Plant in 2023, in order to reduce the carbon emissions of product power consumption and also help increase the export sales of products.</p> <p>The Company purchased 6.11 million kWh green electricity for Dongguan Plant in 2023, in order to reduce the carbon emissions of product power consumption and also help increase the export sales of products.</p> <p>The Company purchased 1.6 million kWh green electricity for Ningbo Plant in 2023, in order to reduce the carbon emissions of product power consumption and also help increase the export</p>	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies																
	Yes	No	Summary																	
			sales of products.																	
(III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	V		<p>(III) Impacts of rising temperature and climate change have been more apparent than ever, and the Company is well-aware of the challenges presented to the environment as well as issues concerning energy shortage. More pro-active efforts will be taken towards environmental protection, and practices such as green innovation, energy conservation, carbon reduction, greenhouse gas survey, paperless process, and resource recycling will be adopted as a contribution to the local environment.</p> <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> </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	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
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																		
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Effects of opportunities	Reduced loss of capacity and materials	Reduced operating costs	Reduced GHG emission																	

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies				
	Yes	No	Summary					
			<table border="1"> <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 8.27 million kWh of clean energy in 2023.</td> </tr> </table> <p>For details on the Company’s commitments to climate change, please refer to the corporate sustainability report. 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. The Company’s efforts in this respect revolve around three main objectives: “voluntary carbon reduction,” “climate change disclosure,” and “climate policy engagement.” 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>	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 8.27 million kWh of clean energy in 2023.	
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(IV) Does the Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years,	V		(IV)The Company has energy conservation and resource management procedures in place. It constantly encourages employees to adopt vegetarian diet, take staircase instead of elevator, save water, turn off lights where appropriate, and	Consistent with the Sustainable Development Best Practice Principles for				

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
and implement policies aimed at reducing greenhouse gas, water, and waste?			<p>sort garbage. 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 2022, the Company emitted 305,228.30kg from energy consumption, 140,730.26kg for transportation, 237,297.74kg from the workplace, 0kg from entertainment, 35,673.55kg from appliances, and 183,799.25kg from other categories. Total CO2 emission was calculated at 902,729.09kg, water consumption totaled 1,278 cubic meters, and domestic waste totaled 3,400kg in 2022.</p> <p>In 2023, the Company emitted 288,805.24kg of CO2 from energy consumption, 110,459.12kg from transportation, 364,666.75kg from the workplace, 0kg from entertainment, 33,748.62kg from appliances, and 177,312.10kg from other categories. Total CO2 emission was calculated at 974,991.82kg, water consumption totaled 1,223 cubic meters, and domestic waste totaled 3,600kg in 2023.</p> <p>In 2024, 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 gas:</p> <p>(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 and energy-efficient variants continued since 2018. These measures reduced CO2 emission by approximately 22,000kg per year.</p>	TWSE/TPEX Listed Companies

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>(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 800kg of paper each year.</p> <p>(3) The Company introduced a document online sign-off system (Web version) in 2019 as part of its paperless movement. The system notifies authorized persons to sign-off documents online via E-Mail (10 tasks were implemented in 2019, 14 tasks were implemented in 2020, 11 tasks were implemented in 2021, 5 tasks were implemented in 2022 and 2 tasks were implemented in 2023), which not only improves the efficiency of internal processes but also reduces the use of paper.</p>	
<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.</p>	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>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 practices include:</p> <p>A. Renovation of the office, pantry and conference room to provide a comfortable and spacious work environment, and thereby achieve the goal of “providing dignified and safe work environment.” 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.</p> <p>B. 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.</p> <p>C. The Company encourages employees to participate in sexual harassment prevention seminars, and has “Sexual Harassment Prevention” guidelines established in the “Work Rules” to protect employees, maintain gender-equal opportunities, and provide a work environment free of sexual harassment.</p> <p>(2)With respect to eliminating discrimination and ensuring</p>	

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>equal work opportunities, the Company has implemented 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> <p>A. Ensuring compliance with local employment regulation, international standards, and EICC, and enforcement of internal policies.</p> <p>B. Implementing and enforcing internal control procedures, and adding a non-discrimination principle to Article 7, Chapter 2 of the Company’s “Work Rules” that prohibits discrimination against job seekers and employees for their race, social status, language, thoughts, religion, political association, origin, place of birth, gender, sexual preference, age, marital status, appearance, physical/mental disability, or union association.</p> <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> <p>A. According to Article 58, Chapter 6 of the Company’s “Work Rules,” use of child labor is prohibited within the organization, and the Company performs checks on all hired employees to ensure that no child labor is recruited.</p>	

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>(4) No employee was susceptible to high risk with respect to the prohibition of forced labor. The scope of practices taken included:</p> <ul style="list-style-type: none"> · Enforcing 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>(5) The affected subjects in the project for helping employees maintain the physical and mental health, and balance between work and life, refer to the whole employees, including 0 employee exposed to high risk. The specific practices include:</p> <p>A. Offering of subsidies that support “maintenance of employees’ health and work-life balance,” such as: festive cash, birthday cash, travel subsidy, year-end banquet, and year-end bonus.</p> <p>B. The Company provides “menstrual leave,” “family care leave,” “maternity leave,” “paternity leave,” “breastfeeding break,” and “extended unpaid leave” as a protection for women's rights and to cater for their work, health and family needs.</p>	
(II) Has the Company developed and implemented reasonable employee welfare measures (including compensation, leave of absence, and other benefits), and	V		(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	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
appropriately reflected business performance or outcome in employees' compensations?			<p>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.</p> <p>The welfare policies are stated as following:</p> <ol style="list-style-type: none"> 1. Flexible attendance system The Company allows various types of leave pursuant to laws, and the flexible attendance hours to satisfy any worker's need to apply for leave, or to work and leave earlier. 2. Three major festival bonus (coupon) and subsidy Labor Day, Mid-Autumn Festival and Dragon Boat Festival gift vouchers, and birthday gifts. Marriage cash gift, childbirth cash gift, hospitalization allowance and funeral assistance. Multiple dinner parties and travel allowances. Parking discount. 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. 4. Sound retirement mechanism 	Companies

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>The Company complies with regulations and has been contributing a sum equal to 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 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>	
(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		<p>1. 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</p>	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>trainings. The Company has access control at all entrances that are guarded by securities for employee safety for 24 hours a day.</p> <p>2. The Company's electromechanical or firefighting equipment is maintained or repaired annually, quarterly or monthly as required to ensure its best performance at all time. The Company also purchases public liability insurance for additional protection.</p> <p>3. The Company is committed to taking care of employees, actively feeding back to the society, and fulfilling its corporate responsibilities, and won the 2023 Happy Enterprise Award-Silver.</p> <p>4. The number of occupational accidents in 2023 was 0.</p> <p>5. In order to strictly prevent the harm to life and property caused by major accidents, fire drills are held every year in case of emergencies, and emergency response drills are completed three times throughout the year to enhance employees' disaster prevention awareness and strengthen escape and self-rescue and mutual rescue skills. In 2023, there was no fire incident and the Company was not penalized for any violation of environmental protection laws and regulations.</p>	
(IV) Has the Company established some effective career development training plan for employees?	V		(IV) Driven by its human resource philosophy of growing with employees, the Company implements the policy of integrating training with actual work practice and develops a complete training system along with a series of training courses that cover everything from orientation to specialist skill training. Employees in position that requires special skills are sent to professional institutions for specialist skill	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			<p>training and certification. Furthermore, at the end of each year, each department is required to submit a list of desired training courses for the following year, so that next year's training program can be planned optimally. Through various forms of training, we wish to improve employees' theoretical and practical knowledge, provide help and guidance where needed, and help them apply knowledge in their jobs and private 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 2023, the Company has organized internal and external training courses totaling 430 persons attended with a total of 1,624 man-hours.</p>	
<p>(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/customer protection policies and complaint procedures?</p>	V		<p>(V) In order to reduce environmental impacts of the Company's products on the environment and ecology, the Company has fulfilled corporate responsibility, met international green product standards and improved the product green competitiveness.</p> <p>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</p>	<p>Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies</p>

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			Department and implemented complaint procedures and operating rules for the protection of consumers' rights. The complaint 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, environmental protection, and occupational safety and health as part of the evaluation. 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.	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
V. Does the Company prepare sustainability 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 report has been prepared primarily based on the core option of "Universal Standards 2021" published by the Global Reporting Initiative (GRI) and guidelines of Sustainability Accounting Standards Board (SASB). The Company prepared its sustainability report, but has not sought any third party certification.	Consistent with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
VI. If the Company has established sustainability policies in accordance with "Sustainable Development Best Practice Principles for TWSE/TPEX				

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>Listed Companies,” please describe its current practices and any deviations from the Best Practice Principles: The Company has established Chenming Electronic Technology Sustainable Development Best Practice Principles based on “Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.” The routine operations are implemented in accordance with the principles on corporate governance, sustainable environment, public welfare, and enhanced disclosure of corporate social responsibility information. No deviation from the Best Practice Principles was found.</p>				
<p>VII. Other information useful to the understanding of sustainable practice: The Company joined the CSR Alliance in 2017 and has been sponsoring the reforestation program to plant the seeds of hope. In 2023, the Company 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 give back to the society. In 2023, the Company gathered its employees to extend care for the elderly living alone in the community for charity. In addition, the Company arranges bloodmobiles to host blood donations for charity on site from time to time. The Company is committed to taking care of employees, actively feeding back to the society, and fulfilling its corporate responsibilities, and won the 2023 Happy Enterprise Award-Silver.</p>				

Note 1: If “Yes” under the “Status of Implementation” is ticked off, please specifically explain the key policies, strategies, and measures adopted and their implementation results; if “No” is ticked off, please explain the deviations and reason in the section of “Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies, and the reasons thereof,” and specify related policies, strategies, and measures to be adopted in the future. Notwithstanding, with respect to the Items 1 and 2, the TWSE/TPEX listed company shall specify the governance and supervision framework of the sustainable development, including but not limited to, the enactment of management policies, strategies and targets, and review on the measures, etc.. Meanwhile, please specify the Company’s risk management policies or strategies against the ESG issues, and the evaluation thereof.

Note 2: The materiality principle refers to environmental, social, and corporate governance issues that are of material impact to the Company’s investors and stakeholders.

Note 3: For method of disclosure, please refer to the best practice examples presented on the website of Taiwan Stock Exchange Corporate Governance Center.

(VI) Climate-related information

1. Climate-related actions

Item	Current progress
<p>(I) Describe how the board of directors and the management exercise supervision and governance over climate-related risks and opportunities.</p> <p>(II) Describe how the climate risks and opportunities identified affect the entity's businesses, strategies, and financial position (short-term, medium-term, and long-term).</p>	<p>(I) The Company identifies and assesses climate risk once a year, during which it highlights areas of high risk. Outcomes of the assessment are re-examined every six months to ensure conformity and relevance with actual circumstances. The control over greenhouse gas inventory and assurance schedules was reported to the Board of Directors on March 13, 2024</p> <p>(II) Short/medium/long term goals set by the Climate Change Risk Management Department: Short-term goals: 1. Establish a Climate Change Risk Management Department that is responsible for the identification and management of climate-related risks and the establishment of related strategies. 2. Supervise subsidiaries in the identification and materiality-based ranking of climate-related risks. 3. Set annual power reduction target at 1%. Medium-term goals: 1. Incorporate climate-related risks into the overall risk management framework. 2. Continue including other subsidiaries into the climate risk management system. 3. Progressively adopt the use of green and renewable energy sources to 8% of total energy consumption. Long-term goals: 1. Make continual improvements to the climate risk management policy; observe domestic regulations and international initiatives; and accept climate change risks as part of the corporate spirit. 2. Ensure that the parent and subsidiaries have adequate control</p>

Item	Current progress
<p>(III) State the financial impacts of extreme weather events and transition actions.</p> <p>(IV) Describe the procedures undertaken to identify, evaluate, and manage climate risks, and how they are integrated into the risk management system.</p> <p>(V) Where scenario analysis is used to evaluate resilience to climate change risk, describe the underlying scenarios, parameters, assumptions, factors, and key financial impacts.</p>	<p>over how climate change affects operations and business activities. Empower the Climate Change Risk Management Department with the duty of overseeing climate risk reviews in subsidiaries each year.</p> <p>3. Increase the use of green and renewable energy sources to 20%.</p> <p>(III) Regarding the risks and opportunities arising from climate change, and the assessment on transformation actions, the Company has collected forward-looking financial impact information that is helpful for decision-making. Currently, there is no significant financial impact existing.</p> <p>(IV) 1. Climate factors may reduce production capacity and income (by disrupting transportation and the supply chain or by damaging plant facilities and halting production activities). 2. Due to the enactment of greenhouse gas reduction and management laws in Taiwan, the Company is required to increase energy efficiency at operating sites and incur additional costs on the construction of renewable energy facilities and purchase of green power certificates. 3. Carbon tax and trading of carbon credit may increase compliance cost and the cost of raw materials and parts. The Company pays constant attention to natural disasters and will make adequate purchase of raw materials in advance if it anticipates disruption to the traffic network. Meanwhile, the price of carbon credit and current regulations are being monitored closely to allow quick response.</p> <p>(V) None of Chenming Group’s factories and operating sites are located in natural reserves. All industrial zones currently occupied have been developed with proper environmental impact assessment to avoid significant impacts on biodiversity. The Group advocates conservation and efficiency improvement,</p>

Item	Current progress
<p>(VI) Where transition plans have been made to manage climate risks, explain plan details and the indicators and goals used for the identification and management of physical risks and transition risks.</p>	<p>and takes reasonable actions to reduce energy consumption and waste.</p> <p>Energy management measures have been implemented to increase production capacity and economic yield while at the same time reduce the amount of energy used in production. By collecting data in different zones, the Company is able to monitor energy consumption and analyze load in real-time for more precise control over energy costs.</p> <p>(VI) The energy sources used in production activities include fossil fuel (such as natural gas, diesel, gasoline, LPG etc.) and purchased electricity. Fossil fuel is mainly used for emergency power generators, forklifts, corporate vehicles, and living activities at dormitory and dining area. Chenming has significantly changed the percentage of fossil fuel used over time mainly by replacing diesel-based forklifts with electric-powered forklifts and eliminating diesel-based power generators. Based on the outcome of greenhouse gas survey, Chenming is shifting toward solar power and externally purchased green power as the main sources of energy for production in the future.</p> <p>Electricity represents the main source of greenhouse gas emission. The Company has been installing solar power generators at plant sites since 109, and began planning for the purchase of RECs in 111. In the future, the Company plans to increase utilization of renewable energy by obtaining supply of renewable energy from the energy market and by purchasing RECs. Meanwhile, carbon credits will be used to offset greenhouse gas emissions.</p> <p>The Company purchased 1,000 kWh green electricity for Zhongli Plant in 2023, in order to reduce the carbon emissions of product power consumption and also help increase the export</p>

Item	Current progress
<p>(VII) Where internal carbon pricing is used as planning tool, explain the pricing basis.</p> <p>(VIII) If climate-related goals have been implemented, explain the activities covered, the scope of greenhouse gas emission, any timeline planned, and the progress made each year. Where carbon offset or renewable energy certificate (REC) is used to accomplish the above goals, explain the source and quantity of carbon credit or the quantity of REC.</p> <p>(IX) GHG inventory and assurance, as well <u>as reduction goals, strategies and concrete action plans</u> (to be specified in 1-1 <u>and 1-2</u> separately).</p>	<p>sales of products. The Company purchased 6.11 million kWh green electricity for Dongguan Plant in 2023, in order to reduce the carbon emissions of product power consumption and also help increase the export sales of products. The Company purchased 1.6 million kWh green electricity for Ningbo Plant in 2023, in order to reduce the carbon emissions of product power consumption and also help increase the export sales of products.</p> <p>(VII) The Company does not use carbon pricing as a planning tool.</p> <p>(VIII) Short-, medium-, and long-term plans are being made to progressively adopt the use of green and renewable energy sources. Goals have been set to increase renewable energy to 8% of total energy consumption. Climate-related performance indicators and quantitative measurements have been implemented, with long-term goals set to increase the use of green and renewable energy sources to 20%. The control over GHG inventory and the assurance schedules was reported to the Board of Directors on March 13, 2024.</p> <p>(IX) The Company has completed phase 1 of its carbon survey and devised carbon reduction strategies accordingly. The next phase is to analyze data and execute carbon reduction measures, which the Company will aim to accomplish by gathering, analyzing, and monitoring data and by exploring ways to reduce carbon emissions.</p>

1-1 GHG inventory and assurance for the most recent two years
2023

Scope 1	Total emission	Intensity	Assurer	Assurance status
	(tonnes/CO2e)	(tonnes CO2e/per million dollars)		
Chenming Electronic Technology Corporation	755.18	755.18/2,569	Internal calculation	Amount of impact is internally calculated using the science park's standard emission coefficient
Dongguan Chenming Electronics Co., Ltd.	4,501.81	4,501.81/2,661	TUV NORD Hangzhou Co., Ltd.	Among the total greenhouse gas emissions disclosed by the Company, 4,501.81 tons of CO2e were certified by the certification institutions using the ISO14064-3 standard , and the assurance opinions were reasonable assurance level.
Chenming Electronic (Ningbo) Co.,Ltd.	192.85	192.85/1,230	TUV NORD Hangzhou Co., Ltd.	Among the total greenhouse gas emissions disclosed by the Company, 192.85 tons of CO2e were certified by the certification institutions using the ISO14064-3 standard , and the assurance opinions were reasonable assurance level.
Total	5,449.84	5,449.84/6,461		
Scope 2	Total emission	Intensity	Assurer	Assurance status
	(tonnes/CO2e)	(tonnes CO2e/per million dollars)		
Chenming Electronic Technology Corporation	433.81	433.81/2,569	Internal calculation	Amount of impact is internally calculated using the science park's standard emission coefficient
Dongguan Chenming Electronics Co., Ltd.	7,229.01	7,229.01/2,661	TUV NORD Hangzhou Co., Ltd.	Among the total greenhouse gas emissions disclosed by the Company , 7,229.01 tons of CO2e were certified by the certification institutions using the ISO14064-3 standard , and the assurance opinions were reasonable assurance level.
Chenming Electronic (Ningbo) Co.,Ltd.	7,007.20	7,007.2/1,230	TUV NORD Hangzhou Co., Ltd.	Among the total greenhouse gas emissions disclosed by the Company, 7,007.20 tons of CO2e were certified by the certification institutions using the ISO14064-3 standard , and the assurance opinions were reasonable assurance level.
Total	14,670.02	14,670.02/6,461		

2022

Scope 1	Total emission (tonnes/CO2e)	Intensity (tonnes CO2e/per million dollars)	Assurer	Assurance status
Chenming Electronic Technology Corporation	597.50	597.50/3,011	Internal calculation	Amount of impact is internally calculated using the science park's standard emission coefficient
Dongguan Chenming Electronics Co., Ltd.	1,358.80	1,358.80/4,080		
Chenming Electronic (Ningbo) Co.,Ltd.	282.91	282.91/2,257		
Total	2,239.21	2,239.21/9,348		
Scope 2	Total emission (tonnes/CO2e)	Intensity (tonnes CO2e/per million dollars)	Assurer	Assurance status
Chenming Electronic Technology Corporation	305.23	305.23/3,011	Internal calculation	Amount of impact is internally calculated using the science park's standard emission coefficient
Dongguan Chenming Electronics Co., Ltd.	18,738.78	18,738.78/4,080		
Chenming Electronic (Ningbo) Co.,Ltd.	7,258.00	7,258.00/2,257		
Total	26,302.01	26,302.01/6,337		

1-2 GHG reduction goals, strategies and concrete action plans

Describe the GHG reduction base year and data, reduction goals, strategies, and concrete action plans, and achievement of the reduction goals.

1. The energy sources used in production activities include fossil fuel (such as natural gas, diesel, gasoline, LPG etc.) and purchased electricity. Fossil fuel is mainly used for emergency power generators, forklifts, corporate vehicles, and living activities at dormitory and dining area. Chenming has significantly changed the percentage of fossil fuel used over time mainly by replacing diesel-based forklifts with electric-powered forklifts and eliminating diesel-based power generators. Based on the outcome of greenhouse gas survey, Chenming is shifting toward solar power and externally purchased green power as the main sources of energy for production in the future.
2. Electricity represents the main source of greenhouse gas emission. The Company has been installing solar power generators at plant sites since 2020, and began planning for the purchase of RECs in 2022. In the future, the Company plans to increase utilization of renewable energy by obtaining supply of renewable energy from the energy market and by purchasing RECs. Meanwhile, carbon credits will be used to offset greenhouse gas emissions.
3. The Company purchased 1,000 kWh green electricity for Zhongli Plant in 2023, in order to reduce the carbon emissions of product power consumption and also help increase the export sales of products.
4. The Company purchased 6.11 million kWh green electricity for Dongguan Plant in 2023, in order to reduce the carbon emissions of product power consumption and also help increase the export sales of products.
5. The Company purchased 1.6 million kWh green electricity for Ningbo Plant in 2023, in order to reduce the carbon emissions of product power consumption and also help increase the export sales of products.
6. In 2023, Chenming Group's total direct emissions and energy indirect GHG emissions were 20,483 tons of CO2 equivalent, a decrease by 28% from the previous year.

(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 its own 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 practices. These guidelines have been published on the Company’s website.</p> <p>(II) In order to protect the core value of corporate culture, the Company is committed to conducting its business activities in good faith and following the utmost ethical requirements. It has also established relevant policies and regulation for employee compliance, including integrity code of conduct and policy for handling illegal and unethical conducts. Moreover, it has published its business and financial information in accordance with applicable laws and regulations, complied with anti-corruption laws (e.g. FCPA) in conducting any transactions, respected intellectual property rights, executed fair trade advertisement and competition standard, followed anonymous complaint procedure to protect the informant,</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>held responsibility in the procurement of minerals, protected personal information of all counter-parties, protected and complied with laws related to privation and information security, and adopted protection procedures to stop any revenge.</p> <p>(III) The Company has established a recusal system for directors as part of its “Parliamentary Rules For Directors’ Meetings.” Directors are required to recuse themselves 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 states in the “Guidelines for Professional Ethics” that stipulate personal conducts and professional ethics. In order to implement preceding regulations and eliminate any violations by employees, the Company has also set up the compliant hotline and mailbox. In the event that any violation by employees is concluded in an investigation, the handling personnel shall pass on the case information and relevant</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	
			documents to human resource department where the case shall be handled accordingly. Given the severity of the violation, the case may be passed to the judicial authorities.	
II. Enforcing ethical management (I) Does the Company evaluate the integrity of all counterparts it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners? (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)?	V	V	(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. (II) The Chairman's Office is responsible for the establishment, supervision, and execution of the ethical management policy and prevention program. A report was last made to the board of directors in November 2023. Its main responsibilities include the following: I. Incorporating integrity and moral values into the Company's operating strategies, and establishment of integrity assurance and fraud prevention measures in accordance with laws. II. Adopt accordingly programs to prevent unethical conduct, and setting in each program the standard operating procedures and conduct guidelines with	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>respect to the Company's operations and business.</p> <p>III. Planning of internal organization and duties, and implementation of check and balance for business activities that present higher risk of dishonest conduct.</p> <p>IV. Coordination of integrity policy awareness and training programs.</p> <p>V. Establishment of a whistleblowing system and ensuring the effectiveness of its execution.</p> <p>VI. Assist the board of directors and the management in assessing the effectiveness of existing integrity practices and preventions, assess compliance of business procedures, and make regular reports.</p> <p>The Company implemented the ethical management policy. The implementation status thereof in 2023 is stated as following:</p> <p>(1) Education and training</p> <p>The Company organized internal and external training courses that received a total of 430 enrollments and trained a total of 1,624 man-hours during the year to address integrity issues such as food safety, legal security,</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>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 2023.</p> <p>(3) For the whistleblowing system and whistleblowers' protection, the Company has outlined its whistleblower system in its "Corporate Governance Best Practice Principles," "Ethical Management Best Practice Principles," "Code of Professional Ethics and Guidelines for Behaviors," and "Regulations Governing 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 hotline. All reported misconducts will be investigated by the human resources</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		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 whistleblowing involving unethical conduct in 2023. (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 training and promotional materials on its Intranet to facilitate employees' understanding of the most recent regulatory changes and trends. The Company organized internal and external training courses that received a total of 430	

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			enrollments and trained a total of 1,624 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 violation, it shall be passed to juridical authorities or handled accordingly with the Company's regulations. If the violation is</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
(III) Has the company provided proper whistleblower protection?	V		<p>significant or may cause material damage to the Company, it shall be reported to the board of directors in writing. On the other hand, if no evident is found, the case will be closed.</p> <p>(III) If the informant is a company employee, it is prohibited to publish the identity of the informant or treat the informant in any way that results in loss of interest or work discrimination. The informant may request the handling unit for the 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.</p>	
III. Enhancing information disclosure Has the Company disclosed its integrity principles and progress onto its website and Market Observation Post System (MOPS)?	V		<p>The Company has established business integrity code of conduct and disclosed it on website. Business and financial information is also disclosed regularly on the Company's website.</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
<p>V. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established integrity code of conduct and related policies; details can be found in the Corporate Governance section of the Company' website (http://www.uneec.com/tw).</p>				
<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>				

Assessment criteria	Status (Note)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<ul style="list-style-type: none"> · In order to reduce the environmental impacts of the Company’s products as its corporate responsibility and meet the international green product standards as required by customers, it has strengthened the green competitiveness of its products. Based on its Green Procurement Guidelines, the Company has required its suppliers to comply with EU REACH , RoHS, hazardous-substances management regulations of the HF, and sign the environmental protection declaration for consistent compliance. In 2023, there were 18 new suppliers that signed or published declaration for green commitment. · The Company regulates its suppliers to follow RBA, ISO 14001 Environmental Management, OHSAS 18001 Occupational Health and Safety and local laws and regulations. It requests 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/>) and go to 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 upon 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

March 13, 2024

The following declaration was made based on the 2023 self-assessment of the Company's internal control system:

- 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, 2023. 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 13, 2024.

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 date of publication of the 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 date of publication of the annual report:

Shareholder/ board of directors meeting	Date	Major resolutions
Board of Directors	2023/01/11	<ol style="list-style-type: none"> 1. Review of 2022 year-end bonus allocation principles for managers; the motion is ready for discussion. 2. Proposal to discontinue the private placement of common shares for cash previously resolved in a 2022 extraordinary shareholder meeting. 3. Renewal of loans by Chenming Electronic (Ningbo) Co., Ltd. to Dongguan Chenming Electronics Co., Ltd. 4. Renewal of loans by Dongguan Chenming Electronics Co., Ltd. to Chenming Electronic (Ningbo) Co., Ltd. 5. Proposal to establish general principles for the Company's policy on pre-approval of non-assurance services; the motion is ready for discussion.
Board of Directors	2023/03/22	<ol style="list-style-type: none"> 1. Amount and method of allocation for the 2022 employee/director remuneration. 2. Presentation of the Company's 2022 "Declaration of Internal Control System." 3. Presentation of the Company's 2022 business report and financial statements. 4. Appropriation of 2022 earnings. 5. Proposal to set details concerning the Company's 2023 annual general meeting and acceptance of shareholders' motion proposals. 6. The motion to re-elect directors and accept the nomination of director candidates (including independent directors) to be elected during the Company's 2023 Annual General Meeting. 7. Partial amendments to the Company's "Parliamentary Rules for Shareholders' Meetings." 8. Partial amendments to the Company's "Parliamentary Rules For Directors' Meetings." 9. Proposal to renew and increase credit limits granted by CTBC Bank upon expiry. 10. Proposal to renew credit limit with First Commercial Bank upon expiry. 11. Dissolution of Unique Electronics (Kunshan) Co., Ltd. 12. Proposal to establish production site in Southeast Asia.
Board of Directors	2023/05/03	<ol style="list-style-type: none"> 1. Appointment of the Company's chief corporate governance officer. 2. 2023 Q2 consolidated financial statements of the Company. 3. Cause of motion: Amendments to certain provisions of the Company's "Internal Control System (including Internal Audit System)." 4. The motion to resolve the name list of candidates of director (including independent director) to be elected during the Company's 2023 Annual General Meeting. 5. The motion to terminate the non-competition restriction imposed on new directors. 6. Amendments to certain provisions of the Company's "Corporate Governance Best Practice Principles." 7. Proposal to apply for renewal of credit limit with Cathay United Bank upon expiry.
Annual general meeting	2023/06/16	<ol style="list-style-type: none"> 1. Acknowledgment of 2022 business report and financial statements. Implementation status: The motion was passed as proposed without objection, and served as the basis for 2022 earnings appropriation. 2. Acknowledgment of 2022 earnings appropriation. Implementation status: The motion was passed as proposed without objection, and cash dividend was allocated at NT\$0.3 per share. 3. Passed amendments to the Company's "Parliamentary Rules for Shareholders' Meetings." Status: The motion was passed unanimously, and the amended procedures were put

Shareholder/ board of directors meeting	Date	Major resolutions
		<p>in place.</p> <p>4. Motion for the Election of Directors (including Independent Directors) of the Company Implementation status: Mr. Lin Mu-He, Mr. Lin Feng-Ran, Ms. Chen Hsiao-Chun and Mr. Luo Zhi-Ji were elected as directors, and Mr. Chen Hung-Chang, Ms. Chou Liang-Chen, and Mr. Chen Chien-Cun were elected as independent directors, and the announcement of material information will be made on July 16, 2023. On July 4, 2023, the MOEA approved the application for change in registration.</p> <p>5. Motion for Release of New Directors from the Non-Competition Restriction Implementation status: Passed to lift the ban on Lin and announcement of material information will be made on June 16, 2023.</p>
Board of Directors	2023/07/12	<p>1. Proposal to acquire the land for the construction of production facilities in Thailand.</p> <p>2. The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd.</p> <p>3. Appointment of 5th Remuneration Committee.</p>
Board of Directors	2023/08/02	<p>1. 2023 Q2 consolidated financial statements of the Company.</p> <p>2. Proposal to renew endorsement/guarantee for Mainland subsidiary - Chenming Electronic (Ningbo) Co., Ltd. in the Company's capacity.</p> <p>3. Proposal to renew endorsement/guarantee for Mainland subsidiary - Dongguan Chenming Electronics Co., Ltd. in the Company's capacity.</p> <p>4. The Company's proposal to issue the domestic secured convertible corporate bonds amounting to NT\$400 million.</p> <p>5. Plan to increase bank guarantee line in response to the Company's proposal of issuing domestic secured convertible bonds.</p> <p>6. Proposal to apply for renewal of credit limit with Hua Nan Bank upon expiry.</p> <p>7. Proposal to renew credit limit granted by Mega International Commercial Bank upon expiry.</p>
Board of Directors	2023/11/08	<p>1. Review on promotion of and remuneration to the managers.</p> <p>2. Reappointment of the Company's new finance manager.</p> <p>3. 2023 Q3 consolidated financial statements of the Company.</p> <p>4. Establishment of the Company's 2024 annual audit plan.</p>
Board of Directors	January 24, 2024	<p>1. The 2023 remuneration and year-end bonus allocation principles for managers is submitted for approval.</p> <p>2. Transfer of the Company's accounting manager.</p> <p>3. Renewal of loans by Chenming Electronic (Ningbo) Co., Ltd. to Dongguan Chenming Electronics Co., Ltd.</p> <p>4. Proposal to renew and increase credit limits granted by CTBC Bank upon expiry.</p>
Board of Directors	March 13, 2024	<p>1. Amount and method of allocation for the 2023 employee/director remuneration.</p> <p>2. Change of functions and remuneration of managers.</p> <p>3. Proposal to issue the Company's 2023 "Declaration of Internal Control System."</p> <p>4. Presentation of the Company's 2023 business report and financial statements.</p> <p>5. The Company's 2023 earnings distribution proposal.</p> <p>6. Proposal to set details concerning the Company's 2024 annual general meeting and acceptance of shareholders' motion proposals.</p>

(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, accounting manager, finance manager, chief internal auditor, chief corporate governance officer, or chief R&D in the most recent year up until the date of publication of the annual report:

Resignation of relevant personnel

March 20, 2024

Title	Name	Date onboard	Date discharged	Reasons for resignation or discharge
Finance manager, Finance Division	Su Chung-Ching	March 10, 2022	November 8, 2023	Job rotation
Accounting Manager of Finance Division	Su Chung-Ching	July 14, 2017	January 24, 2024	Job rotation

Note: Relevant personnel include Chairman, President, head of accounting, head of finance, chief internal auditor, corporate governance officer, Head of R&D etc.

V. Disclosure of auditors' remuneration

- (I) Disclosure of audit fee and non-audit fee paid to the auditor, accounting firm, and affiliated companies, and details of non-audit services:

Unit: NT\$ thousand

Name of accounting firm	Name of CPA	Period of audit service	Audit remuneration	Non-audit remuneration	Total	Remarks
KPMG	Wang Michelle	January ~ December 2023	4,130	300	4,430	Report on the review opinion of corporate bond issuance and transfer pricing
	Yvette Chien					

Scope of non-audit service: (such as tax certification, assurance, or other financial consultancy service)

Note: 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 fees paid to auditors should also be disclosed separately. Provide detailed explanations to non-audit service.

- (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.

VI. Change of auditor

- (I) Information relating to the former CPA: None.
- (II) Information relating to the succeeding CPA: None.
- (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	2023		Year-to-date as at April 16	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Lin Mu-Ho	(9,000)	0	0	0
Director and Vice Chairman	Lin Feng-Ran	0	0	(323,000)	0
Director	Chen Hsiao-Chun	0	0	0	0
Director and President	Lo Chih-Chi	0	0	0	0
Independent Director	Chou Liang-Cheng	0	0	0	0
Independent Director	Chen Hung-Chang	0	0	0	0
Independent Director	Chen Chien-Chun	0	0	0	0
Vice President	Hsiao Kuang-Chih	0	0	0	0
Vice President	Chang Chu-Chih	0	0	0	0
Vice President	Chang Chin-Hsing	(64,357)	0	0	0
Vice President	Wu Ruei-Chuan	0	0	0	0
Vice President	Chueh Chung-Hui	0	0	0	0
Assistant Vice President	Fan Shui-Hui (take office from March 13, 2024)	0	0	0	0
Assistant Vice President and also Finance Manager	Chuang Chia-Ying (Assistant Vice President and Finance Manager took the office on November 8, 2023.) (Accounting Manager, January 24, 2024)	0	0	0	0
Chief Corporate Governance Officer	Huang Shih-Chieh (inaugurated on May 3, 2023)				

Title	Name	2023		Year-to-date as at April 16	
		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)	0	0	0
Vice President	Fan Yu-Hsiang (discharged on August 31, 2023)	(14,000)			
Acting head of finance and head of accounting	Su Chung-Ching (Resigned as acting financial manager on 11/08/2023) (Accounting Manager discharged on January 24, 2024)	0	0	0	0

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

(III) Disclosure of shares pledged to related parties: None.

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

NAME (NOTE 1)	SHARES HELD IN OWN NAME		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		SHARES HELD IN THE NAMES OF OTHERS		RELATIONSHIP CHARACTERIZED AS SPOUSE OR RELATIVE OF SECOND DEGREE OR CLOSER AMONG THE TOP-10 SHAREHOLDERS. (NOTE 3)		REMARKS
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
Shang Mei Precision Industrial Co., Ltd. Representative: Chan Chung-Chih	35,000,000	17.59%	0	0%	0	0%	None	None	None
Lin Mu-Ho	29,991,230	15.07%	1,197,809	0.60%	0	0%	Lin Mu-Rong Lin Ching-Yuan Lin Feng-Ran	Brothers Father and son Father and son	None
Lin Feng-Ran	6,289,310	3.16%	1,956	0.00%	0	0%	Lin Mu-Ho Lin Ching-Yuan	Father and son Brothers	None
Lin Ching-Yuan	2,261,430	1.14%	0	0%	0	0%	Lin Mu-Ho Lin Feng-Ran	Father and son Brothers	None
Hui Chi Investment Co., Ltd.	2,166,758	1.09%	0	0%	0	0%	None	None	None
Representative: Lin Ching-Yuan	2,261,430	1.14%	0	0%	0	0%	Lin Mu-Ho Lin Feng-Ran	Father and son Brothers	None
Responsible person: MARK THOMAS MCKEOWN HSBC (Taiwan) Commercial Bank Co., Ltd., as the custodian;	1,669,000	0.84%	0	0%	0	0%	None	None	None
Citibank (Taiwan) in its capacity as Master Custodian for SPL/PB Investment	1,603,000	0.81%	0	0%	0	0%	None	None	None

NAME (NOTE 1)	SHARES HELD IN OWN NAME		SHARES HELD BY SPOUSE AND UNDERAGE CHILDREN		SHARES HELD IN THE NAMES OF OTHERS		RELATIONSHIP CHARACTERIZED AS SPOUSE OR RELATIVE OF SECOND DEGREE OR CLOSER AMONG THE TOP-10 SHAREHOLDERS. (NOTE 3)		REMARKS
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
Account of Barclays Capital Securities Taiwan Limited Representative: Lin Wen-Chieh									
Lin Mu-Rong	1,487,469	0.75%	0	0%	0	0%	Lin Mu-Ho	Brothers	None
Yen Chun-Chieh	1,440,000	0.72%	0	0%	0	0%	None	None	None
Hsu Chih-Yu	1,427,000	0.72%	0	0%	0	0%	None	None	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, and shareholding in aggregate of the above parties

Unit: thousand shares/thousands

Business investments (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	64,558	100.00%	0	0%	64,558	100.00%
Chueh Rong International	45,988	100.00%	0	0%	45,988	100.00%
Ding Chih Co., Ltd.	22,410	100.00%	0	0%	22,410	100.00%
CHENMING ELECTRONIC TECHNOLOGY USA, INC.	200	100.00%	0	0%	200	100.00%
CHENMING ELECTRONIC TECHNOLOGY (THAILAND) CO., LTD.	5,225	100.00%	0	0%	5,225	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 last year and up until the publication date of annual report)

(I) Source of capital:

April 16, 2024

Year / month	Issue price	Authorized capital		Paid-up capital		Remarks			
		Number of shares	Amount	Number of shares	Amount	Source of capital	Paid in properties other than cash	Others	Approval reference
July 1999	10	34,200,000	342,000,000	34,200,000	342,000,000	Capitalized earnings NT\$85.5 million and capital reserves NT\$66.5 million	0	None	Jing-(088)-Shang-129976 dated 1999.08.16
July 2000	50	79,000,000	790,000,000	61,700,000	617,000,000	Cash issue NT\$100 million, employee bonus NT\$4 million	0	None	Jing-(089)-Shang-133304 dated 2000.09.14
July 2000	10					Capitalized earnings NT\$171 million			
July 2001	10	110,000,000	1,100,000,000	87,000,000	870,000,000	Capitalized earnings NT\$185.1 million, employee bonus NT\$6.2 million	0	None	Jing-(090)-Shang-09001293930 dated 2001.08.03
September 2002	10	120,000,000	1,200,000,000	114,000,000	1,140,000,000	Capitalized capital reserves NT\$61.7 million			Letter No. 09001293930
July 2003	10	247,200,000	2,472,000,000	132,300,000	1,323,000,000	Capitalized earnings NT\$174 million, employee bonus NT\$9 million	0	None	Shang-09101404120 dated 2002.10.03
January 2004	10	247,200,000	2,472,000,000	133,476,470	1,334,764,700	Capitalized capital reserves NT\$87 million			
April 2004	10	247,200,000	2,472,000,000	137,929,391	1,379,293,910	Capitalized earnings NT\$57 million, employee bonus NT\$12 million	0	None	Shang-09201248100 dated 2003.08.19
July 2004	10	247,200,000	2,472,000,000	137,947,038	1,379,470,380	Capitalized capital reserves NT\$114 million			
September 2004	10	247,200,000	2,472,000,000	145,421,449	1,454,214,490	NT\$ 11,764,700 (conversion from corporate bonds)	0	None	Shang-09301009900 dated 2004.01.19
January 2004	10	247,200,000	2,472,000,000	137,421,449	1,374,214,490	NT\$ 44,529,210 (conversion from corporate bonds)			
January 2005	10	247,200,000	2,472,000,000	128,921,449	1,289,214,490	NT\$ 176,470 (conversion from corporate bonds)	0	None	Shang-09301074800 dated 2004.04.29
August 2005	10	247,200,000	2,472,000,000	142,313,593	1,423,135,930	NT\$ -80,000,000 (retirement of treasury stock)			
January 2005	10	247,200,000	2,472,000,000	128,921,449	1,289,214,490	Capitalized earnings NT\$25.8976 million, employee bonus NT\$10 million	0	None	Shang-09301130400 dated 2004.07.29
July 2006	10	247,200,000	2,472,000,000	140,313,582	1,403,135,820	Capitalized capital reserves NT\$38.8464 million			
August 2005	10	247,200,000	2,472,000,000	142,313,593	1,423,135,930	NT\$ -85,000,000 (retirement of treasury stock)	0	None	Shang-09301188300 dated 2004.10.12
January 2005	10	247,200,000	2,472,000,000	145,313,582	1,453,135,820	Capitalized earnings NT\$43.3725 million, employee bonus NT\$10 million,			
January 2005	10	247,200,000	2,472,000,000	145,313,582	1,453,135,820	Capitalized capital reserves NT\$80.5489 million	0	None	Shang-09401160120 dated 2004.09.06
July 2006	10	247,200,000	2,472,000,000	140,313,582	1,403,135,820	NT\$ 29,999,890 (conversion from corporate bonds)			
August	10	247,200,000	2,472,000,000	155,931,787	1,559,317,870	NT\$ -50,000,000 (retirement of treasury stock)	0	None	Shang-09401206880 dated 2005.10.20
August	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,			

Year / month	Issue price	Authorized capital		Paid-up capital		Remarks			
		Number of shares	Amount	Number of shares	Amount	Source of capital	Paid in properties other than cash	Others	Approval reference
2006						Capitalized capital reserves NT\$42.094 million; NT\$ 80,425,250 (conversion from corporate bonds)			
January 2007	10	247,200,000	2,472,000,000	156,163,928	1,561,639,280	NT\$ 2,321,410 (conversion from corporate bonds)	0	None	Shang-09601008170 dated 2007.01.12
April 2007	10	247,200,000	2,472,000,000	158,887,131	1,588,871,310	NT\$ 27,232,030 (conversion from corporate bonds)	0	None	Shang-09601087320 dated 2007.04.25
July 2007	10	247,200,000	2,472,000,000	160,940,691	1,609,406,910	NT\$ 20,535,600 (conversion from corporate bonds)	0	None	Shang-09601160770 dated 2007.07.12
August 2007	10	247,200,000	2,472,000,000	169,948,887	1,699,488,870	Capitalized earnings NT\$62.4655 million, employee bonus NT\$12 million Capitalized capital reserves NT\$15.6163 million	0	None	Shang-09601210270 dated 2007.08.31
January 2007	10	247,200,000	2,472,000,000	174,561,410	1,745,614,100	NT\$ 46,125,230 (conversion from corporate bonds)	0	None	Shang-09601249620 dated 2007.10.12
January 2008	10	247,200,000	2,472,000,000	174,948,198	1,749,481,980	NT\$ 3,867,880 (conversion from corporate bonds)	0	None	Shang-09701005760 dated 2008.01.11
April 2008	10	247,200,000	2,472,000,000	205,819,156	2,058,191,560	NT\$ 308,709,580 (conversion from corporate bonds)	0	None	Shang-09701088600 dated 2008.04.11
August 2008	10	247,200,000	2,472,000,000	216,081,018	2,160,810,180	Capitalized earnings NT\$51.4547 million, employee bonus NT\$10 million Capitalized capital reserves NT\$41.1638 million	0	None	Shang-09701215160 dated 2008.08.26
January 2008	10	247,200,000	2,472,000,000	198,081,018	1,980,810,180	NT\$ -180,000,000 (retirement of treasury stock)	0	None	Shang-09701270770 dated 2008.10.24
December 2009	10	247,200,000	2,472,000,000	188,081,018	1,880,810,180	NT\$ -100,000,000 (retirement of treasury stock)	0	None	Shang-09801293510 dated 2009.12.22
March 2012	10	247,200,000	2,472,000,000	185,171,018	1,851,710,180	NT\$ -29,100,000 (retirement of treasury stock)	0	None	Shang-10101049820 dated 2012.03.23
May 2013	10	247,200,000	2,472,000,000	182,171,018	1,821,710,180	NT\$ -30,000,000 (retirement of treasury stock)	0	None	Shang-10201095570 dated 2013.05.22
January 2014	10	247,200,000	2,472,000,000	180,000,018	1,800,000,180	NT\$ -21,710,000 (retirement of treasury stock)	0	None	Shang-10301221430 dated 2014.10.28
August 2015	10	247,200,000	2,472,000,000	177,935,018	1,779,350,180	NT\$ -20,650,000 (retirement of treasury stock)	0	None	Shang-10401171260 dated 2015.08.13
August 2016	10	247,200,000	2,472,000,000	169,935,018	1,699,350,180	NT\$ -80,000,000 (retirement of treasury stock)	0	None	Shang-10501202410 dated 2016.08.16
March 2019	10	247,200,000	2,472,000,000	162,935,018	1,629,350,180	NT\$ -70,000,000 (retirement of treasury stock)	0	None	Shang-Zi No. 10801031730 dated March 28, 2019
February 2020	10	247,200,000	2,472,000,000	159,435,018	1,594,350,180	NT\$ -35,000,000 (retirement of treasury stock)	0	None	Shang-Zi No. 10901018580 dated February 10, 2020
109.05	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
111.03	10	247,200,000	2,472,000,000	195,935,018	1,959,350,180	400,000,000 (additional capital via private placement)	0	None	Shang-Zi No. 11101044250 dated March 23, 2022
113.04	10	247,200,000	2,472,000,000	198,990,162	1,989,901,620	NT\$ 30,551,440 (conversion from corporate bonds)	0	None	Note: The company change registration has not been completed.

Share category	Authorized capital				Remarks
	Outstanding shares (public listed)	Treasury stock	Unissued shares	Total	
Registered ordinary shares	198,990,162	0	101,009,838	300,000,000	None

(II) Shareholders structure:

Shareholders	Government institutions	Financial institutions	Other corporate entities	Foreign institutions and foreigners	Natural persons	Treasury stock	Total
Head count	1	4	65	64	25,052	0	25,186
Number of shares held	98	1,092,000	42,877,992	8,628,753	146,391,319	0	198,990,162
Shareholding percentage (%)	0.00%	0.55%	21.55%	4.34%	73.56%	0.00%	100.00%

(III) Ownership diversity:

April 16, 2024

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage (%)
1-999	4,398	623,599	0.31%
1,000-5,000	17,703	31,655,183	15.91%
5,001-10,000	1,682	13,734,706	6.90%
10,001-15,000	373	4,880,090	2.45%
15,001-20,000	344	6,487,341	3.26%
20,001-30,000	227	5,973,737	3.00%
30,001-40,000	104	3,806,970	1.91%
40,001-50,000	78	3,647,137	1.83%
50,001-100,000	145	10,503,320	5.28%
100,001-200,000	66	9,656,132	4.85%
200,001-400,000	38	11,281,770	5.67%
400,001-600,000	8	3,939,171	1.98%
600,001-800,000	3	2,142,000	1.08%
800,001-1,000,000	4	3,609,000	1.81%
1,000,001 and above	13	87,050,006	43.76%
Total	25,186	198,990,162	100.00%

(IV) List of major shareholders:

April 16, 2024

Serial number	Account number	Name of major shareholder	Number of shares held	Shareholding percentage (%)
1	60020	Shang Mei Precision Industrial Co., Ltd.	35,000,000	17.59%
2	1	Lin Mu-Ho	29,991,230	15.07%
3	115	Lin Feng-Ran	6,289,310	3.16%
4	10	Lin Ching-Yuan	2,261,430	1.14%
5	13	Hui Chi Investment Co., Ltd.	2,166,758	1.09%
6	68334	HSBC (Taiwan) Commercial Bank Co., Ltd. in its capacity as the custodian	1,669,000	0.84%
7	17168	Citibank (Taiwan) in its capacity as Master Custodian for SPL/PB Investment Account of Barclays Capital Securities Taiwan Limited	1,603,000	0.81%
8	2	Lin Mu-Rong	1,487,469	0.75%
9	106253	Yen Chun-Chieh	1,440,000	0.72%
10	99971	Hsu Chih-Yu	1,427,000	0.72%

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

Item		Year	2022	112	Year-to-date as at March 31, 2024 (Note 8)
		Market price per share (Note 1)	High		22.45
Low			12.40	17.00	66.50
Average			14.68	34.54	49.79
Net worth per share (Note 2)	Before dividend		15.40	16.63	Note 9
	After dividend		15.10	16.23	Note 9
EPS	Weighted average outstanding shares		188,451	195,935	Note 9
	Earnings per share (Note 3)		1.17	1.29	Note 9
Dividends per share	Cash dividends		0.3	0.4	Note 9
	Stock dividends	0	0	0	Note 9
		0	0	0	Note 9
	Cumulative undistributed dividends (Note 4)		0	0	Note 9
Analysis of investment returns	P/E ratio (Note 5)		12.55	26.78	Note 9
	Price to dividends ratio (Note 6)		48.93	86.35	Note 9
	Cash dividend yield (Note 7)		2.04%	1.16%	Note 9

* Where stock dividends were paid from earnings or capital reserves, market price and cash dividends per share are adjusted retrospectively for the number of new shares issued.

Note 1: The table shows the highest and lowest market price of common shares in each year; average market price is calculated by weighing transacted prices against transacted volumes in the respective years.

Note 2: Calculated based on the number of outstanding shares at year-end; amount of distribution resolved by board of directors or in next year's shareholders meeting is presented in the chart.

Note 3: Where stock dividends were issued, EPS are disclosed in amounts before and after retrospective adjustments.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up until the current year is disclosed separately.

Note 5: P/E ratio = average closing price per share for the year / earnings per share.

Note 6: Price to dividends ratio = average closing price per share for the year / cash dividends per share.

Note 7: Cash dividend yield = cash dividends per share / average closing price per share for the current year.

Note 8: Net worth per share and earnings per share are based on audited (auditor-reviewed) data as at the latest quarter before the publication date of annual report. For all other fields, calculations are based on data as at the end of their respective years.

Note 9: Before the date of publication of the annual report, no 2024 Q1 financial data audited by CPAs were available.

(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 submitted to the 2024 annual general meeting for distribution of earnings for 2023, specifically the cash dividend at NT\$0.4 per share. The proposal was held satisfying 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 legal reserve, and then provision (or reversal) of special reserves as required by laws or the competent authority. 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 remuneration distributed in cash or in shares: Employee remuneration totaling NT\$7 million and director remuneration totaling NT\$1.5 million appropriated for 2023 were paid in cash. No variance exists between the amount recognized and estimated for the year.
- (2) Amount and percentage of employee remuneration paid in shares, relative to current net income and total employee remuneration: Not applicable as no proposal was made to pay employee remuneration in shares during the current shareholder meeting.

4. Employee/director/supervisor remuneration paid in the previous year:
The Company paid NT\$7 million as the employee remuneration and NT\$1.5 million as the director remuneration in the previous year (2022). The amount actually paid was indifferent from the amount previously recognized.

(IX) Shares repurchased by the Company:

1. Buybacks completed: None.
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 or exchange of shares:

(I) Corporate bonds :

Type of corporate bond (Note 2)	Domestic 3rd secured convertible corporate bonds (Note 5)
Issuance (process) date	November 16, 2023
Face value	NT\$100,000 per unit
Place of issuance and trading (Note 3)	Not applicable
Issuance price	Issued at 112.30% of the par value.
Total amount	NT\$400 million
Interest rate	Coupon rate: 0%
Term	3 years, maturity date: November 16, 2026
Guaranteeing institution	Mega International Commercial Bank Co., Ltd. and Hua Nan Commercial Bank Co., Ltd.
Trustee	CTBC Bank Co., Ltd.
Underwriting Institution	CTBC Securities Co., Ltd.; Hua Nan Securities Co., Ltd.; Mega Securities Co., Ltd.
Attorney-at-Law	Ya-Wen Chiu, Attorney-at-Law of Handsome Attorneys-at-Law
Independent auditor	KPMG Michelle Wang, CPA and Yvette Chien, CPA
Repayment method	Unless the bondholders convert their bonds into the Company's ordinary shares in accordance with Article 10 of the Regulations for Conversion, or the Company redeems them in accordance with Article 17 of the Regulations, or the Company buys back and cancels the bonds from TPEx, the bonds will be repaid based on the face value in cash in one lump sum when due.
Outstanding principal	NT\$400 million
Terms of redemption or early settlement	Please refer to the regulations governing issuance for details.
Restrictive clauses (Note 4)	None
Name of credit rating agency, date of rating, and result of corporate bond rating	Not applicable

Type of corporate bond (Note 2)		Domestic 3rd secured convertible corporate bonds (Note 5)
With other rights	Amount that has been converted (exchanged or subscribed) in ordinary shares, global depository receipts or other marketable securities as of the date of publication of the annual report	None.
	Distribution & conversion (exchange or subscription) method	Please refer to the Company's Regulations Governing the Issuance and Conversion of the Domestic 3rd Secured Convertible Corporate Bonds.
The method of issuing and converting, exchanging or subscription, the conditions under which the terms of issue may dilute the equity, and impact on existing shareholder equity		Based on the current conversion price, NT\$43.5, the degree of dilution is about 4.48% imputed in the context that the maximum number of ordinary shares that can be converted for the corporate bonds with a total face value of NT\$400,000 thousand is 9,195 thousand shares (NT\$400,000 thousand ÷ 43.5). As the creditors will exercise the conversion options at different points of time in the future, the total number of shares issued by the Company is gradually increased during the 3-year conversion period. Notwithstanding, the increase ratio is low, and the original dilution ratio of the shareholders' equity may be diluted step by step. Therefore, the dilution effect is considered limited.
Name of the custodian for exchanged object		Not applicable

Note 1: The issuance of corporate bonds includes public offering and private placement of corporate bonds. The public offering of corporate bonds in progress refer to those that have been put into effect (approved) by the Commission, The private placement of corporate bonds in progress refer to those approved per resolution by the Board of Directors.

Note 2: The number of sections is adjustable, if necessary.

Note 3: Fill in, in the case of overseas corporate bonds.

Note 4: Such as restrictions on payment of cash dividends, external investments, or requirement to maintain a certain percentage of assets.

Note 5: Private placements, if any, should be prominently marked.

Note 6: In the case of convertible corporate bond, exchangeable corporate bonds, corporate bonds issued under shelf registration or corporate bonds with warrants, it is necessary to further disclose the information about convertible corporate bonds, exchangeable corporate bonds, corporate bonds issued under shelf registration and corporate bonds with warrants by nature in a column format.

Information on convertible corporate bonds

Type of corporate bond (Note 1)		Domestic 3rd secured convertible corporate bonds	
Year Item		112	The current year until March 31, 2024 (Note 4)
Market price of convertible corporate bonds (Note 2)	Highest	129.95	152.00
	Lowest	114.75	114.00
	Average	117.96	133.91
Conversion price		43.5	43.5
Date of issuance (offering) and conversion price prevailing at the time of issuance		November 16, 2023 Conversion price: NT\$43.5	November 16, 2023 Conversion price: NT\$43.5

Approach to perform the obligation of conversion (Note 3)	None	None
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Note 1: The number of sections is adjustable, if necessary.

Note 2: In the case of multiple trading locations of ECB, please identify it by the trading locations.

Note 3: Deliver issued shares, or issue new shares.

Note 4: To specify the information available in the current year until the date of publication of the annual report.

- (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:

- (I) Execution of outstanding securities in the previous issuance or private placement: On October 19, 2023, the Company was approved to issue the domestic 3rd secured convertible corporate bonds by FSC's letter under Jin-Guan-Zheng-Fa-Zi No. 1120357523. The fund utilization plan has been executed fully by the end of 2023.

Projects	Implementation Status		Implementation as of 2023	Explanation
Repayment of bank loan	Amount disbursed	Scheduled	449,190	The Company has executed the fund utilization plan completely by the end of 2023.
		Actual	449,190	
	Implementation progress	Scheduled	100.00%	
		Actual	100.00%	

- (II) Projects completed up until one quarter before the publication date of annual report or in the last three years that have yet to yield the desired outcome: Not applicable.

Five. Business Overview

I. Operations:

(I) Scope of business

1. Principal business activities

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

2. Principal business activities and weight

Unit: NT\$ thousand

Product	2023 sales amount	as a percentage of annual sales
PC and server chassis	6,080,030	94%
Mold	381,532	6%
Total	6,461,562	100%

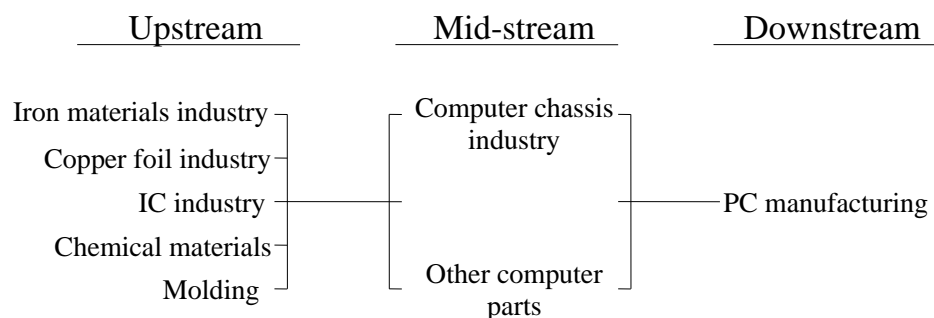
3. The Company's current products (services)
 - Design, manufacture and sale of server chassis and personal computer chassis.
4. New products (services) planned for the future
 - (1) Development of 2U MGX Server design.
 - (2) Development of standardized immersion cooling equipment.
 - (3) Development of liquid-cooling cabinets/energy-saving cabinets.
 - (4) Continued development of EV chargers/energy storage systems/outdoor units etc.
 - (5) Development of new 4U standard product server.
 - (6) Continued development of testing, validation, and cooling solutions for various heat transfer and heat dissipation methods.

(II) Industry overview

1. Current and future industry prospects

Computer and server chassis refer to the peripheral products affiliated to the computer industry and constitute a part of the hardware products in the IT industry. Given the implementation 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

In response to the vigorous development of the AI industry and the new opportunities that drive the related industry supply chain to move forward, the Company seizes the market trend and continues to implement automated production and intelligent process management to 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: NT\$ thousand

	2019	2020	2021	2022	2023
R&D expenses	49,128	52,899	57,223	58,226	55,981
Operating revenue	6,028,702	6,124,518	5,284,564	6,519,734	6,461,562
R&D expenses as a percentage of net operating revenues	0.82%	0.86%	1.08%	0.90%	0.87%

Note: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2024.

2. Technologies or products successfully developed

- (1) Complete the new ID design and mold opening for Gaming PC.
- (2) Complete CLONE 2U Server moldmaking.
- (3) Complete the design of DC-MHS 2U Server .
- (4) Complete the development of 4U standardized immersion cooling equipment.
- (5) Complete the development of 7&7.5KW immersion cooling air-cooling coolant circulation system.
- (6) Complete phased development of HAP (hydroxyapatite; an artificial bone material).
- (7) Complete immersion cooling and self-developed heat transfer and heat dissipation testing and verification.

(IV) Long and short-term business plans

1. Short-term business plans

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

2. Long-term business plans

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

II. Market and sales overview

(I) Market analysis

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

The Company's main products refer to computers and server chassis. The Company exports most of the products it produces. It manufactured approximately 16.93 million units of computers and server chassis during the year.

Unit: NT\$ thousand; %

Region	Year	2021		2022		2023	
		Sales amount	Sales percentage	Sales amount	Sales percentage	Sales amount	Sales percentage
Domestic sale		185,536	3.51	139,149	2.14	152,035	2.35
Export sale	America	1,168,972	22.12	2,156,130	33.07	1,798,588	27.84
	Europe	20,153	0.38	10,046	0.15	12,674	0.20
	Asia	3,909,903	73.99	4,214,409	64.64	4,498,265	69.61
Total		5,284,564	100.00	6,519,734	100.00	6,461,562	100.00

2. Future market supply, demand and growth

(1) Future market supply and demand

In the future, it is expected that the upsurge of generative AI will continue to drive the growth of global AI server shipments, and also the global server industry and market demand. Given the world-wide implementation of new technologies such as smart manufacturing, smart factory, IoT, AI, big data, cloud, information security and 5G, the

development of servers and data centers will be driven so as to stimulate the demand for computing, storage and network. Generally speaking, the demand for servers and components will continue to grow steadily.

(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. The styles, main components and materials of the casing products can be selected in different ways to provide diversified products to meet the needs of various types of customers..

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. Continue to develop AI server related products, provide solutions for server water cooling and immersion liquid cooling , and win new orders .

(2) Threats and response measures

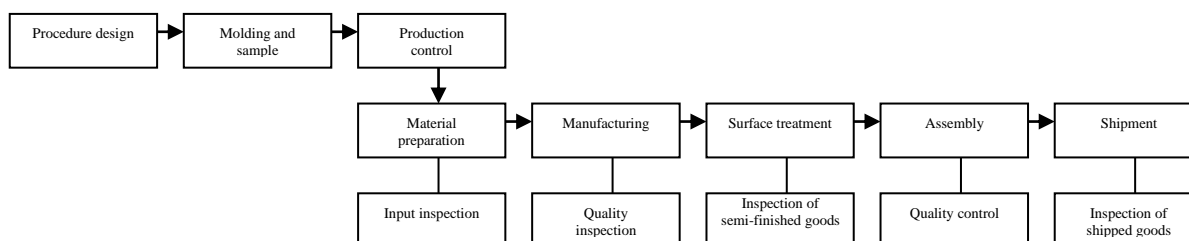
As low-end casing manufacturers compete at low prices, causing damage to the overall market order, and increasing labor costs, eroding the gross profit of the casing industry. The company will continue to invest in intelligent production to reduce costs and increase product functionality to increase product add-ons. value and enhance the company's profits; in addition, as the scale and level of customers continue to increase, fast and flexible delivery has become a key factor in winning orders. The company continues to improve process smoothness, coordinate supplier delivery times, enhance customer service management, and improve customer service quality.

(II) Main product applications and production processes:

1. Main product applications

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

2. Production process



(III) Supply of key materials:

Product	Main materials	Supplier origin	Supply
PC and server chassis	Galvanized steel	Taiwan and China	Good
	Plastic grain	Taiwan and China	Good
	Power supply unit	Taiwan and China	Good
	Other electronic	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: NT\$ thousand

Item	2022				2023				2024 up until the previous 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 previous quarter of the current year	Relationship with the issuer
1	Company A	391,391	11.42%	None	Company A	354,846	9.84%	None	Note 2	Note 2	Note 2	Note 2
	Others	3,034,610	88.58%	None	Others	3,252,314	90.16%	None	Note 2	Note 2	Note 2	Note 2
	Net purchase	3,426,001	100%		Net purchase	3,607,160	100%		Note 2	Note 2	Note 2	Note 2

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 2024.

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

Item	Name	Amount in 2022	Amount in 2023	Difference between the two periods	Cause of variation
1	Company A	391,391	354,846	(36,545)	Decreased order and demand
2	Others	3,034,610	3,252,314	217,704	Increased order and demand
3	Net purchase	3,426,001	3,607,160	181,159	Increased order and demand

2. Main customers in the last two years

Unit: NT\$ thousand

Item	2022				2023				2024 up until the previous 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	2,092,258	32%	None	Company A	1,852,323	29%	None	Note 2	Note 2	Note 2	Note 2
2	Company B	1,106,598	17%	None	Company B	1,385,162	21%	None	Note 2	Note 2	Note 2	Note 2
3	Company C	699,608	11%	None	Company C	819,003	13%	None	Note 2	Note 2	Note 2	Note 2
	Others	2,459,975	40%	None	Others	2,405,074	37%	None	Note 2	Note 2	Note 2	Note 2
	Net sales	6,519,734	100%	None	Net sales	6,461,562	100%		Note 2	Note 2	Note 2	Note 2

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 2024.

Cause of customer changes in the last two years:

Item	Name	Amount in 2022	Amount in 2023	Difference between the two periods	Cause of variation
1	Company A	2,092,258	1,852,323	(239,935)	Decrease in customer's demand
2	Company B	1,106,598	1,381,106	274,508	Increase in customer's demand
3	Company C	699,608	819,003	119,395	Increase in customer's demand
	Others	2,459,975	2,409,109	(50,866)	
	Net sales	6,519,734	6,461,542	(58,192)	

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

Unit: Thousand Units; NT\$ thousand

Year/Production volume or value	2022			2023		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Main products						
PC chassis	1,800	1,710	5,289,489	1,620	1,539	5,258,667
Mobile device components	105,043	23,247	144,991	0	0	0
Mold (Note)	0	0	337,190	0	0	343,379
Total	106,843	24,957	5,771,670	1,620	1,539	5,602,046

(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 Units; NT\$ thousand

Year	2022				2023			
	Domestic sale		Export sale		Domestic sale		Export sale	
Sales volume/value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Main products								
PC chassis	54	110,284	23,890	5,877,210	29	104,272	1,473	5,975,758
Mobile device components	0	0	20,922	161,101	0	0	0	0
Mold (Note)	0	28,264	0	342,275	0	47,762	0	333,770
Total	54	139,148	44,812	6,380,586	29	152,034	1,473	6,309,528

(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:

Year		2022	2023	2024 up until March 31
Employee count	Indirect employees	1,117	1,049	1,055
	Direct employees	2,661	2,464	3,160
	Total	3,778	3,513	4,215
Average age		34.22	33.78	35.63
Average years of service		2.83	3.96	4.18
Distribution of academic background (%)	Doctoral Degree	0.05%	0.06%	0.05%
	Masters Degree	0.37%	0.37%	0.31%
	Bachelors Degree	11.39%	11.82%	10.49%
	Senior High School	13.87%	13.95%	16.63%
	Below high school	74.31%	73.80%	72.52%

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 pollution situation and how improving the situation may affect the Company's earnings, competitiveness, and capital expenditure; estimate major capital expenditures on environmental protection in the next 3 years: None.

V. Labor-management relations

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

1. Welfare

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

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

2. Training and continuing education

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

In 2012, there were 430 education and training courses for 1,624 person-hours. The training courses covered safety education and health, food safety, legal security, information security, financial accounting, corporate governance and internal control, etc.

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 till the publication date of this annual report that resulted in losses. Furthermore, given the harmonic labor-management relations the Company has maintained to date, it is extremely unlikely to suffer losses from employment dispute in the future.

VI. Cybersecurity management

- (I) Explain the cybersecurity risk management framework, cybersecurity policy, management practices, and resources committed:

1. Cybersecurity risk management framework

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. The cybersecurity management organization comprises the head of IT Center and executors of cybersecurity programs. Members of the management organization are assigned different responsibilities including: creation of cybersecurity system, implementation of cybersecurity technology, and cybersecurity audit. Cybersecurity system creators are responsible for the establishment and maintenance of cybersecurity system, whereas implementers are responsible for implementing the cybersecurity system, including network management and system management, and cybersecurity auditors are tasked with the duty of organizing internal as well as external audits on cybersecurity.

2. Cybersecurity policy

The Company has devised its cybersecurity policy based on recommendations, and adopted management practices for different information systems. Designs such as high availability (HA) architecture, data backup (including transaction history backup, discrepancy backup, and complete backup), and remote server support have been incorporated to ensure continuity of service. A dedicated lease line is being used to transfer backup data to the remote site. The Company holds redundancy drills each year to ensure that all redundancy measures are functional and provide proper support to system recovery.

The Company anticipates the impacts of major cybersecurity incidents, and devises response measures in advance while keeping employees up to date on the actions to take. Out of respect for cybersecurity threats, the Company makes arrangements to have employees undergo cybersecurity training on a yearly basis, and in doing so promotes cybersecurity risk awareness. The Company conducts regular cybersecurity audits to ensure that its cybersecurity system remains relevant and functional.

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.

3. Management solutions and commitment of cybersecurity management resources

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 following cybersecurity measures have been adopted to date:

- (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 addresses bug risk by regularly updating the scanning system, checking external servers for potential vulnerabilities, tightening management over system patching, and making use of bug detection and patching platforms as deemed necessary. Known bugs identified at endpoints are patched on a regular basis.

Enhancement of cybersecurity protection:

- (1) Equipment is replaced with processes upgraded to improve system availability and security.
 - (2) By upgrading to next-generation firewall and adopting dual-layer defense, the Company is able to improve the scope and depth of cybersecurity protections.
 - (3) By introducing the use of VPN, employees are able to work remotely while being protected.
 - (4) Dual-factor authentication has been implemented to prevent loss of password or account hack.
 - (5) Antivirus and anti-intrusion measures have been installed. The Company monitors virus detection on a regular basis, and adopts virus protection and elimination measures as deemed necessary.
 - (6) A mail protection system has been implemented to block malicious attachments and phishing links, and thereby protect internal systems from social engineering attacks.
- (II) Losses and possible impacts as a result of major cybersecurity incident in the last year up until the publication date of annual report, and response measures:

As of the publication date of annual report, the Company did not discover or encounter significant adverse impact from any major online attack or incident. Meanwhile, the Company continues to devote attention to new cybersecurity trends and technologies, and adopts practices accordingly to block new security threats and reduce business risks.

VII. 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: NT\$ thousand

Account		Year	Financial information for the last 5 years (Note 1 and Note 2)					Year-to-date as at March 31, 2024
			2019	2020	2021	2022	2023	Financial information (Note 2)
Current assets			3,451,479	3,154,950	3,868,007	4,148,792	3,759,806	Note 2
Property, plant, and equipment			969,922	1,315,813	2,812,920	2,515,016	2,234,718	Note 2
Intangible assets			1,390	2,653	14,084	8,219	7,530	Note 2
Other assets			514,162	490,623	516,891	430,160	521,139	Note 2
Total assets			4,936,953	4,964,039	7,211,902	7,102,187	6,523,193	Note 2
Current	Before dividend		2,105,047	1,867,332	3,295,715	2,722,875	2,399,718	Note 2
Liabilities	After dividend		2,151,828	1,914,113	3,295,715	2,781,656	Note 3	Note 2
Non-current liabilities			324,315	636,351	1,674,456	1,361,179	865,021	Note 2
Liabilities	Before dividend		2,429,362	2,503,683	4,970,171	4,084,054	3,264,739	Note 2
Total	After dividend		2,476,143	2,550,464	4,970,171	4,142,835	Note 3	Note 2
attributable to the parent company			2,318,043	2,369,341	2,241,731	3,018,133	3,258,454	Note 2
Owner's equity								Note 2
Share capital			1,629,350	1,559,350	1,559,350	1,959,350	1,959,350	Note 2
Capital reserve			82,967	131,819	173,563	313,563	380,656	Note 2
Retained	Before dividend		736,745	737,192	575,472	795,688	990,051	Note 2
earnings	After dividend		689,964	690,411	575,472	736,907	Note 3	Note 2
Other equity items			(81,209)	(59,020)	(66,654)	(50,468)	(71,603)	Note 2
Treasury stocks			(49,810)	0	0	0	0	Note 2
Non-controlling equity			189,548	91,015	0	0	0	Note 2
Equity	Before dividend		2,507,591	2,460,356	2,241,731	3,018,133	3,258,454	Note 2
Total	After dividend		2,460,810	2,413,575	2,241,731	2,959,352	Note 3	Note 2

Note 1: The consolidated financial information for years 2019 and 2023 has been audited and certified by the external auditors.

Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2024.

Note 3: Shareholder meeting has yet to be convened.

Note 1: Years that are without audited figures have been highlighted.

Note 2: Date of revaluation and change in value are explained if asset revaluation had taken place during the year.

Note 3: TWSE/TPEX listed companies are required to disclose the most recent audited or auditor-reviewed financial information available before the publication date of annual report.

Note 4: Figures after dividend distribution, as shown above, were presented based on details of board meeting resolution or shareholder meeting resolution of the following year.

Note 5: Companies that have been instructed by the authority to correct or restate financial information shall present the corrected/restated figures and provide explanation.

1-1. Summary balance sheet - standalone

Unit: NT\$ thousand

Item	Year	Financial information for the last 5 years (Note 1)				
		2019	2020	2021	2022	2023
Current assets		994,126	769,080	1,198,900	1,396,131	1,087,282
Property, plant, and equipment		309,099	709,658	1,727,973	1,498,585	1,585,942
Intangible assets		-	-	-	-	-
Other assets		2,300,965	2,461,660	2,415,786	2,478,961	2,645,186
Total assets		3,604,190	3,940,398	5,342,659	5,373,677	5,318,410
Current liabilities	Before dividend	969,640	941,402	1,456,106	1,016,406	1,221,038
	After dividend	1,016,421	988,183	1,456,106	1,075,187	Note 2
Non-current liabilities		316,507	629,655	1,644,822	1,339,138	838,918
Total liabilities	Before dividend	1,286,147	1,571,057	3,100,928	2,355,544	2,059,956
	After dividend	1,332,928	1,617,838	4,557,034	2,414,325	Note 2
Equity attributable to parent company shareholders		2,318,043	2,369,341	2,241,731	3,018,133	3,258,454
Share capital		1,629,350	1,559,350	1,559,350	1,959,350	1,959,350
Capital reserve		82,967	131,819	173,563	313,563	380,656
Retained earnings	Before dividend	736,745	737,192	575,472	795,688	990,051
	After dividend	689,964	690,411	575,472	736,907	Note 2
Other equity items		(81,209)	(59,020)	(66,654)	(50,468)	(71,603)
Treasury stocks		(49,810)	-	-	-	-
Non-controlling equity		-	-	-	-	-
Total equity	Before dividend	2,318,043	2,369,341	2,241,731	3,018,133	3,258,454
	After dividend	2,271,262	2,322,560	2,241,731	2,959,352	Note 2
Note 1: Figures from 2019 to 2023 were based on the consolidated financial statements audited and certified by the external auditors.						
Note 2: Shareholder meeting has yet to be convened.						

2. Summary statement of comprehensive income - consolidated

Unit: NT\$ thousand

Item \ Year	Financial information for the latest 5 years (Note 1)					Year-to-date as at March 31, 2024
	2019	2020	2021	2022	2023	Financial information (Note 2)
Operating revenue	6,028,702	6,124,518	5,284,564	6,519,734	6,461,562	Note 2
Gross profit	564,907	556,527	260,312	561,032	763,128	Note 2
Operating profit	185,813	191,559	(122,395)	128,086	227,614	Note 2
Non-operating revenues and expenses	26,626	(82,811)	2,804	144,033	64,552	Note 2
Pre-tax profit	212,439	108,748	(119,591)	272,119	292,166	Note 2
Net income from continuing operations	157,008	80,176	(114,771)	220,216	253,144	Note 2
Net income						Note 2
Loss of discontinued operations	0	0	0	0	0	Note 2
Net income (loss)	157,008	80,176	(114,771)	220,216	253,144	Note 2
Other comprehensive income in the current period	(41,794)	18,342	(8,657)	16,186	(21,135)	Note 2
(net amount after tax)						Note 2
Total comprehensive incomes in the current period	115,214	98,518	(123,428)	236,402	232,009	Note 2
Net income attributable to the parent company	132,900	62,798	(114,939)	220,216	253,144	Note 2
Owner						Note 2
Net profit attributable to	24,108	17,378	168	0	0	Note 2
Non-controlling equity						Note 2
Total comprehensive income attributable to	96,125	84,375	(122,573)	236,402	232,009	Note 2
attributable to the owner of parent company						Note 2
Total comprehensive income attributable to	19,089	14,143	(855)	0	0	Note 2
Attributable to non-controlling interest						Note 2
EPS	0.82	0.4	(0.74)	1.17	1.29	Note 2

Note 1: The consolidated financial information for years 2019 and 2023 has been audited and certified by the external auditors.

Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2024.

Note 3: Shareholder meeting has yet to be convened.

Note 1: Years that are without audited figures have been highlighted.

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

Note 3: Losses from discontinued operations are presented net of income tax.

Note 4: Companies that have been instructed by the authority to correct or restate financial information shall present the corrected/restated figures and provide explanation.

2-2. Summary statement of comprehensive income - separate

Unit: NT\$ thousand

Item \ Year	Financial information for the last 5 years (Note 1)				
	2019	2020	2021	2022	2023
Operating revenue	2,827,726	2,771,049	2,928,076	3,200,380	2,569,509
Gross profit	195,585	197,264	148,521	166,087	262,024
Operating profit	60,710	72,333	14,517	15,109	104,788
Non-operating revenues and expenses	84,496	(1,163)	(127,687)	248,587	167,275
Pre-tax profit	145,206	71,170	(113,170)	263,696	272,063
Current period net income from continuing operations	132,900	62,798	(114,939)	220,216	253,144
Loss of discontinued operations	-	-	-	-	-
Net income (loss)	132,900	62,798	(114,939)	220,216	253,144
Other comprehensive income/loss for the current period (net, after-tax)	(36,775)	21,577	(7,634)	16,186	(21,135)
Total comprehensive incomes in the current period	96,125	84,375	(122,573)	236,402	232,009
Net income attributable to parent company shareholders	132,900	62,798	(114,939)	220,216	253,144
Net income attributable to non-controlling shareholders	-	-	-	-	-
Comprehensive income attributable to parent company shareholders	96,125	84,375	(122,573)	236,402	232,009
Comprehensive income attributable to non-controlling shareholders	-	-	-	-	-
EPS	0.82	0.40	(0.74)	1.17	1.29

Note 1: The consolidated financial information for years 2019 and 2023 has been audited and certified by the external auditors.

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

Year	Accounting firm	Name of CPA	Audit opinion
108	KPMG	Yen Hsing-Fu, Michelle Wang	Unqualified opinion
109	KPMG	Michelle Wang, Yen Hsing-Fu	Unqualified opinion
110	KPMG	Michelle Wang, Yen Hsing-Fu	Unqualified opinion
111	KPMG	Michelle Wang, Yvette Chien	Unqualified opinion
112	KPMG	Michelle Wang, Yvette Chien	Unqualified opinion

II. Financial analysis for the last 5 years:

(I) Financial analysis - consolidated

Analysis (Note 3)		Financial analysis for the last 5 years					Year-to-date as at March 31, 2024
		2019	2020	2021	2022	2023	(Note 2)
Financial position (%)	Debt to assets ratio	49.21	50.44	68.92	57.50	50.05	Note 2
	Long-term capital to property, plants and equipment	290.08	234.25	138.83	173.08	165.23	Note 2
Solvency (%)	Current ratio	163.96	168.95	117.36	152.37	156.68	Note 2
	Quick ratio	114.13	113.79	73.53	113.41	121.29	Note 2
	Interest coverage ratio	21.61	11.55	-5.73	12.96	42.28	Note 2
Operating efficiency	Accounts receivable turnover (times)	2.99	3.23	2.68	2.69	2.77	Note 2
	Average cash collection days	121.89	112.94	135.96	135.68	131.64	Note 2
	Inventory turnover (times)	5.52	5.74	4.32	5.12	6.52	Note 2
	Accounts payable turnover (times)	3.79	4.22	3.12	2.76	2.62	Note 2
	Average inventory turnover days	66.15	63.6	84.54	71.28	55.96	Note 2
	Property, plant, and equipment turnover (times)	6.22	4.65	1.88	2.59	2.89	Note 2
	Total asset turnover (times)	1.22	1.23	0.73	0.92	0.99	Note 2
Profitability	Return on assets (%)	3.29	1.79	-1.65	3.33	3.80	Note 2
	Return on equity (%)	5.71	2.68	-4.99	8.37	8.07	Note 2
	Pre-tax profit to paid-up capital ratio (%) (Note 7)	13.04	6.97	-7.67	13.89	14.91	Note 2
	Net profit margin (%)	2.60	1.03	-2.17	3.38	3.92	Note 2
	Earnings per share (NT\$)	0.82	0.40	-0.74	1.17	1.29	Note 2
Cash flow	Cash flow ratio (%)	9.66	25.58	1.72	42.82	57.51	Note 2
	Cash flow adequacy ratio (%)	109.65	103.50	31.93	55.57	91.96	Note 2
	Cash reinvestment ratio (%)	5.18	13.70	0.23	23.46	30.26	Note 2
Degree of leverage	Operating leverage	2.33	2.10	-1.45	5.18	2.84	Note 2
	Financial leverage	1.06	1.06	0.87	1.22	1.03	Note 2

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

- I. Solvency: The increase in interest coverage ratio increased is due to the increase in income before tax and decrease in interest expenses.
- II. Cash flow: The increase in cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio is due to the increase in cash flow from operating activities and decrease in current liabilities.
- III. Leverage: The decrease in operating leverage is due to the decrease in operating income.

Note 1: The consolidated financial information for years 2019 and 2023 has been audited and certified by the external auditors.

Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2024.

Note 3: Formulas of various analyses are defined below:

(I) Financial analysis - separate

Analysis (Note 3)		Year (Note 1)		Financial analysis for the last 5 years				
		2019	2020	2021	2022	2023		
Financial position (%)	Debt to assets ratio	35.68	39.87	58.04	43.83	38.73		
	Long-term capital to property, plant and equipment ratio	848.93	421.52	224.64	290.48	232.82		
Solvency (%)	Current ratio	102.53	81.70	82.34	137.36	89.05		
	Quick ratio	100.39	80.96	81.77	136.85	88.48		
	Interest coverage ratio	15.77	8.30	-6.71	18.95	39.84		
Operating efficiency	Accounts receivable turnover (times)	3.08	3.48	3.27	2.65	2.29		
	Average cash collection days	118.40	104.83	111.46	137.59	159.05		
	Inventory turnover (times)	324.62	236.27	699.26	1704.18	706.63		
	Accounts payable turnover (times)	5.23	4.68	4.61	4.18	2.38		
	Average inventory turnover days	1.12	1.54	0.52	0.21	0.52		
	Property, plant, and equipment turnover (times)	9.15	3.90	1.69	2.14	1.62		
	Total asset turnover (times)	0.78	0.70	0.55	0.60	0.48		
Profitability	Return on assets (%)	3.92	1.87	-2.22	4.33	4.84		
	Return on equity (%)	5.71	2.68	-4.99	8.37	8.07		
	Pre-tax profit to paid-up capital ratio (%)	8.91	4.56	-7.26	13.46	13.89		
	Net profit margin (%)	4.70	2.27	-3.93	6.88	9.85		
	Earnings per share (NT\$)	0.82	0.40	-0.74	1.17	1.29		
Cash flow	Cash flow ratio (%)	6.89	37.64	-25.15	20.99	58.98		
	Cash flow adequacy ratio (%)	200.28	117.37	6.17	7.65	53.23		
	Cash reinvestment ratio (%)	0.73	10.89	-11.09	5.06	16.71		
Degree of leverage	Operating leverage	1.10	1.10	1.60	1.62	1.08		
	Financial leverage	1.19	1.16	-89.06	35.97	1.07		

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

- I. Financial structure: The decrease in long-term capital to property, plant and equipment ratio is due to the decrease in long-term liabilities.
- II. Solvency: The decrease in current ratio and quick ratio is due to the decrease in current assets and increase in current liabilities.
The increase in interest coverage ratio increased is due to the increase in income before tax and decrease in interest expenses.
- III. Operating capacity: The decrease in inventory turnover rate and payables turnover rate is due to decrease in the cost of goods sold.
Average inventory turnover days increased: due to a decrease in inventory turnover rate.
The decrease in property, plant, and equipment turnover is due to the decrease in net sales.
The decrease in total asset turnover rate is due to the decrease in net sales.
- IV. Profitability: The increase in net profit margin is due to the increase in the income for the current period.
- V. Cash flow: The increase in cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio is due to the increase in cash flow from operating activities.
- VI. Leverage: The decrease in operating leverage is a result of the decrease in net operating revenue and operating cost, and the increase in operating profit and loss.
The decrease in financial leverage is due to the increase in operating income and the decrease in interest expenses.

Note 1: The consolidated financial information for years 2019 and 2023 has been audited and certified by the external auditors.

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

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

1. Financial position

- (1) Debt to asset ratio = total liabilities/ total assets.
- (2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
- (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating efficiency
- (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
- (2) Average cash collection days = 365 / receivables turnover.
- (3) Inventory turnover = cost of sales/average inventory balance.
- (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
- (5) Average inventory turnover days = 365 / inventory turnover.
- (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
- (7) Total asset turnover = net sales/average total assets.
4. Profitability
- (1) Return on assets = (net income + interest expenses x (1- tax rate)) / average asset balance.
- (2) Return on equity = net income / average shareholders' equity.
- (3) Net profit margin = net income / net sales.
- (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares. (Note 4)
5. Cash flow
- (1) Cash flow ratio = net cash flow from operating activities / current liabilities
- (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Degree of leverage:
- (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 6).
- (2) Degree of financial leverage = operating profit / (operating profit - interest expense).
- Note 3: 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 4: 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 5: 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 6: 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 2023 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 Yvette Chien of KPMG Taiwan, 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:

2024 Annual General Meeting

Audit Committee convener: Chen Chien-Chun

March 13, 2024

IV. Latest financial statements and independent auditor's report

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, 2023 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 13, 2024

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 sheet as of December 31, 2023 and 2022, 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 material 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, 2023 and 2022, 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 audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to 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.

Revenue recognition

Please refer to Notes 4(n) "Revenue Recognition" and Notes 6(r) "Revenue from Customer Contract" for accounting policy related to revenue recognition and information on revenue disclosure, respectively.

Description of key audit matters:

The Group is engaged in the manufacturing, research and development, and sale of server cases and computer cases. The sales revenue is a key matter in the consolidated financial statements, wherein the trade terms of revenue may affect the understanding of the users of the consolidated financial report. Therefore, revenue recognition is identified as a key audit matter.

Audit Procedure:

Our principal audit procedure included: performing test of controls in relation to the sales and receivables cycles, conducting accounts receivable confirmation circularization, performing substantive testing on operating revenues through the examination of pertinent documentation, ensuring that performance obligations have been satisfied in accordance to the contract agreements, and assessing whether operating revenues are recognized in the correct accounting period in accordance to the relevant regulatory guidelines.

Other Matter

CHENMING ELECTRONIC TECHNOLOGY CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2023 and 2022, 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 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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Wang, I-Wen and Chien, Szu-Chuan.

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2024

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.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 824,699	13	411,222	62100		Short-term loans (note (6)(i))	\$ 20,000	-	40,000	-
1110	Current financial assets at fair value through profit or loss (note (6)(b))	1,699	-	800	2130		Current contract liabilities (note (6)(r))	3,050	-	2,791	-
1170	Trade receivables, net (notes (6)(c) and (6)(r))	2,016,525	31	2,643,333	372170		Trade payables	1,996,607	31	2,354,120	33
1310	Inventories, net (note (6)(d))	778,427	12	968,952	142200		Other payables	318,465	5	272,783	4
1476	Other current financial assets (notes (6)(f), (6)(m) and (7))	67,584	1	32,545	2230		Current tax liabilities (note (6)(o))	47,151	1	50,148	1
1479	Other current assets	70,872	1	91,940	12280		Current lease liabilities (notes (6)(l) and (7))	2,436	-	2,028	-
		<u>3,759,806</u>	<u>58</u>	<u>4,148,792</u>	<u>582300</u>		Other current liabilities	12,009	-	1,005	-
								<u>2,399,718</u>	<u>37</u>	<u>2,722,875</u>	<u>38</u>
Non-current assets:						Non-current liabilities:					
1510	Non-current financial assets at fair value through profit or loss (notes (6)(b) and (6)(f))	1,640	-	-	2530		Bonds payable (note (6)(k))	377,911	6	-	-
1600	Property, plant, and equipment (notes (6)(f), (7) and (8))	2,234,718	34	2,515,016	362540		Long-term loans (note (6)(j))	433,900	7	1,334,900	19
1755	Right-of-use assets (notes (6)(g) and (7))	181,136	3	186,985	32560		Non-current tax liabilities (note (6)(o))	21,736	-	-	-
1760	Investment property, net (notes (6)(h) and (8))	274,448	4	227,778	32570		Deferred income tax liabilities (note (6)(o))	188	-	-	-
1780	Intangible assets	7,530	-	8,219	2580		Non-current lease liabilities (notes (6)(l) and (7))	3,968	-	127	-
1840	Deferred income tax assets (note (6)(o))	8,525	-	5,402	2645		Guarantee deposits	27,318	-	26,152	1
1980	Other non-current financial assets (note (8))	5,505	-	8,656	-			<u>865,021</u>	<u>13</u>	<u>1,361,179</u>	<u>20</u>
1990	Other non-current assets (note (6)(f))	49,885	1	1,339	-		Total liabilities	<u>3,264,739</u>	<u>50</u>	<u>4,084,054</u>	<u>58</u>
		<u>2,763,387</u>	<u>42</u>	<u>2,953,395</u>	<u>42</u>						
							Equity attributable to owners of parent (notes (6)(k) and (6)(p)):				
					3100		Ordinary shares	1,959,350	30	1,959,350	28
					3200		Capital surplus	380,656	6	313,563	4
					3300		Retained earnings	990,051	15	795,688	11
					3410		Exchange differences on translation of foreign financial statements	(71,603)	(1)	(50,468)	(1)
							Total equity	<u>3,258,454</u>	<u>50</u>	<u>3,018,133</u>	<u>42</u>
Total assets		<u>\$ 6,523,193</u>	<u>100</u>	<u>7,102,187</u>	<u>100</u>	Total liabilities and equity		<u>\$ 6,523,193</u>	<u>100</u>	<u>7,102,187</u>	<u>100</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
4000 Operating revenue, net (note (6)(r))	\$ 6,461,562	100	6,519,734	100
5000 Operating costs (notes (6)(d), (6)(n) and (12))	5,698,434	88	5,958,702	91
5900 Gross profit from operations	<u>763,128</u>	12	<u>561,032</u>	9
6000 Operating expenses (notes (6)(n) and (12)):				
6100 Selling expenses	168,016	2	155,306	3
6200 Administrative expenses	311,517	5	219,414	3
6300 Research and development expenses	<u>55,981</u>	1	<u>58,226</u>	1
	<u>535,514</u>	8	<u>432,946</u>	7
6900 Net operating income	<u>227,614</u>	4	<u>128,086</u>	2
7000 Non-operating income and expenses:				
7050 Finance costs, net (notes (6)(k) and (6)(l))	(7,078)	-	(22,746)	-
7100 Interest income	8,362	-	2,707	-
7110 Rent revenue (notes (6)(m) and (7))	87,036	1	29,863	-
7190 Other income (losses), net (notes (6)(e), (6)(g) and (7))	3,448	-	15,751	-
7210 Gains (losses) on disposals of property, plant and equipment and investment property (notes (6)(f) and (6)(h))	(53,578)	-	(2,644)	-
7230 Foreign exchange gains (losses) (note (6)(t))	<u>26,362</u>	-	<u>121,102</u>	2
	<u>64,552</u>	1	<u>144,033</u>	2
7900 Profit from continuing operations before tax	292,166	5	272,119	4
7950 Less: Income tax expenses (note (6)(o))	<u>39,022</u>	1	<u>51,903</u>	1
Profit	<u>253,144</u>	4	<u>220,216</u>	3
8300 Other comprehensive income (loss):				
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(21,135)	-	16,186	-
8399 Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(21,135)</u>	-	<u>16,186</u>	-
8300 Other comprehensive income (loss)	<u>(21,135)</u>	-	<u>16,186</u>	-
8500 Comprehensive income	<u>\$ 232,009</u>	4	<u>236,402</u>	3
Earnings per share (expressed in NTD) (note (6)(q)):				
9750 Basic earnings per share	<u>\$ 1.29</u>		<u>1.17</u>	
9850 Diluted earnings per share	<u>\$ 1.28</u>		<u>1.17</u>	

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent						Other component of equity Exchange differences on translation of foreign financial statements	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings		
			Legal reserve	Special reserve	Unappropriated retained earnings			
Balance on January 1, 2022	\$ 1,559,350	173,563	302,505	59,020	213,947	575,472	(66,654)	2,241,731
Appropriation and distribution of retained earnings:								
Special reserve appropriated	-	-	-	7,634	(7,634)	-	-	-
Profit for the year ended December 31, 2022	-	-	-	-	220,216	220,216	-	220,216
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	16,186	16,186
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	220,216	220,216	16,186	236,402
Capital increased by cash	400,000	140,000	-	-	-	-	-	540,000
Balance on December 31, 2022	1,959,350	313,563	302,505	66,654	426,529	795,688	(50,468)	3,018,133
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	22,022	-	(22,022)	-	-	-
Special reserve reversed	-	-	-	(16,186)	16,186	-	-	-
Cash dividends of ordinary share	-	-	-	-	(58,781)	(58,781)	-	(58,781)
Profit for the year ended December 31, 2023	-	-	-	-	253,144	253,144	-	253,144
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	(21,135)	(21,135)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	253,144	253,144	(21,135)	232,009
Issuance of convertible bonds	-	67,093	-	-	-	-	-	67,093
Balance on December 31, 2023	\$ 1,959,350	380,656	324,527	50,468	615,056	990,051	(71,603)	3,258,454

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Consolidated Statement of Cash Flows
For the years ended December 31, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
1. Profit before tax	\$ 292,166	272,119
2. Adjustments:		
Adjustments to reconcile profit (loss):		
1. Depreciation expense	410,913	524,194
2. Amortization expense	7,549	11,083
3. Expected credit losses (gains)	102	(154)
4. Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(1,170)	153
5. Interest expenses	7,078	22,746
6. Interest income	(8,362)	(2,707)
7. Loss from disposal of property, plant and equipment, net	53,578	2,644
8. Profit from lease modification	-	(7,454)
1. Total adjustments to reconcile profit	469,688	550,505
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(1,000)	(3,000)
Decrease (increase) in trade receivables	613,827	(434,021)
Decrease in inventories	315,762	422,786
Decrease (increase) in other current assets	34,904	(7,956)
Increase in other financial assets	(35,039)	(31,363)
Increase in contract liabilities	259	2,117
(Decrease) increase in trade payables	(343,987)	378,275
Increase in other payables and other current liabilities	62,305	15,718
2. Total changes in operating assets and liabilities	647,031	342,556
3. Total adjustments	1,116,719	893,061
Cash inflow generated from operations	1,408,885	1,165,180
Interest received	8,362	2,707
Income taxes paid	(37,198)	(1,823)
4. Net cash flows from operating activities	1,380,049	1,166,064
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,031	2,047
Acquisition of property, plant, and equipment	(336,567)	(693,822)
Proceeds from disposal of property, plant and equipment	2,124	550,934
Decrease in refundable deposits	3,151	11,807
Acquisition of intangible assets	(7,281)	(5,147)
Increase in prepayments for equipment and others	(63,271)	343
5. Net cash flows used in investing activities	(400,813)	(133,838)
Cash flows from (used in) financing activities:		
Decrease in short-term loans	(20,000)	(992,615)
Proceeds from issuance of convertible bonds	443,005	-
Proceeds from long-term loans	199,000	842,983
Repayments of long-term loans	(1,100,000)	(1,171,541)
Increase in guarantee deposits	1,166	18,090
Payment of lease liabilities	(2,893)	(37,953)
Distribution of cash dividends	(58,781)	(12,791)
Proceeds from issuing shares	-	540,000
Interest paid	(19,428)	(35,833)
6. Net cash flows used in financing activities	(557,931)	(849,660)
Effect of exchange rate changes on cash and cash equivalents	(7,828)	6,008
Net increase in cash and cash equivalents	413,477	188,574
Cash and cash equivalents at beginning of period	411,222	222,648
Cash and cash equivalents at end of period	\$ 824,699	411,222

(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, 2023 and 2022
(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”) was incorporated on June 1976 and the Company's common shares were listed on the Taiwan Stock Exchange (TWSE) on September 16, 2002. The business activities of the Group are the manufacturing, research and development and sale of server cases and computer cases.

The consolidated financial statements of the Company as of and for the years ended December 31, 2023 comprise 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 were authorized for issue by the Board of Directors on March 13, 2024.

(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. 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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Group has initially adopted the following new amendment, which do not have a significant impact on its consolidated financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (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, 2024, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

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

The Group does not expect the following 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 21 “Lack of Exchangeability”

(4) Summary of material accounting policies

The material accounting policies presented in the consolidated financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

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

- (b) Basis of preparation

- (i) Basis of measurement

Except for “financial instruments at fair value through profit or loss are measured at fair value”, the consolidated annual financial statements have been prepared on the historical cost basis.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2023	December 31, 2022	
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%	
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	100%	100%	

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2023	December 31, 2022	
PEAK SHREWD INC.	UNEEC ELECTRONIC (KUNSHAN) CO., LTD	Computer case and production of relative components	- %	100%	Note 1
The Company	CHENMING ELECTRONIC TECHNOLOGY (THAILAND) CO., LTD.	Computer case and production of relative components	100%	- %	Note 2

Note 1: In September 2023, the liquidation procedure has been completed.

Note 2: The subsidiary was incorporated in July 2023.

(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.

(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.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

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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.

(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.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using settlement date accounting.

3) 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

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(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;
- 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

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

4) 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).

Notes to the Consolidated Financial Statements

4) Financial liabilities

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

7) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Group will apply applied the policies on accounting for modifications to the additional changes.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

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Notes to the Consolidated Financial Statements

(h) Inventories

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

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

(i) Investment property

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

- 1) Buildings: 15 ~ 51 years
- 2) Machinery: 1 ~ 4 years
- 3) Other equipment: 1 ~ 10 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

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.

(i) 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

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

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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 zero.

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 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 whether all rent concessions that meets all the following conditions 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 that resulted 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 2022; 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

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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.

(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.

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.

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

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

(ii) Financing components

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

(o) 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) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to

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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 at the time of the transaction affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences;
- (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
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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

(q) 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

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a cash refund or a reduction in future payments is available.

(ii) 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.

(iii) 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.

(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 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.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 230	816

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Checking accounts and demand deposits	641,683	407,259
Time deposits	<u>182,786</u>	<u>3,147</u>
	<u>\$ 824,699</u>	<u>411,222</u>

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

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets:		
Beneficiary certificate-Funds	\$ 990	800
Derivative financial assets:		
Forward exchange contract	<u>709</u>	<u>-</u>
	<u>\$ 1,699</u>	<u>800</u>
Non-current mandatorily measured at fair value through profit or loss		
Convertible bonds - embedded derivatives	<u>\$ 1,640</u>	<u>-</u>

The Group uses derivative financial instruments to hedge the certain foreign exchange rate risk the Group exposures arising from its operating activities. The following derivative instruments, inapplicable to hedge accounting, were classified as mandatorily measured at fair value through profit or loss:

	<u>December 31, 2023</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Hedging financial assets			
Forward exchange contracts:			
Forward foreign exchange sold	USD1,000	USD to TWD	113.1.5

As of December 31, 2023 and 2022, the Group did not pledge any financial assets as collaterals.

(c) Trade receivables

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade receivables-measured at amortized cost	\$ 1,550,187	2,183,181
Trade receivables-measured at fair value through other comprehensive income	<u>466,931</u>	<u>460,650</u>
	2,017,118	2,643,831
Less: Loss allowance	<u>(593)</u>	<u>(498)</u>
Trade receivables, net	<u>\$ 2,016,525</u>	<u>2,643,333</u>

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The Group has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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 was determined as follows:

	December 31, 2023		
	Gross carrying amount	Weighted-aver age expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 2,009,995	0.03%	523
1 to 30 days past due	6,487	0.69%	45
31 to 150 days past due	636	3.93%	25
	<u>\$ 2,017,118</u>		<u>593</u>

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	December 31, 2022		
	Gross carrying amount	Weighted-aver age expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 2,610,234	0.01%	249
1 to 30 days past due	4,880	0.25%	12
31 to 150 days past due	28,717	0.83%	237
	<u>\$ 2,643,831</u>		<u>498</u>

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

	2023	2022
Balance at January 1	\$ 498	649
Impairment losses recognized (reversed)	102	(154)
Foreign exchange (gains) losses	(7)	3
Balance at December 31	<u>\$ 593</u>	<u>498</u>

The receivable factoring agreement entered into by the Group with a financial institution stipulated that most of the risks and rewards associated with the receivables would still be retained by the Group. Therefore, the said receivables do not meet the criteria for derecognition of financial assets.

As of December 31, 2023 and 2022, the Group sold its trade receivables without recourse as follows:

December 31, 2023					
Purchaser	Amount Transferred	Credit Lines	Amount Advanced (Recognized in Short-term loans)	Range of Interest Rate	Guarantee item
Financial institutions	\$ 466,931 (USD15,207 thousand dollars)	465,000 (USD15,000 thousand dollars)	-	-	-

December 31, 2022					
Purchaser	Amount Transferred	Credit Lines	Amount Advanced (Recognized in Short-term loans)	Range of Interest Rate	Guarantee item
Financial institutions	\$ 245,760 (USD8,003 thousand dollars)	460,650 (USD15,000 thousand dollars)	-	-	-

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As of December 31, 2023 and 2022, the Group did not pledge any receivables as collaterals.

(d) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 256,930	298,519
Work in progress	143,072	218,742
Finished goods and merchandise inventories	378,425	451,691
	\$ 778,427	968,952

The Group's composition details of operating cost for the years ended December 31, 2023 and 2022 were as follows:

	2023	2022
Cost of goods sold	\$ 5,694,077	5,875,654
Revenue from sale of scraps	(61,642)	(61,102)
Inventories valuation and obsolescence losses (reversal of write-downs)	(11,968)	6,467
Loss on scrapping of inventories	77,930	137,616
Shortage of inventories	37	67
	\$ 5,698,434	5,958,702

As of December 31, 2023 and 2022, the Group did not pledge any inventories as collaterals.

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

The Group set up its subsidiary, UNEEC ELECTRONIC (KUNSHAN) CO., LTD., with a capital of USD1,000, based on a resolution approved during the board meeting held on March 23, 2022. However, due to changes of operation plans, the board decided on March 22, 2023 to liquidate the subsidiary mentioned above. As of December 31, 2023, the liquidation process has been completed, and the liquidation proceeds of USD 933 thousand has been collected. A disposal loss of USD 1,001 thousand has been recorded under other income (loss), net.

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(f) Property, plant, and equipment

The cost and depreciation of the property, plant, and equipment of the Group for the years ended December 31, 2023 and 2022 were as follows:

	<u>Land</u>	<u>Properties</u>	<u>Machinery and equipment</u>	<u>Office equipment and others</u>	<u>Molds</u>	<u>Construction in progress and prepayments for equipment</u>	<u>Total</u>
Cost:							
Balance at January 1, 2023	\$ 1,115,264	821,405	432,808	151,736	829,223	192,949	3,543,385
Additions	-	-	25,133	36,429	192,357	89,979	343,898
Disposals	-	-	(80,353)	(63,127)	(376,852)	-	(520,332)
Transferred into (out)	-	(74,690)	14,269	398	(338,725)	-	(398,748)
Effect of changes in exchange rates	-	(3,304)	(2,955)	(445)	(4,472)	-	(11,176)
Balance at December 31, 2023	<u>\$ 1,115,264</u>	<u>743,411</u>	<u>388,902</u>	<u>124,991</u>	<u>301,531</u>	<u>282,928</u>	<u>2,957,027</u>
Balance at January 1, 2022	\$ 1,533,559	868,941	423,531	103,618	616,403	-	3,546,052
Additions	-	-	34,000	49,976	447,502	175,061	706,539
Disposals	(418,295)	(2,524)	(69,058)	(11,461)	(239,092)	-	(740,430)
Transferred into (out)	-	(47,622)	42,256	9,191	-	17,888	21,713
Effect of changes in exchange rates	-	2,610	2,079	412	4,410	-	9,511
Balance at December 31, 2022	<u>\$ 1,115,264</u>	<u>821,405</u>	<u>432,808</u>	<u>151,736</u>	<u>829,223</u>	<u>192,949</u>	<u>3,543,385</u>
Depreciation:							
Balance at January 1, 2023	\$ -	325,368	247,097	56,920	398,984	-	1,028,369
Depreciation	-	23,754	26,995	36,115	308,182	-	395,046
Disposals	-	-	(77,629)	(52,673)	(334,386)	-	(464,688)
Transferred into (out)	-	(23,736)	-	-	(206,554)	-	(230,290)
Effect of changes in exchange rates	-	(1,640)	(1,793)	(180)	(2,515)	-	(6,128)
Balance at December 31, 2023	<u>\$ -</u>	<u>323,746</u>	<u>194,670</u>	<u>40,182</u>	<u>163,711</u>	<u>-</u>	<u>722,309</u>
Balance at January 1, 2022	\$ -	313,757	283,316	33,268	102,791	-	733,132
Depreciation	-	26,104	21,971	30,467	414,529	-	493,071
Disposals	-	(1,176)	(59,428)	(6,918)	(118,543)	-	(186,065)
Transferred into (out)	-	(14,287)	-	-	-	-	(14,287)
Effect of changes in exchange rates	-	970	1,238	103	207	-	2,518
Balance at December 31, 2022	<u>\$ -</u>	<u>325,368</u>	<u>247,097</u>	<u>56,920</u>	<u>398,984</u>	<u>-</u>	<u>1,028,369</u>
Book value:							
Balance at December 31, 2023	<u>\$ 1,115,264</u>	<u>419,665</u>	<u>194,232</u>	<u>84,809</u>	<u>137,820</u>	<u>282,928</u>	<u>2,234,718</u>
Balance at January 1, 2022	<u>\$ 1,533,559</u>	<u>555,184</u>	<u>140,215</u>	<u>70,350</u>	<u>513,612</u>	<u>-</u>	<u>2,812,920</u>
Balance at December 31, 2022	<u>\$ 1,115,264</u>	<u>496,037</u>	<u>185,711</u>	<u>94,816</u>	<u>430,239</u>	<u>192,949</u>	<u>2,515,016</u>

In order to increase operational capital and improve financial structure, the Group decided to dispose of a parcel of land on March 23, 2022, and signed a real estate sales contract with Shin Yau Mei Biomedical Technology Corporation with a total price of \$477,000 (classified as other financial assets - current). After deducting related transaction costs of \$20,952 and the booking value of the land amounted to \$418,295 also recognized a gain on disposal of fixed assets of \$37,753. The related proceeds were fully received.

The Group had acquired equipment from its related party with a total price of \$36,923 in August, 2022. In the end, only four pieces of equipment were reserved, and the others were

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returned. As of December 31, 2022, the remaining unreceived balance of \$17,958 was recognized as other financial asset - current. As of December 31, 2023, the receivable has been fully collected. For the related information, please refer to note (7) for details.

The Group entered into a real estate agreement with a non-related party on August 8, 2023 for the acquisition of a parcel of land with the total price of \$128,801 (THB146,000 thousand) ,based on the resolution approved during the Board Meeting held on July 12, 2023. The related transfer procedures have yet to be completed as of December 31, 2023; hence, the accumulated paid balance of \$32,912 (THB36,500 thousand) was recognized as other non-current assets.

The Group had recognized scrapping loss of \$53,520 and \$112,795 in December 31, 2023 and 2022, and it was recognized as net gain (loss) on disposal of property, plant, and equipment, investment property and intangible assets.

As of December 31, 2023, the balance of construction in progress and prepayments for equipment amounted to \$282,928, and the unrecognized contractual commitments were \$10,500. As of the reporting date, all of these amounts have been paid and the inspection process has been completed, and were reclassified into properties and related equipment.

As of December 31, 2023 and 2022 the Group had provided the property, plant, and equipment as collaterals for its long-term loans and credit lines. Please refer to note (8) for details.

(g) Right-of-use assets

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

	<u>Land</u>	<u>Properties</u>	<u>Transportation</u>	<u>Others</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 214,824	27,561	19,354	2,476	264,215
Additions	-	-	7,142	-	7,142
Effect of changes in exchange rates	(1,730)	(506)	-	-	(2,236)
Balance at December 31, 2023	<u>\$ 213,094</u>	<u>27,055</u>	<u>26,496</u>	<u>2,476</u>	<u>269,121</u>
Balance at January 1, 2022	\$ 244,329	19,735	19,356	3,467	286,887
Additions	-	130,060	1,321	1,531	132,912
Less	-	(122,506)	(1,323)	(2,522)	(126,351)
Transferred into (out)	(30,873)	-	-	-	(30,873)
Effect of changes in exchange rates	1,368	272	-	-	1,640
Balance at December 31, 2022	<u>\$ 214,824</u>	<u>27,561</u>	<u>19,354</u>	<u>2,476</u>	<u>264,215</u>
Accumulated depreciation:					
Balance at January 1, 2023	\$ 29,900	27,561	17,547	2,222	77,230
Depreciation	8,741	-	2,704	138	11,583
Effect of changes in exchange rates	(322)	(506)	-	-	(828)
Balance at December 31, 2023	<u>\$ 38,319</u>	<u>27,055</u>	<u>20,251</u>	<u>2,360</u>	<u>87,985</u>
Balance at January 1, 2022	\$ 29,209	18,249	12,823	2,062	62,343
Depreciation	9,800	14,106	5,164	866	29,936
Less	-	(5,041)	(440)	(706)	(6,187)
Transferred into (out)	(9,262)	-	-	-	(9,262)

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Effect of changes in exchange rates	153	247	-	-	400
Balance at December 31, 2022	<u>\$ 29,900</u>	<u>27,561</u>	<u>17,547</u>	<u>2,222</u>	<u>77,230</u>
Book value:					
Balance at December 31, 2023	<u>\$ 174,775</u>	<u>-</u>	<u>6,245</u>	<u>116</u>	<u>181,136</u>
Balance at January 1, 2022	<u>\$ 215,120</u>	<u>1,486</u>	<u>6,533</u>	<u>1,405</u>	<u>224,544</u>
Balance at December 31, 2022	<u>\$ 184,924</u>	<u>-</u>	<u>1,807</u>	<u>254</u>	<u>186,985</u>

Due to the changes of its operation plan, the Group cancelled the leased agreement it entered into with its related party in July 2022, resulting in the gain from the lease modification of \$7,454 to be recognized as other income (loss) in December 2022. Please refer to note (7) for details.

(h) Investment property

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

	<u>Land</u>	<u>Right-of-use Land</u>	<u>Properties</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023	\$ 136,906	30,873	100,601	268,380
Transferred into (out)	-	-	74,690	74,690
Balance at December 31, 2023)	<u>\$ 136,906</u>	<u>30,873</u>	<u>175,291</u>	<u>343,070</u>
Balance at January 1, 2022	\$ 152,640	-	63,116	215,756
Disposals	(15,734)	-	(10,137)	(25,871)
Transferred into (out)	-	30,873	47,622	78,495
Balance at December 31, 2022	<u>\$ 136,906</u>	<u>30,873</u>	<u>100,601</u>	<u>268,380</u>
Depreciation:				
Balance at January 1, 2023	\$ -	9,262	31,340	40,602
Depreciation	-	1,029	3,255	4,284
Transferred into (out)	-	-	23,736	23,736
Balance at December 31, 2023	<u>\$ -</u>	<u>10,291</u>	<u>58,331</u>	<u>68,622</u>
Balance at January 1, 2022	\$ -	-	20,594	20,594
Depreciation	-	-	1,187	1,187
Disposals	-	-	(4,728)	(4,728)
Transferred into (out)	-	9,262	14,287	23,549
Balance at December 31, 2022	<u>\$ -</u>	<u>9,262</u>	<u>31,340</u>	<u>40,602</u>
Book Value				
Balance at December 31, 2023	<u>\$ 136,906</u>	<u>20,582</u>	<u>116,960</u>	<u>274,448</u>
Balance at January 1, 2022	<u>\$ 152,640</u>	<u>-</u>	<u>42,522</u>	<u>195,162</u>
Balance at December 31, 2022	<u>\$ 136,906</u>	<u>21,611</u>	<u>69,261</u>	<u>227,778</u>
Fair Value				

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Balance at December 31, 2023	<u><u>\$ 2,689,310</u></u>
Balance at December 31, 2022	<u><u>\$ 2,250,390</u></u>

Assets that are not intended for operational use but rather for investment purposes are classified as investment properties. The fair value of investment properties was assessed based on (i) a valuation by an independent appraiser, who has certified professional qualification and has recent valuation experience in the location and category of investment property being evaluated, and (ii) market value.

The Group's chairman decided to sell certain investment properties of the Group in the first half of 2022. Therefore, the Group entered into a sales agreement with a non-related party on July 22, 2022 for the disposal of the aforementioned investment properties, at the amount of \$94,886 (deducting related transaction cost), resulting in the amount of \$72,398 to be recognized as gain on disposal of property, plant and equipment, with the payment having been fully collected.

In 2023 and 2022, the Group signed a contract with non-related parties to lease part of the right-of-use assets—land and factory buildings to non-related parties for a period of 20 years. The relevant assets have been transferred from property, plant and equipment and right-of-use assets to investment property and classified as operating leases. Please refer to notes (6)(f), (g) and (l) for details.

Please refer to note (8) for information on investment properties pledged as collateral as of December 31, 2023 and 2022.

(i) Short-term loans

The short-term loans were summarized as follows:

	December 31, 2023	December 31, 2022
Credit loans	\$ 20,000	-
Secured loans	-	40,000
	<u><u>\$ 20,000</u></u>	<u><u>40,000</u></u>
Unused credit line for short-term loans	<u><u>\$ 3,172,376</u></u>	<u><u>2,396,600</u></u>
Range of interest rates	<u><u>1.00%~1.47%</u></u>	<u><u>1.95%</u></u>

(i) The Group main management was the guarantor of short-term loans. Please refer to note (7).

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

(iii) The Group provided its assets as collateral for short-term loans, please refer to note (8) for details.

(j) Long-term loans

The long-term loans were summarized as follows:

	December 31, 2023		
Currency	Range of interest rates	Expiration	Amount
Secured bank loans	NT\$	0.5%~1.95%	2028~2041
			<u><u>\$ 433,900</u></u>

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Current	\$ -
Non-current	<u>433,900</u>
Total	<u>\$ 433,900</u>
Unused long-term credit lines	<u>\$ 952,100</u>

December 31, 2022

	<u>Currency</u>	<u>Range of interest rates</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	NT\$	<u>1.5%~1.85%</u>	2023~2041	<u>\$ 1,334,900</u>
Current				\$ -
Non-current				<u>1,334,900</u>
Total				<u>\$ 1,334,900</u>
Unused long-term credit lines				<u>\$ 791,300</u>

- (i) The main management was the guarantor of long-term loans. Please refer to note (7).
- (ii) The Group increased its long-term loans of \$199,000 and \$842,983 for the years ended December 31, 2023 and 2022, respectively. Due to the changes in its capital use and interest rates, the Group repaid the amounts of \$1,100,000 and \$1,171,541 for the years ended December 31, 2023 and 2022, respectively.
- (iii) For information on interest rate and liquidity risk exposure, please refer to note (6)(t).
- (iv) The Group provided part of its assets as collaterals for long-term loans. Please refer to note (8) for details.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(k) Bonds payable

The Group issued the third domestic secured corporate bonds on November 16, 2023. The information was as follows:

(i) The details of bonds payable were as follows:

	December 31, 2023
Total convertible corporate bonds issued	\$ 400,000
Unamortized discounts on bonds payable	<u>(22,089)</u>
Balance of bonds payable as of reporting date	<u>\$ 377,911</u>
Embedded derivatives – call option (recorded as financial assets at fair value through profit or loss – non-current)	<u>\$ 1,640</u>
Equity component – conversion options (recorded as capital surplus)	<u>\$ 67,093</u>
Interest expense	<u>\$ 619</u>

(ii) The Company separated conversion option from liabilities, and recognized as equity and liability. The related information was as follows:

	The third
The compound interest present value of the convertible bonds' face value at issuance	\$ 382,560
The embedded derivative asset at issuance – call option	(1,400)
The equity components at issuance	<u>68,030</u>
Total amount of the convertible bonds at issuance	<u>\$ 449,190</u>
Issuance costs	<u>\$ 6,185</u>

The effective interest rate of the third issued convertible bonds was 1.9672%.

(iii) The significant terms of the third issued convertible corporate bonds were as follows:

- 1) Term: 3 years (November 16, 2023~ November 16, 2026)
- 2) Interest rate:0%
- 3) Guarantee situation:

Mega International Commercial Bank Co., Ltd. and Hua Nan Commercial Bank, Ltd. served as the guarantee banks for the convertible corporate bonds. Each guarantee bank is only responsible for guaranteeing within its respective scope, with the distribution of guarantee responsibilities being 50% for Mega International Commercial Bank Co., Ltd. and 50% for Hua Nan Commercial Bank, Ltd. They do not bear joint liability.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 4) Redemption at the option of the Company
- a) Within the period between three months after the issuance date (February 17, 2024) and 40 days before the last convertible date (October 6, 2026), if the closing price of the Company's common stock listed on the Taiwan Stock Exchange exceeds 30% of the conversion price for 30 consecutive business days, then the Company could redeem the bonds at face value of the corporate bonds in cash.
 - b) Within the period between three months after the issuance date (February 17, 2024) and 40 days before the last convertible date (October 6, 2026), if the remaining amount of the convertible bonds is less than 10% of the total par value, then the Company could redeem the bonds at face value of the corporate bonds in cash.
- 5) Repurchase at the option of bondholders: None.
- 6) Terms of conversion:
- a) The bondholders may request the conversion of the convertible bonds into the Company's common stock at the par value and conversion price at the time of the request, at any time between three months after the issuance date (February 17, 2024) and the maturity date (November 16, 2026), except for the following periods:
 - The period starts from 15 business days before the book closure date for issuance of the bonus shares, book closure date for cash dividends, book closure date for rights issue, to the record date for distribution of entitlements;
 - The period starts from the base date of capital reduction to the day before the transaction of reissue of shares after the capital reduction;
 - The period starts from the starting date of the suspension of conversion for the change of the stock's par value to the date before the trading date of the reissuance shares.
 - The period in which transfer common stocks is suspended by laws.
 - b) The conversion Price: The conversion price was NT\$43.5 per share at issuance.

(1) Lease liabilities

The book value of lease liabilities were as follows:

	December 31, 2023	December 31, 2022
Current	<u>\$ 2,436</u>	<u>2,028</u>
Non-current	<u>\$ 3,968</u>	<u>127</u>

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

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The amounts recognized in profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	\$ <u>94</u>	\$ <u>2,810</u>
Expenses relating to short-term leases	\$ <u>11,304</u>	\$ <u>1,179</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>157</u>	\$ <u>169</u>

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

	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	\$ <u>14,448</u>	\$ <u>16,949</u>

(i) Real estate leases

The Group leases properties, machinery, and equipment with lease terms of 1~5 years, and leases right-of-use land with lease terms of 28~30 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.

(m) Operating lease

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)(h) sets out information about the operating leases of investment property.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Less than one year	\$ 83,174	\$ 34,581
Two to five years	324,503	301,957
More than six years	<u>1,291,214</u>	<u>1,314,945</u>
Total undiscounted lease payments	\$ <u>1,698,891</u>	\$ <u>1,651,483</u>

The rental revenue from investment properties were \$87,036 and \$29,863 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, the lease receivable of \$67,369 and \$13,642 was based on straight-line method, which was recognized under other financial asset – current, as of the reporting date, a total of \$18,198 has been collected.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(n) Employee benefits – Defined contribution plans

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 \$4,011 and \$3,935 for the years ended December 31, 2023 and 2022, 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:

	2023	2022
Operating cost	\$ 47,981	67,077
Operating expense	12,016	8,926
	\$ 59,997	76,003

(o) Income taxes

(i) The components of income tax for 2023 and 2022 was as follows:

	2023	2022
Current tax expense		
Current period	\$ 41,957	54,117
Adjustment for prior period	-	(2,592)
	41,957	51,525
Deferred tax expense (benefits)		
Origination and reversal of temporary differences	(2,935)	378
	(2,935)	378
Income tax expenses	\$ 39,022	51,903

(ii) There is no income tax recognized directly in other comprehensive expense (benefit) in 2023 and 2022.

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Reconciliation of income tax and profit (loss) before tax for 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Profit excluding income tax	\$ 292,166	272,119
Income tax using the Company's domestic tax rate	109,832	61,162
Over provision in prior periods	(11,388)	(2,592)
Tax-exempt income	(21,424)	(20,438)
House and land transactions income tax	-	15,218
Tax-exempt income and others	<u>(37,998)</u>	<u>(1,447)</u>
	<u>\$ 39,022</u>	<u>51,903</u>

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities: None.

2) Unrecognized deferred tax assets

Details of unrecognized deferred tax assets as follow:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Unrecognized tax losses	<u>\$ 2,885</u>	<u>13,881</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, 2023, tax loss from unrecognized deferred tax asset in Dongguan CHENMING Electronic Co., Ltd.:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiration date of the deficit</u>
2020	<u>\$ 11,538</u>	2025

3) Recognized deferred tax assets and liabilities

	<u>Others</u>
Deferred tax liabilities:	
Balance on January 1, 2023	\$ -
Recognized in (profit) or loss	<u>188</u>
Balance on December 31, 2023	<u>\$ 188</u>

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Unrealized exchange losses and others</u>
Deferred tax assets:	
Balance on January 1, 2023	\$ 5,402
Recognized in profit or (loss)	<u>3,123</u>
Balance on December 31, 2023	<u>\$ 8,525</u>
Balance on January 1, 2022	\$ 1,705
Recognized in profit or (loss)	<u>3,697</u>
Balance on December 31, 2022	<u>\$ 5,402</u>

(v) Assessment of tax

The Company's tax returns for the years through 2021 were assessed by the Taipei National Tax Administration.

(vi) Income tax payment

The Company's profit-seeking enterprise income for 2022 shows a voluntary supplementary payment of \$46,030. Due to the impact of COVID-19, the company has applied to the National Taxation Bureau of Taipei, Ministry of Finance for a 36-month installment plan. As of December 31, 2023, a total of \$8,951 has been paid, leaving a remaining balance of \$37,079. The amount due within one year is \$15,343, while the amount due after one year is \$21,736. These amounts have been classified as current and non-current income tax liabilities in this reporting period, respectively.

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2023 and 2022, the authorized common stocks were both \$3,000,000, with a par value of \$10 New Taiwan dollars per share, and of which 195,935 thousand shares were issued. All issued shares were paid up upon issuance.

(ii) Ordinary shares

Based on a resolution approved in the special shareholders' meeting held on March 9, 2022, the Board of Directors was authorized to increase the capital by issuing ordinary shares in the limit of 70,000 thousand shares through private placement within one year. On March 23, 2022, the Board of Directors decided to issue 40,000 thousand ordinary shares at a premium of \$13.5 per share through private placement, with a par value of \$10 per share, amounting to \$400,000. The amount of \$140,000 was recognized as additional paid-in capital. The base date for the capital increase was March 14, 2022, and the related registration procedures had been completed.

The transfer of the aforementioned private placement of ordinary shares and any subsequently

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obtained bonus shares would be subject to Article 43-8 of Securities and Exchange Act. After three years from the date of the delivery of the private placement ordinary shares, the Company shall first apply to the Financial Supervisory Commission for a public offering before applying for listing and trading on the Taiwan Stock Exchange.

(iii) Capital surplus

The balances of capital surplus as of December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 150,551	150,551
Difference arising from subsidiary's share price and its carrying value	163,012	163,012
Convertible bonds – conversion options	67,093	-
	<u>\$ 380,656</u>	<u>313,563</u>

(iv) 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.

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

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve in 2019 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.

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3) Earnings distribution

The appropriations of earnings for the year of 2022 approved in the shareholders meeting held on June 16, 2023 was \$58,781 by cash dividends. The relevant information can be accessed from the Market Observation Post System. The Company does not intend to distribute retained earnings in 2021 due to net loss after tax.

(q) Earnings per share

For the years ended December 31, 2023 and 2022, the Group's earnings per share was calculated as follows:

	2023	2022
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	<u>253,144</u>	<u>220,216</u>
Weighted-average number of ordinary shares (share in thousands)	<u>195,935</u>	<u>188,045</u>
	<u>1.29</u>	<u>1.17</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (basic)	253,144	-
Interest expense and other gains or losses of convertible bonds	<u>379</u>	<u>-</u>
Profit attributable to ordinary shareholders of the Company (dilution)	<u>253,523</u>	<u>220,216</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	195,935	188,045
Effect of employee stock remuneration (share in thousands)	214	406
Effect of convertible bonds (share in thousands)	<u>1,159</u>	<u>-</u>
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>197,308</u>	<u>188,451</u>
	<u>1.28</u>	<u>1.17</u>

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	2023	2022
Primary geographical markets		
China	\$ 2,510,896	2,297,450
Taiwan	1,824,663	1,534,176
USA	1,804,955	2,156,130
Others	<u>321,048</u>	<u>531,978</u>
	<u>\$ 6,461,562</u>	<u>6,519,734</u>
Major products		

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	<u>2023</u>	<u>2022</u>
PC and server chassis	\$ 6,080,030	5,987,495
Mobile device components	-	161,101
Mold	<u>381,532</u>	<u>371,138</u>
	<u>\$ 6,461,562</u>	<u>6,519,734</u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Trade receivables	\$ 2,017,118	2,643,831	2,200,160
Less: Loss allowance	<u>(593)</u>	<u>(498)</u>	<u>(649)</u>
Total	<u>\$ 2,016,525</u>	<u>2,643,333</u>	<u>2,199,511</u>
Contract liabilities	<u>\$ 3,050</u>	<u>2,791</u>	<u>674</u>

The amount of revenue recognized for the years ended December 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$2,791 and \$674, 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.

(s) Remunerations to employees and directors

The Company's articles of incorporation require that earnings shall first be used to offset against any deficit, and no less than 2% will be distributed as employee remuneration and a maximum of 2% will be allocated as directors' 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 \$7,000, and the remuneration to directors were \$1,500 for the year ended December 31, 2023 and 2022. 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 shareholders' 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. There was no difference in the actual amount and the estimated amount for the year 2022. The related information would be available at the Market Observation Post System Website.

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Notes to the Consolidated Financial Statements

(t) 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 73% and 74% are composed by five clients in December 31, 2023 and 2022. 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)(c).

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

(iii) Liquidity Risk

Except for bank loans and lease liabilities, 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, 2023					
Bank loans	\$ 453,900	(459,346)	(20,294)	-	(439,052)
Trade payables	1,996,607	(1,996,607)	(1,996,607)	-	-
Lease liabilities (including current and non-current)	6,404	(6,690)	(2,589)	(2,078)	(2,023)
Bonds payable	377,911	(400,000)	-	-	(400,000)
Other payables	318,465	(318,465)	(318,465)	-	-
Guarantee deposits	27,318	(27,318)	-	-	(27,318)
	<u>\$ 3,180,605</u>	<u>(3,208,426)</u>	<u>(2,337,955)</u>	<u>(2,078)</u>	<u>(868,393)</u>
December 31, 2022					
Secured loans	\$ 1,374,900	(1,399,014)	(40,780)	-	(1,358,234)
Trade payables	2,354,120	(2,354,120)	(2,354,120)	-	-
Lease liabilities (including current and non-current)	2,155	(2,186)	(2,056)	(130)	-
Other payables	272,783	(272,783)	(272,783)	-	-
Guarantee deposits	26,152	(26,152)	-	-	(26,152)
	<u>\$ 4,030,110</u>	<u>(4,054,255)</u>	<u>(2,669,739)</u>	<u>(130)</u>	<u>(1,384,386)</u>

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
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(iv) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2023			December 31, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD to TWD	\$ 69,309	30.705	2,128,133	70,907	30.71	2,177,554
USD to CNY	26,995	7.0827	828,881	27,930	6.9646	857,730
CNY to TWD	154,219	4.327	667,306	128,419	4.408	566,071
Financial liabilities						
Monetary items						
USD to TWD	41,102	30.705	1,262,037	33,656	30.71	1,033,576
USD to CNY	1,158	7.0827	35,556	1,526	6.9646	46,863
CNY to TWD	316,679	4.327	1,370,270	312,534	4.408	1,377,650

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 functional currency against Group entities' functional currency as of December 31, 2023 and 2022 would have affected the net profit before tax as follows:

	December 31, 2023	December 31, 2022
USD (against the TWD)		
Strengthening 5%	\$ 43,305	57,199
Weakening 5%	(43,305)	(57,199)
USD (against the CNY)		
Strengthening 5%	39,666	40,543
Weakening 5%	(39,666)	(40,543)
CNY (against the)		
Strengthening 5%	(35,148)	(40,579)
Weakening 5%	35,148	40,579

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3) Exchange gains and losses of monetary items

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

	2023		2022	
	Exchange profit (loss)	Average rate	Exchange profit (loss)	Average rate
TWD	\$ 7,051	-	153,819	-
CNY	4,406	4.3828	(7,404)	4.4188

(v) Interest rate analysis

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

	Carrying amount	
	December 31, 2023	December 31, 2022
Fixed rate instruments:		
Financial assets	\$ 182,786	3,147
Variable rate instruments:		
Financial assets	641,633	407,209
Financial liabilities	453,900	1,374,900

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 \$469 and \$2,419 for the years ended December 31, 2023 and 2022, 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.

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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.

	December 31, 2023				Total
	Book value	Fair Value			
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss (including current and non-current)					
Non-derivative financial assets mandatorily measured at fair value through profit or loss –Beneficiary certificate-Funds	\$ 990	990	-	-	990
Mandatorily measured at fair value through profit or loss -Forward exchange contract	709	-	709	-	709
Derivative financial assets –convertible bonds-embedded derivative instrument	<u>1,640</u>	-	-	1,640	1,640
	<u>3,339</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	824,699	-	-	-	-
Trade receivables, net	2,016,525	-	-	-	-
Other financial assets	67,584	-	-	-	-
Refundable deposits (classified as other financial assets—non-current)	<u>5,505</u>	-	-	-	-

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Notes to the Consolidated Financial Statements

	<u>\$ 2,914,313</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 453,900	-	-	-	-
Trade payables	1,996,607	-	-	-	-
Lease liabilities	6,404	-	-	-	-
Bonds payable	377,911	-	-	-	-
Other payables	318,465	-	-	-	-
Guarantee deposits	<u>27,318</u>	-	-	-	-
	<u>\$ 3,180,605</u>				
		December 31, 2022			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss-Beneficiary certificate-Funds					
	<u>\$ 800</u>	800	-	-	800
Financial assets measured at amortized cost					
Cash and cash equivalents	411,222	-	-	-	-
Trade receivables, net	2,643,333	-	-	-	-
Other financial assets	32,545	-	-	-	-
Refundable deposits (classified as other financial assets – non-current)	<u>8,656</u>	-	-	-	-
	<u>3,095,756</u>				
	<u>\$ 3,096,556</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,374,900	-	-	-	-
Trade payables	2,354,120	-	-	-	-
Lease liabilities	2,155	-	-	-	-
Other payables (including related parties)	272,783	-	-	-	-
Guarantee deposit	<u>26,152</u>	-	-	-	-
	<u>\$ 4,030,110</u>				

4) Valuation techniques for financial instruments measured at fair value

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

Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price

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and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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.

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 nonactive 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.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

6) Reconciliation of level 3 fair values

	Fair value through profit or loss
	Derivative financial assets convertible bonds
Balance on January 1, 2023	\$ -
Issue	1,400
Total gains and losses recognized	
In profit or loss	240
In other comprehensive income	-
Balance on December 31, 2023	\$ 1,640

7) Quantitative information on significant unobservable inputs (Level 3 used in fair value measurement)

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The Group's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – call option of convertible bonds" .

Most of fair value measurements categorized within Level 3 use the single and significant unobservable inputs. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of the equity instruments are independent from each other, as a result, there is no relevance between them.

Quantitative information of significant unobservable inputs was as follows:

Items	Valuation technique	Significant unobservable input	Relationship between significant unobservable input and fair value measurement
Financial assets at fair value through profit or loss - call option of convertible bonds	Binomial convertible bonds pricing models	Volatility (59.13% as of December 31, 2023)	The higher the volatility is, the higher the fair value will be.

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- 8) Fair value measurements in Level 3 – sensitivity analysis of reasonable alternative assumptions

The Group’s fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For fair value measurements in Level 3, changing one or more of the assumptions to reflect reasonably possible alternative assumptions would have the following effects:

	<u>Input</u>	<u>Move up or down</u>	<u>Other Comprehensive Income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2023				
Financial assets at fair value through profit or loss - call option of convertible bonds	Volatility	5%	<u>\$ 280</u>	<u>(320)</u>

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

- (u) 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

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

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receivables from customers.

1) Trade receivables and other receivables

The Group has established a credit policy under which each new customer is analyzed 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, 2023 and 2022, 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)(i) and note (6)(j) for unused short-term and long-term bank facilities as of December 31, 2023 and 2022.

(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

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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.

(v) 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, 2023 and 2022 as follow:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 3,264,739	4,084,054
Total assets	6,523,193	7,102,187
Debt-to-asset ratio	50%	58%

As of December 31, 2023, the capital management method do not change.

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

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2023 and 2022 were as follows:

	January 1, 2023	Cash flows	Non-cash flows			December 31, 2023
			Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 1,334,900	(901,000)	-	-	-	433,900
Short-term loans	40,000	(20,000)	-	-	-	20,000
Bonds payable	-	443,005	-	(65,094)	-	377,911
Lease liabilities	2,155	(2,893)	7,142	-	-	6,404
Guarantee deposits	26,152	1,166	-	-	-	27,318
Total liabilities from financing activities	\$ 1,403,207	(479,722)	7,142	(65,094)	-	865,533

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	January 1, 2022	Cash flows	Non-cash flows			December 31, 2022
			Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 1,663,458	(328,558)	-	-	-	1,334,900
Short-term loans	1,030,771	(992,615)	-	-	1,844	40,000
Lease liabilities	9,626	(12,791)	132,912	(127,618)	26	2,155
Guarantee deposits	8,062	18,090	-	-	-	26,152
Total liabilities from financing activities	\$ 2,711,917	(1,315,874)	132,912	(127,618)	1,870	1,403,207

(7) Related-party transactions

(a) Names and relationships with related parties

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

<u>Names of related parties</u>	<u>Relationships with the Group</u>
CHENMING (H.K.) CORPORATION LIMITED	Same chairman with the Company
Lin, Mu-Ho	Chairman of the Company
SHANG MEI PRECISION INDUSTRIAL CO., LTD.	The entity with significant influence over the Group
SHENG MEI PRECISION INDUSTRIAL (KUNSHAN) CO., LTD.	The subsidiary of the entity with significant influence over the Group

(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 since August 2011. The rental fee is determined based on nearby office rental rates. The rental revenue for the years ended December 31, 2023 and 2022 were both \$3,429.

(ii) Property transaction

In August 2022, the Group purchased machinery equipment amounting to \$36,923 from Sheng Mei Precision Industrial (KunShan) Co., Ltd.. Only four pieces of equipment were reserved, and the others were returned. As of December 31, 2022, the remaining unreceived balance of \$17,958 was recognized as other financial asset –current. As of December 31, 2023, the receivable has been fully collected .

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(c) Key management personnel compensation

(i) Key management personnel compensation was comprised of:

	2023	2022
Short-term employee benefits	\$ 8,890	9,023
Post-employment benefits	306	299
	\$ 9,196	9,322

(ii) Guarantee

Chairman of the company, Mu-Ho Lin, was the guarantor of the syndication contract as of December 31, 2023 and 2022, respectively.

(8) Pledged assets

Assets	Subject	December 31, 2023	December 31, 2022
Property, plant and equipment and investment properties	Short-term loans and long-term loans		
— land and right-of-use land		\$ 1,326,294	1,333,412
— properties	Short-term loans and long-term loans	306,305	323,460
Other financial assets	Customs deposits		
— non-current		2,249	2,055
		\$ 1,634,848	1,658,927

(9) Commitments and contingencies

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	\$ 107,101	89,314

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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(12) Other

(a) The summary statement of current period employee benefits, depreciation, and amortization expenses by function was as follows:

By function By item	December 31, 2023			December 31, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	930,084	296,829	1,226,913	1,144,062	218,889	1,362,951
Labor and health insurance	-	9,197	9,197	-	8,828	8,828
Pension	47,981	16,027	64,008	67,077	12,861	79,938
Others	72,640	18,827	91,467	71,591	17,058	88,649
Depreciation	399,201	11,712	410,913	503,670	20,524	524,194
Amortization	4,369	3,180	7,549	9,594	1,489	11,083

(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:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Trade receivables due from related parties	Yes	184,230	184,230	122,820	5.88795% 6.69133%	Short-term financial	-	Operating demand	-	-	-	2,422,638 (note 1)	2,422,638 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	Yes	112,502	112,502	112,502	4.15%	"	-	"	-	-	-	468,580 (note 2)	468,580 (note 2)
3	Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC (NINGBO) CO., LTD	"	Yes	56,251	56,251	-	4.15%	"	-	"	-	-	-	368,605 (note 3)	368,605 (note 3)

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 \$2,422,638. 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 \$2,422,638.

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 \$468,580 (\$1,171,450*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 \$468,580 (\$1,171,450*40%).

Note 3: 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 Dongguan Chenming Electronic Co., Ltd, which amounted to \$368,605 (\$921,512*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 \$368,605 (\$921,512*40%).

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(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

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										
1	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	100% owned subsidiary	1,303,382 (note 1)	51,924	51,924	-	-	1.59%	2,606,763 (note 1)	Yes	No	Yes
2	The Company	Dongguan Chenming Electronic Co., Ltd	100% owned subsidiary	1,303,382 (note 1)	298,688	298,688	-	-	9.17%	2,606,763 (note 1)	Yes	No	Yes
						<u>350,612</u>							
3	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Both are subsidiaries of the Company	468,580 (note 2)	168,878	-	-	-	%	937,160 (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 \$1,303,382. (\$3,258,454*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 \$2,606,763 (\$3,258,454*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 \$468,580. (\$1,171,450*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 \$937,160 (\$1,171,450*80%).

(iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates, and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Beneficiary certificate: Mega Global Bond ETF Strategic Income Fund	-	Current financial assets at fair value through profit or loss	100	990	- %	990	-

(iv) Individual securities acquired or disposed of with an accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

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- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

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	2,293,296	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 (1,097,219)	(100) %	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,293,296)	(65) %	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 1,097,219	70 %	"

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

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

(In Thousands of New Taiwan Dollars)

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 1,097,219	2.38	-	-	441,054	-	Note 2
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	The company's ultimate parent company is the same	Other current financial assets 147,198	-	-	-	-	-	Note 2, 3
CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	The company's ultimate parent company is the same	Other current financial assets 114,225	-	-	-	-	-	Note 2, 4

Note 1: The accumulated received balance as of March 5, 2024.

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

Note 3: Including interest receivables \$24,378.

Note 4: Including interest receivables \$1,723.

- (ix) Trading in derivative instruments: Note 6(b).

- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship (Note 2)	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	147,198	Rate 5.88795%~6.69133%	2%

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No.	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	2	Other current financial assets	114,225	Rate 4.15%	2%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	2,293,296	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	35%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Trade receivables	1,097,219	"	17%

Note 1: The numbers filled in as follows:

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

Note 2: Relationship with the transactions labeled as follows:

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (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, 2023			Highest balance during the year		Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value	Shares / Units (thousands)	Percentage of ownership			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,138,097	2,166,745	64,558	100%	2,422,638	65,558	100%	178,427	178,427	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100%	70	200	100%	(205)	(205)	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY (THAILAND) Co., LTD.	Thailand	Computer case and production of relative components	35,097	-	5,225	100%	34,910	5,225	100%	(476)	(476)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100%	1,094,489	45,988	100%	138,900	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	773,920	802,568	22,410	100%	1,171,573	23,410	100%	32,620	"	"

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.

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(c) Information on investment in mainland China:

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

(In Thousands of United States Dollars/In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	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, 2023 (note 3)	Accumulated earnings as of December 31, 2023
					Outflow	Inflow				Shares/Units (thousands)	Percentage of ownership			
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,980,473 (USD64,500)	notes 1 and 6	688,099 (USD22,410)	-	-	688,099 (USD22,410)	33,316	100%	-	100%	33,316	1,171,450	-
Dongguan Chenming Electronic Co., Ltd	"	889,769 (note 4) (USD28,978)	notes 1 and 7	764,555 (USD24,900)	-	-	764,555 (USD24,900)	168,206	100%	-	100%	168,206	921,512	-
UNEEC ELECTRONIC (KUNSHAN) CO., LTD	"	30,705 (USD1,000)	notes 1 and 6	30,705 (USD1,000)	-	28,648 (USD933)	-	(816)	- %	-	100%	(816)	- (note 9)	-

(ii) Limitation on investment in mainland China:

Accumulated Investment in Mainland China as of December 31, 2023	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
1,454,711 (USD47,377)	1,645,082 (USD53,577)	Unlimited (note 8)

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 reviewed by the Company's independent external auditors.

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$30.705 as of December 31, 2023.

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

Note7: Investment in Mainland China through TOP CITY INTERNATIONAL LIMITED and GERSHWIN INTERNATIONAL LIMITED.

Note8: 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.

Note9: As of December 31, 2023, the liquidation process had been completed.

(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
SHANG MEI PRECISION INDUSTRIAL CO., LTD		35,000,000	17.86%
Lin, Mu-Ho		29,991,230	15.30%

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)(r).

(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)(r).

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

2) Non-current Assets:

Country	2023	2022
Taiwan	\$ 1,762,075	1,675,005
Mainland China	952,730	1,264,332
Thailand	32,912	-
	\$ 2,747,717	2,939,337

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets, investment property, and other assets, excluding financial instruments, prepaid pension cost, deferred tax assets, and refundable deposit.

(iii) Important clients information

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

	2023	2022
A company	\$ 1,852,323	2,092,258
D company	1,385,162	1,106,598
B company	819,003	699,608

V. Latest audited standalone financial statements

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 sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material 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, 2023 and 2022, 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 audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of 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 Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to 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.

Operating revenue and investments accounted for using equity method - subsidiary' s operating income

Please refer to Notes (4)(h), Note (4)(n), Note(6)(e), and Note (6)(r) for accounting policy on investments accounted for using equity method, revenue recognition, information on investments accounted for using equity method, and revenue, respectively.

Description of key audit matters:

The Company and its subsidiaries, Dongguan Chenming Electronics Co., Ltd. and Chenming Electronics (Ningbo) Co., Ltd., are engaged in the manufacturing, research and development, and sale of computer cases and mobile device components. The sales revenue is a key matter in the consolidated financial statements, wherein the trade terms of revenue may affect the understanding of the users of the financial statements. Therefore, revenue recognition is identified as a key audit matter.

Audit Procedures:

Our principal audit procedure included: performing test of controls in relation to the sales and receivables cycles, conducting accounts receivable confirmation circularization, performing substantive testing on operating revenues through the examination of pertinent documentation, ensuring that performance obligations have been satisfied in accordance to the contract agreements, and assessing whether operating revenues are recognized in the correct accounting period in accordance to the relevant regulatory guidelines.

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 Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Wang, I-Wen and Chien, Szu-Chuan.

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2024

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.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 153,657	3	76,031	12100	Short-term loans (note (6)(i))	\$ 20,000	-	40,000	1	
1110	Current financial assets at fair value through profit or loss (note (6)(b))	1,699	-	800	2170	Trade payables	1,605	-	9,942	-	
1170	Trade receivables, net (notes (6)(c) and (r))	925,006	17	1,314,111	252180	Trade payables to related parties (note (7))	1,098,198	21	828,190	15	
1310	Inventories, net (note (6)(d))	5,287	-	1,244	2230	Current tax liabilities	38,170	1	46,835	1	
1479	Other current assets	1,633	-	3,945	2200	Other payables	62,065	1	89,695	2	
		<u>1,087,282</u>	<u>20</u>	<u>1,396,131</u>	<u>262280</u>	Current lease liabilities (note (6)(l))	655	-	1,292	-	
						Other current liabilities	345	-	452	-	
							<u>1,221,038</u>	<u>23</u>	<u>1,016,406</u>	<u>19</u>	
Non-current assets:						Non-Current liabilities:					
1510	Non-current financial assets at fair value through profit or loss (notes (6)(b) and (6)(k))	1,640	-	-	-	Bonds payable (note (6)(j))	377,911	7	1,334,900	25	
1550	Investments accounted for using equity method, net (note (6)(e))	2,457,618	46	2,294,944	432530	Long-term loans (note (6)(k))	433,900	8	-	-	
1600	Property, plant, and equipment (notes (6)(f) and (8))	1,585,942	30	1,498,585	282540	Non-current tax liabilities (note (6)(l))	21,736	1	-	-	
1755	Right-of-use assets (note (6)(g))	1,592	-	1,270	2560	Deferred income tax liabilities (note (6)(o))	188	-	-	-	
1760	Investment property, net (notes (6)(h) and (8))	171,793	3	172,832	32570	Non-current lease liabilities (note (6)(o))	945	-	-	-	
1840	Deferred income tax assets (note (6)(o))	8,525	1	5,402	2580	Guarantee deposits	4,238	-	4,238	-	
1980	Other non-current financial assets	1,270	-	2,194	2645		<u>838,918</u>	<u>16</u>	<u>1,339,138</u>	<u>25</u>	
1990	Other non-current assets	2,748	-	2,319	-		<u>2,059,956</u>	<u>39</u>	<u>2,355,544</u>	<u>44</u>	
		<u>4,231,128</u>	<u>80</u>	<u>3,977,546</u>	<u>74</u>	Total liabilities					
		<u>\$ 5,318,410</u>	<u>100</u>	<u>5,373,677</u>	<u>100</u>	Equity attributable to owners of parent (notes (6)(k) and (p)):					
Total assets						3100	Ordinary shares	1,959,350	37	1,959,350	36
						3200	Capital surplus	380,656	7	313,563	6
						3300	Retained earnings	990,051	18	795,688	15
						3410	Exchange differences on translation of foreign financial statements	(71,603)	(1)	(50,468)	(1)
							Total equity	<u>3,258,454</u>	<u>61</u>	<u>3,018,133</u>	<u>56</u>
							Total liabilities and equity	<u>\$ 5,318,410</u>	<u>100</u>	<u>5,373,677</u>	<u>100</u>

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

Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

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

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (note (6)(r))	\$ 2,569,509	100	3,200,380	100
5000	Operating costs (notes (6)(d) and (7))	2,307,485	90	3,034,293	95
5900	Gross profit from operations	262,024	10	166,087	5
6000	Operating expenses (notes (6)(n), (7) and (12)):				
6100	Selling expenses	37,229	1	33,067	1
6200	Administrative expenses	93,211	4	91,940	3
6300	Research and development expenses	26,796	1	25,971	1
		157,236	6	150,978	5
6900	Net operating income	104,788	4	15,109	-
7000	Non-operating income and expenses:				
7050	Finance costs, net (notes (6)(k) and (l))	(7,004)	-	(14,689)	-
7100	Interest income	1,786	-	1,210	-
7110	Rent revenue (notes (6)(m) and (7))	12,022	1	13,797	-
7190	Other income (losses), net (notes (6)(f), (h), (t) and (7))	4,649	-	113,732	4
7230	Foreign exchange gains (losses), net	(21,924)	(1)	111,201	3
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	177,746	7	23,336	1
		167,275	7	248,587	8
7900	Profit from continuing operations before tax	272,063	11	263,696	8
7951	Less: Income tax expenses (note (6)(o))	18,919	1	43,480	1
	Profit	253,144	10	220,216	7
8300	Other comprehensive income:				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(21,135)	(1)	16,186	-
8399	Less: 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	(21,135)	(1)	16,186	-
8300	Other comprehensive income (loss)	(21,135)	(1)	16,186	-
8500	Comprehensive income (loss)	<u>\$ 232,009</u>	<u>9</u>	<u>236,402</u>	<u>7</u>
	Earnings per share (expressed in dollars) (note (6)(q)):				
9750	Basic earnings per share	<u>\$ 1.29</u>		<u>1.17</u>	
9850	Diluted earnings per share	<u>\$ 1.28</u>		<u>1.17</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, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings	Other components of equity	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements	
Balance on January 1, 2022	\$ 1,559,350	173,563	302,505	59,020	213,947	575,472	(66,654)	2,241,731
Appropriation and distribution of retained earnings:								
Special reserve appropriated	-	-	-	7,634	(7,634)	-	-	-
Loss for the year ended December 31, 2022	-	-	-	-	220,216	220,216	-	220,216
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	16,186	16,186
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	220,216	220,216	16,186	236,402
Capital increased by cash	400,000	140,000	-	-	-	-	-	540,000
Balance on December 31, 2022	1,959,350	313,563	302,505	66,654	426,529	795,688	(50,468)	3,018,133
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	22,022	-	(22,022)	-	-	-
Special reserve reversed	-	-	-	(16,186)	16,186	-	-	-
Cash dividends of ordinary share	-	-	-	-	(58,781)	(58,781)	-	(58,781)
Profit for the year ended December 31, 2023	-	-	-	-	253,144	253,144	-	253,144
Other comprehensive income for the year ended December 31, 2023	-	-	-	-	-	-	(21,135)	(21,135)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	253,144	253,144	(21,135)	232,009
Issuance of convertible bonds	-	67,093	-	-	-	-	-	67,093
Balance on December 31, 2023	\$ 1,959,350	380,656	324,527	50,468	615,056	990,051	(71,603)	3,258,454

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

Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from (used in) operating activities:		
3. Profit before tax	\$ 272,063	263,696
4. Adjustments:		
Adjustments to reconcile profit (loss):		
9. Depreciation expense	6,399	7,952
10. Amortization expense	1,683	1,489
11. Expected credit gain	(78)	(169)
12. Net (gain) loss on financial assets or liabilities at fair value through profit or loss	(1,170)	153
13. Interest expense	7,004	14,689
14. Interest income	(1,786)	(1,210)
15. Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(177,746)	(23,336)
16. Gain on disposal of property, plant and equipment	-	(110,151)
7. Total adjustments to reconcile profit (loss)	(165,694)	(110,583)
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(1,000)	(3,000)
Decrease (increase) in trade receivables	389,183	(215,684)
(Increase) decrease in inventories	(4,043)	1,073
Decrease in other current assets	2,312	1,989
Increase in trade payables (including related parties)	261,671	224,030
(Decrease) increase in other payables and other current liabilities	(26,966)	51,599
Other	(317)	(117)
8. Total changes in operating assets and liabilities	620,840	59,890
9. Total adjustments	455,146	(50,693)
Cash inflow generated from operations	727,209	213,003
Interest received	1,786	1,210
Income taxes paid	(8,783)	(868)
10. Net cash flows from operating activities	720,212	213,345
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	1,031	2,047
Acquisition of investments accounted for using equity method	(35,097)	(66,857)
Proceeds from capital reduction of investments accounted for using equity method	29,034	-
Acquisition of property, plant and equipment	(78,567)	(163,497)
Proceeds from disposal of property, plant and equipment and investment property	-	550,934
Acquisition of intangible assets	(1,522)	(1,777)
Increase in prepayments for equipment and others	334	3,906
11. Net cash flows (used in) from investing activities	(84,787)	324,756
Cash flows from (used in) financing activities:		
Decrease in short-term loans	(20,000)	(759,200)
Proceeds from issuance of convertible bonds	443,005	-
Proceeds from long-term loans	199,000	804,900
Repayments of long-term loans	(1,100,000)	(1,110,000)
Payment of lease liabilities	(1,668)	(3,093)
Distribution in cash dividends	(58,781)	-
Proceeds from issuing shares	-	540,000
Interest paid	(19,355)	(27,776)
Increase in guarantee deposits	-	708
12. Net cash flows used in financing activities	(557,799)	(554,461)
Net increase (decrease) in cash and cash equivalents	77,626	(16,360)
Cash and cash equivalents at beginning of period	76,031	92,391
Cash and cash equivalents at end of period	\$ 153,657	76,031

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

(English Translation of Financial Statements Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

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

(1) Company history

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

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

These financial statements were authorized for issue by the Board of Directors on March 13, 2024.

(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. 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, 2023:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

- (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, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”
- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following 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 21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The material accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in 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 financial instruments at fair value through profit or loss are measured at fair value, the annual financial statements have been prepared on the historical cost basis.

(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:

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

- 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.

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

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(iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which

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meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using settlement date accounting.

3) Impairment of financial assets

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

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

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

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

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

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

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

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

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between

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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;
- 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.

4) 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

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1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

7) Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Group will update the effective interest rate of the

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financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group will first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Thereafter, the Group will apply applied the policies on accounting for modifications to the additional changes.

(iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

(g) Inventories

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

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

(h) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statement are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(i) Investment property

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

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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.

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: 1 ~3 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

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.

(i) As a lessee

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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 zero.

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

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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 whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in 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.

(ii) 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.

(n) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be

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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.

(ii) 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.

(iii) 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.

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(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 at the time of transaction affects neither accounting nor taxable profits (losses) and does not give rise to equal taxable and deductible temporary differences;
- (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 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.

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.

(r) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary

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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.

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 50	50
Checking accounts and demand deposits	153,607	75,981
	\$ 153,657	76,031

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

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

	December 31, 2023	December 31, 2022
Current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Beneficiary certificate-Funds	\$ 990	800
Derivative financial assets		
Forward exchange contract	709	-
	\$ 1,699	800
Non-current mandatorily measured at fair value through profit or loss:		
Convertible bonds-embedded derivatives	\$ 1,640	-

The Company uses derivative financial instruments to hedge the certain foreign exchange rate risk the Company exposures arising from its operating activities. The following derivative instruments, inapplicable to hedge accounting, were classified as mandatorily measured at fair value through profit or loss:

	December 31, 2023		
	Contract amount (in thousands)	Currency	Maturity
Hedging financial assets			
Forward exchange contracts:			
Forward exchange sold	USD1,000	USD to TWD	2024.1.5

As of December 31, 2023 and 2022, the Company did not pledge any financial assets as collaterals.

(c) Trade receivables

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	December 31, 2023	December 31, 2022
Trade receivables — measured at amortized costs	\$ 458,268	853,732
Trade receivable — measured at fair value through other comprehensive income	466,931	460,650
	925,199	1,314,382
Less: Loss allowance	(193)	(271)
Trade receivables, net	\$ 925,006	1,314,111

The Company has assessed a portion of its trade receivables that was held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

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, 2023			
	Gross carrying amount	Weighted-aver age expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 919,077	0.02%	174
1 to 30 days past due	5,851	0.10%	6
31 to 150 days past due	271	4.80%	13
	\$ 925,199		193
December 31, 2022			
	Gross carrying amount	Weighted-aver age expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 1,306,230	0.01%	167
1 to 30 days past due	3,788	0.11%	4
31 to 150 days past due	4,364	2.29%	100
	\$ 1,314,382		271

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

	2023	2022
Balance on January 1	\$ 271	440
Impairment losses reversed	(78)	(169)
Balance on December 31	\$ 193	271

As of December 31, 2023 and 2022, the Company did not pledge any receivable as collateral.

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The receivable factoring agreement entered into by the Company with a financial institution stipulated that most of the risks and rewards associated with the receivables would still be retained by the Company. Therefore, the said receivables do not meet the criteria for derecognition of financial assets.

As of December 31, 2023 and 2022, the Company sold its trade receivables without recourse as follows:

December 31, 2023					
Purchaser	Amount Derecognized	Credit Lines	Amount Advanced (Recognized in Short-term loans)	Range of Interest Rate	Guarantee Item
Financial institutions	\$ 466,931 (USD 15,207 thousand dollars)	465,000 (USD 15,000 thousand dollars)	-	-	-
December 31, 2022					
Purchaser	Amount Derecognized	Credit Lines	Amount Advanced (Recognized in Short-term loans)	Range of Interest Rate	Guarantee Item
Financial institutions	\$ 245,760 (USD 8,003 thousand dollars)	460,650 (USD 15,000 thousand dollars)	-	-	-

(d) Inventories

	December 31, 2023	December 31, 2022
Raw materials	\$ 47	-
Finished goods and merchandise inventories	5,240	1,244
	\$ 5,287	1,244

The cost of sales amounted to \$2,307,485 and \$3,034,293 for the years ended December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the Company did not pledge any inventories as collateral.

(e) Investments accounted for using equity method

Investments accounted for using the equity method at the report date is as follows:

	December 31, 2023	December 31, 2022
Subsidiaries	\$ 2,457,618	2,294,944

(i) The Company invested an additional cash of \$66,857 (US\$2,200 thousand) in TOP

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CITY INTERNATIONAL LIMITED in 2022 to increase its capital for purchasing the shares of subsidiary and setting up new subsidiary Companies.

- (ii) The Company has invested in establishing a subsidiary, CHENMING ELECTRONIC TECHNOLOGY (Thailand) Co.,Ltd. in 2023, with an amount of \$35,097 (US\$1,095 thousand) to meet future orders and accommodate operational development needs.
- (iii) The Company set up its subsidiary, UNEEC ELECTRONIC (KUNSHAN) CO., LTD., with a capital of USD 1,000 thousand, based on a resolution approved during the board meeting held on March 23, 2022. However, due to changes of operation plans, the board decided on March 22, 2023 to liquidate the subsidiary mentioned above. As of December 31, 2023, the liquidation process has been completed, and the liquidation proceeds of USD 933 thousand has been collected. TOP CITY INTERNATIONAL LIMITED has also reduced its capital by cash for USD 933 thousand.
- (iv) As of December 31, 2023 and 2022, the Company did not provide any investment accounted for using equity method as collateral.
- (f) Property, Plant and Equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2023 and 2022 were as follows:

	<u>Land</u>	<u>Properties</u>	<u>Office equipment and others</u>	<u>Construction in progress and prepayments for equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 1,115,263	229,343	3,207	192,949	1,540,762
Additions	-	-	1,084	89,979	91,063
Disposals	-	-	(1,205)	-	(1,205)
Balance at December 31, 2023	<u>\$ 1,115,263</u>	<u>229,343</u>	<u>3,086</u>	<u>282,928</u>	<u>1,630,620</u>
Balance at January 1, 2022	\$ 1,533,558	231,867	2,571	-	1,767,996
Additions	-	-	1,003	175,061	176,064
Disposals	(418,295)	(2,524)	(367)	-	(421,186)
Transferred into (out)	-	-	-	17,888	17,888
Balance at December 31, 2022	<u>\$ 1,115,263</u>	<u>229,343</u>	<u>3,207</u>	<u>192,949</u>	<u>1,540,762</u>
Depreciation:					
Balance at January 1, 2023	\$ -	40,684	1,493	-	42,177
Depreciation	-	2,537	1,169	-	3,706
Disposals	-	-	(1,205)	-	(1,205)
Balance at December 31, 2023	<u>\$ -</u>	<u>43,221</u>	<u>1,457</u>	<u>-</u>	<u>44,678</u>
Balance at January 1, 2022	\$ -	39,290	733	-	40,023
Depreciation	-	2,573	1,127	-	3,700

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Disposals	-	(1,179)	(367)	-	(1,546)
Balance at December 31, 2022	<u>\$ -</u>	<u>40,684</u>	<u>1,493</u>	<u>-</u>	<u>42,177</u>
Book value:					
Balance at December 31, 2023	<u>\$ 1,115,263</u>	<u>186,122</u>	<u>1,629</u>	<u>282,928</u>	<u>1,585,942</u>
Balance at January 1, 2022	<u>\$ 1,533,558</u>	<u>192,577</u>	<u>1,838</u>	<u>-</u>	<u>1,727,973</u>
Balance at December 31, 2022	<u>\$ 1,115,263</u>	<u>188,659</u>	<u>1,714</u>	<u>192,949</u>	<u>1,498,585</u>

The Company acquired a parcel of land to be used as its production base according to the resolution approved during the board meeting held on June 24, 2020. However, the Company decided to dispose the said land in order to increase its working capital and improve its financial structure. Hence, it entered into a sales agreement with a non-related party on March 29, 2022 for the disposal of the land, at the amount of \$456,048 (deducting related transaction cost), based on the decision made during the board meeting held on March 23, 2022, resulting in the amount of \$37,753 to be recognized as gain on disposal of property, plant and equipment, with the payment having been fully collected.

As of December 31, 2023, the balance of construction in progress and prepayments for equipment amounted to \$282,928, and the unrecognized contractual commitments were \$10,500. As of the reporting date, all of these amounts have been paid and the inspection process has been completed, and were reclassified into properties and related equipment.

As of December 31, 2023 and 2022 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.

(g) 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, 2023	\$ 9,495
Additions	<u>1,976</u>
Balance on December 31, 2023	<u>\$ 11,471</u>
Balance on January 1, 2022 (Same balance as December 31, 2022)	<u>\$ 9,495</u>
Accumulated depreciation and impairment losses:	
Balance on January 1, 2023	\$ 8,225
Depreciation	<u>1,654</u>
Balance on December 31, 2023	<u>\$ 9,879</u>
	<u>Transportation</u>
Balance on January 1, 2022	\$ 5,160
Depreciation	<u>3,065</u>
Balance on December 31, 2022	<u>\$ 8,225</u>
Book value:	
Balance on December 31, 2023	<u>\$ 1,592</u>
Balance on December 31, 2022	<u>\$ 1,270</u>

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Balance on January 1, 2022 \$ 4,335

(h) Investment Property

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

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Cost:			
Balance on January 1, 2023 (Same balance as December 31, 2023)	<u>\$ 136,906</u>	<u>52,979</u>	<u>189,885</u>
Balance on January 1, 2022	\$ 152,640	63,116	215,756
Disposal	(15,734)	(10,137)	(25,871)
Balance on December 31, 2022	<u>\$ 136,906</u>	<u>52,979</u>	<u>189,885</u>
Depreciation:			
Balance on January 1, 2023	\$ -	17,053	17,053
Depreciation	-	1,039	1,039
Balance on December 31, 2023	<u>\$ -</u>	<u>18,092</u>	<u>18,092</u>
Balance on January 1, 2022	\$ -	20,594	20,594
Depreciation	-	1,187	1,187
Disposal	-	(4,728)	(4,728)
Balance on December 31, 2022	<u>\$ -</u>	<u>17,053</u>	<u>17,053</u>
Book Value:			
Balance on December 31, 2023	<u>\$ 136,906</u>	<u>34,887</u>	<u>171,793</u>
Balance on December 31, 2022	<u>\$ 136,906</u>	<u>35,926</u>	<u>172,832</u>
Fair Value:			
Balance on December 31, 2023		<u>\$ 535,534</u>	
Balance on December 31, 2022		<u>\$ 480,488</u>	

The Company's chairman decided to sell certain investment properties of the Company in the first half of 2022. Therefore, the Company entered into a sales agreement with a non-related party on July 22, 2022 for the disposal of the aforementioned investment properties, at the amount of \$94,886 (deducting related transaction cost), resulting in the amount of \$72,398 to be recognized as gain on disposal of property, plant and equipment. The transfer of the title deed had completed in September, 2022.

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

As of December 31, 2023 and 2022, the Company pledge investment properties as collateral. Please refer to note (8) for details.

(i) Short-term loans

The short-term loans were summarized as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Credit Loan	\$ 20,000	-
Secured Loan	-	40,000

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	<u>\$ 20,000</u>	<u>40,000</u>
Unused credit lines for short-term loans	<u>\$ 2,166,432</u>	<u>1,924,944</u>
Annual interest rates	<u>1.00%~1.47%</u>	<u>1.95%</u>

- (i) The main management was the guarantor of short-term loan contracts. Please refer to note (7).
- (ii) For information on interest rate and liquidity risk exposure, please refer to note (6)(t).
- (iii) As of December 31, 2023 and 2022, the Company provided part of its assets as collateral for short term loans. Please refer to note (8) for details.
- (j) Long-term loans

The long-term loans were summarized as follows:

<u>December 31, 2023</u>				
	<u>Currency</u>	<u>Range of interest rates</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	TWD	<u>0.5%~1.95%</u>	2028~2041	<u>\$ 433,900</u>
Current				\$ -
Non-current				433,900
Total				<u>\$ 433,900</u>
Unused long-term credit lines				<u>\$ 952,100</u>
<u>December 31, 2022</u>				
	<u>Currency</u>	<u>Range of interest rates</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	TWD	<u>1.5%~1.85%</u>	2023~2041	<u>\$ 1,334,900</u>
Current				\$ -
Non-current				1,334,900
Total				<u>\$ 1,334,900</u>
Unused long-term credit lines				<u>\$ 681,100</u>

- (i) The main management was the guarantor of long-term loan contracts, please refer to note (7).
- (ii) The Company increased its long-term loans of \$199,000 and \$804,900 for the year ended December 31, 2023 and 2022, respectively. Due to the changes in its capital use and inter rates, the Company repaid the amounts of \$1,100,000 and \$1,110,000 for the year ended December 31, 2023 and 2022, respectively.
- (iii) For information on interest rate and liquidity risk, please refer to note (6)(t).
- (iv) As of December 31, 2023 and 2022, the Company provided part of its assets as collateral for long-term loans. Please refer to note (8) for details.
- (k) Bonds payable

The Company issued the third domestic secured corporate bond on November 16, 2023. The information was as follows:

- (i) The details of bonds payable were as follows:

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	December 31, 2023
Total convertible corporate bonds issued	\$ 400,000
Unamortized discounts on bonds payable	(22,089)
Balance of bonds payable as of reporting date	<u>\$ 377,911</u>
Embedded derivatives – call option (recorded as financial assets at fair value through profit or loss – non-current)	<u>\$ 1,640</u>
Equity component – conversion options (recorded as capital surplus)	<u>\$ 67,093</u>
Interest expense	<u>\$ 619</u>

- (ii) The Company separated conversion option from liabilities, and recognized as equity and liability. The related information was as follows:

	The third
The compound interest present value of the convertible bonds face value at issuance	\$ 382,560
The embedded derivative asset at issuance – call option	(1,400)
The equity components at issuance	68,030
Total amount of the convertible bonds at issuance	<u>\$ 449,190</u>
Issuance costs	<u>\$ 6,185</u>

The effective interest rate of the third issued of convertible bonds is 1.9672%.

- (iii) The significant terms of the third issued convertible bonds were as follows:

- 1) Term: 3 years (November 16, 2023~ November 16, 2026)
- 2) Interest rate: 0%.
- 3) Guarantee situation:

Mega International Commercial Bank Co., Ltd. and Hua Nan Commercial Bank, Ltd. served as the guarantee banks for the convertible corporate bonds. Each guarantee bank is only responsible for guaranteeing within its respective scope, with the distribution of guarantee responsibilities being 50% for Mega International Commercial Bank Co., Ltd. and 50% for Hua Nan Commercial Bank, Ltd. They do not bear joint liability.

- 4) Redemption at the option of the Company:
 - a) Within the period between three months after the issuance date (February 17, 2024) and 40 days before the last convertible date (October 6, 2026), if the closing price of the Company's common stock listed on the Taiwan Stock Exchange exceeds 30% of the conversion price for 30 consecutive business days, then the Company could redeem the bonds at face value of the corporate bonds in cash.
 - b) Within the period between three months after the issuance date (February 17, 2024) and 40 days before the last convertible date (October 6, 2026), if the remaining amount of the convertible bonds is less than 10% of the total par value, then the Company could redeem the bonds at face value of the corporate bonds in cash.

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- 5) Repurchase at the option of bondholders: None.
- 6) Terms of conversion:
- a) The bondholders may request the conversion of the convertible bonds into the Company's common stock at the par value and conversion price at the time of the request, at any time between three months after the issuance date (February 17, 2024) and the maturity date (November 16, 2026), except for the following periods:
- The period starts from 15 business days before the book closure date for issuance of the bonus shares, book closure date for cash dividends, book closure date for rights issue, to the record date for distribution of entitlements;
 - The period starts from the base date of capital reduction to the day before the transaction of reissue of shares after the capital reduction;
 - The period starts from the starting date of the suspension of conversion for the change of the stock's par value to the date before the trading date of the reissuance shares;
 - The period in which transfer common stocks is suspended by laws.
- b) The conversion Price: The conversion price was NT\$43.5 per share at issuance.

(l) Lease liabilities

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	\$ 655	1,292
Non-current	\$ 945	-

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

The amounts recognized in profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	\$ 21	44
Expenses relating to short-term leases	\$ 1,031	323
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 120	97

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

	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	\$ 2,840	3,557

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.

(m) Operating lease—Leases as lessor

The Company leases out its investment property, which has been classified as operating

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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)(h) for the information about the operating leases of investment property.

As of December 31, 2023 and 2022, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Less than one year	\$ 11,829	13,006
Between two and five years	16,629	28,457
Total undiscounted lease payment	<u>\$ 28,458</u>	<u>41,463</u>

The lease revenue from investment properties were \$12,022 and \$13,797 in 2023 and 2022, respectively.

(n) Employee benefits

(i) 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 \$4,011 and \$3,935 for the years ended December 31, 2023 and 2022, respectively.

(o) Income taxes

(i) Income tax expenses

1) The amount of income tax for 2023 and 2022 was as follows:

	<u>2023</u>	<u>2022</u>
Current tax expense		
Current period	\$ 21,854	49,769
Adjustment for prior period	-	(2,592)
	<u>21,854</u>	<u>47,177</u>
Deferred tax expense (benefits)		
Origination and reversal of temporary differences	(2,935)	(3,697)
	<u>(2,935)</u>	<u>(3,697)</u>
Income tax expense	<u>\$ 18,919</u>	<u>43,480</u>

2) Reconciliation of income tax and profit before tax for 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Profit excluding income tax	\$ 272,063	263,696
Income tax using the Company's domestic tax rate	54,413	52,739

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Over provision in prior periods	-	(2,592)
Tax-exempt income	-	(20,438)
House and land transactions income tax	-	15,218
Others	(35,494)	(1,447)
	<u>\$ 18,919</u>	<u>43,480</u>

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities: None.
- 2) Recognized deferred tax assets

	<u>Others</u>
Deferred tax liabilities:	
Balance on January 1, 2023	\$ -
Recognized in (profit) or loss	<u>188</u>
Balance on December 31, 2023	<u>188</u>
	<u>Unrealized exchange losses and others</u>
Deferred tax assets:	
Balance on January 1, 2023	\$ 5,402
Recognized in profit or (loss)	<u>3,123</u>
Balance on December 31, 2023	<u>\$ 8,525</u>
Balance on January 1, 2022	\$ 1,705
Recognized in profit or (loss)	<u>3,697</u>
Balance on December 31, 2022	<u>\$ 5,402</u>

(iii) The Company's tax returns for the years through 2021 were assessed by the Taipei National Tax Administration.

(iv) Income tax payment

The Company's profit-seeking enterprise income for 2022 shows a voluntary supplementary payment of \$46,030. Due to the impact of COVID-19, the company has applied to the National Taxation Bureau of Taipei, Ministry of Finance for a 36-month installment plan. As of December 31, 2023, a total of \$8,951 has been paid, leaving a remaining balance of \$37,079. The amount due within one year is \$15,343, while the amount due after one year is \$21,736. These amounts have been classified as current and non-current income tax liabilities in this reporting period, respectively.

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2023 and 2022, the authorized common stocks were both \$3,000,000, with a par value of 10 New Taiwan dollars per share, and of which both \$195,935 thousand shares were issued. All issued shares were paid up upon

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issuance.

(ii) Ordinary shares

Based on a resolution approved in the special shareholders' meeting held on March 9, 2022, the Board of Directors was authorized to increase the capital by issuing ordinary shares in the limit of 70,000 thousand shares through private placement within one year. On March 23, 2022, the Board of Directors decided to issue 40,000 thousand ordinary shares at a premium of \$13.5 per share through private placement, with a par value of \$10 per share, amounting to \$400,000. The amount of \$140,000 was recognized as additional paid-in capital. The base date for the capital increase was March 14, 2022, and the related registration procedures had been completed.

The transfer of the aforementioned private placement of ordinary shares and any subsequently obtained bonus shares would be subject to Article 43-8 of Securities and Exchange Act. After three years from the date of the delivery of the private placement ordinary shares, the Company shall first apply to the Financial Supervisory Commission for a public offering before applying for listing and trading on the Taiwan Stock Exchange.

(iii) Capital surplus

The balances of capital surplus as of 2023, were as follows:

	December 31, 2023	December 31, 2022
Additional paid-in capital	\$ 150,551	150,551
Difference between consideration and carrying amount of subsidiaries acquired or disposed	163,012	163,012
Convertible bonds-conversion options	67,093	-
	\$ 380,656	313,563

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.

(iv) 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.

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,

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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

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve in 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 2022 approved in the shareholders meeting held on June 16, 2023 was \$58,781 by cash dividends. The relevant information can be accessed from the Market Observation Post System. The Company does not intend to distribute retained earnings in 2021 due to net loss after tax.

(q) Earnings per share

For the years ended December 31, 2023 and 2022, the Company's earnings per share were calculated as follows:

	<u>2023</u>	<u>2022</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 253,144</u>	<u>220,216</u>
Weighted-average number of ordinary shares (share in thousands)	<u>195,935</u>	<u>188,045</u>
	<u>\$ 1.29</u>	<u>1.17</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (basic)	253,144	-
Interest expense and other gains or losses of convertible bonds	379	-
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	<u>\$ 253,523</u>	<u>220,216</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	195,935	188,045
Effect of employee stock remuneration	214	406
Effect of convertible bonds	1,159	-
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>197,308</u>	<u>188,451</u>
	<u>\$ 1.28</u>	<u>1.17</u>

(r) Revenue from contracts with customers

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(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Primary geographical markets		
Taiwan	\$ 412,512	505,503
USA	1,798,328	2,006,954
Others	358,669	687,923
	<u>\$ 2,569,509</u>	<u>3,200,380</u>
Major product		
PC and server chassis	\$ 2,474,195	2,932,000
Mobile device components	-	161,101
Mold	95,314	107,279
	<u>\$ 2,569,509</u>	<u>3,200,380</u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Trade receivable	\$ 925,199	1,314,382	1,098,698
Less: Loss allowance	(193)	(271)	(440)
Total	<u>\$ 925,006</u>	<u>1,314,111</u>	<u>1,098,258</u>

(s) Remunerations to employee and directors

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 \$7,000, and the remuneration to directors and supervisors were \$1,500 for the year ended December 31, 2023 and 2022. 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. There was no difference in the actual amount and the estimated amount for the year 2022. The related information would be available at the Market Observation Post System website.

(t) Financial Instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets represents the

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maximum amount exposed to credit risk.

2) Concentration to credit risk

The customers of the Company are mainly high tech companies, trade receivables have 94% and 95% are composed by five clients in December 31, 2023 and 2022. Thus, the company has concentration to credit risk situation.

(ii) Receivable securities

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

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

Expect for bank loans and lease liabilities, 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, 2023					
Bank loans	\$ 453,900	(459,346)	(20,294)	-	(439,052)
Notes and trade payables (including related parties)	1,099,803	(1,099,803)	(1,099,803)	-	-
Lease liabilities (including current and non-current)	1,600	(1,631)	(675)	(675)	(281)
Bonds payable	377,911	(400,000)	-	-	(400,000)
Other payables	62,065	(62,065)	(62,065)	-	-
Guarantee deposits	4,238	(4,238)	-	-	(4,238)
	<u>\$ 1,999,517</u>	<u>(2,027,083)</u>	<u>(1,182,837)</u>	<u>(675)</u>	<u>(843,571)</u>
December 31, 2022					
Bank loans	\$ 1,374,900	(1,399,014)	(40,780)	-	(1,358,234)
Notes and trade payables (including related parties)	838,132	(838,132)	(838,132)	-	-
Lease liabilities (including current and non-current)	1,292	(1,300)	(1,300)	-	-
Other payables	89,695	(89,695)	(89,695)	-	-
Guarantee deposits	4,238	(4,238)	-	-	(4,238)
	<u>\$ 2,308,257</u>	<u>(2,332,379)</u>	<u>(969,907)</u>	<u>-</u>	<u>(1,362,472)</u>

The Company 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 Company's significant exposure to foreign currency risk was as follow:

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	December 31, 2023			December 31, 2022			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets							
Monetary items							
USD to NTD	\$	33,887	30.705	1,040,500	43,962	30.71	1,350,073
Financial liabilities							
Monetary items							
USD to NTD		35,305	30.705	1,084,040	26,746	30.71	821,370

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, 2023 and 2022, would have affected the net profit before tax by \$2,177 and \$26,435, 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:

	2023	2022
	Exchange profit (loss)	Exchange profit (loss)
NTD	\$ (21,924)	111,201

(v) Interest Rate analysis

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

	Carrying amount	
	December 31, 2023	December 31, 2022
Variable rate instruments:		
Financial assets	\$ 153,557	75,931
Financial liabilities	453,900	1,374,900

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 \$751 and \$3,247 for the years ended December 31, 2023 and 2022, respectively, which would have mainly resulted from the bank

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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.

	December 31, 2023				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss (including current and non-current)					
Non-derivative financial assets mandatorily measured at fair value through profit or loss					
— Beneficiary certificate-Funds	\$ 990	990	-	-	990
Mandatorily measured at fair value through profit or loss					
— Forward exchange contract	709	-	709	-	709

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Guarantee deposits	<u>4,238</u>	-	-	-
	<u>\$ 2,308,257</u>			

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

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

a) Financial assets and financial liabilities measured at amortized cost

If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

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.

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 nonactive 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.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow or option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

6) Reconciliation of Level 3 fair values

**Fair value
through profit
or loss**

**Derivative
financial assets—
convertible bonds**

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Balance on January 1, 2023	\$	-
Issue		1,400
Total gains and losses recognized		
In profit or loss		240
In other comprehensive income		-
Balance on December 31, 2023	<u>\$</u>	<u>1,640</u>

7) Quantitative information on significant unobservable inputs (Level 3 used in fair value measurement)

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – call option of convertible bonds".

Most of fair value measurements categorized within Level 3 use the single and significant unobservable inputs. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of the equity instruments are independent from each other, as a result, there is no relevance between them.

Quantitative information of significant unobservable inputs was as follows:

<u>Items</u>	<u>Valuation Technique</u>	<u>Significant input of unobservable</u>	<u>The relative between input and fair value</u>
Financial assets at fair value through profit or loss – call option of convertible bonds	Binomial convertible bonds pricing models	Volatility (59.13% as of December 31, 2023)	The higher the volatility is, the higher the fair value will be.

8) Fair value measurements in Level 3 – sensitivity analysis of reasonable alternative assumptions

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For fair value measurements in Level 3, changing one or more of the

assumptions to reflect reasonably possible alternative assumptions would have the following effects:

	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2023				
Financial assets at fair value through profit or loss – call option of convertible bonds	Volatility	5%	<u>\$ 280</u>	<u>(320)</u>

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a

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single input, and it does not include the interrelationships with another input.

(u) Financial risk management

(i) Briefings

The Company is have exposed to the following risks arising from financial instruments :

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

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

(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, 2023 and 2022, 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.

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The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to note (6)(i) and note (6)(j) for unused short-term and long-term bank facilities as of December 31, 2023 and 2022.

(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.

(v) 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 2023 and 2022 as follow:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Total liabilities	\$ 2,059,956	2,355,544
Total assets	5,318,410	5,373,677
Debt-to-asset ratio	39%	44%

As of December 31, 2023, the capital management method do not change.

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

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Reconciliation of liabilities arising from financing activities for the years ended December 31, 2023 and 2022 were as follows:

	January 1, 2023	Cash flows	Non-cash flows		December 31, 2023
			Additions	Write-off	
Long term loans	\$ 1,334,900	(901,000)	-	-	433,900
Short term loans	40,000	(20,000)	-	-	20,000
Bonds payable	-	443,005	-	(65,094)	377,911
Lease liabilities	1,292	(1,668)	1,976	-	1,600
Guarantee deposits	4,238	-	-	-	4,238
Total liabilities from financing activities	<u>\$ 1,380,430</u>	<u>(479,663)</u>	<u>1,976</u>	<u>(65,094)</u>	<u>837,649</u>

	January 1, 2022	Cash flows	Non-cash flows		December 31, 2022
			Additions	Write-off	
Long term loans	\$ 1,640,000	(305,100)	-	-	1,334,900
Short term loans	799,200	(759,200)	-	-	40,000
Lease liabilities	4,385	(3,093)	-	-	1,292
Guarantee deposits	3,530	708	-	-	4,238
Total liabilities from financing activities	<u>\$ 2,447,115</u>	<u>(1,066,685)</u>	<u>-</u>	<u>-</u>	<u>1,380,430</u>

(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) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	2023	2022
Subsidiary:		
Dongguan Chenming Electronic Co., Ltd.	\$ 2,293,296	3,011,209
Chenming Electronic (Ningbo) Co., Ltd.	5,204	7,150
	<u>\$ 2,298,500</u>	<u>3,018,359</u>

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

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financial needs.

(ii) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade payables	Subsidiary-Dongguan Chenming Electronic Co., Ltd.	\$ 1,097,219	825,955
Trade payables	Subsidiary-Chenming Electronic (Ningbo) Co., Ltd.	979	2,235
		<u>\$ 1,098,198</u>	<u>828,190</u>

(iii) Lease

The Company rents parts of its office and miscellaneous equipment to its chairman and collects monthly rental from them since August 2011. The rental fee is determined based on nearby office rental rates. The rental revenue for the years ended December 31, 2023 and 2022 were both \$3,429.

(iv) Guarantee

- 1) Chairman of the company, Mu-Ho Lin, was the guarantor of the syndication contract as of December 31, 2023 and 2022, respectively.
- 2) The Company had provided a guarantee for loans taken out by subsidiary as follows:

	<u>2023</u>	<u>2022</u>
Chenming Electronic (Ningbo) Co., Ltd.	\$ 51,924	52,896
Dongguan Chenming Electronic Co., Ltd.	298,688	301,145
	<u>\$ 350,612</u>	<u>354,041</u>

(v) Other

The Company dispatched its employees to its subsidiaries for providing management services. As of December 31, 2023 and 2022, the relative revenue amounted to \$3,061 and \$3,284, respectively, which was recognized in other income.

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	<u>2023</u>	<u>2022</u>
Short-term employee benefits	\$ 5,152	5,213
Post-employment benefits	108	108
	<u>\$ 5,260</u>	<u>5,321</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Object</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
PPE and investment properties	Short-term loans and long-term		

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— land and rights-of-use land	loans	\$	1,252,169	1,252,170
— properties	"		221,009	224,582
		\$	<u>1,473,178</u>	<u>1,476,752</u>

(9) Commitments and contingencies:

The Group's unrecognized contractual commitments were as follows:

	December 31, 2023	December 31, 2022
Acquisition of property, plant and equipment	\$ 10,500	89,314

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None

(12) Other:

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

By function By item	2023			2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	-	85,935	85,935	-	87,748	87,748
Labor and health insurance	-	9,197	9,197	-	8,828	8,828
Pension	-	4,011	4,011	-	3,935	3,935
Remuneration of directors	-	1,500	1,500	-	1,500	1,500
Others	-	4,390	4,390	-	4,518	4,518
Depreciation	-	6,399	6,399	-	7,952	7,952
Amortization	-	1,683	1,683	-	1,489	1,489

	2023	2022
Number of employees	81	79
Non-employees directors	5	5
Average labor cost	\$ 1,362	1,419
Average salary and bonus	\$ 1,131	1,186
Percentage change in average salary and bonus	(4.6)%	20.4%
Remuneration of supervisor	\$ -	-

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.

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- (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's 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.

(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:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Trade receivables due from related parties	Yes	184,230	184,230	122,820	5.88795% 6.69133%	Short-term financial	-	Operating demand	-	-	-	2,422,638 (note 1)	2,422,638 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	Yes	112,502	112,502	112,502	4.15%	"	-	"	-	-	-	468,580 (note 2)	468,580 (note 2)
3	Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC (NINGBO) CO., LTD	"	Yes	56,251	56,251	-	4.15%	"	-	"	-	-	-	368,605 (note 3)	368,605 (note 3)

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 \$2,422,638. 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 \$2,422,638.

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 \$468,580 (\$1,171,450*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 \$468,580 (\$1,171,450*40%).

Note 3: 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 Dongguan Chenming Electronic Co., Ltd, which amounted to \$368,605 (\$921,512*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 \$368,605 (\$921,512*40%).

- (ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and	Highest balance for guarantees and	Balance of guarantees and endorsements	Actual usage amount	Property pledged for guarantees	Ratio of accumulated amounts of guarantees and endorsements to net worth	Maximum amount for guarantees	Parent company endorsements/ guarantees to	Subsidiary / endorsements guarantees to third parties	Endorsements/ guarantees to third parties on behalf of
		Name	Relationship with the Company										

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				endorsements for a specific enterprise	endorsements during the period	as of reporting date	during the period	and endorsement amounts (Amount)	of the latest financial statements	and endorsement amounts	third parties on behalf of subsidiary	on behalf of parent company	companies in mainland China
1	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	100% owned subsidiary	1,303,382 (note 1)	51,924	51,924	-	-	1.59%	2,606,763 (note 1)	Yes	No	Yes
2	The Company	Dongguan Chenming Electronic Co., Ltd	100% owned subsidiary	1,303,382 (note 1)	298,688	298,688	-	-	9.17%	2,606,763 (note 1)	Yes	No	Yes
						350,612							
3	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Both are subsidiaries of the Company	468,580 (note 2)	168,878	-	-	-	%	937,160 (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 \$1,303,382. (\$3,258,454*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 \$2,606,763 (\$3,258,454*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 \$468,580. (\$1,171,450*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 \$937,160 (\$1,171,450*80%).

- (iii) Securities held as of December 31, 2023 (excluding investment in subsidiaries, associates, and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Beneficiary certificate: Mega Global Bond ETF Strategic Income Fund	-	Current financial assets at fair value through profit or loss	100	990	-	990	-

- (iv) Individual securities acquired or disposed of with an accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with an amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

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	2,293,296	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 (1,097,219)	(100) %	
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,293,296)	(65) %	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 1,097,219	70 %	

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

(In Thousands of New Taiwan Dollars)

(English Translation of Financial Report Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to Financial Statements

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 1,097,219	2.38	-	-	441,054	-	
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	The company's ultimate parent company is the same	Other current financial assets 147,198	-	-	-	-	-	Note 2
CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	The company's ultimate parent company is the same	Other current financial assets 114,225	-	-	-	-	-	Note 3

Note 1: The accumulated received balance as of March 5, 2024.

Note 2: Including interest receivables \$24,378.

Note 3: Including interest receivables \$1,723.

(ix) Trading in derivative instruments: Please refer to notes (6)(b).

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2023 (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, 2023			Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,137,711	2,166,745	64,558	100%	2,422,638	178,427	178,427	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100%	70	(205)	(205)	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY (THAILAND) Co., LTD.	Thailand	Computer case and production of relative components	35,097	-	5,225	100%	34,910	(476)	(476)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC	Samoa	Investment	1,471,994	1,471,994	45,988	100%	1,094,489	138,900	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	773,534	802,568	22,410	100%	1,171,573	32,620	"	"

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/In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2023	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2 and 3)	Carrying amount as of December 31, 2023 (note 3)	Accumulated earnings as of December 31, 2023
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,980,473 (USD64,500)	notes 1 and 6	688,099 (USD22,410)	-	-	688,099 (USD22,410)	33,316	100%	33,316	1,171,450	-
Dongguan Chenming Electronic Co., Ltd	"	889,769 (USD28,978) (note 5)	notes 1 and 7	764,555 (USD24,900)	-	-	764,555 (USD24,900)	168,206	100%	168,206	921,512	-
UNEEC ELECTRONIC	"	30,705	notes 1 and 6	30,705	-	28,648	-	(816)	- %	(816)	-	-

(English Translation of Financial Report Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to Financial Statements

KUNSHAN) CO., LTD	"	(USD1,000)	(USD1,000)	(USD933)					(note 9)
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(ii) Limitation on investment in mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2023	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	1,454,711 (USD47,377)	1,645,082 (USD53,577)	Unlimited (note 8)

- 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 reviewed by the Company's independent external auditors.
Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$30.705 as of December 31, 2023.
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 in Mainland China through TOP CITY INTERNATIONAL LIMITED and PEAK SHREWD INC.
Note7: Investment in Mainland China through TOP CITY INTERNATIONAL LIMITED and GERSHWIN INTERNATIONAL LIMITED.
Note8: 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.
Note9: In September 2023, the liquidation process had been completed.

(iii) Significant transactions:

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

(d) Major shareholders:

(Unit: Share)

Shareholder's Name	Shareholding	Shares	Percentage
SHANG MEI PRECISION INDUSTRIAL CO., LTD		35,000,000	17.86%
Lin, Mu-Ho		29,991,230	15.30%

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, 2023

(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	8,181
	Foreign currency (US\$3,810 thousand ; JPY\$339 thousand ; RMB\$6,542 thousand ; THB\$74)	<u>145,426</u>
		<u>\$ 153,657</u>

Note : The exchange rate is 30.705 New Taiwan dollars for 1 U.S. dollar ; 0.2172 New Taiwan dollars for 1 JPY ; 4.327 New Taiwan dollars for 1 RMB ; 0.9017 New Taiwan dollars for 1 THB.

**Statement of financial assets measured at fair value
through other comprehensive income - current**

Please refer note (6)(b).

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Trade Receivables

December 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Trade Receivables:		
Non-Related party:		
E Company	Non-Related party operating income	\$ 655,292
EE Company	"	112,950
CC Company	"	69,424
Other (Note)	"	<u>87,533</u>
Total		925,199
Less: Loss allowance		<u>(193)</u>
Trade Receivables, net		<u><u>\$ 925,006</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, 2023

(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	65,558	\$ 2,294,672	-	-	(1,000)	(29,034)	178,427	(21,427)	64,558	100%	2,422,638	2,422,638	None
CHENMING ELECTROONIC TECHNOLOGY USA, Inc.	200	272	-	-	-	-	(205)	3	200	100%	70	70	None
CHENMING ELECTRONIC TECHNOLOGY (THAILAND) CO., LTD.	-	-	5,225	35,097	-	-	(476)	289	5,225	100%	34,910	34,910	None
		<u>\$ 2,294,944</u>		<u>35,097</u>		<u>(29,034)</u>	<u>177,746</u>	<u>(21,135)</u>			<u>2,457,618</u>	<u>2,457,618</u>	

Note1: The increase is due to the setup of a subsidiary for \$35,097.

Note2: The decrease is attributed to the capital decrease by cash for \$29,034.

CHENMING ELECTRONIC TECHNOLOGY CORP.
Statement of Changes in Property, Plant and Equipment
December 31, 2023 and 2022

Please refer to Note 6(h).

Statement of Changes in Investment Property

Please refer to Note 6(h).

Statement of Short-Term Borrowings

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest Rate</u>	<u>Loan commitments</u>	<u>Collaterals or Pledged assets</u>
Cathay United Bank	Credit Loans	<u>\$ 20,000</u>	2024.5.28	Please refer to note (6)(i)	140,000	None

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Long-Term Loans

December 31, 2023

(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>Clooterals or Pledged assets</u>
		<u>Loan within 1 year</u>	<u>Loan more than 1 year</u>			
Hua Nan Commercial Bank	Secured Loans	<u>\$ -</u>	<u>433,900</u>	Please refer to Note 6(j)	2041.11	Land, Properties and investment properties

Statement of Notes and Trade Payables

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Trade payables:		
Dongguan Chenming Electronic Co., Ltd	Related party operating cost	\$ 1,097,219
Other (Note)	Related party and Non-Related party operating cost	<u>2,584</u>
		<u>\$ 1,099,803</u>

Note : Items that do not reach the five percent benchmark for this account.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Operating Revenue

For the year ended December 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Item	Number – pieces in thousand	Amount
Sales revenue:		
Computer and server case	859	\$ 2,476,319
Less: Sales discount		<u>(2,124)</u>
		2,474,195
Mold revenue		95,314
Less: Sales discount		<u>-</u>
Net sales revenue		<u><u>\$ 2,569,509</u></u>

Statement of Operating Costs

Item	Amount
Raw materials, beginning of year	\$ -
Add: Purchase of raw material	18,232
Less: Raw materials, end of year	<u>(47)</u>
Raw materials used	18,185
Add: Work-in-process, beginning of year	-
Less: Work-in-process, end of year	-
Cost of finished goods	18,185
Finished goods, beginning of year	1,244
Finished goods purchased	2,293,296
Less: Finished goods, end of year	<u>(5,240)</u>
Total	<u><u>\$ 2,307,485</u></u>

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Operating Expenses

For the year ended December 31, 2023

(Expressed in Thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expenses
Payroll expenses	\$ 23,524	44,093	18,318
Travel expenses	2,489	992	1,287
Insurance expenses	2,567	4,814	1,815
Depreciation expenses	1,135	5,141	123
Entertainment expenses	2,738	1,076	694
Professional service fees	-	7,163	-
Safety and health expenses	-	6,010	-
Other (Note)	4,776	23,922	4,559
Total	\$ 37,229	93,211	26,796

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: NT\$ thousand

Item \ Year	2022	2023	Variation	
			Amount	%
Current assets	4,148,792	3,759,806	(388,986)	(9.38)
Long-term investments	0	0	0	0.00
Fixed assets	2,515,016	2,234,718	(280,298)	(11.14)
Other assets	438,379	528,669	90,290	20.60
Total assets	7,102,187	6,523,193	(578,994)	(8.15)
Current liabilities	2,722,875	2,399,718	(323,157)	(11.87)
Long-term liabilities	1,334,900	433,900	(901,000)	(67.50)
Other liabilities	26,279	431,121	404,842	1,540.55
Total liabilities	4,084,054	3,264,739	(819,315)	(20.06)
Share capital	1,959,350	1,959,350	0	0.00
Capital reserve	313,563	380,656	67,093	21.40
Retained earnings	795,688	990,051	194,363	24.43
Other equity items	(50,468)	(71,603)	(21,135)	41.88
Total shareholders' equity	3,018,133	3,258,454	240,321	7.96

Explanation to major variations:

1. Other assets: Increase in investment real estate and prepaid land payments
2. Long-term liabilities: repay long-term borrowings
3. Other liabilities: Issuance of domestic secured convertible corporate bonds.
4. Capital surplus: The issuance of domestic guaranteed convertible corporate bonds resulted in an increase in capital reserve options.
5. Retained earnings: Due to increase in current net income.
6. Other equity: Mainly due to the decrease in exchange differences in the translation of financial statements of foreign operating institutions.

Note 1: All above financial information was taken from audited consolidated financial statements.

Note 2: Explanations are provided for variations above 20% and amounting to NT\$10 million or higher.

Note 3: Percentages are calculated on same accounts shown in different financial statements

Note 4: Variation percentage is calculated by designating previous year's value at 100%

II. Business performance

Unit: NT\$ thousand

Item \ Year	2022	2023	Variation	Variation %
Operating revenue				
Sales revenue	6,519,734	6,461,562	(58,172)	(0.89)
Less: Sales return	0	0	0	0.00
Sales discount	0	0	0	0.00
Net operating revenues	6,519,734	6,461,562	(58,172)	(0.89)
Operating costs	5,958,702	5,698,434	(260,268)	(4.37)
Gross profit	561,032	763,128	202,096	36.02
Operating expenses	432,946	535,514	102,568	23.69
Operating profit	128,086	227,614	99,528	77.70
Non-operating revenues	169,498	125,208	(44,290)	(26.13)
Non-operating expenses	25,465	60,656	35,191	138.19
Pre-tax profit	272,119	292,166	20,047	7.37
Income tax expense	51,903	39,022	(12,881)	(24.82)
Net income	220,216	253,144	32,928	14.95

(I) Explanation to major variations:

1. Increase in operating gross profit: mainly due to the decrease in operating costs.
2. Operating expenses: due to the increase in main administrative expenses.
3. Operating profit: The main reason is the reduction of operating costs.
4. Decrease in non-operating revenues: Due to fluctuation of foreign currency exchange rate.
5. Non-operating expenses increased: due to the disposal of assets.
6. Income tax expenses decreased: Decrease in income tax expenses: mainly due to the decrease in the combined real estate and land tax.

(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 calculated by designating previous year's value at 100%

III. Cash flow

(I) Liquidity analysis for the last 2 years

Item \ Year	2022	2023	Variation (%)
Cash flow ratio	42.82	57.51	34%
Cash flow adequacy ratio	55.57	91.96	65%
Cash reinvestment ratio	23.46	30.26	29%
Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio increased: Due to increased cash flow from operating activities.			

(II) Improvements for lack of liquidity: The Company's current ratio stood at 156.68%, which presents no concern for lack of liquidity.

(III) Liquidity analysis for the next year

Unit: NT\$ thousand

Opening cash balance (1)	Projected yearly net cash flow from operating activities (2)	Projected cash outflow for the year (3)	Projected cash surplus (deficit) (1)+(2)-(3)	Remedy for estimated cash shortage	
				Investment plans	Financing plans
824,699	410,415	378,138	856,976	0	0
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 impact on business performance:

- (I) Major capital spendings and source of capital: None.
 (II) Expected benefits: None.

V. Causes of profits or losses incurred on investments in the last year, and any improvements or investments planned for the next year:

The Company operates as an operations center in Taiwan, and establishes production sites overseas. Investment gains in 2023 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.

1. The derivatives held by the Company are forward foreign exchange transactions. Since the trading counterparts are international financial institutions with outstanding credit, the possibility of default of the counterparts is very low. Therefore, the Company's derivative transactions involving low credit risk. The Company held derivatives primarily for hedging, and the resulting gains and losses will offset the gains and losses on the hedge items. Therefore, the market risk is very low.
2. All external party lending, endorsement, guarantee, and derivative trading activities are executed according to the Company's "Procedures for Loaning of Funds to Others and Endorsements/Guarantees" and "Procedures for Acquisition or Disposal of Assets."
3. 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) Development of 2U MGX Server design.
 - (2) Development of standardized immersion cooling equipment.
 - (3) Development of liquid-cooling cabinets/energy-saving cabinets.
 - (4) Development of EV chargers/energy storage systems/outdoor units etc.
 - (5) Development of new 4U standard product server.
 - (6) Continued development of testing, validation, and cooling solutions for various heat transfer and heat dissipation methods.
- 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\$60 million on R&D in 2024 to achieve the above targets.

(IV) Financial impacts and response measures in the event of changes in local and foreign regulations

The Company conducts its business in accordance with important domestic and foreign policies and laws and regulations, constantly pays attention to the development trends of important domestic and foreign policies and legal changes, and adopts appropriate countermeasures in response to changes in the market environment. As of the date of publication of the annual report, the Company's finance and business have not yet been

affected by changes in important domestic and foreign policies and laws.

(V) Financial impacts and response measures in the event of technological or industrial changes (including cybersecurity risks):

In order to meet the changes in the product market and the needs of customers, the Company needs to continue to change production processes and develop new technologies, as well as update equipment in a timely manner, expand production capacity, implement automated production equipment and intelligent process management to improve production efficiency and product quality, and provide more comprehensive service to customers to expand market presence and establish differential competitive advantages. In order to diversify the risks caused by industrial changes, and strengthen cost control and cash management to maintain the Company's competitiveness, and control the impact on the Company's business and finance.

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.

- (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:

In response to the surge in demand for 5G, AI, and IoT, as well as the US-China Technology War, the global manufacturing supply chains have adopted the strategy of shifting production lines outside China (China+1) to diversify the supply chain. In response to the customers' needs, the Company expands its production capacity and also expand (construction) production bases to provide customers with more real-time services to meet the upcoming market demands. It is expected to be helpful for the expansion of future operations. The Company has continuously assessed the capital, construction progress, and business order risks that may be generated by the expansion (construction) of plants before making investments, and has also formulated relevant measures to reduce the adverse effects posed by various risks on the Company's operations.

- (IX) Risks and responsive measures associated with concentrated sales or purchases:

1. Risk of concentrated purchase and responsive measures: The Company chooses to work only with reputable and qualified suppliers. Doing so not only assures flexibility and consistency of its supplies, but also provides the Company with the bargaining power needed to reduce costs. Meanwhile, the Company actively sources new suppliers,

explores alternative materials, and manages inventory to minimize risk of supply shortage. Overall, the Company is not prone to the risk of concentrated purchase or supply disruption.

2. Risk of concentrated sales and responsive measures: The Company sells its products mostly to renowned high-tech manufacturers local and abroad. Its customer base is diverse and stable, and exhibits no concentration of sales. In addition to maintaining sound relationship with existing customers, the Company also tries to diversify its customer base by developing new products, markets and customers, and thereby reduce sales concentration risk to the minimum.

- (X) Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest:

There had been no significant transfer of shareholding by directors, supervisors or major shareholders with more than 10% ownership up till the publication date of this annual report.

- (XI) Impacts, risks and responsive measures associated with a change of management:

The Company encountered no change of management, hence not applicable.

- (XII) Major litigations, non-contentious cases, or administrative litigations involving the company or any director, supervisor, President, person-in-charge or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders or security prices of the company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report:

No such situation existed as of the date of publication of the annual report.

- (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.
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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.

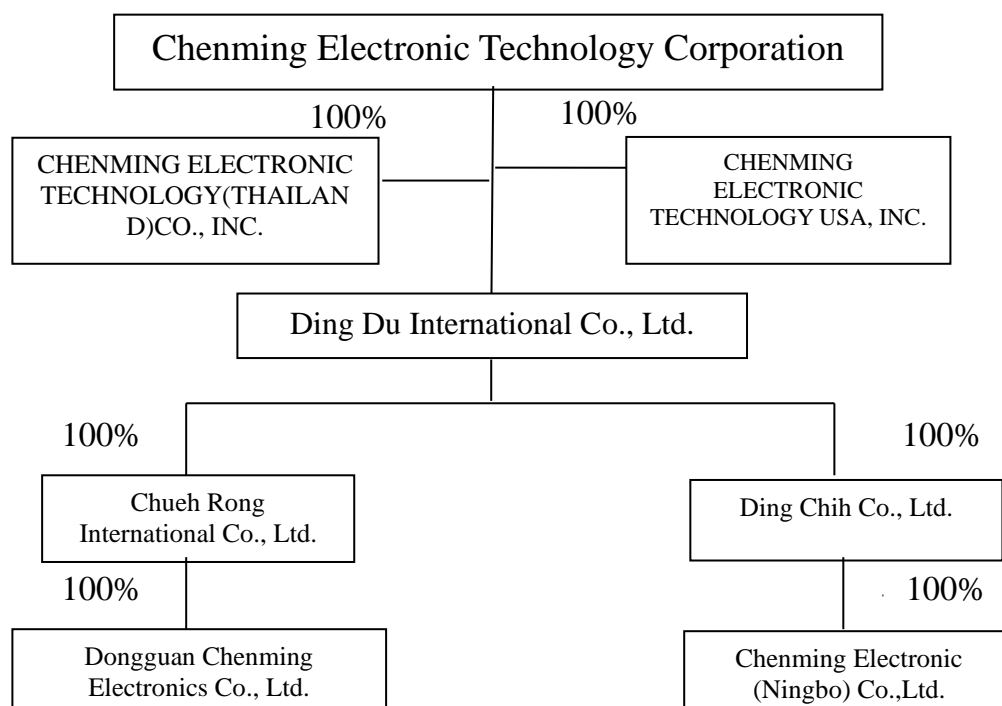
VII. Other important matters: None.

Eight. Special Remarks

I. Information of affiliated companies

(I) Consolidated business report

1. Organizational chart of affiliated companies:



2. Profile of affiliated companies

Unit: NT\$

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	64,557,960 (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)	PC and server chassis
Ding Chih Co., Ltd.	April 12, 2012	Offshore Chambers P.O.Box217,Apia,Samoa	22,410,000 (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)	PC and server 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
CHENMING ELECTRONIC TECHNOLOGY(THAILAND)CO., INC.	June 14, 2023	No. 319 Chamchuri Square Building, 24th Floor, Room TT29, Phayathai Road, Pathumwan Sub-district, Pathumwan District, Bangkok.	52,250 (THB)	PC and server 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.

Overall, the affiliated companies support each other in terms of technology, production capacity, marketing, and service to maximize synergy.

5. Directors, supervisors, and President of affiliated companies

Unit: shares; %

Name	Title	Name or name of representative	Shareholding	
			Number of shares	Shareholding percentage
Ding Du International Co., Ltd.	Director	Chenming Electronic Technology Corporation (Representative: Lin Mu-Ho)	64,557,960	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	Hsiao Kuang-Chih		
Ding Chih Co., Ltd.	Director	Ding Du International Co., Ltd. (Representative: Lin Mu-Ho)	22,410,000	100%
Chenming Electronic (Ningbo) Co.,Ltd.	Director	Ding Chih Co., Ltd. (Representative: Lin Mu-Ho)	Note	100%
	Vice President	Chang Chu-Chih		
CHENMING ELECTRONIC TECHNOLOGY USA, INC	Director	Chenming Electronic Technology Corporation (Representative: Lin Mu-Ho)	200,000	100%
CHENMING ELECTRONIC TECHNOLOGY(THAILAND) CO.,INC.	Director	Chenming Electronic Technology Corporation (Representative: Lin Mu-Ho)	5,225	100%

Note: Limited company

6. Performance of affiliated companies

Unit: NT\$ thousand; date: December 31, 2023

Name	Share capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current net profit	Earnings per share (\$)
Ding Du International Co., Ltd.	2,138,097	2,422,638	0	2,422,638	0	0	178,427	Note
Chueh Rong International Co., Ltd.	1,471,994	1,275,089	180,600	1,094,489	0	(17,578)	138,900	Note
Dongguan Chenming Electronics Co., Ltd.	889,769	2,536,297	1,614,785	921,512	3,523,890	310,210	168,206	Note
Ding Chih Co., Ltd.	773,920	1,171,573	0	1,171,573	0	0	32,620	Note
Chenming Electronic (Ningbo) Co.,Ltd.	1,980,473	1,970,104	798,654	1,171,450	2,257,578	182,927	33,316	Note
CHENMING ELECTRONIC TECHNOLOGY USA,INC	6,236	70	0	70	0	0	(205)	Note
CHENMING ELECTRONIC TECHNOLOGY(THAILAND)CO.,INC.	35,097	34,914	4	34,910			(476)	Note

Note: Department of Limited Company

(II) Consolidated financial statements of affiliated companies

Declaration

The companies to be incorporated by the Company into the consolidated financial statements of the affiliates for 2023 (from January 1, 2023 to December 31, 2023) according to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical with the companies required to be incorporated into the consolidated financial statements of affiliates and parent company according to the “International Financial Reporting Standards 10 (IFRS 10)” approved by the Financial Supervisory Commission. Further, relevant information required to be disclosed in the consolidated financial statements of the affiliates has been disclosed completely in the consolidated financial statements of affiliates and parent company. Accordingly, no separate consolidated financial statements of the affiliates is further provided.

Declaration made by the undersigned

Company name: Chenming Mold Ind. Corp.

Chairman: Lin Mu-Ho

Date: March 13, 2024

(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