

Stock code : 3013

**uneec**<sup>®</sup> **Chenming Electronic  
Technology Corporation**  
(formerly known as CHENMING MOLD IND. CORP.)

**2021**

**Annual Report**

Published April 30, 2022

This annual report is also available on: <http://mops.twse.com.tw/>  
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# One. Letter to Shareholders

Ladies and gentlemen:

We express our deepest gratitude for shareholders' support to the management in the past year. Outbreak of COVID-19 continued to impact the world in 2021, bringing uncertainties to economic activities. A global rise in the cost of raw materials, labor, and transportation has altered the cost structure and profitability of the Company's products, which Chenming responded by making versatile production and sales arrangements and applying more rigorous cost controls throughout 2021 in an attempt to gain competitive advantage on the market. 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. 2021 business performance:

### (I) Financial performance

#### 1. Business results

The Company generated net consolidated revenues totaling NT\$5,284,564,000 in 2021, down 13.7% from the NT\$6,124,518,000 reported in 2020, and concluded net loss of -NT\$114,939,000 for 2021. In the coming year, the Company will continue adhering to its principles of pragmatism and grow businesses amidst intensive competition.

2. Budget implementation: The Company did not publish any financial forecast for 2021.

#### 3. Incomes, expenses, and profitability analysis

Item		2021	2020
Return on assets		(1.65%)	1.79%
Return on shareholders' equity		(4.99%)	2.68%
As a percentage of paid-in capital (%)	Operating profit	(7.85%)	12.28%
	Pre-tax profit	(7.67%)	6.97%
Net profit margin		(2.17%)	1.03%
EPS		(0.74)	0.40

### (II) Research and development progress

1. Completed development of design and sample for 2U&3U Edge Server.
2. Completed development of outdoor server cabinet and sample testing.
3. Completed MIM process for continuous furnace production of

- non-magnetic stainless steel (X2CrNi19-11).
4. Completed MIM process for continuous furnace production of case-hardened steel (ferronickel alloy).
  5. Completed MIM process for thin metallic fan blades.
  6. Completed development of passive heatsink: 1U & 2U for Intel SOCKET LGA2011/3647/4189 and AMD SOCKET SP3.
  7. Completed development of active heatsink: 2U for Intel SOCKET LGA2011/3647. And AMD SOCKET SP3.
  8. Completed development of active heatsink: 4U for Intel SOCKET LGA2011/3647.
  9. Acquired R.O.C. patent: M609223 - form with nitriding layer.
  10. Acquired R.O.C. patent: I726451 - preparation method for nitriding layer and form thereof.
  11. Acquired R.O.C. patent: M612723 - lamellar structure of composite materials.

## II. Summary of 2022 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

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

#### 3. Management

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

#### 4. Market development

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

### (II) Research and development plans

1. Research, design, and development of Gaming PC.
2. Research, design, and development of Fanless Case.
3. Ongoing development of manufacturing process for hydroxyapatite

(HAP).

4. Ongoing development of continuous furnace production for cobalt-based alloy F75 (Co-28Cr-6Mo), and MIM process involving continuous furnace.
5. Development of MIM process for continuous furnace production of HK30.
6. Development of MIM process for continuous furnace production of Nitronic60.
7. Development of heatsinks (LGA4677) for Intel's latest server system - Eagle Stream.

### (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. video streaming, gaming, metaverse, and cryptocurrency), 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 2022. According to TrendForce, a market research institution, remote office and online shopping will become the new norm in 2022 and continue to drive demands for home office, e-commerce, and social networking and video streaming platforms. With the introduction of new platforms such as Intel's Sapphire Rapids and AMD's Genoa, research institutions and businesses are optimistic about global server sales and expect positive shipment growth in the next year. The global server industry and market demands for servers will surge following rapid expansion of global data centers and cloud services, and global server shipments are expected to grow by 4%-5% annually. It is meaningless to predict sales volume of metal parts as specifications, materials, and production methods vary for each product. Nevertheless, the Company will strive to achieve growth at above-industry rate.

### III. Future development strategies

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

By transitioning into smart production and a technology-oriented business model, the Company hopes to secure the foundation for sustainable growth.

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

(I) The external competitive environment:

The Company's product portfolio consists mainly of mobile device components, DT accessories, and server chassis. As people adapt to the COVID-19 pandemic, uprise of "remote service," "cloud computing," and "digital solutions" present the IT/electronics industry with new opportunities, and Chenming was able to capitalize on this new trend by continually adopting automated production and smart process management solutions to further improve production efficiency and product quality. Internally, Chenming has been creating differentiated competitive advantage through continual innovation, research, development, cost reduction, cost structure optimization, process enhancement, and application of new materials; whereas externally, the Company takes the initiative to raise product visibility, explore new customers, and maintain relationship with existing customers.

(II) The regulatory environment:

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

(III) The overall business environment:

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

Faced with a difficult global business environment caused by COVID-19, the Company's management team has responded quickly with initiative, and acted cautiously and responsibly to every change. In addition to optimizing cost structure, we also work with current business

partners in good faith in a mutually beneficial manner, take pro-active approach towards exploring new customers, and strive to achieve profit growth through competitive advantage and innovative capabilities. 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.

- |      |  |
|------|--|
| 2010 | <ol style="list-style-type: none"> <li>3. Hosted the “3rd UNEEC Applied Design Award.”</li> <li>1. Ranked 510th in Commonwealth Magazine’s “Top-1000 Manufacturers in Taiwan.”</li> <li>2. Hosted the “4th UNEEC Applied Design Award.”</li> <li>3. Founded Dongguan Chenming Electronics Co., Ltd. through Chueh Rong International Co., Ltd.</li> </ol>  |
| 2011 | <ol style="list-style-type: none"> <li>1. Ranked 583rd in Commonwealth Magazine’s “Top-1000 Manufacturers in Taiwan.”</li> <li>2. Hosted the “5th UNEEC Applied Design Award.”</li> </ol>  |
| 2012 | <ol style="list-style-type: none"> <li>1. Ranked 732nd in Commonwealth Magazine’s “Top-1000 Manufacturers in Taiwan.”</li> <li>2. Hosted the “6th UNEEC Applied Design Award.”</li> </ol>  |
| 2013 | <ol style="list-style-type: none"> <li>1. Ranked 730th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”</li> <li>2. Hosted the “7th UNEEC Applied Design Award.”</li> <li>3. Received “2012 Outstanding Supplier Award” from ASUS.</li> </ol>  |
| 2014 | <ol style="list-style-type: none"> <li>1. Ranked 803rd in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”</li> <li>2. Hosted the “8th UNEEC Applied Design Award.”</li> <li>3. Received “2013 Outstanding Supplier Award” from Quanta Computer.</li> <li>4. Received “Best Partner Award” from Gigabyte Technology.</li> <li>5. Dissolved Chenming Electronic (Hangzhou) Co.,Ltd. through Ding Chih Co., Ltd.</li> </ol> |
| 2015 | <ol style="list-style-type: none"> <li>1. Ranked 762nd in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”</li> <li>2. Hosted the “9th UNEEC Applied Design Award.”</li> <li>3. Received “Best Partner Award” from Gigabyte Technology.</li> </ol>  |
| 2016 | <ol style="list-style-type: none"> <li>1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 52%. through 2nd-tier subsidiary Ding Chih Co., Ltd.</li> <li>2. Ranked 686th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”</li> <li>3. Hosted the “10th UNEEC Applied Design Award.”</li> </ol>  |
| 2017 | <ol style="list-style-type: none"> <li>1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 72%. through 2nd-tier subsidiary Ding Chih Co., Ltd.</li> <li>2. Ranked 554th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”</li> <li>3. Hosted the “11th UNEEC Applied Design Award.”</li> </ol>  |

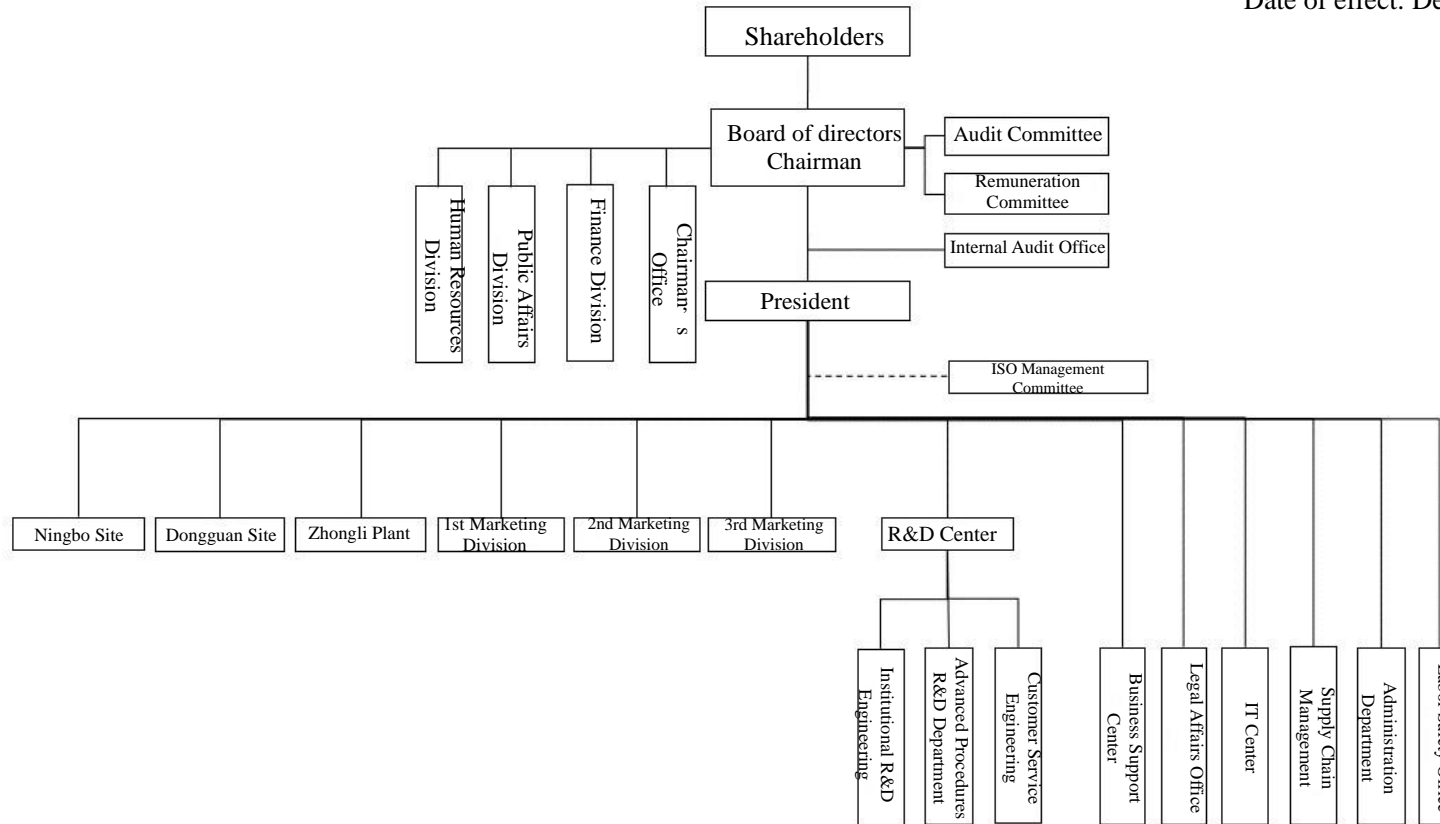
- 2018
1. Ranked 532nd in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan”.
  2. Hosted the “12th UNEEC Applied Design Award”.
- 2019
1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 82%. through 2nd-tier subsidiary Ding Chih Co., Ltd.
  2. Established the subsidiary in the U.S.A. In July.
  3. Ranked 457th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan”.
  4. Hosted the “13th UNEEC Applied Design Award.”
- 2020
1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 92%. through 2nd-tier subsidiary Ding Chih Co., Ltd.
  2. Ranked 447th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
  3. Hosted the “14th UNEEC Applied Design Award.”
  4. Shang Mei Precision 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. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 100%. through 2nd-tier subsidiary Ding Chih Co., Ltd.
  2. Ranked 437th in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”

# Three. Corporate Governance Report

## I. Organization

### (I) Organization structure

Date of effect: December 1, 2021



(II) Responsibilities of major departments

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

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

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

### (I) Directors and supervisors

#### 1. Directors' and supervisors' background

April 19, 2022

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	2020/06/12	3 years	1976/06/17	25,000,230	15.68%	30,000,230	15.31%	1,425,809	0.73%	0	0%	Career background: Chenming Mold Ind. Corp. - Chairman Academic background: MBA, Pacific Western University	The Company's person-in-charge Ding Du International Co., Ltd. - Representative Chueh Rong International Co., Ltd. - Representative Dongguan Chenming Electronics Co., Ltd. - Representative Ding Chih Co., Ltd. - Representative Chenming Electronic (Ningbo) Co., Ltd. - Representative	Director	Lin Feng-Ran	Father and son	None
Director	The Republic of China	Lin Feng-Ran	Male 51-60	2020/06/12	3 years	2017/06/16	6,612,310	4.15%	6,612,310	3.37%	423,956	0.22%	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	2020/06/12	3 years	2017/06/16	573,958	0.36%	573,958	0.29%	208,446	0.11%	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	2020/06/12	3 years	2000/05/24	259,456	0.16%	259,456	0.13%	0	0%	0	0%	Career background: Central Times Arts Column - Vice President Academic background: Shih Chien University	Xi Zhi Tang Co., Ltd. - Person-in-charge	None	None	None	None

Title (Note 1)	Nationality or place of registration	Name	Gender/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	
Independent Director	The Republic of China	Chen Hung-Chang	Male 61-70	2020/06/12	3 years	2020/06/12	0	0%	0	0%	0	0%	0	0%	Career: De Jang Tax Account Office - President; Taiwan Tax Account Quality Assurance Association - Executive Director Education: Department of Accounting and Statistics, Kuo-Chi Junior College of Commerce	De Jang Tax Account Office - President	None	None	None	None
Independent Director	The Republic of China	Chen Chien-Chun	Male 31-40	2020/06/12	3 years	2020/06/12	0	0%	0	0%	0	0%	0	0%	Career: Ju Cheng CPA Firm - CPA Education: Department of Finance, Southern Taiwan University of Science and Technology	Ju Cheng CPA Firm - CPA	None	None	None	None
Independent Director	The Republic of China	Chou Liang-Cheng	Female 51-60	2020/06/12	3 years	2020/06/12	0	0%	0	0%	0	0%	0	0%	Career: Chia Hua Law Firm - Attorney-at-law; Xin Fu Law Firm - Attorney-at-law; Chen Shyuu & Pun Law Offices - Attorney-at-law Education: Dept. of Law, Fu Jen Catholic University	Chia Hua Law Firm - Attorney-at-law	None	None	None	None

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:

April 19, 2022

Criteria Name	Professional qualification <u>and experience</u>	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: Central Times Arts Column - Vice President; Xi Zhi Tang Co., Ltd. - Person-in-charge Main academic background: Shih Chien University Does not meet any of the conditions stated in Article 30 of The Company Act.	Not applicable for independent directors	None
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 board members concurrently held positions as employee, whereas 43% of board members were independent directors. The Company also places great emphasis on gender equality, and has female directors making up 29% of the board. All independent directors have served less than 3 years on board. The board has one director aged 70 and above, 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 diversification policy for the composition of the Board by each 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		V				V		V	V	V	
Lin Feng-Ran	Male	V			V		V		V		V	
Chen Hsiao-Chun	Female			V			V		V		V	
Lo Chih-Chi	Male	V			V		V	V	V	V	V	
Chen Hung-Chang	Male			V			V	V	V		V	
Chou Liang-Cheng	Female				V		V		V		V	V
Chen Chien-Chun	Male					V	V	V	V		V	

(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 President, vice presidents, assistant vice presidents, and heads of departments and branches

April 19, 2022

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	0.37%	208,446	0.11%	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	Fan Yu-Hsiang	Male	2015.11.13	21,130	0.01%	9	0.00%	0	0%	Career background: Manager of Chun Yu Plastics Co., Ltd., and Sunrise Technology Co., Ltd. Academic background: St. Aloysius Technical School	Dongguan Chenming Electronics Co., Ltd. - President	None	None	None	None
Vice President	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
Assistant Vice President	The Republic of China	Wu Chien-Sheng (Departed on March 10, 2022)	Male	September 28, 2018	8,649	0.00%	0	0%	0	0%	Career background: Suzhou Fuhongqi Electronic Co., Ltd.-Plant Manager Academic background: Southern Taiwan University of Science and Technology	Chenming Electronic (Ningbo) Co., Ltd. - Vice President	None	None	None	None
Assistant Vice President	The Republic of China	Chueh Chung-Hui	Male	August 8, 2018	1,798	0.00%	0	0%	0	0%	Career: CHENMING ELECTRONIC TECHNOLOGY CORPORATION - Senior Manager Academic background: Tatung University - Doctor	None	None	None	None	None
Assistant Vice President	The Republic of China	Chang Chin-Hsing	Female	2012.10.08	64,357	0.03%	24	0.00%	0	0%	Career background: Lead Year Enterprises Co., Ltd. -	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	
	China										Sales Representative Academic background: EMBA, Sun Yat-sen University					
Assistant 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. - Vice President	None	None	None	None
Assistant Vice President	The Republic of China	Huang Shih-Chieh (Departed on March 10, 2022)	Male	July 15, 2017	13,000	0.00%	0	0%	0	0%	Career background: Chenming Mold Ind. Corp. - Assistant Vice President of Finance Division Academic background: Business Administration, National Defense University	None	None	None	None	None
Accounting Manager	The Republic of China	Su Chung-Ching	Male	July 15, 2017	67	0%	0	0%	0	0%	Career background: Chenming Mold Ind. Corp. - Head of Accounting Department Academic background: Accounting, Overseas Chinese University	None	None	None	None	None

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

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

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

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

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

##### 1. Compensation to directors (including independent directors)

Unit: NTD

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 as a percentage of net income		Compensation from parent company or business investments other than subsidiaries				
		Compensation (A)		Pension (B)		Director's remuneration <sup>①</sup>		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							
Chairman/President	Lin Mu-Ho	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-		
Director	Lo Chih-Chi	-	-	-	-	-	-	-	-	0.00%	0.00%	5,090,210	5,090,210	108,000	108,000	-	-	-	-	-	-	5,198,210	5,198,210	-4.52%	-4.52%	-
Director	Chen Hsiao-Chun	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-	-	-	-	-	-	-	-	-	0.00%	0.00%	-
Director	Lin Feng-Ran	-	-	-	-	-	-	-	-	0.00%	0.00%	1,432,418	1,432,418	87,048	87,048	-	-	-	-	-	-	1,519,466	1,519,466	-1.32%	-1.32%	-
Director	Chou Liang-Cheng	500,000	500,000	-	-	-	-	-	-	500,000	500,000	-	-	-	-	-	-	-	-	-	-	500,000	500,000	-0.44%	-0.44%	-
Director	Chen Hung-Chang	500,000	500,000	-	-	-	-	19,121	19,121	519,121	519,121	-	-	-	-	-	-	-	-	-	-	519,121	519,121	-0.45%	-0.45%	-
Director	Chen Chien-Chun	500,000	500,000	-	-	-	-	19,121	19,121	519,121	519,121	-	-	-	-	-	-	-	-	-	-	519,121	519,121	-0.45%	-0.45%	-

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.
1,000,000 (inclusive) ~ 2,000,000 (exclusive)			Lin Feng-Ran	Same as described on the left.
2,000,000 (inclusive) ~ 3,500,000 (exclusive)				
3,500,000 (inclusive) ~ 5,000,000 (exclusive)				
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)			Lo Chih-Chi	Same as described on the left.
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)				
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)				
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)				
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)				
NT\$ 100,000,000 and above				
Total	7	7	7	7

## 2. Compensation to the President and Vice Presidents

Unit: NTD

Title	Name	Salary (A)		Pension (B)		Bonus and Special allowances (C)		Employee Compensation (D)				Sum of A, B, C, and D and as a percentage of net income (%)		Compensation from parent company or business investments other than subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash	Stock	Cash	Stock			
								Amount	Amount	Amount	Amount			
President	Lo Chih-Chi	4,530,210	4,530,210	108,000	108,000	560,000	560,000	-	-	-	-	5,198,210 -4.52%	5,198,210 -4.52%	None
President	Wu Ruei-Chuan	1,771,400	1,771,400	108,000	108,000	168,107	168,107	-	-	-	-	2,047,507 -1.78%	2,047,507 -1.78%	None
President	Fan Yu-Hsiang	-	2,064,817	-	108,000	-	210,000	-	-	-	-	- 0.00%	2,382,817 -2.07%	None

\* 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		
1,000,000 (inclusive) ~ 2,000,000 (exclusive)		
2,000,000 (inclusive) ~ 3,500,000 (exclusive)	Wu Ruei-Chuan	Fan Yu-Hsiang, Wu Ruei-Chuan
3,500,000 (inclusive) ~ 5,000,000 (exclusive)		
NT\$ 5,000,000 (inclusive) - NT\$ 10,000,000 (non-inclusive)	Lo Chih-Chi	Same as described on the left.
NT\$ 10,000,000 (inclusive) - NT\$ 15,000,000 (non-inclusive)		
NT\$ 15,000,000 (inclusive) - NT\$ 30,000,000 (non-inclusive)		
NT\$ 30,000,000 (inclusive) - NT\$ 50,000,000 (non-inclusive)		
NT\$ 50,000,000 (inclusive) - NT\$ 100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	2	3

3. Names of managers who received employee remuneration

April 19, 2022

	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%
	Vice President	Fan Yu-Hsiang				
	Vice President	Wu Ruei-Chuan				
	Assistant Vice President	Wu Chien-Sheng (departed on March 10, 2022)				
	Assistant Vice President	Chueh Chung-Hui				
	Assistant Vice President	Chang Chin-Hsing				
	Assistant Vice President	Hsiao Kuang-Chih				
	Assistant Vice President	Huang Shih-Chieh (departed on March 10, 2022)				
	Accounting Manager	Su Chung-Ching				

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

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

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

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

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

(II) Disclosure of compensations to the five top-paid managers, if any of the circumstances listed in Item 2-1 or Item 2-5, Subparagraph 3, Article 10 of the guidelines apply:

Title	Name	Salary (A)		Pension (B)		Bonus and special allowances (C)		Employee Compensation (D)				Sum of A, B, C, and D and as a percentage of net income (%)		Compensation from parent company or business investments other than subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares			
President	Lo Chih-Chi	4,530,210	4,530,210	108,000	108,000	560,000	560,000	-	-	-	-	5,198,210 -4.52%	5,198,210 -4.52%	None
Vice President	Fan Yu-Hsiang	-	2,064,817	-	108,000	-	210,000	-	-	-	-	- 0.00%	2,382,817 -2.07%	None
Vice President of Sales	Wu Ruei-Chuan	1,771,400	1,771,400	108,000	108,000	168,107	168,107	-	-	-	-	2,047,507 -1.78%	2,047,507 -1.78%	None
Assistant Vice President	Chang Chin-Hsing	1,723,800	1,723,800	105,840	105,840	140,893	140,893	-	-	-	-	1,970,533 -1.71%	1,970,533 -1.71%	None
Assistant Vice President	Chueh Chung-Hui	1,668,200	1,668,200	102,600	102,600	107,333	107,333	-	-	-	-	1,878,133 -1.63%	1,878,133 -1.63%	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:

Year		2020			2021		
Title		Director	Supervisor	President and Vice President	Director	Supervisor	President and Vice President
The Company	As a percentage of net income	29.05%	0.005%	22.48%	-7.18%	0%	-6.30%
All companies included in the consolidated statements	As a percentage of net income	29.05%	0.005%	34.33%	-7.18%	0%	-8.38%

- Note: 1. The percentage of directors’, President’s, and vice presidents’ compensations relative to net income in 2021 was lower compared to 2019 mainly due to increases of raw material price, minimum wage and social insurance premium in the Mainland, and international shipping rates that raised operating costs and resulted in losses. The percentage of supervisors’ compensations to net income in 2021 was lower compared to 2020 mainly because the Audit Committee was assembled to replace supervisors in 2020.
2. Pursuant to Article 19 of the Articles of Incorporation, with the Company’s profit before tax of a year after deduction of the remuneration to employees and remuneration to directors and supervisors as well as the sum to make up previous loss, if any, a sum 2% minimum shall be appropriated with the balance as the remuneration to employees and a sum 2% maximum shall be appropriated with the balance as the remuneration to directors and supervisors.
3. Directors’ and supervisors’ compensation include travel allowance and remuneration from profit-sharing. President’s and Vice Presidents’ compensation include salary, bonus, and share of profit as employees; salaries were paid according to the Company’s grade-based compensation principles, whereas bonus and employee profit sharing were allocated based on current year’s performance. Director performance assessment covers 6 main aspects: director’s awareness toward the Company’s goals and missions, awareness to duties, level of participation in the Company’s operations, maintenance of internal relations and communication, professionalism and ongoing education, and enforcement of internal control. Manager performance assessment covers a number of financial indicators such as revenue, profit before tax, and net income attainment rates. The calculation of remuneration has taken into account of the Company’s overall business performance, future operational risk and development trend in the industry, personal performance and contribution to the company, and thereby a reasonable compensation would be determined. The appraisal and salary was reviewed by the Remuneration Committee and the board of directors for their reasonableness and adjusted based on actual practice and relevant laws as a mean to maintain the balance between sustainable operation and risk management.

#### IV. Corporate governance

##### (I) Functionality of board of directors

1. The Company convened 9 board of directors meetings in 2021 and 4 board meetings in 2022 up until the publication date of annual report for a total of 13 meetings (A). Below are directors' and supervisors' attendance records:

Title	Name (Note 1)	Actual attendance count (B)	Attendance by proxy	Actual attendance rate (%) (B/A) (Note 2)	Remarks
Chairman	Lin Mu-Ho	13	0	100%	
Director	Lin Feng-Ran	13	0	100%	
Director	Lo Chih-Chi	13	0	100%	
Director	Chen Hsiao-Chun	1	4	7.69%	
Independent Director	Chen Hung-Chang	13	0	100%	
Independent Director	Chen Chien-Chun	13	0	100%	
Independent Director	Chou Liang-Cheng	13	0	100%	

##### Other remarks:

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

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

Board of Directors	Details of agenda	All independent directors' opinions and the resolution	Company's response to independent directors' opinions
January 29, 2021 - Motion #3	Subject: The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd.	Passed without objection from all attending independent directors	None
March 17, 2021 - Motion #7	Summary: Proposal to acquire 8% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through 2nd-tier subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 100% in Chenming Electronic (Ningbo).	Passed without objection from all attending independent directors	None
May 5, 2021 - Motion #1	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
August 11, 2021 - Motion #1	Summary: Proposal to renew endorsement/guarantee for Mainland subsidiary - Chenming Electronic (Ningbo) Co., Ltd. in the Company's capacity; the motion is ready for discussion.	Passed without objection from all attending independent directors	None

August 11, 2021 - Motion #2	Summary: Proposal to have Chenming Electronic (Ningbo) Co., Ltd. offer endorsement/guarantee for Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion.	Passed without objection from all attending independent directors	None
August 26, 2021 - Motion #1	Summary: Proposal to acquire local land for the construction of production facilities; the motion is ready for discussion.	Passed without objection from all attending independent directors	None
September 17, 2021 - Motion #1	Summary: Proposal to acquire local land for the construction of production facilities; the motion is ready for discussion.	Passed without objection from all attending independent directors	None
January 11, 2022 - Motion #3	Subject: The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd.	Passed without objection from all attending independent directors	None
January 11, 2022 - Motion #4	Summary: Lending of capital by Dongguan Chenming Electronics Co., Ltd. to Chenming Electronic (Ningbo) Co.,Ltd.	Passed without objection from all attending independent directors	None
January 11, 2022 - Motion #5	Summary: Proposal for private placement of common shares for cash in 2022.	Passed without objection from all attending independent directors	None
March 10, 2022 - Motion #2	Summary: Reappointment of the Company's head of finance.	Passed without objection from all attending independent directors	None
March 10, 2022 - Motion #3	Summary: Proposal to offer endorsement/guarantee for Mainland subsidiary - Dongguan Chenming Electronics Co., Ltd. in the Company's capacity; the motion is ready for discussion.	Passed without objection from all attending independent directors	None
March 10, 2022 - Motion #4	Summary: Proposal to have Chenming Electronic (Ningbo) Co., Ltd. offer endorsement/guarantee for Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion.	Passed without objection from all attending independent directors	None
March 23, 2022 - Motion #1	Summary: Proposal to dispose of land located on Dongyuan Road, Jhongli Industrial Park.	Passed without objection from all attending independent directors	None
March 23, 2022 - Motion #2	Summary: Proposal to invest indirectly into the establishment of production site at Kunshan, China, through a third location.	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
March 17, 2021 - Motion #7	Summary: Proposal to acquire 8% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through 2nd-tier subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 100% in Chenming Electronic (Ningbo).	Chairman Lin Mu-Ho Vice Chairman Lin Feng-Ran	With the exception of disassociated director due to conflicting interests, the proposal was unanimously passed by the remaining attending directors.
January 11, 2022 - Motion #1	Summary: Review of 2021 year-end bonus allocation principles for managers; the motion is ready for discussion.	Vice Chairman Lin Feng-Ran Director Lo Chih-Chi	After excluding the recused director(s), the motion was unanimously passed by the remaining attending directors without objection.
January 11, 2022 - Motion #2	Summary: 2021 compensation for directors; the motion is ready for discussion.	Director Chen Hung-Chang Director Chou Liang-Cheng Director Chen Chien-Chun	With the exception of disassociated director due to conflicting interests, the proposal was unanimously passed by the remaining attending directors.

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

Assessment cycle	Assessment duration	Scope of assessment	Assessment method	Assessment details
Once a year	January 1 to December 31, 2021	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 to December 31, 2021	Performance assessment of individual directors	Director self-assessment	Scope of the performance appraisal on the Board members: 1. Comprehension of the Company's targets and missions. 2. Directors' duty awareness. 3. Level of participation in the Company's operations. 4. Management and communication of internal relations. 5. Director's professionalism and ongoing education. 6. Internal control.
		Evaluation of functional committee performance (Audit Committee/Remuneration Committee)	Functional committee internal self-assessment	Scope of the performance appraisal on functional committees: 1. Level of participation in the Company's operations. 2. Awareness towards duties of the functional committee. 3. Improvements to the quality of decisions made by functional committees. 4. Composition of the functional committee and selection of committee members. 5. Internal control.

1. Outcome of board performance evaluation will be taken into consideration when electing or nominating directors. Performance evaluation of individual directors will be taken into consideration when determining compensation for individual directors.
  2. Outcome of assessment has been reported during the 2022 first-quarter board of directors meeting (January 11) to provide reference for future enhancements to board function. Results are also disclosed on the Company's website for investors' reference.
- IV. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc), and the progress of such enhancements:
1. 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 2020 have been completed; outcomes of which were reported along with improvement plans to the board of directors during the meeting held on January 11, 2022.
    - (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 and semi-annual financial reports.
- Other issues deemed material by the Company or the authority.

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

(1) Review of financial reports

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

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

(2) Assessment of effectiveness of the internal control system

The Audit Committee evaluates the effectiveness of the Company's internal control system, policy, and procedures (including control measures on financial, operational, risk management, 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 2021 and 4 meetings in 2022 up until the publication date of annual report for a total of 10 meetings (A).

Below are independent directors' attendance records:

Title	Name	Actual attendance (B)	Attendance by proxy	Percentage of actual attendance (%) (B/A) (Note 1, Note 2)	Remarks
Independent Director	Chen Hung-Chang	10	0	100%	Convener
Independent Director	Chen Chien-Chun	10	0	100%	
Independent Director	Chou Liang-Cheng	10	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 29, 2021	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
March 17, 2021	1. Proposal to acquire 8% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 100% in Chenming Electronic (Ningbo).	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	2. Proposal to file an application for investing US\$1.7 million into Chenming Electronic (Ningbo) Co., Ltd. in the Mainland.	V		
May 5, 2021	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
August 11, 2021	1. Presentation of the Company's 2021 second-quarter consolidated financial statements; the motion is ready for discussion.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	2. Proposal to renew endorsement/guarantee for Mainland subsidiary - Chenming Electronic (Ningbo) Co., Ltd. in the Company's capacity; the motion is ready for discussion.	V		

	3. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. lend capital to Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion.	V		
August 26, 2021	1. Proposal to acquire local land for the construction of production facilities; 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
September 17, 2021	1. Proposal to acquire local land for the construction of production facilities; 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
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	Passed without objection from all attending directors

			the Audit Committee	
	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 discussion.	V	Passed without objection from all attending independent directors of the Audit Committee	Passed without objection from all attending directors
	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.			

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

II. Avoidance of involvements in interest-conflicting 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
January 29, 2021	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> <li>• Report on the execution of internal audit from October to December 2020.</li> <li>• Execution of the 2020 audit plan.</li> </ul>	No objection was raised during this conference.
March 17, 2021	Chief internal auditor, independent directors, CPAs	Conference	<ul style="list-style-type: none"> <li>• External CPA’s report to independent directors and supervisors on the financial position, profitability, overall operations, and audit of internal control system for 2020.</li> <li>• 2020 “Declaration of Internal Control System.”</li> <li>• Improvements made to internal control weaknesses and flaws identified in 2020.</li> </ul>	No objection was raised during this conference.
May 5, 2021	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> <li>• Report on the execution of internal audit from January to March 2021.</li> </ul>	No objection was raised during this conference.
August 11, 2021	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> <li>• Report on the execution of internal audit from April to June 2021.</li> </ul>	No objection was raised during this conference.
November 10, 2021	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> <li>• Report on the execution of internal audit from July to September 2021.</li> </ul>	No objection was raised during this conference.
January 11, 2022	Chief internal auditor, independent directors	Conference	<ul style="list-style-type: none"> <li>• Report on the execution of internal audit from October to December 2021.</li> <li>• Execution of the 2021 audit plan.</li> </ul>	No objection was raised during this conference.
March 4, 2022	Chief internal auditor, independent directors, CPAs	Conference	<ul style="list-style-type: none"> <li>• External CPA’s report to independent directors and supervisors on the financial position, profitability, overall operations, and audit of internal control system for 2021.</li> <li>• 2021 “Declaration of Internal Control System.”</li> <li>• Improvements made to internal control weaknesses and flaws identified in 2021.</li> </ul>	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 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)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
I. Has the Company established and disclosed its corporate governance principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company established its “Corporate Governance Code of Conduct” on December 24, 2014 with the approval of the board of directors and subsequently amended on June 24, 2020. The code of conduct has been disclosed on the Company’s website.	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
II. Shareholding structure and shareholders’ interests				Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(I) Has the company implemented a set of internal procedures to handle shareholders’ suggestions, queries, disputes and litigations?	V		(I) The Company has a spokesperson system and a legal department in place to handle the above issues.	
(II) Is the company constantly informed of	V		(II) The Company engages professional share transfer agency to handle matters concerning shareholders’ interests, and is constantly informed of shareholding	

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
<p>the identities of its major shareholders and the ultimate controller?</p> <p>(III) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?</p> <p>(IV) Has the company established internal policies that prevent insiders from trading securities against non-public information?</p>	V		<p>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.</p> <p>(III) The Company has established and implemented relevant procedures as required by law; an internal audit unit exists to perform unscheduled audits in this regard.</p> <p>(IV) The Company has internal policies in place to prohibit insiders from trading securities against non-public information. These policies provide the basis for the Company’s practices on material information handling and disclosure, and are reviewed and revised from time to time to ensure conformity with current regulations and practical needs. The same may be accessed on the Company’s website.</p> <p>The Company organizes the educational propagation for the “Procedures for Preventing Insider Trading” and related laws &amp; regulations for the existing directors, managers and employees at least for once per year. On January 18, July 14, and October 25, 2021, the Company distributed e-mails to promote awareness</p>	

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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			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.	
3. Assembly and obligations of the board of directors (I) Does the board of directors have a diversity policy and management goals that are duly enforced?	V		(I) The Company has implemented a diversity policy for board members according to Article 20 of its “Corporate Governance Code of Conduct.” The Company’s board of directors currently comprises 7 directors as its members. 29% of board members concurrently held positions as employee, whereas 43% of board members were independent directors. The Company also places great emphasis on gender equality, and has female directors making up 29% of the board. All independent directors have served less than 3 years on board. The board has one director aged 70 and above, 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	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

Assessment criteria	Status (Note)		Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																																																																																																
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			<p>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 measurement</th> <th>Gender</th> <th>Concurrent employment at the Company</th> <th>Age &gt; 70</th> <th>Age 60-70</th> <th>Age 50-59</th> <th>Age &lt;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></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> <table border="1"> <thead> <tr> <th>Core items</th> <th>Gender</th> <th>Industrial knowledge</th> <th>Finance and Accounting</th> <th>Operation Management</th> <th>Leadership Decision making</th> <th>Global perspectives</th> <th>Laws</th> </tr> </thead> <tbody> <tr> <td>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>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> </tbody> </table>	Core measurement	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							Lo Chih-Chi	Male	V			V			Chen Hung-Chang	Male			V				Chou Liang-Cheng	Female				V			Chen Chien-Chun	Male					V		Core items	Gender	Industrial knowledge	Finance and Accounting	Operation Management	Leadership Decision making	Global perspectives	Laws	Name of director								Lin Mu-Ho	Male	V		V	V	V		
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(II) Apart from the Remuneration Committee and Audit Committee, has the company assembled other functional committees at its own discretion?	V		Lin Feng-Ran	Male	V		V		V	
			Chen Hsiao-Chun	Female	V		V		V	
(III) Has the Company established a set of policies and assessment tools for evaluating board performance, and	V		Lo Chih-Chi	Male	V	V	V	V	V	
			Chen Hung-Chang	Male	V	V	V		V	
			Chou Liang-Cheng	Female	V		V		V	V
			Chen Chien-Chun	Male	V	V	V		V	
			(II) The Company has assembled a Remuneration Committee and an Audit Committee in accordance with laws. Other functional committees will be assembled in the future according to relevant regulations and industry practices as deemed appropriate.							
(III) The Company has a set of “Board of Directors Performance Assessment Policy” in place that requires performance assessments to be conducted on the board of directors, Audit Committee, Remuneration Committee, and board members at least once a year. Outcome of performance assessment is reported to the board of directors.										

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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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?			<p>The scope of performance appraisal on the Board of Directors shall at least consist of the following five major elements:</p> <ol style="list-style-type: none"> <li>1. Degree of participation in the Company's operation;</li> <li>2. Upgrading the quality of the Board of Directors' decision making;</li> <li>3. Formation and structure of the Board of Directors;</li> <li>4. Election and continuing education of directors;</li> <li>5. Internal control.</li> </ol> <p>Directors' individual performance assessment covers at least the following six main aspects:</p> <ol style="list-style-type: none"> <li>1. Alignment with the Company's goals and mission;</li> <li>2. Awareness toward directors' responsibilities and duties;</li> <li>3. Degree of participation in the Company's operation;</li> <li>4. Management of internal relations and communication;</li> <li>5. Expertise and continuing education of directors;</li> <li>6. Internal control.</li> </ol> <p>The scope of performance appraisal on the functional committees shall at least consist of the following five elements:</p> <ol style="list-style-type: none"> <li>1. Degree of participation in the Company's operation;</li> <li>2. Awareness toward the functional committees' responsibilities and duties;</li> </ol>	

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
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			<p>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 2022. Assessment results and corrective action plans were reported at the Board meeting convened on January 11, 2022.</p> <p>Assessments of 2021 performance were rated A+ to A++, and were considered fair. Suggestions to the Board of Directors and functional committees, and corrective action</p>	

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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			plans are stated as following:																											
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	Yes	No			
(IV) Are external auditors' independence assessed on a regular basis?	V				year.
			Performance appraisal on Remuneration Committee	A++	Remuneration to employees and directors is allocated based on employees' and directors' personal performance.
			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.
			(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 10, 2021. Financial statement auditors have been instructed to disassociate themselves from		

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies															
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			<p>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> <table border="1"> <thead> <tr> <th>Assessment criteria</th> <th>Assessment result</th> <th>Compliance of independence</th> </tr> </thead> <tbody> <tr> <td>1. Whether the external auditor has a direct or material indirect financial interest in the Company.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. Whether the external auditor has provided or received loans or guarantee to or from the Company or the Company's directors.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>3. Whether the external auditor has a close business relationship or entered into a potential employment negotiation with the Company.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>4. Whether the external auditor or a member of the assurance team is or has been a director or a manager of the Company, or employed by the Company in a position to exert significant influence over the subject matter of the engagement within the last two years.</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>	Assessment criteria	Assessment result	Compliance of independence	1. Whether the external auditor has a direct or material indirect financial interest in the Company.	No	Yes	2. Whether the external auditor has provided or received loans or guarantee to or from the Company or the Company's directors.	No	Yes	3. Whether the external auditor has a close business relationship or entered into a potential employment negotiation with the Company.	No	Yes	4. Whether the external auditor or a member of the assurance team is or has been a director or a manager of the Company, or employed by the Company in a position to exert significant influence over the subject matter of the engagement within the last two years.	No	Yes	
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Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
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			<p>5. Whether the external auditor has provided the Company the non-assurance service that would affects directly a material item of the assurance engagement.</p> <p>6. Whether the external auditor has promoted or brokered the Company's shares or other securities issued by the Company.</p> <p>7. Whether the external auditor has acted as a coordinator or an advocate on behalf of the Company in litigation or disputes with third parties.</p> <p>8. Whether the external auditor has a close or immediate family member who is a director or manager of the Company or an employee who is in a position to exert significant influence over the subject matter of the engagement.</p>	
IV. Has the TWSE/TPEX listed company allocated adequate number of competent corporate governance staff and appointed a corporate	V		<p>The Company has a spokesperson system in place to serve as communication channel with shareholders.</p> <p>The Company has a stakeholders section created on its website to serve as a communication channel.</p> <p>The Company has finance, human resource, and administration departments available to oversee execution of corporate governance affairs and compliance with relevant laws.</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX

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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governance officer to oversee corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, assisting directors/supervisors with compliance issues, convention of board meetings and shareholder meetings, and preparation of board/shareholder meeting minutes)?			<p>Their responsibilities include:</p> <ol style="list-style-type: none"> <li>1. Establishment of a suitable corporate governance framework that promotes board independence, information transparency, compliance, and internal audit/control.</li> <li>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.</li> </ol> <p>Setting the date for annual shareholder meetings in accordance with law; preparing meeting advice, conference handbook, and minutes before the statutory due date; and making proper registrations after director election or after amendments are made to the Articles of Incorporation.</p>	Listed Companies
V. Has the company provided proper communication channels and created dedicated sections on its	V		<p>A stakeholders section has been created on the Company's website. Shareholders, employees, customers, suppliers and anyone in need to discuss corporate responsibility issues may have their queries addressed in a proper manner by the spokesperson, human resource department, business unit, or procurement unit. In order to</p>	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												
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website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?				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 2021 are stated below:	Principles for TWSE/TPEX Listed Companies												
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VI. Does the company engage a share administration agency to handle	V			The Company has commissioned Chinatrust Bank as the share administration agency, which is responsible for handling shareholder meeting affairs.	Consistent with Corporate Governance																

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shareholder meeting affairs?					Best-Practice Principles for TWSE/TPEX 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,	V		(II) The Company has a spokesperson system in place; documents and recordings of every investor seminar are uploaded onto the website.		

Assessment criteria	Status (Note)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
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<p>implementation of a spokesperson system, broadcasting of investor conferences via the company website)?</p> <p>(III) Whether the Company announces and reports the annual financial report within two months at the end of each fiscal year, and the financial report for Q1, Q2, and Q3 and monthly operation overview before the prescribed time limit?</p>		V	(III) The Company has not yet announced and reported the annual financial report within two months at the end of each fiscal year, but has reported the financial report for Q1, Q2, and Q3 and monthly operation overview before the prescribed time limit.	
VIII. Does the company have other information that enables a better understanding of the	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	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															
company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of company directors and supervisors)?				<p>apply for (or be notified for) retirement. Earnings concluded from year-end closing are partially allocated to employees as bonus according to the Company Act and the Articles of Incorporation.</p> <p>2. Investor relations: The Company has a spokesperson system in place; investors may obtain information for whatever queries they may have through the spokesperson.</p> <p>3. Supplier relations: The Company's suppliers are evaluated on a regular basis. They are assessed based on product delivery, quality and price, and the best supplier is chosen through elimination. As for payments, which is an issue of great concern to suppliers, the Company has measures in place to ensure that payments are made in strict accordance with the agreed terms.</p> <p>4. Stakeholders' interests: The Company's directors are highly disciplined, and refrain from voting on any agenda that concern their own interests. Directors' and supervisors' continuing education: The Company actively encourages all directors to engage in continuing education. Information regarding their continuing education has been uploaded to the Market Observation Post System.</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Course date</th> <th>Organizer</th> <th>Course name</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Title	Name	Course date	Organizer	Course name	Training hours							Principles for TWSE/TPEX Listed Companies
Title	Name	Course date	Organizer	Course name	Training hours												

Assessment criteria	Status (Note)							Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies	
	Yes	No	Summary						
			Director	Lo Chih-Chi	December 16, 2021	Economic Daily News	Economic Investment Outlook Forum - Decoding 2022	8.0	
					December 7, 2021	Economic Daily News	2021 Energy Vision Summit Forum - Green Energy, Green Finance, and Green Lifestyle	8.0	
					November 8, 2021	Economic Daily News	2021 Industry Strategy Summit - Prospects of Taiwan-USA Relation	8.0	
					November 2, 2021	Economic Daily News	2021 Masters Forum - The Post-pandemic Global Economic Landscape	8.0	
					October 20, 2021	Economic Daily News	2021 Technology Forum - Opportunities of New Intelligence and New Transformations	8.0	
			Independent Director	Chen Chien-Chun	October 21, 2021	Taiwan CPA Association, R.O.C	Anti-money Laundering and Counter Terrorism Financing	3.0	
					October 13, 2021	Taiwan CPA Association, R.O.C	Introduction to New Sales Tax Laws	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							
					October 13, 2021	Taiwan CPA Association, R.O.C	Business Tax Filing for International Trade	3.0		
					August 17, 2021	Taiwan CPA Association, R.O.C	The Latest Tax Laws and Practices	7.0		
			Independent Director	Chen Hung-Chang	June 17, 2021	Accounting Research and Development Foundation	Supporting the CPA Audit: Workshop on the Audit of Financial Reports and Responsibilities to Fraud	3.0		
					June 17, 2021	Accounting Research and Development Foundation	Preparation of Unaudited Financial Reports: Workshop on Accounting Estimate and Asset Impairment	3.0		
			Independent Director	Chou Liang-Cheng	May 8, 2021	Commission on Commercial Law	Legal Responsibilities of Public Company Directors and Supervisors	3.0		
					April 24, 2021	Commission on Commercial Law	Legal Responsibilities of Public Company Directors and Supervisors	3.0		
			6. Risk management policies and risk assessment standards:							

Assessment criteria	Status (Note)			Summary	Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies												
	Yes	No															
				<p>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>20,000,000</td> <td>Start: June 10, 2021 End: June 10, 2022</td> <td>Renewal coverage</td> <td></td> </tr> </tbody> </table>	Insured parties	Insurance company	Sum assured (US\$)	Period of coverage (start/end)	Status of coverage	Remarks	All directors	Fubon Insurance Co., Ltd.	20,000,000	Start: June 10, 2021 End: June 10, 2022	Renewal coverage		
Insured parties	Insurance company	Sum assured (US\$)	Period of coverage (start/end)	Status of coverage	Remarks												
All directors	Fubon Insurance Co., Ltd.	20,000,000	Start: June 10, 2021 End: June 10, 2022	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"> <li>· Statistics is maintained on greenhouse gas emission, water usage, and total waste volume in the last two years.</li> <li>· Financial statements are announced and uploaded ahead of time, and disclosed on the Company's website.</li> </ul>																	

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"> <li>· Succession plans are being made for board members and key management personnel. Implementation of which is disclosed on the Company's website or in annual reports.</li> <li>· 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, 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.</li> </ul>				

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 16 - "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 OO\_. 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 they 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. Responsibilities of the Remuneration Committee are to assist the board of directors in executing the Company's overall compensation and welfare policies, as well as determining directors' and managers' compensation. Director remuneration and employee profit-sharing are determined based on current year's business performance and the percentages stated in the Articles of Incorporation and distribution policies established by the board of directors.

3. Functionality of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) A total re-election of Remuneration Committee members was held on June 24, 2020. Service of the current committee begins on June 24, 2020 and ends on June 11, 2023.

The Remuneration Committee held 4 (A) meetings between 2021 and 2022 up until the publication date of annual report; members' background and attendance records are as follows:

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

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

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

(3). 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 2021 and 2022 up until the publication date of annual report were passed without alternative opinion.

Date of Remuneration Committee Meeting	Motion	Resolution	The Company’s response to the Remuneration Committee’s opinions
January 29, 2021	Review of 2020 year-end bonus allocation principles for managers.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
March 17, 2021	Amount and method of allocation for the 2020 employee/director/supervisor remuneration.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
January 11, 2022	Review of 2021 year-end bonus allocation principles for managers; the motion is ready for discussion.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
	2021 compensation for directors; the motion is ready for discussion.	Passed by all members of the Committee unanimously.	Proposed to the Board of Directors and passed by all present directors unanimously.
March 10, 2022	Change of managerial personnel; the motion is ready for discussion.	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	
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		The Company has established a Sustainable Development Team comprising personnel from different departments. 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. on the CSR initiatives of each department are made monthly . Teams have been assigned to consolidate sustainable development strategies, management guidelines, and execution plans and report to the board of directors on a yearly basis. 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.	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	
			<ol style="list-style-type: none"> <li>1. Provide work and living conditions that are safe and healthy.</li> <li>2. Offer legal compensations and benefits that meet employees' basic requirements.</li> <li>3. Enhance corporate governance to maximize shareholder value</li> <li>4. Respect intellectual property rights and engage in trades with integrity and fairness</li> <li>5. Adopt energy and carbon reduction measures to lessen impact on the environment.</li> </ol> <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.</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)	V		In response to the global major economic, social and environmental risks, the Company establishes the systematic risk response policies and procedures in accordance with the risk management guidelines and guidance. In order to perform the Company's risk identification operations, the product R&D, manufacturing and sales units, and the finance, legal affairs, HR, information center and environmental safety management units, annually review the scenario in terms of the corporate	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>sustainability, including the financial elements, such as market and liquidity risks, and non-financial risks, e.g. Compliance, information security, climate and environmental protection, and social issues, in order to seek the opportunity to respond to the risks. Outside the organization, the risk management is primarily focused on the product competition and market strategies, while the risk management inside the organization is focused on the information security management and compliance. As the management focus on the overall strategies, the Company promotes the competitiveness through differentiation of products and high-quality technology and thereby creates the financial effects for the Company successfully. Internally, the Company performs drills to build up response to business interruptions caused by incidents relating to climate, laws, and information security, strengthen internal systems that are vulnerable to failure, and improve resilience of the Company's operations.</p> <p>(I) Environmental issues:</p> <p style="padding-left: 40px;">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</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>contributes to the local environment. The Company also promotes vegetarian diet and encourages stairs over elevators, water conservation, turning off lights, and waste sorting as ways to reduce energy and carbon. All lighting equipment has been replaced with LED and energy-saving alternatives, whereas pro-active actions are being taken to improve overall competitiveness. The Company looks forward to working with employees, customers, suppliers, shareholders, government agencies, the authority, and other stakeholders toward ensuring the sustainability of the economy, the environment, and the society.</p> <p>(II) Social issues:  The Company has complied with the local labor laws and international frameworks, and followed the principles guided by the International Bills of Human Rights, such as “UN Universal Declaration of Human Rights”, “UN International Labour Organization” and “UN Guiding Principles on Business and Human Rights”. It also respects the basic human rights recognized globally, including diversity, equal opportunity, reasonable working hours, healthy and safe working environment, freedom of association, collective bargaining, and privacy protection. The</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>Company also provides perfect and sound welfare policies and safe working environments, in hopes of enabling each employee to seek balance and protection between work and life.</p> <p>(III) 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 conducts.</p>	
<p>III. Environmental issues</p> <p>(I) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?</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 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</p>	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/TPE <sub>x</sub> Listed Companies
	Yes	No	Summary	
			and customers.	
(II) Is the Company committed to making efficient use of energy, and using renewable materials that produce less impact on the environment?	V		(II) The Company is dedicated to solving problems at the source. The office premises adopt the high-efficiency LED lighting equipment with power-saving logo. The air conditioning and lighting equipment are equipped with controllers additionally. The automatic switch on/off is set for the routine work and lunch break. The factory premises adopt the policies to recycle packing materials and re-use the waste materials. The office premises implement the garbage sorting to upgrade the recycling efficiency, thereby resulting in reduction of raw material input and waste output, and minimization of its impact on the environment.	Consistent with Sustainable Development Best Practice Principles for TWSE/TPE <sub>x</sub> Listed Companies
(III) Does the Company assess potential risks and opportunities associated with climate change, and undertake measures in response to climate issues?	V		(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.	Consistent with Sustainable Development Best Practice Principles for TWSE/TPE <sub>x</sub> 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		
			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

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 453,000 kWh of clean energy in 2021.</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</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 453,000 kWh of clean energy in 2021.	
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Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPE <sub>x</sub> Listed Companies
	Yes	No	Summary	
			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.	
(IV) Does the Company maintain statistics on greenhouse gas emission, water usage, and total waste volume in the last two years, and implement policies aimed at reducing greenhouse gas, water, and waste?	V		<p>(IV)The Company has energy conservation and resource management procedures in place. It constantly encourages employees to adopt vegetarian diet, use of staircase instead of elevator, save water, turn off lights where appropriate, and garbage sorting. All lighting equipment has been replaced with LED.</p> <p>The Company calculates CO<sub>2</sub> emission using the guidelines provided on the environmental protection website of the industrial park. In 2020, the Company emitted 323,604.98kg of CO<sub>2</sub> from energy consumption, 137,917.11kg from transportation, 232,556.23kg from the workplace, 96.81kg from entertainment, 33,793.99kg from appliances, and 179,315.33kg from other categories. Total CO<sub>2</sub> emission was calculated at 907,284.44kg, water consumption totaled 1,502 cubic meters, and domestic waste totaled 3,600kg in 2020.</p> <p>In 2021, the Company emitted 318,086.57kg of CO<sub>2</sub> from</p>	Consistent with Sustainable Development Best Practice Principles for TWSE/TPE <sub>x</sub> Listed Companies

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPE <sub>x</sub> Listed Companies
	Yes	No	Summary	
			<p>energy consumption, 138,479.74kg from transportation, 233,501.33kg from the workplace, 0kg from entertainment, 34,495.80kg from appliances, and 180,211.10kg from other categories. Total CO2 emission was calculated at 904,774.55kg, water consumption totaled 1,501 degrees, and domestic waste totaled 3,500kg in 2021.</p> <p>In 2022, 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> <ol style="list-style-type: none"> <li>(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 20,000kg per year.</li> <li>(2) Recycling and re-use of paper helped reduce the overall volume of waste, and 80% of which can be processed into reclaimed paper. The Company recycles approximately 700kg of paper each year.</li> <li>(3) The Company introduced a document online sign-off system (Web version) in 2019 as part of its paperless</li> </ol>	

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			movement. The system notifies authorized persons to sign-off documents online via E-Mail (10 tasks were introduced in 2019, 14 tasks were introduced in 2020, and 11 tasks were introduced in 2021), which not only improves the efficiency of internal processes but also reduces the use of paper.	
IV. Social issues (I) Has the company developed its policies and procedures in accordance with laws and International Bill of Human Rights?	V		(I) The Company has complied with local labor laws and international frameworks, and follows “UN Universal Declaration of Human Rights,” “UN International Labour Organization,” “UN Guiding Principles on Business and Human Rights,” as well as principles of International Bills of Human Rights. It also respects globally recognized basic human rights, and enforces them with measures of diversity, inclusion, equal opportunity, reasonable working hours, healthy and safe working environment, freedom of association, collective bargaining, and privacy protection. In order to protect employees’ important rights, we have also developed the employee code of conduct in the Work Rules to make every employee understand, acknowledge and commit to the Rules since their first day in the Company. Concerns about human rights, and practices thereof:	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/TPE <sub>x</sub> Listed Companies
	Yes	No	Summary	
			<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</p>	

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPE <sub>x</sub> Listed Companies
	Yes	No	Summary	
			<p>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 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</p>	

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPE <sub>x</sub> Listed Companies
	Yes	No	Summary	
			<p>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> <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"> <li>. 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.</li> </ul> <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</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>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 appropriately reflected business performance or outcome in employees’ compensations?	V		<p>(II) The Company is dedicated to providing complete and sound welfare policies and safe working environment in the hope of providing protection and ensuring work-life balance for every employee. With respect to the compensation system, the Company optimizes salary and bonus packages in line with changes in the salary level of industry peers, and evaluates employees’ performance at the end of each year to serve as reference for bonus and salary adjustment, in addition to the Company’s overall performance for the year. The welfare policies are stated as following:</p>	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>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.</p> <p>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.</p> <p>3. Comprehensive insurance In addition to the labor insurance, national health insurance and monthly contribution of pension fund for each employee under laws, the Company also plans the comprehensive group insurance for employees, including life insurance, accidental insurance, medical insurance, and cancer insurance, and also raise the insured value for the colleague who are expatriated overseas and take business trips overseas, in order to increase the overall protection of employees, make their family members relax and help the</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>colleagues work without worry.</p> <p>4. Sound retirement mechanism 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</p>	

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
			health seminars and various health promotion events periodically to help take care of the employees' physical and mental health.	
(III) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		(III) The Company's Labor Safety Office is dedicated to occupational safety affairs; it arranges annual employee health checkup and conducts fire drills to educate employees on the correct health knowledge and proper response to unexpected incidents. Meanwhile, the Company also offers health educational information on its website and in various forms of trainings. The Company has access control at all entrances that are guarded by securities for employee safety for 24 hours a day. The Company's electromechanical or firefighting equipment 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.	Consistent with Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
(IV) Has the Company established some effective career development training	V		(IV) Driven by its human resource philosophy of growing with employees, the Company implements the policy of	Consistent with Sustainable

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Summary	
plan for employees?			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 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 2021, the Company organized internal and external training courses that received a total of 212 enrollments and trained a total of 612 man-hours.	Development Best Practice Principles for TWSE/TPEX Listed Companies
(V) Has the Company complied with laws	V		(V) The Company has been enhancing green competitiveness of	Consistent with

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPE <sub>x</sub> Listed Companies
	Yes	No	Summary	
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?			its products in order to reduce environmental impacts of the Company's products, fulfill corporate responsibility, and meet international green product standards as demanded by customers. Through its Green Procurement Guidelines, the Company requires its suppliers to comply with EU REACH, RoHS, and hazardous-substances management regulations of the HF, and sign the environmental protection declaration as a commitment to compliance. New suppliers are required to sign or publish declaration for green commitment. All internal departments have coordinated with the Legal Affairs Department and implemented complaint procedures and operating rules for the protection of consumers' rights. The complaint may be raised via phone or email.	Sustainable Development Best Practice Principles for TWSE/TPE <sub>x</sub> Listed Companies
(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	Consistent with Sustainable Development Best Practice Principles for TWSE/TPE <sub>x</sub> 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	
			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.	
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 Company prepares its sustainability report in accordance with the GRI Standards 2016 issued by the Global Reporting Initiative (GRI); the report discloses the Company's sustainability issues, strategies, goals and policies. The Company prepared its sustainability report, but has not sought any third party certification.	Consistent with 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 Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established Chenming Electronic Technology Sustainable Development Code of Conduct based on "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies." The Code of Conduct includes principles on corporate governance, sustainable environment, public welfare, and disclosure of corporate social responsibility information; these principles have been duly enforced and hence there is no deviation from the best practice principles.				
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 2021, the				

Projects	Execution (Note 1)			Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPE <sub>x</sub> Listed Companies
	Yes	No	Summary	
<p>Company continued to promote ideas of green economy and green innovation and enforce corporate social responsibility and environmental sustainability.</p> <p>The Company has long been concerned with the disadvantaged group in the society and worked hard to give back to the society. In 2021, 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.</p>				

Note 1: If implementation is specified “Yes,” please explain the key policies, strategies, and measures taken and the execution progress. If implementation is specified “No,” please explain deviation and cause of deviation in the field titled “Deviation and causes of deviation from Sustainable Development Best Practice Principles for TWSE/TPE<sub>x</sub> Listed Companies,” and provide any policy, strategy and measure planned for the future.

Note 2: 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) 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</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	V			
	V			

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?			<p>complaint procedure to protect the informant, held responsibility in the procurement of minerals, protected personal information of all counter-parties, protected and complied with laws related to privation and information security, and adopted protection procedures to stop any revenge.</p> <p>(III) The Company has established a recusal system for directors as apart of its “Parliamentary Rules For Directors’ Meetings.” Directors are required to disassociate from all discussion and voting, but may express opinion and reply, in any motion that poses a conflict of interest between the Company and themselves or the entities they represent. Furthermore, they are prohibited from exercising voting rights on behalf of other directors.</p> <p>Additionally, the Company has clearly 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</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	
			an investigation, the handling personnel shall pass on the case information and relevant documents to human resource department where the case shall be handled accordingly. Given the severity of the violation, the case may be passed to the judicial authorities.	
<p>II. Enforcing ethical management</p> <p>(I) Does the Company evaluate the integrity of all counterparts it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Does the Company have a unit that enforces business integrity directly under the board of directors? Does this unit report its progress (regarding implementation of business integrity policy and prevention against dishonest conducts) to the board of directors on a regular basis (at least once a year)?</p>	<p>V</p> <p>V</p>		<p>(I) The Company evaluates the integrity history of all parties it has business dealings with. It has been stated in the integrity code of conduct that the Company may terminate or cancel its contract at anytime with any business partner that violates the integrity code of conduct.</p> <p>(II) The Chairman's Office is responsible for the establishment, supervision, and execution of the integrity policy. A report was last made to the board of directors in December 2021. Its main responsibilities include the following:</p> <p>I. Incorporating integrity and moral values into the Company's operating strategies, and establishment of integrity assurance and fraud prevention measures in</p>	<p>Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</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>accordance with laws.</p> <p>II. Adopt accordingly programs to prevent unethical conduct, and setting in each program the standard operating procedures and conduct guidelines with 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>	

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		<p>Execution of business integrity policy in 2021:</p> <p>(1) Education and training The Company organized internal and external training courses that received a total of 212 enrollments and trained a total of 612 man-hours during the year to address integrity issues such as food safety, legal security, information security, financial and accounting system, and internal controls.</p> <p>(2) Regular inspections The Company assesses corruption risk of business activities taking place at all locations. The Company conducts self-audits and compliance self-assessments each year to ensure effective control and proper execution of existing systems, thereby prevent dishonest conducts. There had been no incident of corruption or anti-competitive behavior in 2021.</p>	
(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	V		<p>(3) Whistleblower system and protection The Company has outlined its whistleblower system in “Corporate</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>employees' compliance with various preventions against dishonest conduct?</p> <p>(V) Does the company organize internal or external training on a regular basis to maintain business integrity?</p>			<p>Governance Code of Conduct,” “Integrity Code of Conduct,” “Guidelines for Professional Ethics,” and “Policy for Handling Illegal and Unethical Conducts.” The Company actively prevents dishonest conducts by encouraging insiders and outsiders to report dishonest or improper behaviors through means such as mailbox and hotline. All reported misconducts will be investigated by the human resources department on a case-by-case basis. The website also has a stakeholders section available to facilitate effective communication with employees, shareholders, stakeholders, and outsiders. There was no report of dishonest conduct in 2021.</p> <p>(III) The Company’s Parliamentary Rules for Directors’ Meetings have outlined requirements for directors to avoid discussion and voting on any motion that presents a conflict of interest between them and the Company.</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>(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.</p> <p>(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 212 enrollments and trained a total of 612 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,</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	
			policies, and compliance focus.	
<p>3. 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> <p>(III) Has the company provided proper whistleblower protection?</p>	<p>V</p> <p>V</p> <p>V</p>		<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 significant or may cause material damage to the Company, it shall be reported to the board of</p>	<p>Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</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>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 identity of the informant. In the event of any consequent gain or loss or discrimination on the job, the informant may request the processing unit for identity and pay protection in advance, and the Company will ensure the informant's personal security. Any threat, intimidation or other such actions shall be reported to competent authorities.</p>	
<p>IV. Enhancing information disclosure</p> <p>Has the Company disclosed its integrity principles and progress onto its website and Market Observation Post System (MOPS)?</p>	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>	<p>Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies</p>
<p>V. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: N/A.</p> <p>The Company has established integrity code of conduct and related policies; details can be found in the Corporate Governance section of the Company's website (<a href="http://www.unec.com/tw">http://www.unec.com/tw</a>).</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>VI. Other important information that is helpful in understanding the corporate ethical management operation of the Company? (e.g., the Company has amended the corporate ethical management best practice principles, etc.):</p> <ul style="list-style-type: none"> <li>. 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 2021, there were 26 new suppliers that signed or published declaration for green commitment.</li> <li>. 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.</li> <li>. 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.</li> </ul>				

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

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

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.

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

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

(IX) Internal control

1. Declaration of Internal Control System

Chenming Electronic Technology Corporation  
Declaration of Internal Control System

Date: March 4, 2022

The following declaration was made based on the 2021 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, 2021. 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 4, 2022.

Chenming Electronic Technology Corporation

Chairman: Lin Mu-Ho

President: Lo Chih-Chi

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

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

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

Shareholder/ board of directors meeting	Date	Major resolutions
Board of Directors	January 29, 2021	<ol style="list-style-type: none"> <li>1. Review of 2020 year-end bonus allocation principles for managers; the motion is ready for discussion.</li> <li>2. Review on changes in managers' compensation; the motion is ready for discussion.</li> <li>3. The motion for loaning of fund by Chenming Electronic (Ningbo) Co., Ltd. To Dongguan Chenming Electronics Co., Ltd.</li> <li>4. Partial amendments to "Articles of Association of Remuneration Committee"; the motion is ready for discussion.</li> <li>5. Partial amendments to "Articles of Association of Audit Committee"; the motion is ready for discussion.</li> <li>6. The motion to amend certain articles of the Company's "Parliamentary Rules For Directors' Meetings" is submitted for review accordingly.</li> <li>7. Partial amendments to "Regulations Governing Board of Directors Self or Peer Assessment"; the motion is ready for discussion.</li> <li>8. Proposal to renew credit limits granted by CTBC Bank upon expiry.</li> </ol>
Board of Directors	March 17, 2021	<ol style="list-style-type: none"> <li>1. Amount and method of allocation for the 2020 employee/director/supervisor remuneration; the motion is ready for discussion.</li> <li>2. Motion to prepare the Company's 2020 "Declaration of Internal Control System" in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies."</li> <li>3. Presentation of the Company's 2020 business report and financial statements; the motion is ready for discussion.</li> <li>4. Appropriation of the Company's 2020 earnings; the motion is ready for discussion.</li> <li>5. Partial amendments to the Company's "Parliamentary Rules for Shareholders' Meetings"; the motion is ready for discussion.</li> <li>6. Proposal to set details concerning the Company's 2021 annual general meeting and acceptance of shareholders' motion proposals; the motion is ready for discussion.</li> <li>7. Proposal to acquire 8% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 100% in Chenming Electronic (Ningbo).</li> <li>8. Proposal to file an application for investing US\$1.7 million into Chenming Electronic (Ningbo) Co., Ltd. in the Mainland.</li> </ol>
Board of Directors	May 5, 2021	<ol style="list-style-type: none"> <li>1. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. lend capital to Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion.</li> <li>2. Proposal to apply for renewal of credit limit with First Commercial Bank upon expiry.</li> <li>3. Proposal to apply for new credit limits with Cathay United Bank.</li> </ol>
Board of Directors	July 7, 2021	<ol style="list-style-type: none"> <li>1. Proposal to set the date and venue for the Company's 2021 annual general meeting.</li> </ol>
Annual general meeting	July 30, 2021	<ol style="list-style-type: none"> <li>1. Acknowledgment of 2020 business report and financial statements. Current progress: The motion was passed as proposed without objection, and served as the basis for 2020 earnings appropriation.</li> </ol>

Shareholder/ board of directors meeting	Date	Major resolutions
		<p>2. Acknowledgment of 2020 earnings appropriation. Current progress: The proposal was passed as proposed without objection, for which the Chairman was authorized and had set the baseline date of distribution at August 22, 2021 and the payment date at September 10, 2021 (NT\$0.3 of cash dividends per share). Payment has been duly completed.</p> <p>3. Passed amendments to the Company's "Parliamentary Rules for Shareholders' Meetings." Status: The motion was passed unanimously, and the amended procedures were put in place.</p>
Board of Directors	August 11, 2021	<p>1. Proposal to renew endorsement/guarantee for Mainland subsidiary - Chenming Electronic (Ningbo) Co., Ltd. in the Company's capacity; the motion is ready for discussion.</p> <p>2. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. offer endorsement/guarantee for Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion.</p> <p>3. Proposal to apply for renewal of credit limit with Hua Nan Bank upon expiry.</p>
Board of Directors	August 26, 2021	<p>1. Proposal to acquire local land and plant for the construction of production facilities; the motion is ready for discussion.</p>
Board of Directors	September 17, 2021	<p>1. Proposal to acquire local land and plant for the construction of production facilities; the motion is ready for discussion.</p>
Board of Directors	November 2, 2021	<p>1. Proposal to apply for additional medium/long term credit with Hua Nan Bank.</p>
Board of Directors	November 10, 2021	<p>1. Establishment of the Company's 2022 audit plan.</p> <p>2. Proposal to apply for additional credit limit from Mega International Commercial Bank.</p>
Board of Directors	January 11, 2022	<p>1. Review of 2021 year-end bonus allocation principles for managers; the motion is ready for discussion.</p> <p>2. 2021 compensation for directors; the motion is ready for discussion.</p> <p>3. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. lend capital to Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion.</p> <p>4. Lending of capital by Dongguan Chenming Electronics Co., Ltd. to Chenming Electronic (Ningbo) Co., Ltd.; the motion is ready for discussion.</p> <p>5. Proposal for private placement of common shares for cash in 2022.</p> <p>6. Proposal to set the date, venue, and relevant details for the Company's 2022 first extraordinary shareholder meeting; the motion is ready for discussion.</p>
Board of Directors	March 4, 2022	<p>1. Proposal to issue the Company's 2021 "Declaration of Internal Control System."</p> <p>2. Presentation of the Company's 2021 business report and financial statements; the motion is ready for discussion.</p> <p>3. The 2021 loss reimbursement proposal; the motion is ready for discussion.</p> <p>4. Proposal to set details concerning the Company's 2022 annual general meeting and acceptance of shareholders' motion proposals; the motion is ready for discussion.</p> <p>5. Amendments to the Company's "Articles of Incorporation"</p> <p>6. The motion to amend certain articles of the Company's "Procedures for Acquisition or Disposal of Assets" is submitted for review accordingly.</p> <p>7. Replace one CPA in response to the job rotation within the CPA Firm.</p>
Extraordinary shareholder meeting	March 9, 2022	<p>3. Passed private placement of common shares for cash. Current progress: The motion was passed as proposed without objection, and was carried out according to the private placement schedule.</p>

Shareholder/ board of directors meeting	Date	Major resolutions
Board of Directors	March 10, 2022	<ol style="list-style-type: none"> <li>1. Change of managerial personnel; the motion is ready for discussion.</li> <li>2. Reappointment of the Company's head of finance.</li> <li>3. Proposal to offer endorsement/guarantee for Mainland subsidiary - Dongguan Chenming Electronics Co., Ltd. in the Company's capacity; the motion is ready for discussion.</li> <li>4. Proposal to have Chenming Electronic (Ningbo) Co., Ltd. offer endorsement/guarantee for Dongguan Chenming Electronics Co., Ltd.; the motion is ready for discussion.</li> <li>5. Proposal to renew and increase credit limits granted by CTBC Bank upon expiry.</li> <li>6. Proposal to apply for renewal of credit limit with First Commercial Bank upon expiry.</li> <li>7. Proposal to set the pricing date and baseline date of cash issue for the 1st private placement of common shares in 2022.</li> </ol>
Board of Directors	March 23, 2022	<ol style="list-style-type: none"> <li>1. Proposal to dispose of land located on Dongyuan Road, Jhongli Industrial Park.</li> <li>2. Proposal to invest indirectly into the establishment of production site at Kunshan, China, through a third location.</li> </ol>

(XII) 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.

(XIII) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, corporate governance officer, or head of R&D in the most recent year up until the publication date of annual report:

#### Resignation of relevant personnel

March 10, 2022

Title	Name	Date onboard	Date discharged	Reasons for resignation or discharge
Assistant Vice President of Finance Division	Huang Shih-Chieh	2017/07/15	March 10, 2022	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: NTD thousands

Name of accounting firm	Name of CPA	Period of audit service	Audit remuneration	Non-audit remuneration	Total	Remarks
KPMG	Wang Michelle	Jan-Dec 2021	4,000	350	4,350	Issuance of opinions on Mainland investment and transfer pricing report
	Yen Hsing-Fu					

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 auditor

Date of reappointment	January 1, 2022		
Reason for reappointment	Internal rotation within KPMG		
Whether the termination of audit service was initiated by the client or by the auditor	Parties involved \ Situation	CPA	Client
	Service terminated by	Yen Hsing-Fu	
	Service no longer accepted (continued) by		
An opinion other than unqualified opinion issued in the last two years, and the cause for such an opinion	None		
Any disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit coverage or procedures
			Others
	None		
Explanation			

(Disclosures deemed necessary under Item 1-4 to Item 1-7, Subparagraph VI, Article 10 of the Guidelines)	None
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(II) Information relating to the succeeding auditor

Name of accounting firm	KPMG
Name of CPA	Michelle Wang, Yvette Chien
Date of reappointment	January 1, 2022
Inquiries and replies regarding accounting practices or principles on certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment.	None
Written disagreements from the succeeding auditor against opinions of the former auditor against opinions of the former auditor	None

Note: The Company's former auditor, CPA Yen Hsing-Fu, was replaced by CPA Yvette Chien since March 2022 following a job rotation within KPMG.

(III) Former auditor's reply relating to Item 1 and Item 2-3, Subparagraph 6, Article 10 of the Guidelines:

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	2021		Year-to-date as at April 19	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Lin Mu-Ho	—	—	5,000,000	—
Director and Vice Chairman	Lin Feng-Ran	—	—	—	—
Director	Chen Hsiao-Chun	—	—	—	—
Director and President	Lo Chih-Chi	—	—	—	—
Independent Director	Chou Liang-Cheng	—	—	—	—
Independent Director	Chen Hung-Chang	—	—	—	—
Independent Director	Chen Chien-Chun	—	—	—	—
Vice President	Fan Yu-Hsiang	—	—	—	—
Vice President	Wu Ruei-Chuan	—	—	—	—
Assistant Vice President	Chang Chin-Hsing	—	—	—	—
Assistant Vice President	Hsiao Kuang-Chih	—	—	—	—
Assistant Vice President	Chueh Chung-Hui	—	—	—	—
Acting head of finance and head of accounting	Su Chung-Ching	—	—	—	—

Title	Name	2021		Year-to-date as at April 19	
		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.	—	—	35,000,000	—
Assistant Vice President	Wu Chien-Sheng (Departed on March 10, 2022)	—	—	—	—
Assistant Vice President and Finance Manager	Huang Shih-Chieh (Departed on March 10, 2022)	—	—	—	—

(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)	Self Shareholding		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	51,000,000	26.03%	—	—	—	—	—	—	None
	4,212,000	2.15%	—	—	—	—	—	—	None
Lin Mu-Ho	30,000,230	15.31%	1,425,809	0.73%	—	—	Tsai Chiu-Hua Lin Mu-Rong Lin Ching-Yuan Lin Feng-Ran Lin Pei-Yu	Spouse Brothers Father and son Father and son Father and daughter	None
Lin Ching-Yuan	7,103,430	3.63%	221,931	0.11%	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Feng-Ran	Father and son Mother and son Brothers	None

Name (Note 1)	Self Shareholding		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	
							Lin Pei-Yu	Sibling	
Lin Feng-Ran	6,612,310	3.37%	423,956	0.22%	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Ching-Yuan Lin Pei-Yu	Father and son Mother and son Brothers Brother and sister	None
Hui Chi Investment Co., Ltd.	6,166,758	3.15%	—	—	—	—	-	-	None
Representative: Lin Ching-Yuan	7,103,430	3.63%	221,931	0.11%	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Feng-Ran Lin Pei-Yu	Father and son Mother and son Brothers Sibling	None
Lin Mu-Rong	5,630,469	2.87%	991,369	0.48%	—	—	Lin Mu-Ho Lin Chun-Yi	Brothers Father and son	None
Chan Chung-Chih	4,212,000	2.15%	—	—	—	—	-	-	None
Lin Pei-Yu	1,457,755	0.74%	—	—	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Ching-Yuan Lin Feng-Ran	Father and daughter Mother and daughter Brother and sister Brother and sister Brother and sister	None
Tsai Chiu-Hua	1,425,809	0.73%	25,000,230	16.03%	—	—	Lin Mu-Ho Lin Feng-Ran Lin Ching-Yuan Lin Pei-Yu	Spouse Mother and son Mother and son Mother and daughter	None
Lin Chun-Yi	1,257,262	0.64%	—	—	—	—	Lin Mu-Rong	Father and son	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	63,358	100.00%	0	0%	63,358	100.00%
Chueh Rong International	45,988	100.00%	0	0%	45,988	100.00%
Ding Chih Co., Ltd.	20,210	100.00%	0	0%	20,210	100.00%
CHENMING ELECTRONIC TECHNOLOGY USA,INC.	200	100.00%	0	0%	200	100.00%
Dongguan Chenming	Note 2	100.00%	0	0%	Note 2	100.00%
Chenming Electronic (Ningbo)	Note 2	100.00%	0	0%	Note 2	100.00%

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

Note 2: Limited liability company.

## Four. Funding Status

### I. Capital and shares (in the last year and up until the publication date of annual report)

#### (I) Source of capital:

April 19, 2022

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
	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	0	None	Letter No. 09001293930
						Capitalized earnings NT\$174 million, employee bonus NT\$9 million			
July 2003	10	247,200,000	2,472,000,000	132,300,000	1,323,000,000	Capitalized capital reserves NT\$87 million	0	None	Shang-09101404120 dated 2002.10.03
						Capitalized earnings NT\$57 million, employee bonus NT\$12 million			
January 2004	10	247,200,000	2,472,000,000	133,476,470	1,334,764,700	Capitalized capital reserves NT\$114 million	0	None	Shang-09201248100 dated 2003.08.19
April 2004	10	247,200,000	2,472,000,000	137,929,391	1,379,293,910	NT\$ 11,764,700 (conversion from corporate bonds)	0	None	Shang-09301009900 dated 2004.01.19
July 2004	10	247,200,000	2,472,000,000	137,929,391	1,379,293,910	NT\$ 44,529,210 (conversion from corporate bonds)	0	None	Shang-09301074800 dated 2004.04.29
						NT\$ 176,470 (conversion from corporate bonds)			
September 2004	10	247,200,000	2,472,000,000	137,947,038	1,379,470,380	Capitalized earnings NT\$25.8976 million, employee bonus NT\$10 million	0	None	Shang-09301130400 dated 2004.07.29
January 2004	10	247,200,000	2,472,000,000	145,421,449	1,454,214,490	Capitalized capital reserves NT\$38.8464 million	0	None	Shang-09301157100 dated 2004.09.06
						NT\$ -80,000,000 (retirement of treasury stock)			
January 2005	10	247,200,000	2,472,000,000	137,421,449	1,374,214,490	NT\$ -85,000,000 (retirement of treasury stock)	0	None	Shang-09301188300 dated 2004.10.12
August 2005	10	247,200,000	2,472,000,000	128,921,449	1,289,214,490	Capitalized earnings NT\$43.3725 million, employee bonus NT\$10 million, Capitalized capital reserves NT\$80.5489 million	0	None	Shang-09401017480 dated 2005.01.28
						Capitalized earnings NT\$43.3725 million, employee bonus NT\$10 million, Capitalized capital reserves NT\$80.5489 million			
January 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-09401160120 dated 2005.08.22
January 2005	10	247,200,000	2,472,000,000	145,313,582	1,453,135,820	NT\$ 29,999,890 (conversion from	0	None	Shang-09401206880 dated 2005.10.20

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
2005						corporate bonds)			
July 2006	10	247,200,000	2,472,000,000	140,313,582	1,403,135,820	NT\$ -50,000,000 (retirement of treasury stock)	0	None	Shang-09501134950 dated 2006.07.05
August 2006	10	247,200,000	2,472,000,000	155,931,787	1,559,317,870	Capitalized earnings NT\$28.0627 million, employee bonus NT\$5.6 million, Capitalized capital reserves NT\$42.094 million; NT\$ 80,425,250 (conversion from corporate bonds)	0	None	Shang-09501185100 dated 2006.08.24
January 2007	10	247,200,000	2,472,000,000	156,163,928	1,561,639,280	NT\$ 2,321,410 (conversion from corporate bonds)	0	None	Shang-09601008170 dated 2007.01.12
April 2007	10	247,200,000	2,472,000,000	158,887,131	1,588,871,310	NT\$ 27,232,030 (conversion from corporate bonds)	0	None	Shang-09601087320 dated 2007.04.25
July 2007	10	247,200,000	2,472,000,000	160,940,691	1,609,406,910	NT\$ 20,535,600 (conversion from corporate bonds)	0	None	Shang-09601160770 dated 2007.07.12
August 2007	10	247,200,000	2,472,000,000	169,948,887	1,699,488,870	Capitalized earnings NT\$62.4655 million, employee bonus NT\$12 million Capitalized capital reserves NT\$15.6163 million	0	None	Shang-09601210270 dated 2007.08.31
January 2007	10	247,200,000	2,472,000,000	174,561,410	1,745,614,100	NT\$ 46,125,230 (conversion from corporate bonds)	0	None	Shang-09601249620 dated 2007.10.12
January 2008	10	247,200,000	2,472,000,000	174,948,198	1,749,481,980	NT\$ 3,867,880 (conversion from corporate bonds)	0	None	Shang-09701005760 dated 2008.01.11
April 2008	10	247,200,000	2,472,000,000	205,819,156	2,058,191,560	NT\$ 308,709,580 (conversion from corporate bonds)	0	None	Shang-09701088600 dated 2008.04.11
August 2008	10	247,200,000	2,472,000,000	216,081,018	2,160,810,180	Capitalized earnings NT\$51.4547 million, employee bonus NT\$10 million Capitalized capital reserves NT\$41.1638 million	0	None	Shang-09701215160 dated 2008.08.26
January 2008	10	247,200,000	2,472,000,000	198,081,018	1,980,810,180	NT\$ -180,000,000 (retirement of treasury stock)	0	None	Shang-09701270770 dated 2008.10.24
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

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
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	40,000,000 (additional capital)	0	None	Shang-Zi No. 11101044250 dated March 23, 2022

Share category	Authorized capital				Remarks
	Outstanding shares (public listed)	Treasury stock	Unissued shares	Total	
Registered ordinary shares	195,935,018	0	51,264,982	247,200,000	None

(II) Shareholders structure:

April 19, 2022

Shareholders structure	Government institutions	Financial institutions	Other corporate entities	Foreign institutions and foreigners	Natural persons	Treasury stock	Total
Head count	1	0	19	38	11,628	0	11,686
Number of shares held	98	0	58,874,322	2,817,589	134,243,009	0	195,935,018
Shareholding percentage (%)	0.00%	0.00%	30.05%	1.44%	68.51%	0.00%	100.00%

## (III) Ownership diversity:

April 19, 2022

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage (%)
1-999	3,929	644,004	0.33%
1,000-5,000	5,605	12,109,872	6.17%
5,001-10,000	1,004	8,475,789	4.33%
10,001-15,000	263	3,424,572	1.75%
15,001-20,000	256	4,830,396	2.47%
20,001-30,000	229	6,028,264	3.08%
30,001-40,000	92	3,360,382	1.72%
40,001-50,000	65	3,021,204	1.54%
50,001-100,000	134	9,662,949	4.92%
100,001-200,000	50	7,105,669	3.63%
200,001-400,000	31	8,729,963	4.46%
400,001-600,000	8	4,293,562	2.19%
600,001-800,000	2	1,239,000	0.63%
800,001-1,000,000	5	4,654,369	2.38%
1,000,001 and above	13	118,355,023	60.4%
Total	11,686	195,935,018	100.00%

## (IV) List of major shareholders:

April 19, 2022

Serial number	Account number	Name of major shareholder	Number of shares held	Shareholding percentage (%)
1	60020	Shang Mei Precision Industrial Co., Ltd.	51,000,000	26.03%
2	1	Lin Mu-Ho	30,000,230	15.31%
3	10	Lin Ching-Yuan	7,103,430	3.63%
4	115	Lin Feng-Ran	6,612,310	3.37%
5	13	Hui Chi Investment Co., Ltd.	6,166,758	3.15%
6	2	Lin Mu-Rong	5,630,469	2.87%
7	58916	Chan Chung-Chih	4,212,000	2.15%
8	9	Lin Pei-Yu	1,457,755	0.74%
9	5	Tsai Chiu-Hua	1,425,809	0.73%
10	321	Lin Chun-Yi	1,257,262	0.64%

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

Item		Year	2020	2021	2022 up until March 31 (Note 8)
Market price per share (Note 1)	High		16.2	18.00	15.85
	Low		9.97	11.6	12.85
	Average		12.86	13.7	13.84
Net worth per share (Note 2)	Before dividend		15.19	14.37	Note 9
	After dividend		15.19	14.37	Note 9
EPS	Weighted average outstanding shares		156,710	155,935	Note 9
	Earnings per share (Note 3)		0.4	-0.74	Note 9
Dividends per share	Cash dividends		0.3	0	Note 9
	Stock dividends	From earnings	0	0	Note 9
		From capital reserves	0	0	Note 9
	Cumulative undistributed dividends (Note 4)		0	0	Note 9
Analysis of investment returns	P/E ratio (Note 5)		32.15	Not applicable	Note 9
	Price to dividends ratio (Note 6)		42.86	Not applicable	Note 9
	Cash dividend yield (Note 7)		2.32%	Not applicable	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 the next year's shareholders meeting is presented in the table.

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: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2022.

(VI) Dividend policy and execution:

1. Dividend policy:

Dividends are proposed by the board of directors after taking into consideration a number of factors including the Company's business performance, capital requirements, capital budget, changes in the domestic/foreign environment, and shareholders' interests. Dividends should not exceed 75% of current year net income except under special

circumstances. The Company is currently in the growth stage of its life cycle and is still in need of capital for expansion and investment. Cash dividends shall not amount to less than 10% of total dividends distributed each year.

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

The Company had unappropriated retained earnings of NT\$328,886,799 at the beginning of 2021; after deducting current net loss of NT\$114,939,454 and making provision for special reserve totaling NT\$7,634,167, the Company had NT\$206,313,178 of earnings that were available for distribution. No shareholder dividend was proposed for the current year.

3. Expected change in dividend policy: None.

(VII) Impacts of proposed stock dividends on the Company's business performance and earnings per share: Not applicable.

(VIII) Employee/director/supervisor remuneration:

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

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

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

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

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

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

3. Remuneration passed by the board of directors

(1) Employee/director/supervisor remuneration, in cash or in shares: No employee remuneration and director remuneration was provided for 2021, as the year ended in a net loss.

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

The Company paid NT\$3,000,000 of remuneration to employees in cash and NT\$1,500,000 of remuneration to directors/supervisors in cash in the previous year (2020). 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 :

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

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

III. Progress on planned use of fund:

- (I) Incomplete offering or private placement of securities from previous periods: The Company expects to use the fresh capital for working capital and for supporting future growth requirements starting from the second quarter of 2022.
- (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) Manufacturing, importing, exporting, and trading of metal stamping beds, steel molds, and electromechanical parts (for production of computer chassis and accessories, and molds).
  - (2) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing.
  - (3) CC01060 Wired Communication Equipment and Apparatus Manufacturing.
  - (4) CC01050 Data Storage Media Units Manufacturing.
  - (5) CC01070 Telecommunication Equipment and Apparatus Manufacturing.
  - (6) CC01080 Electronic Parts and Components Manufacturing.
  - (7) E605010 Computing Equipment Installation Construction.
  - (8) F113070 Wholesale of Telecom Instruments.
  - (9) F213060 Retail Sale of Telecom Instruments.
  - (10) F601010 Intellectual Property.
  - (11) I301010 Software Design Services.
  - (12) I301020 Data Processing Services.
  - (13) I301030 Digital Information Supply Services.
  - (14) I501010 Product Designing.
  - (15) IE01010 Telecommunications Number Agencies.
  - (16) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
2. Principal business activities and weight

Unit: NTD thousand

Product	2021 sales amount	as a percentage of annual sales
PC and server chassis	4,271,739	81%
Mobile device components	720,866	14%
Mold	291,939	5%
Total	5,284,564	100%

3. The Company's current products (services)  
PC and server chassis; design, manufacturing and sale of handheld devices.
4. New products (services) planned for the future
  - (1) Research, design, and development of Gaming PC.
  - (2) Research, design, and development of Fanless Case.
  - (3) Ongoing development of manufacturing process for hydroxyapatite (HAP).
  - (4) Continue development of continuous furnace for production of cobalt-based alloy F75 (Co-28Cr-6Mo), and MIM process

- involving continuous furnace.
- (5) Development of MIM process for continuous furnace production of HK30.
- (6) Development of MIM process for continuous furnace production of Nitronic60.
- (7) Development of heatsinks (LGA4677) for Intel’s latest server system - Eagle Stream.

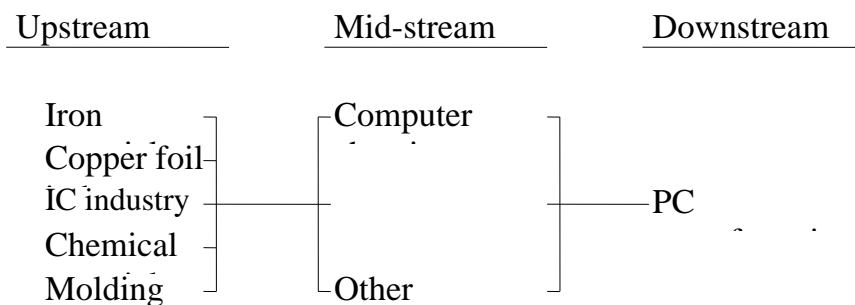
(II) Industry overview

1. Current and future industry prospects

Chassis is an accessory of personal computers and servers, and falls in the hardware category of the IT industry.

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 continue improving competitiveness and exploring market opportunities in fields such as smart innovation, technological application, industrial evolution, cloud computing, and AI. These were the goals that drove the Company into exploring breakthrough application of new processes and technologies, developing new chassis and racks for cloud computing servers, and expanding customer reach and product lines in recent years.

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



3. Product trend and competition

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

### (III) Technological research and development

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

Unit: NTD thousand

	2017	2018	2019	2020	2021
R&D expenses	34,036	35,697	49,128	52,899	57,223
Operating revenue	4,840,129	6,186,402	6,028,702	6,124,518	5,284,564
R&D expenses as a percentage of net operating revenues	0.70%	0.58%	0.82%	0.86%	1.08%

Note: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2022.

#### 2. Technologies or products successfully developed

- (1) Completed development of design and sample for 2U&3U Edge Server.
- (2) Completed development of outdoor server cabinet and sample testing.
- (3) Completed MIM process for continuous furnace production of non-magnetic stainless steel (X2CrNi19-11).
- (4) Completed MIM process for continuous furnace production of case-hardened steel (ferronickel alloy).
- (5) Completed MIM process for thin metallic fan blades.
- (6) Completed development of passive heatsink: 1U & 2U for Intel SOCKET LGA2011/3647/4189 and AMD SOCKET SP3.
- (7) Completed development of active heatsink: 2U for Intel SOCKET LGA2011/3647  
And AMD SOCKET SP3.
- (8) Completed development of active heatsink: 4U for Intel SOCKET LGA2011/3647.
- (9) Acquired R.O.C. patent: M609223 - form with nitriding layer.
- (10) Acquired R.O.C. patent: I726451 - preparation method for nitriding layer and form thereof.
- (11) Acquired R.O.C. patent: M612723 - lamellar structure of composite materials.

### (IV) Long and short-term business plans

#### 1. Short-term business plans

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

#### 2. Long-term business plans

- (1) Recruit top talents, and enhance marketing, R&D, and global logistics capacity to maintain the Company's overall competitiveness.
- (2) Invest into the research and development of key components for

PC and communication devices, and convert into growth momentum.

- (3) Take initiative in exploring EMS opportunities for handheld devices.

## II. Market and sales overview

### (I) Market analysis

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

Computer chassis and cellphone components are the main products of the Company. The Company exports most of the products it produces.

It manufactured approximately 16.8 million pieces of computer chassis and 93.62 million pieces of cellphone components during the year.

Unit: NTD thousand; %

Year		2019		2020		2021	
		Sales amount	Sales percentage	Sales amount	Sales percentage	Sales amount	Sales percentage
Domestic sale		197,736	3.28	297,228	4.85	185,536	3.51
Export sale	America	405,299	6.72	638,690	10.43	1,168,972	22.12
	Europe	166,008	2.75	18,140	0.30	20,153	0.38
	Asia	5,259,659	87.25	5,170,460	84.42	3,909,903	73.99
Total		6,028,702	100.00	6,124,518	100.00	5,284,564	100.00

2. Future market supply, demand and growth

#### (1) Future market supply and demand

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

#### (2) Future market growth

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

3. Competitive advantage

#### (1) Superior R&D and design capability

- (2) Comprehensive production procedures and product lines
- (3) Possession of key technology in mold design and development
- (4) Fast and reliable product delivery

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

4. Opportunities, threats and responsive measures

(1) Opportunities

A. Consumers are paying more attention to the pattern and material of the chassis they use.

These products are less substitutable and highly standardized to assure a relatively long life cycle.

B. The Company works with world-renowned IT brands and is constantly developing new products.

C. The Company maintains long-term relationship with suppliers to secure the source of its materials, and competitiveness of its products.

D. The percentage of handheld device components manufactured using the MIM process continues to increase.

(2) Threats and response measures

According to a research conducted by Market Intelligence & Consulting Institute, demands for desktop PCs will be gradually replaced by notebook and tablet PCs.

In addition, factors such as intensive competition, customers’ price cuts, rising cost of materials and labor etc. all make desktop PC a difficult business to profit.

In response to this trend, the Company will be actively transforming its business and developing products of high added value to stay ahead of the competition.

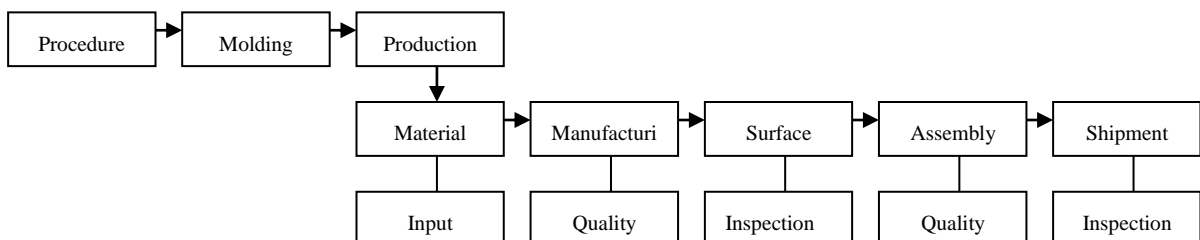
(II) Main product applications and production processes:

1. Main product applications

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

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

2. Production process



(III) Supply of key materials:

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

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

1. Main suppliers in the last two years

Unit: NTD thousand

Item	2020				2021				2022 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	370,505	11%	None	Company A	300,432	10%	None	-	-	-	-
	Others	3,028,062	89%	None	Others	2,590,315	90%	None	-	-	-	-
	Net purchase	3,398,567	100%		Net purchase	2,890,747	100%		-	-	-	

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

Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2022.

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

Item	Name	Amount in 2020	Amount in 2021	Difference between the two periods	Cause of variation
1	Company A	370,505	300,432	(70,073)	Decreased order and demand
	Others	3,028,062	2,590,315	(437,747)	Decreased order and demand
	Net sales	3,398,567	2,890,747	(507,820)	

## 2. Main customers in the last two years

Unit: NTD thousand

Item	2020				2021				2022 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	1,009,143	16%	None	Company A	720,983	14%	None	-	-	-	-
2	Company B	1,719,951	28%	None	Company B	765,060	15%	None	-	-	-	-
3	Company C	1,342,055	22%	None	Company C	796,694	15%	None	-	-	-	-
4	Company D	611,118	10%	None	Company D	491,152	9%	None	-	-	-	-
5	Company E	661,430	11%	None	Company E	1,175,489	22%	None	-	-	-	-
	Others	780,821	13%	None	Others	1,335,186	25%	None	-	-	-	-
	Net sales	6,124,518	100%		Net sales	5,284,564	100%		-	-	-	

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

Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2022.

Cause of customer changes in the last two years:

Item	Name	Amount in 2020	Amount in 2021	Difference between the two periods	Cause of variation
1	Company A	1,009,143	720,983	(288,160)	Decrease in customer's demand
2	Company B	1,719,951	765,060	(954,891)	Decrease in customer's demand
3	Company C	1,342,055	796,694	(545,361)	Decrease in customer's demand
4	Company D	611,118	491,152	(119,966)	Decrease in customer's demand
5	Company E	661,430	1,175,489	514,059	Increase in customer's demand
	Others	780,821	1,335,186	554,365	
	Net sales	6,124,518	5,284,564	(839,954)	

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

Unit: thousand pieces/NTD thousand

Year/Production volume or value	2020			2021		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
PC chassis	21,705	18,088	4,449,602	20,561	17,134	4,214,958
Mobile device components	146,634	133,304	1,026,438	105,043	95,494	735,304
Mold (Note)	-	-	538,040	-	-	292,159
Total	168,339	151,392	6,014,080	125,604	112,628	5,242,421

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

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

Unit: thousand pieces/NTD thousands

Year	2020				2021			
	Domestic sale		Export sale		Domestic sale		Export sale	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
PC chassis	124	254,197	17,609	4,331,851	80	164,744	16,718	4,112,543
Mobile device components	-	-	130,690	1,006,311	-	-	93,622	720,886
Mold (Note)	-	43,031	-	489,128	-	20,792	-	265,599
Total	124	297,228	148,299	5,827,290	80	185,536	110,340	5,099,028

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

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

March 31, 2022

Year		2020	2021	Current year up until March 31, 2022
Employee count	Indirect employees	1,744	1,281	1,205
	Direct employees	3,678	3,708	2,616
	Total	5,422	4,989	3,821
Average age		32.47	34.22	36.05
Average years of service		2.83	2.83	3.94
Distribution of academic background (%)	Doctoral Degree	0.07%	0.04%	0.05%
	Master Degree	0.33%	0.37%	0.45%
	Bachelor Degree	8.97%	9.08%	12.09%
	Senior High School	9.75%	12.52%	16.22%
	Below high school	80.86%	77.99%	71.19%

#### 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 coverage, group insurance coverage, and yearly health checkups.

2. Training and continuing education

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

Item No.	Department	Course name	Trainer	Course date	Training hours	Expenses
1	Advanced Procedures R&D Department	Analysis of Metallic Materials	Industrial Technology Research Institute	January 20-21, 2021	12	6,500
2	Finance Division	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Accounting Research and Development Foundation	August 19-20, 2021	12	8,000
3	Finance Division	The Latest Developments of Financial Statement Self-preparation Policy and Internal Control Practices	Accounting Research and Development Foundation	8/23/2021	6	3,500

Item No.	Department	Course name	Trainer	Course date	Training hours	Expenses
4	Internal Audit Office	Cross-strait Tax Audit Regulations and Practices	The Institute of Internal Auditors, R.O.C	9/1/2021	6	3,000
5	Internal Audit Office	Legal Responsibilities of Internal Auditors and Analysis of the Whistleblower System	Accounting Research and Development Foundation	9/2/2021	6	3,500
6	Internal Audit Office	The Latest Domestic Corporate Governance Trends and Enforcement of Controls	The Institute of Internal Auditors, R.O.C	9/14/2021	6	3,000
7	Finance Division	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Accounting Research and Development Foundation	September 27-28, 2021	12	8,000
8	Internal Audit Office	The Latest Developments of "Financial Statement Self-preparation" Policy and Internal Control Practices	Accounting Research and Development Foundation	9/30/2021	6	3,500
9	Internal Audit Office	Enterprise "Cybersecurity" and "IT Architecture" Auditing and Control Practices	Accounting Research and Development Foundation	10/1/2021	6	3,500
10	Internal Audit Office	Enterprise "Cost Saving" and "Competition Strategy" Auditing and Control Practices	Accounting Research and Development Foundation	10/20/2021	6	3,500
11	Zhongli Plant	Retraining for fire safety officers	China Safety & Health Management Society R.O.C	11/5/2021	6	2,000
12	Zhongli Plant	On-job Training for Occupational Safety and Health Officers [Online Video Course]	China Safety & Health Management Society R.O.C	11/19/2021	6	1,260

### 3. Pension system

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.

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 retains years of service completed under the old scheme for existing employees who opted for the new 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 retirement, healthcare, and social security systems as required by local governments.

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

Any amendment to employment terms are fully negotiated and communicated between the management and the employees before execution.

As a result, no employment dispute has occurred to this day.

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

The Company encountered no employment dispute in the last year up until 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

To enhance information security management and minimize risks and losses due to intentional or accidental threat or vandalism from internal and external sources,

the Company has assigned the IT Center to the planning, supervision, enforcement and execution of information security measures.

The IT Center also reports regularly to the board of directors on issues concerning information security governance.

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 management systems; cybersecurity technology implementers are responsible for the implementation of

cybersecurity system, including network management and system management; whereas cybersecurity auditors coordinate with the Company's internal audit unit to arrange internal as well as external audits on cybersecurity issues.

2. Cybersecurity policy

The Company has developed its cybersecurity policy based on recommended practices, and introduced separate management guidelines for each information system. By implementing high availability (HA) architecture, data backup (including transaction record, differential backup, and full backup) practices, and off-site server support, the Company is able to ensure continuity of its services. In addition, a leased line is being used to backup data to the off-site. System switch drills are held every six months to ensure that the backup system functions properly and meets system recovery targets. Employees are given timely and adequate guidelines on the impacts and responses of major cybersecurity incidents should they occur. The Company places great emphasis on cybersecurity and arranges relevant events annually to raise employees' awareness to cybersecurity risks. Cybersecurity audits are conducted on a regular basis to ensure the effectiveness of the existing cybersecurity risk management system. The Company maintains a registry of information assets that is reviewed on a yearly basis. Risk assessments are performed on internal and external cybersecurity issues, incidents, and audit outcomes. For areas identified as high-risk, appropriate resources have been invested to improve and enhance control measures, and thereby reduce or eliminate risks.

3. Management solutions and commitment of cybersecurity management resources

The Company has established protections and countermeasures against computer virus.

Software, hardware, and resources are evaluated on a yearly basis to ensure that all IT processes are compliant with 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 and scanning systems, and checking external servers for bugs. More rigorous practices are being taken to manage patches, whereas endpoint bug detection and patching platforms are being used for endpoint patching and protection.

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 as a result of major cybersecurity incident in the last year up until the publication date of annual report; explain possible impacts and response measures:

As of the publication date of annual report, the Company had not discovered or encountered significant adverse impact from any major online attack or incident.

Meanwhile, the Company continues to devote attention to new cybersecurity trends and technologies, and effective measures are being adopted to protect against new cybersecurity threats, thereby minimize 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: NTD thousand

Year		Financial information for the last 5 years (Note 1)					2022 up until March 31
		2017	2018	2019	2020	2021	Financial information (Note 2)
Current assets		2,876,139	3,485,627	3,451,479	3,154,950	3,868,007	-
Property, plant, and equipment		1,128,528	1,137,662	969,922	1,315,813	2,812,920	-
Intangible assets		3,617	2,368	1,390	2,653	14,084	-
Other assets		532,098	495,759	514,162	490,623	516,891	-
Total assets		4,540,382	5,121,416	4,936,953	4,964,039	7,211,902	-
Current liabilities	Before dividend	1,696,528	2,217,813	2,105,047	1,867,332	3,295,715	-
	After dividend	1,781,496	2,266,694	2,151,828	1,914,113	3,295,715	-
Non-current liabilities		220,226	293,451	324,315	636,351	1,674,456	-
Total liabilities	Before dividend	1,916,754	2,511,264	2,429,362	2,503,683	4,970,171	-
	After dividend	2,001,722	2,560,145	2,476,143	2,550,464	4,970,171	-
Equity attributable to parent company shareholders		2,382,915	2,340,477	2,318,043	2,369,341	2,241,731	-
Share capital		1,699,350	1,699,350	1,629,350	1,559,350	1,559,350	-
Capital reserve		52,485	52,485	82,967	131,819	173,563	-
Retained earnings	Before dividend	662,176	685,887	736,745	737,192	575,472	-
	After dividend	577,208	637,006	689,964	690,411	575,472	-
Other equity items		(31,096)	(45,218)	(81,209)	(59,020)	(66,654)	-
Treasury stocks		-	(52,027)	(49,810)	-	-	-
Non-controlling equity		240,713	269,675	189,548	91,015	-	-
Total equity	Before dividend	2,623,628	2,610,152	2,507,591	2,460,356	2,241,731	-
	After dividend	2,538,660	2,561,271	2,460,810	2,413,575	2,241,731	-

Note 1: Financial information for years 2017 and 2021 is based on audited consolidated financial statements.

Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2022.

- 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: NTD thousand

Item \ Year		Financial information for the last 5 years (Note 1)				
		2017	2018	2019	2020	2021
Current assets		960,032	1,105,479	994,126	769,080	1,198,900
Property, plant, and equipment		314,933	311,662	309,099	709,658	1,727,973
Intangible assets		-	-	-	-	-
Other assets		2,133,239	2,162,291	2,300,965	2,461,660	2,415,786
Total assets		3,408,204	3,579,432	3,604,190	3,940,398	5,342,659
Current liabilities	Before dividend	806,985	948,083	969,640	941,402	1,456,106
	After dividend	891,953	996,964	1,016,421	988,183	1,456,106
Non-current liabilities		218,304	290,872	316,507	629,655	1,644,822
Total liabilities	Before dividend	1,025,289	1,238,955	1,286,147	1,571,057	3,100,928
	After dividend	1,110,257	1,287,836	1,332,928	1,617,838	3,100,928
Equity attributable to parent company shareholders		2,382,915	2,340,477	2,318,043	2,369,341	2,241,731
Share capital		1,699,350	1,699,350	1,629,350	1,559,350	1,559,350
Capital reserve		52,485	52,485	82,967	131,819	173,563
Retained earnings	Before dividend	662,176	685,887	736,745	737,192	575,472
	After dividend	577,208	637,006	689,964	690,411	575,472
Other equity items		(31,096)	(45,218)	(81,209)	(59,020)	(66,654)
Treasury stocks		-	(52,027)	(49,810)	-	-
Non-controlling equity		-	-	-	-	-
Total equity	Before dividend	2,382,915	2,340,477	2,318,043	2,369,341	2,241,731
	After dividend	2,297,947	2,291,596	2,271,262	2,322,560	2,241,731

Note 1: Figures for 2017 to 2021 were based on audited standalone financial statements.

## 2. Summary statement of comprehensive income - consolidated

Unit: NTD thousand

Item \ Year	Financial information for the last 5 years (Note 1)					2022 up until March 31
	2017	2018	2019	2020	2021	Financial information (Note 2)
Operating revenue	4,840,129	6,186,402	6,028,702	6,124,518	5,284,564	-
Gross profit	661,920	472,143	564,907	556,527	260,312	-
Operating profit	321,059	98,852	185,813	191,559	(122,395)	-
Non-operating revenues and expenses	(40,992)	86,415	26,626	(82,811)	2,804	-
Pre-tax profit	280,067	185,267	212,439	108,748	(119,591)	-
Current period net income from continuing operations	245,918	144,505	157,008	80,176	(114,771)	-
Loss of discontinued operations	-	-	-	-	-	-
Net income (loss)	245,918	144,505	157,008	80,176	(114,771)	-
Other comprehensive income for the current period (net, after-tax)	(8,139)	(20,986)	(41,794)	18,342	(8,657)	-
Total comprehensive incomes in the current period	237,779	123,519	115,214	98,518	(123,428)	-
Net income attributable to parent company shareholders	212,909	110,051	132,900	62,798	(114,939)	-
Net income attributable to non-controlling shareholders	33,009	34,454	24,108	17,378	168	-
Comprehensive income attributable to parent company shareholders	211,501	94,557	96,125	84,375	(122,573)	-
Comprehensive income attributable to non-controlling shareholders	26,278	28,962	19,089	14,143	(855)	-
EPS	1.25	0.65	0.82	0.40	(0.74)	-

Note 1: Figures from 2017 to 2021 were based on audited consolidated financial statements.  
Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2022.

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 - standalone

Unit: NTD thousand

Item \ Year	Financial information for the last 5 years (Note 1)				
	2017	2018	2019	2020	2021
Operating revenue	2,808,551	3,138,229	2,827,726	2,771,049	2,928,076
Gross profit	347,036	224,277	195,585	197,264	148,521
Operating profit	215,368	100,455	60,710	72,333	14,517
Non-operating revenues and expenses	31,690	50,358	84,496	(1,163)	(127,687)
Pre-tax profit	247,058	150,813	145,206	71,170	(113,170)
Current period net income from continuing operations	212,909	110,051	132,900	62,798	(114,939)
Loss of discontinued operations	-	-	-	-	-
Net income (loss)	212,909	110,051	132,900	62,798	(114,939)
Other comprehensive income/loss for the current period (net, after-tax)	(1,408)	(15,494)	(36,775)	21,577	(7,634)
Total comprehensive incomes in the current period	211,501	94,557	96,125	84,375	(122,573)
Net income attributable to parent company shareholders	212,909	110,051	132,900	62,798	(114,939)
Net income attributable to non-controlling shareholders	-	-	-	-	-
Comprehensive income attributable to parent company shareholders	211,501	94,557	96,125	84,375	(122,573)
Comprehensive income attributable to non-controlling shareholders	-	-	-	-	-
EPS	1.25	0.65	0.82	0.40	(0.74)

Note 1: Figures for 2017 to 2021 were based on audited standalone financial statements.

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

Year	Accounting firm	Name of CPA	Audit opinion
2017	KPMG	Yen Hsing-Fu, Daisy Kuo	Unqualified opinion
2018	KPMG	Yen Hsing-Fu, Daisy Kuo	Unqualified opinion
2019	KPMG	Yen Hsing-Fu, Michelle Wang	Unqualified opinion
2020	KPMG	Michelle Wang, Yen Hsing-Fu	Unqualified opinion
2021	KPMG	Michelle Wang, Yen Hsing-Fu	Unqualified opinion

## 2. Financial analysis for the last 5 years:

### (1) Financial analysis - consolidated

Analysis (Note 3)		Year (Note 1)	Financial analysis for the last 5 years					2022 up until March 31
			2017	2018	2019	2020	2021	(Note 2)
Financial position (%)	Debt to assets ratio		42.22	49.03	49.21	50.44	68.92	-
	Long-term capital to property, plants and equipment		251.09	254.22	290.08	234.25	138.83	-
Solvency (%)	Current ratio		169.53	157.17	163.96	168.95	117.36	-
	Quick ratio		118.62	108.69	114.13	113.79	73.53	-
	Interest coverage ratio		53.89	22.3	21.61	11.55	-5.73	-
Operating efficiency	Accounts receivable turnover (times)		3.69	3.60	2.99	3.23	2.68	-
	Average cash collection days		98.93	101.42	121.89	112.94	135.96	-
	Inventory turnover (times)		5.95	6.42	5.52	5.74	4.32	-
	Accounts payable turnover (times)		4.17	4.23	3.79	4.22	3.12	-
	Average inventory turnover days		61.36	56.90	66.15	63.6	84.54	-
	Property, plant and equipment turnover (times)		4.29	5.44	6.22	4.65	1.88	-
	Total assets turnover (times)		1.07	1.21	1.22	1.23	0.73	-
Profitability	Return on assets (%)		5.75	3.14	3.29	1.79	-1.65	-
	Return on equity (%)		9.42	5.52	5.71	2.68	-4.99	-
	Pre-tax profit to paid-up capital (%) (Note 7)		16.48	10.90	13.04	6.97	-7.67	-
	Net profit margin (%)		5.08	2.34	2.60	1.03	-2.17	-
	Earnings per share (NT\$)		1.25	0.65	0.82	0.40	-0.74	-
Cash flow	Cash flow ratio (%)		22.48	1.60	9.66	25.58	1.72	-
	Cash flow adequacy ratio (%)		165.93	95.74	109.65	103.50	31.93	-
	Cash reinvestment ratio (%)		10.52	-1.68	5.18	13.70	0.23	-
Degree of leverage	Operating leverage		1.65	3.53	2.33	2.10	-1.45	-
	Financial leverage		1.02	1.10	1.06	1.06	0.87	-

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

- I. Financial structure: debt-to-assets ratio increased: due to an increase in liabilities.  
Long-term capital to property, plant and equipment ratio decreased: due to a decrease in long-term liabilities.
- II. Solvency: Current ratio and quick ratio decreased: due to an increase in current liabilities.  
Interest coverage ratio decreased: due to a decrease in profit before tax.
- III. Operating efficiency: Inventory turnover rate and payables turnover rate decreased: due to increases in inventory and payables balance.  
Average inventory turnover days increased: due to a decrease in inventory turnover rate.  
Property, plant, and equipment turnover rate and total asset turnover rate decreased: due to increases in net fixed assets and total assets.

- IV. Profitability: Profitability decreased: due to lower profit before tax and lower net income in the current period.
- V. Cash flow: Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio decreased due to lower cash flow from operating activities.
- VI. Degree of leverage: decreased due to lower operating profit in the current period.

Note 1: Figures for 2017 to 2021 were based on audited consolidated financial statements.

Note 2: As of the publication date of annual report, no auditor-reviewed financial information was available for the first quarter of 2022.

Note 3: Formulas of various analyses are defined below:

(I) Financial analysis - standalone

Analysis (Note 3)		Year (Note 1)	Financial analysis for the last 5 years				
		2017	2018	2019	2020	2021	
Financial position (%)	Debt to assets ratio	30.08	34.61	35.68	39.87	58.04	
	Long-term capital to property, plant and equipment ratio	823.32	841.45	848.93	421.52	224.64	
Solvency (%)	Current ratio	118.97	116.6	102.53	81.70	82.34	
	Quick ratio	118.92	116.53	100.39	80.96	81.77	
	Interest coverage ratio	48	22.9	15.77	8.30	-6.71	
Operating efficiency	Accounts receivable turnover (times)	3.73	3.71	3.08	3.48	3.27	
	Average cash collection days	97.83	98.39	118.40	104.83	111.46	
	Inventory turnover (times)	3057.78	92506.41	324.62	236.27	699.26	
	Accounts payable turnover (times)	4.57	5.6	5.23	4.68	4.61	
	Average inventory turnover days	0.12	0.00	1.12	1.54	0.52	
	Property, plant and equipment turnover (times)	8.92	10.07	9.15	3.90	1.69	
	Total assets turnover (times)	0.82	0.88	0.78	0.70	0.55	
Profitability	Return on assets (%)	6.56	3.31	3.92	1.87	-2.22	
	Return on equity (%)	9.25	4.66	5.71	2.68	-4.99	
	<u>Pre-tax profit to paid-up capital (%)</u>	14.54	8.87	8.91	4.56	-7.26	
	Net profit margin (%)	7.58	3.51	4.70	2.27	-3.93	
	Earnings per share (NT\$)	1.25	0.65	0.82	0.40	-0.74	
Cash flow	Cash flow ratio (%)	22.52	-13.73	6.89	37.64	-25.15	
	Cash flow adequacy ratio (%)	715.89	305.07	200.28	117.37	6.17	
	Cash reinvestment ratio (%)	4.04	-8.85	0.73	10.89	-11.09	
Degree of	Operating leverage	0.66	1.29	1.10	1.10	1.60	

leverage	Financial leverage	1.03	1.07	1.19	1.16	-89.06
Variation of financial ratios in the last 2 years (not required for variations below 20%).						
I. Financial structure: debt-to-assets ratio increased: due to an increase in liabilities. Long-term capital to property, plant and equipment ratio decreased: due to a decrease in long-term liabilities.						
II. Solvency: Interest coverage ratio decreased: due to lower profit before tax.						
III. Operating efficiency: Inventory turnover rate and payables turnover rate decreased: due to increases in inventory and payables balance. Average inventory turnover days increased: due to lower inventory turnover rate. Property, plant, and equipment turnover rate decreased: due to acquisition of production site in Taiwan.						
IV. Profitability: Profitability decreased: due to a decrease in current net income.						
V. Cash flow: Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio decreased due to lower cash flow from operating activities.						
VI. Degree of leverage: Operating leverage increased while financial leverage decreased: due to lower operating profit in the current period.						

Note 1: Figures for 2017 to 2021 were based on audited standalone financial statements.

Note 2: 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 ratio = (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 2021 business report, financial statements, and loss reimbursement proposal prepared by the board of directors. The financial statements have been audited by CPA Michelle Wang and CPA Yen Hsing-Fu of KPMG, to which the firm issued an independent auditor's report. The Audit Committee found no misstatement in the above business report, financial statements, or loss reimbursement, 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

2022 Shareholders' Regular Meeting

Audit Committee Convener: Chen Hung-Chang

March 4, 2022

#### IV. Latest financial statements and independent auditor's report

Consolidated financial statements enclosed herewith.

Stock Code:3013

### **CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

#### **CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

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

## **Representation Letter**

The entities that are required to be included in the combined financial statements of Chenming Electronic Technology Corp. as of and for the year ended December 31, 2021 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 4, 2022

## **Independent Auditors' Report**

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

### **Opinion**

We have audited the consolidated financial statements of CHENMING ELECTRONIC TECHNOLOGY CORP. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit of the consolidated financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### **Key Audit Matters**

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

### **Inventory valuation**

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

Description of key audit matters:

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

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

### **Other Matter**

CHENMING ELECTRONIC TECHNOLOGY CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

KPMG  
Taipei, Taiwan (Republic of China)  
March 4, 2022

#### **Notes to Readers**

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

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

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

**Consolidated Balance Sheet**

**December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note (6)(a))	\$ 222,648	3	366,138	7	2100	Short-term loans (note (6)(h))	\$ 1,030,771	15	296,960	6
1170	Trade receivables, net (notes (6)(b) and (p))	2,199,511	31	1,735,973	35	2130	Current contract liabilities (note (6)(p))	674	-	615	-
1310	Inventories, net (note (6)(c))	1,360,682	19	966,616	20	2170	Trade payables	1,965,398	27	1,260,274	25
1476	Other current financial assets	1,182	-	22,738	-	2200	Other payables	257,855	4	274,570	6
1479	Other current assets	83,984	1	63,485	2	2220	Other payables-related parties (notes (6)(d) and (7))	33,216	-	24,208	-
		<u>3,868,007</u>	<u>54</u>	<u>3,154,950</u>	<u>64</u>	2230	Current tax liabilities	526	-	4,704	-
<b>Non-current assets:</b>						2280	Current lease liabilities (note (6)(j))	6,690	-	5,448	-
1600	Property, plant, and equipment (notes (6)(e) and (8))	2,812,920	39	1,315,813	27	2300	Other current liabilities	585	-	553	-
1755	Right-of-use assets (note (6)(f))	224,544	3	238,573	5			<u>3,295,715</u>	<u>46</u>	<u>1,867,332</u>	<u>37</u>
1760	Investment property, net (notes (6)(g) and (8))	195,162	3	196,399	4	<b>Non-current liabilities:</b>					
1780	Intangible assets	14,084	-	2,653	-	2540	Long-term loans (note (6)(i))	1,663,458	23	622,000	13
1840	Deferred income tax assets (note (6)(m))	5,780	-	3,021	-	2580	Non-current lease liabilities (note (6)(j))	2,936	-	6,297	-
1980	Other non-current financial assets (note (8))	20,463	-	26,598	-	2645	Guarantee deposits	8,062	-	8,054	-
1990	Other non-current assets	70,942	1	26,032	-			<u>1,674,456</u>	<u>23</u>	<u>636,351</u>	<u>13</u>
		<u>3,343,895</u>	<u>46</u>	<u>1,809,089</u>	<u>36</u>		<b>Total liabilities</b>	<u>4,970,171</u>	<u>69</u>	<u>2,503,683</u>	<u>50</u>
<b>Total assets</b>		<u>\$ 7,211,902</u>	<u>100</u>	<u>4,964,039</u>	<u>100</u>	<b>Equity attributable to owners of parent (note (6)(n)):</b>					
						3100	Ordinary shares	1,559,350	22	1,559,350	31
						3200	Capital surplus	173,563	2	131,819	3
						3300	Retained earnings	575,472	8	737,192	15
						3410	Exchange differences on translation of foreign financial statements	(66,654)	(1)	(59,020)	(1)
							<b>Total equity attributable to owners of parent</b>	<u>2,241,731</u>	<u>31</u>	<u>2,369,341</u>	<u>48</u>
						36XX	Non-controlling interests	-	-	91,015	2
							<b>Total equity</b>	<u>2,241,731</u>	<u>31</u>	<u>2,460,356</u>	<u>50</u>
							<b>Total liabilities and equity</b>	<u>\$ 7,211,902</u>	<u>100</u>	<u>4,964,039</u>	<u>100</u>

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 Comprehensive Income**  
**For the years ended December 31, 2021 and 2020**  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	<u>2021</u>		<u>2020</u>	
	Amount	%	Amount	%
4000 <b>Operating revenue (note 6(p))</b>	\$ 5,284,564	100	6,124,518	100
5000 <b>Operating costs (notes (6)(c), (l) and (12))</b>	5,024,252	95	5,567,991	91
5900 <b>Gross profit from operations</b>	<u>260,312</u>	<u>5</u>	<u>556,527</u>	<u>9</u>
6000 <b>Operating expenses (notes (6)(l) and (12)):</b>				
6100 Selling expenses	128,679	2	128,186	2
6200 Administrative expenses	196,805	4	183,883	3
6300 Research and development expenses	57,223	1	52,899	1
	<u>382,707</u>	<u>7</u>	<u>364,968</u>	<u>6</u>
6900 <b>Net operating income (loss)</b>	<u>(122,395)</u>	<u>(2)</u>	<u>191,559</u>	<u>3</u>
7000 <b>Non-operating income and expenses:</b>				
7050 Finance costs, net (note (6)(j))	(17,778)	-	(10,308)	-
7100 Interest income	1,741	-	1,474	-
7110 Rent revenue (notes (6)(k) and (7))	16,715	-	15,555	-
7190 Other income	9,104	-	27,255	1
7230 Foreign exchange gains (losses) (note (6)(r))	(6,856)	-	(106,851)	(2)
7590 Other expense and losses	(122)	-	(9,936)	-
	<u>2,804</u>	<u>-</u>	<u>(82,811)</u>	<u>(1)</u>
7900 <b>Profit (loss) from continuing operations before tax</b>	(119,591)	(2)	108,748	2
7950 Less: Income tax (benefits) expenses (note (6)(m))	(4,820)	-	28,572	1
<b>Profit (loss)</b>	<u>(114,771)</u>	<u>(2)</u>	<u>80,176</u>	<u>1</u>
8300 <b>Other comprehensive income:</b>				
8310 <b>Components of other comprehensive income (loss) that not be reclassified to profit or loss</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	-	-	-	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	-	-	612	-
<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>	<u>-</u>	<u>-</u>	<u>(612)</u>	<u>-</u>
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	(8,657)	-	18,954	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
<b>Total components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>(8,657)</u>	<u>-</u>	<u>18,954</u>	<u>-</u>
8300 <b>Other comprehensive income (loss)</b>	<u>(8,657)</u>	<u>-</u>	<u>18,342</u>	<u>-</u>
8500 <b>Comprehensive income</b>	<u>\$ (123,428)</u>	<u>(2)</u>	<u>98,518</u>	<u>1</u>
<b>Profit (loss) attributable to:</b>				
8610 Owners of parent	\$ (114,939)	(2)	62,798	1
8620 Non-controlling interests	168	-	17,378	-
	<u>\$ (114,771)</u>	<u>(2)</u>	<u>80,176</u>	<u>1</u>
<b>Comprehensive income attributable to:</b>				
8710 Owners of parent	\$ (122,573)	(2)	84,375	1
8720 Non-controlling interests	(855)	-	14,143	-
	<u>\$ (123,428)</u>	<u>(2)</u>	<u>98,518</u>	<u>1</u>
<b>Earnings per share (expressed in NTD) (note (6)(o)):</b>				
9750 Basic earnings per share	<u>\$ (0.74)</u>		<u>0.40</u>	
9850 Diluted earnings per share	<u>\$ (0.74)</u>		<u>0.40</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, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to owners of parent						Other component of equity Exchange differences on translation of foreign financial statements	Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings					
			Legal reserve	Special reserve	Unappropriated retained earnings						
<b>Balance on January 1, 2020</b>	\$ 1,629,350	82,967	284,492	45,219	407,034	736,745	(81,209)	(49,810)	2,318,043	189,548	2,507,591
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	13,290	-	(13,290)	-	-	-	-	-	-
Special reserve	-	-	-	35,990	(35,990)	-	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(46,781)	(46,781)	-	-	(46,781)	-	(46,781)
Profit for the year ended December 31, 2020	-	-	-	-	62,798	62,798	-	-	62,798	17,378	80,176
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(612)	(612)	22,189	-	21,577	(3,235)	18,342
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	62,186	62,186	22,189	-	84,375	14,143	98,518
Purchase of treasury shares	-	-	-	-	-	-	-	(38,712)	(38,712)	-	(38,712)
Retirement of treasury shares	(70,000)	(3,564)	-	-	(14,958)	(14,958)	-	88,522	-	-	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	52,416	-	-	-	-	-	-	52,416	-	52,416
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(112,676)	(112,676)
Balance on December 31, 2020	1,559,350	131,819	297,782	81,209	358,201	737,192	(59,020)	-	2,369,341	91,015	2,460,356
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	4,723	-	(4,723)	-	-	-	-	-	-
Special reserve	-	-	-	(22,189)	22,189	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(46,781)	(46,781)	-	-	(46,781)	-	(46,781)
Profit (loss) for the year ended December 31, 2021	-	-	-	-	(114,939)	(114,939)	-	-	(114,939)	168	(114,771)
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	-	(7,634)	-	(7,634)	(1,023)	(8,657)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	(114,939)	(114,939)	(7,634)	-	(122,573)	(855)	(123,428)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	41,744	-	-	-	-	-	-	41,744	-	41,744
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(90,160)	(90,160)
<b>Balance on December 31, 2021</b>	<b>\$ 1,559,350</b>	<b>173,563</b>	<b>302,505</b>	<b>59,020</b>	<b>213,947</b>	<b>575,472</b>	<b>(66,654)</b>	<b>-</b>	<b>2,241,731</b>	<b>-</b>	<b>2,241,731</b>

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, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	2021	2020
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ (119,591)	108,748
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	291,375	209,414
Amortization expense	8,324	1,718
Expected credit losses (gains)	(36)	167
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	(95)	(124)
Interest expenses	17,778	10,308
Interest income	(1,741)	(1,474)
Losses on disposal of property, plant and equipment, net	4,683	9,816
Other	1,657	252
<b>Total adjustments to reconcile profit (loss)</b>	321,945	230,077
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets at fair value through profit or loss	(1,500)	-
Decrease (increase) in accounts receivable	(467,570)	325,228
Decrease (increase) in inventories	(395,267)	10,700
Decrease (increase) in other current assets	(20,500)	11,461
Decrease (increase) in other financial assets	(1,182)	743
Decrease in defined benefit plan assets	-	22,746
Increase (decrease) in contract liabilities	59	(606)
Increase (decrease) in trade payables	707,554	(126,014)
Increase (decrease) in other payables and other current liabilities	10,414	(27,953)
<b>Total changes in operating assets and liabilities</b>	(167,992)	216,305
<b>Total adjustments</b>	153,953	446,382
Cash inflow generated from (used in) operations	34,362	555,130
Interest received	1,741	1,474
Income taxes refund (paid)	20,425	(79,019)
<b>Net cash flows from (used in) operating activities</b>	56,528	477,585
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of financial assets designated at fair value through profit or loss	-	(4,500)
Proceeds from disposal of financial assets designated at fair value through profit or loss	1,595	4,624
Acquisition of property, plant, and equipment	(1,771,879)	(488,567)
Increase in prepayment for business facilities	(68,589)	(25,832)
Decrease (increase) in refundable deposits	6,135	(2,176)
Acquisition of intangible assets	(19,752)	(2,981)
<b>Net cash flows from (used in) investing activities</b>	(1,852,490)	(519,432)
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	733,811	(93,040)
Increase in long-term loans	1,523,458	638,000
Decrease in long-term loans	(482,000)	(322,000)
Increase (decrease) in guarantee deposits	8	363
Payment of lease liabilities	(13,273)	(14,134)
Distribution of cash dividends	(46,781)	(46,781)
Payments to acquire treasury shares	-	(38,712)
Interest paid	(16,982)	(10,092)
Acquisition of non-controlling interests	(39,192)	(61,835)
<b>Net cash flows from (used in) financing activities</b>	1,659,049	51,769
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(6,577)	7,605
<b>Net increase (decrease) in cash and cash equivalents</b>	(143,490)	17,527
<b>Cash and cash equivalents at beginning of period</b>	366,138	348,611
<b>Cash and cash equivalents at end of period</b>	\$ 222,648	366,138

(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, 2021 and 2020**  
**(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 production of computer cases, and the manufacturing and development of mobile devices.

The consolidated financial statements of the Company as of and for the years ended December 31, 2021 are comprised of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). Please refer to note (4)(c) for related information of the Group’s primary business activities.

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

These consolidated financial statements for the years ended December 31, 2021 and 2020 were authorized for issuance by the Board of Directors on March 4, 2022.

**(3) New standards, amendments and interpretations adopted:**

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform – Phase 2”
- Amendments to IFRS 16 “COVID 19 Related Rent Concessions beyond June 30, 2021”

- (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, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

#### (4) Summary of significant accounting policies

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) List of subsidiaries in the consolidated financial statements

List of subsidiaries in the consolidated financial statements.

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2021	December 31, 2020	
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%	92%	Note

Note : The Group acquired 8% interest of CHENMING ELECTRONIC (NINGBO) CO., LTD in April 2021, resulting in its ratio of shareholding to increase from 92% to 100%.

(d) Foreign currencies

(i) Foreign currency transaction

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

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 2) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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 reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

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

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

#### 3) Derecognition of financial assets

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

3) Treasury shares

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

4) Financial liabilities

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.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### 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.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators, such as whether the lease is for the majority of the economic life of the asset.

(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.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

##### (ii) Financing components

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(o) Government grants

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

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(iii) Termination benefits

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iv) Short-term employee benefits

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

(q) Income taxes

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

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

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

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

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

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

(r) Earnings per share

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

(s) Operating segments

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

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

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

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

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

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

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

**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 123	416
Checking accounts and demand deposits	222,525	365,722
	<b>\$ 222,648</b>	<b>366,138</b>

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

(b) Trade receivables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Trade receivables	\$ 2,200,160	1,736,665
Less: Loss allowance	(649)	(692)
Trade receivables, net	<b>\$ 2,199,511</b>	<b>1,735,973</b>

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

	<b>December 31, 2021</b>		
<b>Gross carrying amount</b>	<b>Weighted-ave rage expected credit loss rate</b>	<b>Allowance lifetime expected credit loss</b>	
Current	\$ 2,149,086	0.02%	441
1 to 30 days past due	44,015	0.14%	63
31 to 150 days past due	7,059	2.05%	145
	<b>\$ 2,200,160</b>		<b>649</b>

**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

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

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

	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 692	513
Impairment losses recognized (reversed)	(36)	167
Foreign exchange gains / (losses)	(7)	12
Balance on December 31	<b><u>\$ 649</u></b>	<b><u>692</u></b>

As of December 31, 2021 and 2020, the Group did not pledge any receivables as collaterals.

(c) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Raw materials	\$ 403,548	236,860
Work in progress	318,900	191,097
Finished goods and merchandise inventories	638,234	538,659
	<b><u>\$ 1,360,682</u></b>	<b><u>966,616</u></b>

The Group's composition details of operating cost for the years ended December 31, 2021 and 2020 were as follows:

	<b>2021</b>	<b>2020</b>
Cost of goods sold	\$ 4,995,287	5,482,555
Revenue from sale of scraps	(57,446)	(62,360)
Inventories valuation and obsolescence losses (gain from price recovery of inventory)	(11,478)	1,285
Loss on scrapping of inventories	97,764	146,487
Shortage of inventories	125	24
	<b><u>\$ 5,024,252</u></b>	<b><u>5,567,991</u></b>

As of December 31, 2021 and 2020, the Group did not pledge any inventories as collaterals.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

To increase all shareholders' equity and enhance the corporate governance, the Group decided on August 5, 2020, to purchase 10% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD. amounting to \$60,260 (US\$2,050 thousand) from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary PEAK SHREWD INC., a fully owned subsidiary of the Group. The contract was signed, and the related transfer procedures had been completed in August 2020. The Group increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 82% to 92%. As of December 31, 2020, the remaining unpaid balance of \$24,208 was recognized as other payables-related parties. As of December 31, 2021, the Group has already made its payment.

The Group decided on March 17, 2021, to purchase 8% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD. amounting to \$48,416 (USD1,700 thousand) from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary PEAK SHREWD INC., a fully owned subsidiary of the Group. The contract was signed in March 2021, and the related transfer procedures had been completed in April 2021. The Group increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 92% to 100%. As of December 31, 2021, the remaining unpaid balance of \$33,216 was recognized as other payables-related parties. For the related information, please refer to note(7)(b) for details.

(e) Property, plant, and equipment

The cost and accumulated depreciation of the property, plant, and equipment of the Group for the years ended December 31, 2021 and 2020 were as follows:

	<u>Land</u>	<u>Properties</u>	<u>Machinery and equipment</u>	<u>Office equipment and others</u>	<u>Molds</u>	<u>Total</u>
Cost:						
Balance on January 1, 2021	\$ 613,714	778,789	408,568	30,770	-	1,831,841
Additions	908,321	100,000	42,083	72,253	621,329	1,743,986
Disposals	-	(8,426)	(36,682)	(1,651)	(5,376)	(52,135)
Reclassifications	11,524	-	10,782	2,289	-	24,595
Effect of changes in exchange rates	-	(1,422)	(1,220)	(43)	450	(2,235)
Balance on December 31, 2021	<b><u>\$ 1,533,559</u></b>	<b><u>868,941</u></b>	<b><u>423,531</u></b>	<b><u>103,618</u></b>	<b><u>616,403</u></b>	<b><u>3,546,052</u></b>
Balance on January 1, 2020	\$ 210,897	776,469	512,811	92,048	-	1,592,225
Additions	402,817	-	102,040	12,627	-	517,484
Disposals	-	(756)	(229,293)	(74,351)	-	(304,400)
Reclassifications	-	-	20,503	289	-	20,792
Effect of changes in exchange rates	-	3,076	2,507	157	-	5,740
Balance on December 31, 2020	<b><u>\$ 613,714</u></b>	<b><u>778,789</u></b>	<b><u>408,568</u></b>	<b><u>30,770</u></b>	<b><u>-</u></b>	<b><u>1,831,841</u></b>

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

	Land	Properties	Machinery and equipment	Office equipment and others	Molds	Total
Depreciation:						
Balance on January 1, 2021	\$ -	294,901	206,220	14,907	-	516,028
Depreciation	-	27,752	114,402	20,039	103,420	265,613
Disposals	-	(8,426)	(36,682)	(1,650)	(694)	(47,452)
Effect of changes in exchange rates	-	(470)	(624)	(28)	65	(1,057)
Balance on December 31, 2021	<b><u>\$ -</u></b>	<b><u>313,757</u></b>	<b><u>283,316</u></b>	<b><u>33,268</u></b>	<b><u>102,791</u></b>	<b><u>733,132</u></b>
Balance on January 1, 2020	\$ -	260,358	291,065	70,880	-	622,303
Depreciation	-	34,119	135,576	16,029	-	185,724
Disposals	-	(701)	(221,805)	(72,078)	-	(294,584)
Effect of changes in exchange rates	-	1,125	1,384	76	-	2,585
Balance on December 31, 2020	<b><u>\$ -</u></b>	<b><u>294,901</u></b>	<b><u>206,220</u></b>	<b><u>14,907</u></b>	<b><u>-</u></b>	<b><u>516,028</u></b>
Book value:						
Balance on December 31, 2021	<b><u>\$ 1,533,559</u></b>	<b><u>555,184</u></b>	<b><u>140,215</u></b>	<b><u>70,350</u></b>	<b><u>513,612</u></b>	<b><u>2,812,920</u></b>
Balance on December 31, 2020	<b><u>\$ 613,714</u></b>	<b><u>483,888</u></b>	<b><u>202,348</u></b>	<b><u>15,863</u></b>	<b><u>-</u></b>	<b><u>1,315,813</u></b>

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

The Group entered into a real estate agreement with T-MAC TECHVEST PCB CO., LTD. on September 17, 2021, for the acquisition of a parcel of land for its plant, at the total price of NTD 1,000,000 (tax included), based on the resolution approved during the Board Meeting held on September 17, 2021. The related transfer procedures had been completed on November 16, 2021.

As of December 31, 2021 and 2020 the Group had provided parts of the property, plant, and equipment as collaterals for its long-term loans and credit lines. Please refer to note (8) for details.

(f) Right-of-use assets

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

	Land	Properties	Transportation	others	Total
Cost:					
Balance at January 1, 2021	\$ 245,034	10,906	18,085	2,476	276,501
Additions	-	8,899	1,271	991	11,161
Effect of changes in exchange rates	(705)	(70)	-	-	(775)
Balance at December 31, 2021	<b><u>\$ 244,329</u></b>	<b><u>19,735</u></b>	<b><u>19,356</u></b>	<b><u>3,467</u></b>	<b><u>286,887</u></b>
Balance at January 1, 2020	\$ 243,496	1,914	11,785	2,476	259,671
Additions	-	8,704	7,144	-	15,848
Write-off	-	-	(844)	-	(844)
Effect of changes in exchange rates	1,538	288	-	-	1,826
Balance at December 31, 2020	<b><u>\$ 245,034</u></b>	<b><u>10,906</u></b>	<b><u>18,085</u></b>	<b><u>2,476</u></b>	<b><u>276,501</u></b>

**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	<u>Land</u>	<u>Properties</u>	<u>Transportation</u>	<u>others</u>	<u>Total</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2021	\$ 19,529	9,412	7,603	1,384	37,928
Depreciation of the period	9,731	8,896	5,220	678	24,525
Effect of changes in exchange rates	(51)	(59)	-	-	(110)
Balance at December 31, 2021	<b><u>\$ 29,209</u></b>	<b><u>18,249</u></b>	<b><u>12,823</u></b>	<b><u>2,062</u></b>	<b><u>62,343</u></b>
Balance at January 1, 2020	\$ 9,703	1,914	3,608	703	15,928
Depreciation of the period	9,681	7,297	4,794	681	22,453
Write-off	-	-	(799)	-	(799)
Effect of changes in exchange rates	145	201	-	-	346
Balance at December 31, 2020	<b><u>\$ 19,529</u></b>	<b><u>9,412</u></b>	<b><u>7,603</u></b>	<b><u>1,384</u></b>	<b><u>37,928</u></b>
Book value:					
Balance at December 31, 2021	<b><u>\$ 215,120</u></b>	<b><u>1,486</u></b>	<b><u>6,533</u></b>	<b><u>1,405</u></b>	<b><u>224,544</u></b>
Balance at December 31, 2020	<b><u>\$ 225,505</u></b>	<b><u>1,494</u></b>	<b><u>10,482</u></b>	<b><u>1,092</u></b>	<b><u>238,573</u></b>

(g) Investment property

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

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Cost			
Balance on January 1, 2021 (Same balance as December 31, 2021)	<b><u>\$ 152,640</u></b>	<b><u>63,116</u></b>	<b><u>215,756</u></b>
Balance on January 1, 2020 (Same balance as December 31, 2020)	<b><u>\$ 152,640</u></b>	<b><u>63,116</u></b>	<b><u>215,756</u></b>
Depreciation			
Balance on January 1, 2021	\$ -	19,357	19,357
Depreciation	-	1,237	1,237
Balance on December 31, 2021	<b><u>\$ -</u></b>	<b><u>20,594</u></b>	<b><u>20,594</u></b>
Balance on January 1, 2020	\$ -	18,120	18,120
Depreciation	-	1,237	1,237
Balance on December 31, 2020	<b><u>\$ -</u></b>	<b><u>19,357</u></b>	<b><u>19,357</u></b>
Book Value			
Balance on December 31, 2021	<b><u>\$ 152,640</u></b>	<b><u>42,522</u></b>	<b><u>195,162</u></b>
Balance on December 31, 2020	<b><u>\$ 152,640</u></b>	<b><u>43,759</u></b>	<b><u>196,399</u></b>
Fair Value			
Balance on December 31, 2021			<b><u>\$ 534,612</u></b>
Balance on December 31, 2020			<b><u>\$ 534,612</u></b>

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

Please refer to note (8) for information on investment properties pledged as collateral as of December 31, 2021 and 2020.

**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(h) Short-term loans

The short-term loans were summarized as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Secured loans	<u>\$ 1,030,771</u>	<u>296,960</u>
Unused credit line for short-term loans	<u>\$ 831,596</u>	<u>860,992</u>
Annual interest rates	<u>1.0%~4.3%</u>	<u>0.5%~1.3%</u>

- (i) The main management was the guarantor of short-term loan contracts, and the amount of loans was \$529,868. Please refer to note (7).
- (ii) For information on interest rate and liquidity risk exposure, please refer to note (6)(r).
- (iii) As of December 31, 2021 and 2020, the Group provided part of its assets as collateral for short-term loans, please refer to note (8) for details.

(i) Long-term loans

The long-term loans were summarized as follows:

	<u>December 31, 2021</u>			
	<u>Currency</u>	<u>Range of interest rates</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	NTD	<u>1.0%~4.5%</u>	2023~2041	<u>\$ 1,663,458</u>
Current				\$ -
Non-current				<u>1,663,458</u>
Total				<u>\$ 1,663,458</u>
Unused long-term credit lines				<u>\$ 801,142</u>
	<u>December 31, 2020</u>			
	<u>Currency</u>	<u>Range of interest rates</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	NTD	<u>1.0%~1.5%</u>	2023~2040	<u>\$ 622,000</u>
Current				\$ -
Non-current				<u>622,000</u>
Total				<u>\$ 622,000</u>
Unused long-term credit lines				<u>\$ 786,000</u>

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

**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(j) Lease liabilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	<u>\$ 6,690</u>	<u>5,448</u>
Non-current financial assets	<u>\$ 2,936</u>	<u>6,297</u>

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

The amounts recognized in profit or loss were as follows:

	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	<u>\$ 472</u>	<u>498</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ -</u>	<u>725</u>
Expenses relating to short-term leases	<u>\$ 543</u>	<u>521</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 155</u>	<u>160</u>

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

	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<u>\$ 14,443</u>	<u>16,038</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.

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

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Less than one year	\$ 14,937	13,665
One to five years	<u>50,932</u>	<u>36,400</u>
Total undiscounted lease payments	<u>\$ 65,869</u>	<u>50,065</u>

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The lease revenue from investment properties were \$16,715 and \$16,792 in 2021 and 2020, respectively. Moreover, the related depreciation expense amounted to \$1,237 in 2020, which was recognized in the deduction of rent revenue.

(l) Employee benefits

(i) Defined benefit plans

The Group settled the old labor pension plan of all of its employees on August 7, 2020, and fully refunded the entire planned assets of \$\$26,384 from the Bureau of Labor Funds, Ministry of Labor. The amount of pension benefits recognized in 2020 was \$128.

(ii) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to \$4,009 and \$3,752 for the years ended December 31, 2021 and 2020, 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:

	2021	2020
Operating cost	\$ 84,003	62,351
Operating expense	8,351	5,992
	<b>\$ 92,354</b>	<b>68,343</b>

(m) Income taxes

(i) The amount of income tax for 2021 and 2020 was as follows:

	2021	2020
Current tax expense		
Current period	\$ 557	30,429
Undistributed earnings additional tax	-	1,803
Adjustment for prior period	(2,618)	54
	(2,061)	32,286
Deferred tax expense (benefits)		
Origination and reversal of temporary differences	(2,759)	(3,714)
	(2,759)	(3,714)
Income tax expenses (benefits)	<b>\$ (4,820)</b>	<b>28,572</b>

**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

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

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

(iii) Reconciliation of income tax and profit (loss) before tax for 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Profit (loss) excluding income tax	\$ (119,591)	108,748
Income tax using the Company's domestic tax rate	(26,709)	33,219
Under (over) provision in prior periods	(2,618)	54
Undistributed earnings additional tax	-	1,803
Others	24,507	(6,504)
	<u>\$ (4,820)</u>	<u>28,572</u>

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2021 and 2020. Also, management considered it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	<u>\$ 10,046</u>	<u>34,553</u>

2) Unrecognized deferred tax assets

Details of unrecognized deferred tax assets as follow:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unrecognized tax losses	<u>\$ 6,614</u>	<u>10,619</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.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

As of December 31, 2021, tax loss from unrecognized deferred tax asset in Dongguan CHENMING Electronic Co., Ltd.:

Year of loss	Unused tax loss	Expiration date of the deficit
2020 (Estimated)	\$ <b>26,458</b>	2025

3) Recognized deferred tax assets and liabilities

	<b>Defined benefit plans</b>	<b>Others</b>	<b>Total</b>
Deferred tax liabilities:			
Balance on January 1, 2020	\$ 4,991	(60)	4,931
Recognized in (profit) or loss	(5,543)	-	(5,543)
Recognized in other comprehensive income	612	-	612
Balance on December 31, 2020 (Same balance as December 31, 2021)	\$ <b>60</b>	<b>(60)</b>	<b>-</b>
Deferred tax assets:			
Balance on January 1, 2021	\$ -	3,021	3,021
Recognized in profit or (loss)	-	2,759	2,759
Balance on December 31, 2021	\$ <b>-</b>	<b>5,780</b>	<b>5,780</b>
Balance on January 1, 2020	\$ -	4,850	4,850
Recognized in profit or (loss)	-	(1,829)	(1,829)
Balance on December 31, 2020	\$ <b>-</b>	<b>3,021</b>	<b>3,021</b>

(v) Assessment of tax

The Company's tax returns for the years through 2019 were assessed by the Taipei National Tax Administration.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020, the authorized common stocks were both \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which both 155,935 thousand shares were issued. All issued shares were paid up upon issuance.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Capital surplus

The balances of capital surplus as of December 31, 2021 and 2020, were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Additional paid-in capital	\$ 10,551	10,551
Difference arising from subsidiary's share price and its carrying value	163,012	121,268
	<b><u>\$ 173,563</u></b>	<b><u>131,819</u></b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retained Earnings

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

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

1) Legal reserve

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### 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, while in 2020 earnings distribution, a portion of current period earnings, other items recognized as undistributed current period earnings, and undistributed prior period earnings shall be reclassified as a special earnings reserve. 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 2020 approved in the shareholders' meeting on July 30, 2021 and the appropriations of earnings for the year of 2019 approved in the shareholders' meeting on June 12, 2020 were both \$46,781 by cash dividends.

#### (iv) Treasury shares

The Group has no treasury shares in 2021. For the year ended December 31, 2020, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 3,500 thousand shares as treasury shares in order to protect the Company's integrity and shareholders' equity. All treasury shares repurchased had been cancelled in 2020.

Movements of treasury share were as follows:

	2020	
	Share (thousands)	Amount
Balance on January, 1	3,500	\$ 49,810
Repurchase	3,500	38,712
Retirement	(7,000)	(88,522)
Balance on December 31	-	\$ -

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

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

**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

(o) Earnings per share

For the years ended December 31, 2021 and 2020, the Company's earnings per share was calculated as follows:

	<u>2021</u>	<u>2020</u>
<b>Basic earnings per share:</b>		
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>(114,939)</u>	<u>62,798</u>
Weighted-average number of ordinary shares (share in thousands)	<u>155,935</u>	<u>156,710</u>
	<u>\$ (0.74)</u>	<u>0.40</u>
<b>Diluted earnings per share:</b>		
Profit (loss) attributable to ordinary shareholders of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>(114,939)</u>	<u>62,798</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	155,935	156,710
Effect of employee stock remuneration (share in thousands)	<u>44</u>	<u>298</u>
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>155,979</u>	<u>157,008</u>
	<u>\$ (0.74)</u>	<u>0.40</u>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2021</u>	<u>2020</u>
<b>Primary geographical markets</b>		
Taiwan	\$ 1,021,625	1,192,692
China	2,482,982	3,519,480
USA	1,167,495	637,883
Japan	490,133	607,504
Other	<u>122,329</u>	<u>166,959</u>
	<u>\$ 5,284,564</u>	<u>6,124,518</u>
<b>Major products</b>		
PC and server chassis	\$ 4,271,739	4,586,048
Mobile device components	720,886	1,006,311
Mold	<u>291,939</u>	<u>532,159</u>
	<u>\$ 5,284,564</u>	<u>6,124,518</u>

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(ii) Contract balances

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Trade receivables	\$ 2,200,160	1,736,665	2,053,607
Less: Loss allowance	(649)	(692)	(513)
Total	<b>\$ 2,199,511</b>	<b>1,735,973</b>	<b>2,053,094</b>
Contract liabilities	<b>\$ 674</b>	<b>615</b>	<b>1,221</b>

The amount of revenue recognized for the years ended December 31, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$615 and \$1,221, respectively.

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

(q) Remunerations to employees, directors and supervisors

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

The Group's remuneration to employees was \$3,000, and the remuneration to directors and supervisors was \$1,500 for the year ended December 31, 2020. 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. For the year ended December 31, 2021, a net loss after tax has occurred, so there is no need to estimate employees and directors remuneration.

There was no difference in the actual amount and the estimated amount of the year 2020. The related information would be available at the Market Observation Post System website.

(r) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

2) Concentration to credit risk

The customers of the Group are mainly high-tech companies, trade receivables have 67% and 76% are composed by five clients in December 31, 2021 and 2020. Thus, the company has concentration to credit risk situation.

(ii) Receivable securities

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

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

(iii) Liquidity Risk

Except for bank loans and lease liabilities, the following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

	Amount	Contractual cash flows	Within a year	1 ~ 2 years	Over 2 years
<b>December 31, 2021</b>					
Secured loans	\$ 2,694,229	(2,732,128)	(1,047,996)	(374,462)	(1,309,670)
Trade payables	1,965,398	(1,965,398)	(1,965,398)	-	-
Lease liabilities (including current and non-current)	9,626	(9,908)	(6,866)	(2,280)	(762)
Other payables (including related parties)	291,071	(291,071)	(291,071)	-	-
Guarantee deposits	8,062	(8,062)	(20)	-	(8,042)
	<b><u>\$ 4,968,386</u></b>	<b><u>(5,006,567)</u></b>	<b><u>(3,311,351)</u></b>	<b><u>(376,742)</u></b>	<b><u>(1,318,474)</u></b>
<b>December 31, 2020</b>					
Secured loans	\$ 918,960	(918,960)	(296,960)	(200,000)	(422,000)
Trade payables	1,260,274	(1,260,274)	(1,260,274)	-	-
Lease liabilities (including current and non-current)	11,745	(12,122)	(5,683)	(4,253)	(2,186)
Other payables (including related parties)	298,778	(298,778)	(298,778)	-	-
Guarantee deposits	8,054	(8,054)	(4,784)	(1,470)	(1,800)
	<b><u>\$ 2,497,811</u></b>	<b><u>(2,498,188)</u></b>	<b><u>(1,866,479)</u></b>	<b><u>(205,723)</u></b>	<b><u>(425,986)</u></b>

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iv) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2021			December 31, 2020		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD to NTD	\$ 62,912	27.68	1,741,404	47,002	28.48	1,338,617
USD to CNY	15,704	6.3757	434,687	27,171	6.5249	773,830
CNY to NTD	99,845	4.344	433,727	114,473	4.377	501,048
Financial liabilities						
Monetary items						
USD to NTD	29,919	27.68	828,158	25,867	28.48	736,692
USD to CNY	3,929	6.3757	108,755	1,398	6.5249	39,815
CNY to NTD	307,393	4.344	1,335,315	201,881	4.377	883,633

2) Sensitivity analysis

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

A weakening or strengthening 5% of each major foreign currency against Group entities' functional currency as of December 31, 2021, would have affected the net profit before tax as follows:

	December 31, 2021	December 31, 2020
USD (against the NTD)		
Strengthening 5%	\$ 45,662	30,096
Weakening 5%	(45,662)	(30,096)
USD (against the CNY)		
Strengthening 5%	16,297	36,701
Weakening 5%	(16,297)	(36,701)
CNY (against the NTD)		
Strengthening 5%	(45,079)	(19,129)
Weakening 5%	45,079	19,129

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

3) Exchange gains and losses of monetary items

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

	2021		2020	
	Exchange profit (loss)	Average rate	Exchange profit (loss)	Average rate
NTD	\$ 3,594	-	(38,779)	-
CNY	(2,411)	4.338	(15,912)	4.278

(v) Interest rate analysis

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

	Carrying amount	
	December 31, 2021	December 31, 2020
Variable rate instruments:		
Financial assets	\$ 222,450	365,659
Financial liabilities	2,694,229	918,960

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 \$6,179 and \$1,383 for the years ended December 31, 2021 and 2020, 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.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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, 2021				
	Book value	Fair Value			Total
	Level 1	Level 2	Level 3		
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 222,648	-	-	-	-
Trade receivables, net	2,199,511	-	-	-	-
Other financial assets	1,182	-	-	-	-
Refundable deposits	20,463	-	-	-	-
	<u>2,443,804</u>				
	<b><u>\$ 2,443,804</u></b>				
<b>Financial liabilities measured at amortized cost</b>					
Bank loans	\$ 2,694,229	-	-	-	-
Trade payables	1,965,398	-	-	-	-
Lease liabilities	9,626	-	-	-	-
Other payables (including related parties)	291,071	-	-	-	-
Guarantee deposits	8,062	-	-	-	-
	<u>\$ 4,968,386</u>				

**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

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

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

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

Financial liability with amortized cost evaluation

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

5) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

(s) Financial risk management

(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 receivables from customers.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

1) Trade receivables and other receivables

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

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

2) Guarantees

As of December 31, 2021 and 2020, the Group do not offer any endorsement and guarantees except to the entities in the Group, please refer to note (13)(a).

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to note 6(h) and note 6(i) for unused short-term and long-term bank facilities as of December 31, 2021 and 2020.

Based on the resolution approved in the shareholders' meeting held on March 9, 2022, the Company authorized the Board of Directors to increase capital by issuing ordinary shares in the limit of 70,000 thousand shares through private placement within one year. The rights and obligations are the same as ordinary shares of the Company. (refer to note (11))

(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.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

2) Interest rate risk

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

3) Other market value risk

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

(t) Capital management

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

Debt-to-asset ratio in December 31, 2021 and 2020 as follow:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 4,970,171	2,503,683
Total assets	7,211,902	4,964,039
Debt-to-asset ratio	69%	50%

As of December 31, 2021, the capital management method do not change.

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

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2021 and 2020 were as follows:

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash flows</b>			<b>December 31, 2021</b>
			<b>Additions</b>	<b>Write-off</b>	<b>Foreign exchange movement</b>	
Long-term loans	\$ 622,000	1,041,458	-	-	-	1,663,458
Short-term loans	296,960	733,811	-	-	-	1,030,771
Lease liabilities	11,745	(13,273)	11,161	-	(7)	9,626
Guarantee deposits	8,054	8	-	-	-	8,062
Total liabilities from financing activities	<b>\$ 938,759</b>	<b>1,762,004</b>	<b>11,161</b>	<b>-</b>	<b>(7)</b>	<b>2,711,917</b>

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

#### (7) Related-party transactions

##### (a) Names and relationships with related parties

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

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

##### (b) Transaction among other relative parties

###### (i) Lease

The Group rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them since August 2011. The rental fee is determined based on nearby office rental rates. The rental revenue for the years ended December 31, 2021 and 2020 were both \$3,429.

###### (ii) Equity trading

On March 17, 2021, the Board of Directors decided to acquire 8% of shares of CHENMING ELECTRONIC (NINGBO) CO., LTD., which amounted to \$48,416 (US\$1,700 thousand) and increased its shares in CHENMING ELECTRONICS (NINGBO) CO., LTD from 92% to 100%. The contracts were signed, and the related transfer procedures had been completed. As of December 31, 2021, the remaining unpaid amount is \$33,216.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

To increase all shareholders' equity and enhance the corporate governance, the Company decided on August 5, 2020 to purchase 10% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD amounting to \$60,260 (US\$2,050 thousand) from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary PEAK SHREWD INC., a fully owned subsidiary of the Group. The contracts were signed, and the related transfer procedures had been completed. The Group increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 82% to 92%. As of December 31, 2020, the remaining unpaid balance of \$24,208, which was recognized as other payables related parties; as of December 31, 2021, the Group has already made its payment. Please refer to note (6)(d) for related information.

(c) Key management personnel compensation

(i) Key management personnel compensation was comprised of:

	2021	2020
Short-term employee benefits	\$ 9,343	12,280
Post-employment benefits	324	8,953
	<b>\$ 9,667</b>	<b>21,233</b>

(ii) Guarantee

The main management was the guarantor of the syndication contract, and the amounts of loans were \$2,193,326, and \$622,000, as of December 31, 2021 and 2020, respectively.

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2021	December 31, 2020
PPE and investment properties	Short-term loans and long-term		
— land and right-of-use land	loans	\$ 1,736,752	750,621
— properties	Short-term loans and long-term	337,411	131,732
	loans		
Other financial asset	Customs deposits		
— non-current		16,476	20,235
		<b>\$ 2,090,639</b>	<b>902,588</b>

**(9) Commitments and contingencies: None.**

**(10) Losses due to major disasters: None.**

**(11) Subsequent events**

Based on the resolution approved in the shareholders' meeting held on March 9, 2022, the Company authorized the Board of Directors to increase capital by issuing ordinary shares in the limit of 70,000 thousand shares through private placement within one year. The rights and obligations are the same as ordinary shares of the Company.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (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, 2021			December 31, 2020		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,375,918	207,321	1,583,239	1,378,380	196,776	1,575,156
Labor and health insurance	-	6,809	6,809	-	6,131	6,131
Pension	84,003	12,360	96,363	62,351	9,616	71,967
Others	69,803	19,154	88,957	67,815	14,564	82,379
Depreciation	277,522	13,853	291,375	198,006	10,171	208,177
Amortization	7,294	1,030	8,324	978	740	1,718

Note: The depreciation expense, of which the depreciation expense of investment properties was deducted, amounted to \$1,237 for the year ended December 31, 2020, and was recognized as the deduction of rent revenue.

- (b) Seasonality of operations

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

#### (13) Other disclosures

- (a) Information on significant transactions:

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

- (i) Loans to other parties:

(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	166,080	166,080	110,720	0.8189% 0.9320%	Short-term financial	-	Operating demand	-	-	-	2,187,317 (note 1)	2,187,317 (note 1)
2	CHENMING ELECTRONIC CO., LTD	Dongguan Chenming Electronic Co., Ltd	Trade receivables due from related parties	Yes	304,080	86,880	86,880	4.67625%	Short-term financial	-	Operating demand	-	-	-	446,755 (note 2)	446,755 (note 2)
Total					252,960	197,600										

# CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

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 \$2,187,317. 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 \$2,187,317.

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 \$446,755 (\$1,116,887\*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 \$446,755 (\$1,116,887\*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 endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary / endorsements guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in mainland China
		Name	Relationship with the Company										
0	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	100% owned subsidiary	896,692	52,128	52,128	43,440	-	2.33%	1,793,385 (note 1)	Yes	No	Yes
1	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Both are subsidiaries of the Company	446,755	52,128	-	-	-	4.67%	893,510 (note 2)	No	No	Yes
0	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	100% owned subsidiary	896,692	238,920	238,920	129,886	-	10.66%	1,793,385	Yes	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 \$896,692. (\$2,241,731\*40%). In addition, the total endorsement guarantees of the Company shall be no more than 80% of the Company's net worth, which amounted to \$1,793,385 (\$2,241,731\*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 \$446,755.(\$1,116,887\*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 \$893,510 (\$1,116,887\*80%).

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates, and joint ventures): None.

(iv) Individual securities acquired or disposed of with an accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and properties	Note 1	1,000,000	Paid 1,000,000	T-MAC TECHVEST PCB CO., LTD.	None	N/A	N/A	N/A	-	Note 2	Set up the production line based in Taiwan, with the plant still under construction	None

Note 1: Based on the resolution of the Board of Directors meeting held on September 17, 2021, the Company decided to acquire the land and properties in Zhongli Dist., Taoyuan City and signed a real estate contract with T-MAC TECHVEST PCB CO., LTD. on September 17, 2021, with the total price of NTD 1,000,000, please refer to Note(6)(e).

Note 2: The Company acquired the appraisal reports of Jhong-Ding Real Estate Appraisers Joint Firm and Sinyi Real Estate Appraisers Joint Firm.

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

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

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

(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	2,750,502	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 (603,681)	(98) %	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,750,502)	(74) %	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 603,681	59 %	Note

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

(viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

(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 603,681	4.61	-	-	425,091	-	Note 2
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	The company's ultimate parent company is the same	Other current financial assets 110,720	-	-	-	-	-	Note 2

Note 1: Balance of February 17, 2022.

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

(ix) Trading in derivative instruments: None.

# CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship (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	122,826	Rate 0.8189%~0.9320%	2%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	2,750,502	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	52%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Trade receivables	603,681	"	8%
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	2	Other current financial assets	89,741	Rate 4.35%~4.67625%	1%

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, 2021 (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, 2021			Highest balance during the year		Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value	Shares / Units (thousands)	Percentage of ownership			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,099,183	2,061,572	63,358	100%	2,187,317	63,358	100	(121,075)	(121,075)	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USD, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100%	1,248	200	100	(1,460)	(1,460)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100%	959,645	45,988	100	(110,449)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandson company
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC	Samoa	Investment	735,006	697,395	21,210	100%	1,083,781	21,210	100	(11,192)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandson company

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

# CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

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

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

Name of investee	Main businesses and products	Total amount of paid-in capital (note 3)	Method of investment	Accumulated outflow of investment from January 1, 2021 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	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, 2021 (note 3)	Accumulated remittance of earnings as of December 31, 2021
					Outflow	Inflow				Shares/Units (thousands)	Percentage of ownership			
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,785,360 (USD64,500)	note 1 and 7	549,725 (USD19,860)	37,368 (USD1,350) (note 6)	-	587,093 (USD21,210)	(12,210)	100%	-	100	(12,348)	1,116,887	-
Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	802,111 (USD28,978) (note 4 and 5)	note 1 and 8	689,232 (USD24,900)	-	-	689,232 (USD24,900)	(87,976)	100%	-	100	(87,976)	732,067	-

- (ii) Limitation on investment in mainland China:

(In Thousands of USD)

Accumulated Investment in Mainland China as of December 31, 2021	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
1,276,325 (USD46,110)	1,425,797 (USD51,510)	Unlimited (note 9)

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

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

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$27.68 as of December 31, 2021.

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

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

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

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

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

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

- (iii) Significant transactions:

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

(d) Major shareholders:

(Unit: Share)

Shareholder's Name	Shareholding	Shares	Percentage
Lin, Mu-Ho		25,000,230	16.03%
Hui Chi Investment Co., Ltd.		16,000,000	10.26%

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

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

#### (14) Segment information:

The Group has only one segment, which mainly produce computer and mobile device components. Operating segment information is consistent with the balance sheet report, and for the profit and loss segment refer to income statement, and for the assets segment refer to the balance sheet.

(a) Overall information of the Group

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

(ii) Geographic information

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

2) Non-current Assets:

<u>Country</u>	<u>2021</u>	<u>2020</u>
Taiwan	\$ 1,950,445	926,488
Mainland China	1,367,207	852,982
	<u>\$ 3,317,652</u>	<u>1,779,470</u>

Non-current assets include property, plant and equipment, intangible assets, investment property, and other assets, excluding 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:

	<u>2021</u>	<u>2020</u>
A company	\$ 1,175,489	661,430
B company	796,694	1,342,055
C company	720,983	1,009,143
H company	491,152	611,118
D company	478,538	622,358
I company	286,523	1,097,593

V. Latest audited standalone financial statements

Standalone financial statement enclosed herewith.

Stock Code:3013

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

**FINANCIAL STATEMENTS**

**With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

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

## Independent Auditors' Report

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

### Opinion

We have audited the financial statements of CHENMING ELECTRONIC TECHNOLOGY CORP. (“the Company”), which comprise the balance sheets as of December 31, 2021 and 2020, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2021 and 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

We conducted our audit of the financial statements in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the CHENMING ELECTRONIC TECHNOLOGY CORP. in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

### Key Audit Matters

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

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

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

Description of key audit matters:

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

#### Audit Procedure:

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

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

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

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 4, 2022

#### **Notes to Readers**

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

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

## (English Translation of Financial Statements Originally Issued in Chinese)

## CHENMING ELECTRONIC TECHNOLOGY CORP.

## Balance Sheets

December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2021		December 31, 2020		Liabilities and Equity		December 31, 2021		December 31, 2020	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents (note (6)(a))	\$ 92,391	2	72,725	2	2100	Short-term loans (note (6)(h))	\$ 799,200	15	296,960	8
1170	Trade receivables, net (note (6)(b) and (p))	1,098,258	20	689,481	18	2170	Notes and trade payables	7,888	-	2,817	-
1310	Inventories, net (note (6)(c))	2,317	-	5,633	-	2180	Trade payables to related parties (note (7))	606,214	11	589,420	15
1479	Other current assets	5,934	-	1,241	-	2230	Current tax liabilities	526	-	4,704	-
		<u>1,198,900</u>	<u>22</u>	<u>769,080</u>	<u>20</u>	2200	Other payables	38,737	1	43,880	1
<b>Non-current assets:</b>						2280	Current lease liabilities (note (6)(j))	3,093	-	3,147	-
1550	Investments accounted for using equity method, net(note (6)(d))	2,188,565	41	2,238,772	57	2300	Other current liabilities	448	-	474	-
1600	Property, plant, and equipment (notes (6)(e) and (8))	1,727,973	33	709,658	18			<u>1,456,106</u>	<u>27</u>	<u>941,402</u>	<u>24</u>
1755	Right-of-use assets (note (6)(f))	4,335	-	7,500	-	<b>Non-Current liabilities:</b>					
1760	Investment property, net (note (6)(g) and (8))	195,162	4	196,399	5	2540	Long-term loans (note (6)(i))	1,640,000	31	622,000	16
1840	Deferred income tax assets (note (6)(m))	1,705	-	3,021	-	2580	Non-current lease liabilities (note (6)(j))	1,292	-	4,385	-
1980	Other non-current financial assets	3,044	-	3,038	-	2645	Guarantee deposits	3,530	-	3,270	-
1990	Other non-current assets	22,975	-	12,930	-			<u>1,644,822</u>	<u>31</u>	<u>629,655</u>	<u>16</u>
		<u>4,143,759</u>	<u>78</u>	<u>3,171,318</u>	<u>80</u>			<u>3,100,928</u>	<u>58</u>	<u>1,571,057</u>	<u>40</u>
<b>Total assets</b>		<b>\$ 5,342,659</b>	<b>100</b>	<b>3,940,398</b>	<b>100</b>	<b>Total liabilities</b>					
						<b>Equity attributable to owners of parent (note (6)(n)):</b>					
						3100	Ordinary shares	1,559,350	29	1,559,350	40
						3200	Capital surplus	173,563	3	131,819	3
						3300	Retained earnings	575,472	11	737,192	19
						3410	Exchange differences on translation of foreign financial statements	(66,654)	(1)	(59,020)	(2)
								<u>2,241,731</u>	<u>42</u>	<u>2,369,341</u>	<u>60</u>
						<b>Total equity</b>					
						<b>Total liabilities and equity</b>		<b>\$ 5,342,659</b>	<b>100</b>	<b>3,940,398</b>	<b>100</b>

(English Translation of Financial Statements Originally Issued in Chinese)

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Statements of Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

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

	<u>2021</u>		<u>2020</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000 <b>Operating revenue(note (6)(p))</b>	\$ 2,928,076	100	2,771,049	100
5000 <b>Operating costs (note (6)(c) and (7))</b>	2,779,555	95	2,573,785	93
5900 <b>Gross profit from operations</b>	<u>148,521</u>	<u>5</u>	<u>197,264</u>	<u>7</u>
6000 <b>Operating expenses (note (6)(l) , (7) and (12)):</b>				
6100 Selling expenses	29,475	1	29,569	1
6200 Administrative expenses	81,890	3	73,715	3
6300 Research and development expenses	<u>22,639</u>	<u>1</u>	<u>21,647</u>	<u>1</u>
	<u>134,004</u>	<u>5</u>	<u>124,931</u>	<u>5</u>
6900 <b>Net operating income</b>	<u>14,517</u>	<u>-</u>	<u>72,333</u>	<u>2</u>
7000 <b>Non-operating income and expenses:</b>				
7050 Finance costs, net (note (6)(j))	(14,680)	-	(9,755)	-
7100 Interest income	369	-	423	-
7110 Rent revenue (note (6)(k) and (7))	14,464	-	13,312	-
7190 Other income (note (7))	4,323	-	4,648	-
7230 Foreign exchange gains (losses), net	(9,628)	-	(43,432)	(2)
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	<u>(122,535)</u>	<u>(4)</u>	<u>33,641</u>	<u>1</u>
	<u>(127,687)</u>	<u>(4)</u>	<u>(1,163)</u>	<u>(1)</u>
7900 <b>Profit (loss) from continuing operations before tax</b>	(113,170)	(4)	71,170	1
7951 Less: Income tax expenses (note (6)(m))	<u>1,769</u>	<u>-</u>	<u>8,372</u>	<u>-</u>
<b>Profit (loss)</b>	<u>(114,939)</u>	<u>(4)</u>	<u>62,798</u>	<u>1</u>
8300 <b>Other comprehensive income:</b>				
8310 <b>Components of other comprehensive income (loss) that will not be reclassified to profit or loss</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	-	-	-	-
8349 Less: Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	<u>-</u>	<u>-</u>	<u>612</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>(612)</u>	<u>-</u>
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>				
8361 Exchange differences on translation of foreign financial statements	(7,634)	-	22,189	1
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>	<u>(7,634)</u>	<u>-</u>	<u>22,189</u>	<u>1</u>
8300 <b>Other comprehensive income (loss)</b>	<u>(7,634)</u>	<u>-</u>	<u>21,577</u>	<u>1</u>
8500 <b>Comprehensive income (loss)</b>	<u>\$ (122,573)</u>	<u>(4)</u>	<u>84,375</u>	<u>2</u>
<b>Earnings per share (expressed in dollars) (note (6)(o)):</b>				
9750 Basic earnings per share	<u>\$ (0.74)</u>		<u>0.40</u>	
9850 Diluted earnings per share	<u>\$ (0.74)</u>		<u>0.40</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, 2021 and 2020**

**(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings	Other components of equity	Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements		
<b>Balance at January 1, 2020</b>	\$ 1,629,350	82,967	284,492	45,219	407,034	736,745	(81,209)	(49,810)	2,318,043
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	13,290	-	(13,290)	-	-	-	-
Special reserve	-	-	-	35,990	(35,990)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(46,781)	(46,781)	-	-	(46,781)
Profit for the year ended December 31, 2020	-	-	-	-	62,798	62,798	-	-	62,798
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(612)	(612)	22,189	-	21,577
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	62,186	62,186	22,189	-	84,375
Purchase of treasury shares	-	-	-	-	-	-	-	(38,712)	(38,712)
Retirement of treasury share	(70,000)	(3,564)	-	-	(14,958)	(14,958)	-	88,522	-
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	52,416	-	-	-	-	-	-	52,416
Balance at December 31, 2020	1,559,350	131,819	297,782	81,209	358,201	737,192	(59,020)	-	2,369,341
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	4,723	-	(4,723)	-	-	-	-
Special reserve	-	-	-	(22,189)	22,189	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(46,781)	(46,781)	-	-	(46,781)
Profit (loss) for the year ended December 31, 2021	-	-	-	-	(114,939)	(114,939)	-	-	(114,939)
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	-	(7,634)	-	(7,634)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	(114,939)	(114,939)	(7,634)	-	(122,573)
Other changes in capital surplus:									
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	41,744	-	-	-	-	-	-	41,744
<b>Balance at December 31, 2021</b>	\$ <b>1,559,350</b>	<b>173,563</b>	<b>302,505</b>	<b>59,020</b>	<b>213,947</b>	<b>575,472</b>	<b>(66,654)</b>	<b>-</b>	<b>2,241,731</b>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**CHENMING ELECTRONIC TECHNOLOGY CORP.****Statements of Cash Flows****For the years ended December 31, 2021 and 2020****(Expressed in Thousands of New Taiwan Dollars)**

	<u>2021</u>	<u>2020</u>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit (loss) before tax</b>	\$ (113,170)	71,170
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	7,661	6,449
Amortization expense	1,030	740
Expected credit loss (gain)	364	(95)
Interest expense	14,680	9,755
Interest income	(369)	(423)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	<u>122,535</u>	<u>(33,641)</u>
<b>Total adjustments to reconcile profit (loss)</b>	<u>145,901</u>	<u>(17,215)</u>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in trade receivables	(409,141)	212,620
Decrease in inventories	3,316	10,521
Decrease (increase) in other current assets	(4,693)	3,276
Increase in notes and trade payables (including related parties)	21,865	83,740
Decrease in other payables and other current liabilities	(5,974)	(10,044)
Decrease (increase) in net defined benefit plan assets	-	22,746
Other	<u>9</u>	<u>121</u>
<b>Total changes in operating assets and liabilities</b>	<u>(394,618)</u>	<u>322,980</u>
<b>Total adjustments</b>	<u>(248,717)</u>	<u>305,765</u>
Cash inflow generated from (used in) operations	(361,887)	376,935
Interest received	369	423
Income taxes paid	<u>(4,631)</u>	<u>(22,973)</u>
<b>Net cash flows from (used in) operating activities</b>	<u>(366,149)</u>	<u>354,385</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method	(38,218)	(60,598)
Acquisition of property, plant and equipment	(1,010,050)	(403,609)
Acquisition of intangible assets	(1,523)	(797)
Increase in prepayments for business facilities	(21,076)	(12,332)
Other	<u>(6)</u>	<u>(1,568)</u>
<b>Net cash flows from (used in) investing activities</b>	<u>(1,070,873)</u>	<u>(478,904)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	502,240	(93,040)
Increase in long-term debt	1,500,000	638,000
Repayments of long-term debt	(482,000)	(322,000)
Payment of lease liabilities	(3,147)	(2,134)
Distribution in cash dividends	(46,781)	(46,781)
Payments to acquire treasury shares	-	(38,712)
Interest paid	(13,884)	(9,538)
Other	<u>260</u>	<u>-</u>
<b>Net cash flows from (used in) financing activities</b>	<u>1,456,688</u>	<u>125,795</u>
<b>Net increase in cash and cash equivalents</b>	19,666	1,276
<b>Cash and cash equivalents at beginning of period</b>	<u>72,725</u>	<u>71,449</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 92,391</u>	<u>72,725</u>

(English Translation of Financial Statements Originally Issued in Chinese)

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to the Financial Statements**

**For the years ended December 31, 2021 and 2020**

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

**(1) Company history**

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

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

These financial statements were authorized for issue by the board of directors on March 4, 2022.

**(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 consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (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, 2022, would not have a significant impact on its financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

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

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

<u>Standards or Interpretations</u>	<u>Content of amendment</u>	<u>Effective date per IASB</u>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	The amendments narrowed the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

#### (4) Summary of significant accounting policies:

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

## **CHENMING ELECTRONIC TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Impairment of financial assets

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

## **CHENMING ELECTRONIC TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

## **CHENMING ELECTRONIC TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

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

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

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### 3) Derecognition of financial assets

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

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

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

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

##### 2) Equity instrument

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

## **CHENMING ELECTRONIC TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

3) Treasury shares

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

4) Financial liabilities

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

(g) Inventories

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

(h) Investment in subsidiaries

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

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

(i) Investment property

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

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

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.

## **CHENMING ELECTRONIC TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

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 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.

From January 1, 2021, when the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group will remeasure the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

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

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

- 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.

(l) Intangible assets

(i) Recognition & measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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.

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

#### (m) Impairment of non-financial assets

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

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

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

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

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

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

#### (n) Revenue

##### (i) Revenue from contracts with customers

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

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.

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

(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) Defined benefit plans

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

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(q) Income taxes

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

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

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

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

Deferred 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.

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

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

(s) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent-company-only financial statements.

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

The preparation of the financial statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

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

The share of profit (loss) of subsidiaries, associates and joint ventures accounted for using equity method - subsidiary's inventory valuation

Inventories are supposed to be measured based on the lower of cost or net realizable value. This inventory evaluation is based on the estimated sales price in future, thus, it may be changed due to changes in industry and market. Please refer to Note (6)(d) of the financial statement for the share of profit (loss) of associates and joint ventures accounted for using equity method-Subsidiary's Inventory valuation.

#### (6) Explanation of significant accounts:

##### (a) Cash and cash equivalents

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash on hand	\$ 50	50
Checking accounts and demand deposits	92,341	72,675
	<b>\$ 92,391</b>	<b>72,725</b>

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

##### (b) Trade receivables

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Trade receivables	\$ 1,098,698	689,557
Less: Loss allowance	(440)	(76)
Trade receivables, net	<b>\$ 1,098,258</b>	<b>689,481</b>

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:

	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Allowance lifetime expected credit loss</b>
Current	\$ 1,093,187	0.03%	415
1 to 30 days past due	3,355	0.01%	3
31 to 150 days past due	2,156	1%	22
	<b>\$ 1,098,698</b>		<b>440</b>

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to the Financial Statements**

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-ave rage expected credit loss rate</b>	<b>Allowance lifetime expected credit loss</b>
Current	\$ 688,358	0.01%	75
1 to 30 days past due	1,199	0.08%	1
	<b>\$ 689,557</b>		<b>76</b>

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

	<b>2021</b>	<b>2020</b>
Balance on January 1	\$ 76	171
Impairment losses recognized (reversed)	364	(95)
Balance on December 31	<b>\$ 440</b>	<b>76</b>

As of December 31, 2021 and 2020, the Company did not pledge any receivable as collateral.

(c) Inventories

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Work in progress	\$ -	21
Finished goods and merchandise inventories	2,317	5,612
	<b>\$ 2,317</b>	<b>5,633</b>

The cost of sales amounted to \$2,779,555 and \$2,573,785 for the years ended December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the Company did not pledge any inventories as collateral.

(d) Investments accounted for using equity method

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Subsidiaries	<b>\$ 2,188,565</b>	<b>2,238,772</b>

(i) The Company invested an additional cash of \$38,218 (US\$1,350 thousand) and \$60,598 (US\$2,060 thousand) in TOP CITY INTERNATIONAL LIMITED in 2021 and 2020 to increase its capital for purchasing the shares of subsidiary, respectively.

(ii) As of December 31, 2021 and 2020, the Company did not provide any investment accounted for using equity method as collateral.

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

(e) Property, Plant and Equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended 2021 were as follows:

	<u>Land</u>	<u>Properties</u>	<u>Office equipment and others</u>	<u>Total</u>
Cost:				
Balance on January 1, 2021	\$ 613,713	131,867	842	746,422
Additions	908,321	100,000	1,729	1,010,050
Reclassifications	11,524	-	-	11,524
Balance on December 31, 2021	<u>\$ 1,533,558</u>	<u>231,867</u>	<u>2,571</u>	<u>1,767,996</u>
Balance on January 1, 2020	\$ 210,897	131,867	610	343,374
Additions	402,816	-	793	403,609
Disposal	-	-	(561)	(561)
Balance on December 31, 2020	<u>\$ 613,713</u>	<u>131,867</u>	<u>842</u>	<u>746,422</u>
Depreciation:				
Balance on January 1, 2021	\$ -	36,704	60	36,764
Depreciation	-	2,586	673	3,259
Balance on December 31, 2021	<u>\$ -</u>	<u>39,290</u>	<u>733</u>	<u>40,023</u>
Balance on January 1, 2020	\$ -	34,118	157	34,275
Depreciation	-	2,586	464	3,050
Disposal	-	-	(561)	(561)
Balance on December 31, 2020	<u>\$ -</u>	<u>36,704</u>	<u>60</u>	<u>36,764</u>
Book Value:				
Balance on December 31, 2021	<u>\$ 1,533,558</u>	<u>192,577</u>	<u>1,838</u>	<u>1,727,973</u>
Balance on December 31, 2020	<u>\$ 613,713</u>	<u>95,163</u>	<u>782</u>	<u>709,658</u>

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

The Company entered into a real estate agreement with T-MAC TECHVEST PCB CO., LTD. on September 17, 2021, for the acquisition of a parcel of land for its plant, at the total price of NTD 1,000,000 (tax included), based on the resolution approved during the Board Meeting held on November 16, 2021. The related transfer procedures had been completed on November 16, 2021.

As of December 31, 2021 and 2020 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.

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**Notes to the Financial Statements**

(f) Right-of-use assets

The Company leases many assets including transportation. Information about leases for which the Company as a lessee was presented below:

	<u>Transportation</u>
Cost:	
Balance on January 1, 2021 (Same balance as December 31, 2021)	<u>\$ 9,495</u>
Balance on January 1, 2020	\$ 4,425
Additions	5,914
Write-off	(844)
Balance on December 31, 2020	<u>\$ 9,495</u>
Accumulated depreciation and impairment losses:	
Balance on January 1, 2021	\$ 1,995
Depreciation	3,165
Balance on December 31, 2021	<u>\$ 5,160</u>
Balance on January 1, 2020	\$ 632
Depreciation of the period	2,162
Write-off	(799)
Balance on December 31, 2020	<u>\$ 1,995</u>
Book value:	
Balance on December 31, 2021	<u>\$ 4,335</u>
Balance on December 31, 2020	<u>\$ 7,500</u>
Balance on January 1, 2020	<u>\$ 3,793</u>

(g) Investment Property

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Cost:			
Balance on January 1, 2021 (Same balance as December 31, 2021)	<u>\$ 152,640</u>	<u>63,116</u>	<u>215,756</u>
Balance on January 1, 2020 (Same balance as December 31, 2020)	<u>\$ 152,640</u>	<u>63,116</u>	<u>215,756</u>
Depreciation:			
Balance on January 1, 2021	\$ -	19,357	19,357
Depreciation	-	1,237	1,237
Balance on December 31, 2021	<u>\$ -</u>	<u>20,594</u>	<u>20,594</u>
Balance on January 1, 2020	\$ -	18,120	18,120
Depreciation	-	1,237	1,237
Balance on December 31, 2020	<u>\$ -</u>	<u>19,357</u>	<u>19,357</u>

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to the Financial Statements**

	<b>Land</b>	<b>Properties</b>	<b>Total</b>
Book Value:			
Balance on December 31, 2021	<u>\$ 152,640</u>	<u>42,522</u>	<u>195,162</u>
Balance on December 31, 2020	<u>\$ 152,640</u>	<u>43,759</u>	<u>196,399</u>
Fair Value:			
Balance on December 31, 2021			<u>\$ 534,612</u>
Balance on December 31, 2020			<u>\$ 534,612</u>

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

As of December 31, 2021 and 2020, the Company pledge investment properties as collateral. Please refer to note (8) for details.

(h) Short-term loans

The short-term loans were summarized as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Secured Loan	<u>\$ 799,200</u>	<u>296,960</u>
Unused credit lines for short-term loans	<u>\$ 523,872</u>	<u>860,992</u>
Annual interest rates	<u>1.0%~1.5%</u>	<u>0.5%~1.3%</u>

(i) The main management was the guarantor of short-term loan contracts, and the amount of loans was \$380,000. Please refer to note (7).

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

(iii) As of December 31, 2021 and 2020, the Company provided part of its assets as collateral for short term loans. Please refer to note (8) for details.

(i) Long-term loans

The long-term loans were summarized as follows:

	<b>December 31, 2021</b>			
<b>Currency</b>	<b>Range of interest rates</b>	<b>Expiration</b>	<b>Amount</b>	
Secured bank loans	TWD	<u>1.0%~1.25%</u>	2023~2041	<u>\$ 1,640,000</u>
Current				\$ -
Non-current				<u>1,640,000</u>
Total				<u>\$ 1,640,000</u>
Unused long-term credit lines				<u>\$ 716,000</u>

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to the Financial Statements**

	<b>December 31, 2020</b>			
	<b>Currency</b>	<b>Range of interest rates</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank loans	TWD	<b>1.0%~1.5%</b>	2023~2040	<b>\$ 622,000</b>
Current				\$ -
Non-current				622,000
Total				<b>\$ 622,000</b>
Unused long-term credit lines				<b>\$ 786,000</b>

- (i) The main management was the guarantor of long-term loan contracts, please refer to note (7).
- (ii) For information on interest rate and liquidity risk, please refer to note (6)(r).
- (iii) As of December 31, 2021 and 2020, the Company provided part of its assets as collateral for long-term loans. Please refer to note (8) for details.

(j) Lease liabilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Current	<b>\$ 3,093</b>	<b>3,147</b>
Non-current	<b>\$ 1,292</b>	<b>4,385</b>

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

The amounts recognized in profit or loss were as follows:

	<b>2021</b>	<b>2020</b>
Interest on lease liabilities	<b>\$ 92</b>	<b>75</b>
Expenses relating to short-term leases	<b>\$ 225</b>	<b>-</b>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<b>\$ 97</b>	<b>-</b>

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

	<b>2021</b>	<b>2020</b>
Total cash outflow for leases	<b>\$ 3,561</b>	<b>2,209</b>

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

(k) Operating lease — Leases as lessor

The Company leases out its investment property, which has been classified as operating lease, as it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note (6)(g) for the information about the operating leases of investment property.

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

As of December 31, 2021, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Less than one year	\$ 14,559	12,584
Between one and five years	50,932	36,400
Total undiscounted lease payment	<b>\$ 65,491</b>	<b>48,984</b>

The lease revenue from investment properties were \$14,464 and \$14,549 in 2021 and 2020, respectively. Moreover, the related depreciation expense amounted to \$1,237 in 2020, which was recognized in the deduction of rent revenue.

(l) Employee benefits

(i) Defined benefit plans

The Company settled the old labor pension plan of all of its employees on August 7, 2020, and fully refunded the entire planned assets of \$26,384 from the Bureau of Labor Funds, Ministry of Labor. The amount of pension benefits recognized in 2020 was \$128.

(ii) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to \$4,009 and \$3,752 for the years ended December 31, 2021 and 2020, respectively.

(m) Income taxes

(i) Income tax expenses

1) The amount of income tax for 2021 and 2020 was as follows:

	<b>2021</b>	<b>2020</b>
Current tax expense		
Current period	\$ 557	10,229
Undistributed earnings additional tax	-	1,803
Adjustment for prior period	(104)	54
	453	12,086
Deferred tax expense (benefits)		
Origination and reversal of temporary differences	1,316	(3,714)
	1,316	(3,714)
Income tax expense (benefits)	<b>\$ 1,769</b>	<b>8,372</b>

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to the Financial Statements**

- 2) The amount of income tax recognized in other comprehensive income for 2020 was as follows:

	<u>2020</u>
Items that will not be reclassified subsequently to profit or loss	
Remeasurement from defined benefit plans	<u><u>\$ 612</u></u>

- 3) Reconciliation of income tax and profit (loss) before tax for 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Profit (Loss) excluding income tax	\$ (113,170)	71,170
Income tax using the Company's domestic tax rate	(22,634)	13,019
Under (over) provision in prior periods	(104)	54
Undistributed earnings additional tax	-	1,803
Other	24,507	(6,504)
	<u><u>\$ 1,769</u></u>	<u><u>8,372</u></u>

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities:

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2021 and 2020. Also, management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Unrecognized deferred tax liabilities (asset)		
related to investments in subsidiaries	<u><u>\$ 10,046</u></u>	<u><u>34,553</u></u>

- 2) Unrecognized deferred tax assets

Unrecognized deferred tax assets: None.

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to the Financial Statements**

3) Recognized deferred tax assets and liabilities

	<b>Defined benefit plans</b>	<b>Others</b>	<b>Total</b>
Deferred tax liabilities:			
Balance on January 1, 2020	\$ 4,991	(60)	4,931
Recognized in (profit) or loss	(5,543)	-	(5,543)
Recognized in other comprehensive income	612	-	612
Balance on December 31, 2020 (Same balance as December 31, 2021)	<b>\$ 60</b>	<b>(60)</b>	<b>-</b>
	<b>Defined benefit Plans</b>	<b>Others</b>	<b>Total</b>
Deferred tax assets:			
Balance on January 1, 2021	\$ -	3,021	3,021
Recognized in profit or (loss)	-	(1,316)	(1,316)
Balance on December 31, 2021	<b>\$ -</b>	<b>1,705</b>	<b>1,705</b>
Balance on January 1, 2020	\$ -	4,850	4,850
Recognized in profit or (loss)	-	(1,829)	(1,829)
Balance on December 31, 2020	<b>\$ -</b>	<b>3,021</b>	<b>3,021</b>

(iii) The Company's tax returns for the years through 2019 were assessed by the Taipei National Tax Administration.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020, the authorized common stocks were both \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which both 155,935 thousand shares, were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus as of 2021, were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Additional paid-in capital	\$ 10,551	10,551
Difference between consideration and carrying amount of subsidiaries acquired or disposed	163,012	121,268
	<b>\$ 173,563</b>	<b>131,819</b>

## **CHENMING ELECTRONIC TECHNOLOGY CORP.**

### **Notes to the Financial Statements**

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

#### **(iii) Retained Earning**

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

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

#### **1) Legal reserve**

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

#### **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, while in 2020 earnings distribution, a portion of current period earnings, other items recognized as undistributed current period earnings, and undistributed prior period earnings shall be reclassified as a special earnings reserve. 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.

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

3) Earnings distribution

The appropriations of earnings for the year of 2020 approved in the shareholders' meeting on July 30, 2021 and the appropriations of earnings for the year of 2019 approved in the shareholders' meeting on June 12, 2020 were both \$46,781 by cash dividends.

(iv) Treasury stock

The Company did not repurchase any treasury stock in 2021. In accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 3,500 thousand shares in 2020, as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2020, all treasury shares repurchased had be cancelled.

Movement of treasury share were as follows:

	2021		2020	
	Share (thousands)	Amount	Share (thousands)	Amount
Balance on January 1	-	\$ -	3,500	\$ 49,810
Repurchase	-	-	3,500	38,712
Retirement	-	-	(7,000)	(88,522)
Balance on December 31	-	\$ -	-	\$ -

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

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

(o) Earnings per share

For the years ended December 31, 2021 and 2020, the Company's earnings per share were calculated as follows:

	2021	2020
<b>Basic earnings per share</b>		
Profit (loss) attributable to ordinary shareholders of the Company	<u>\$ (114,939)</u>	<u>62,798</u>
Weighted-average number of ordinary shares (share in thousands)	<u>155,935</u>	<u>156,710</u>
	<u>\$ (0.74)</u>	<u>0.40</u>

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to the Financial Statements**

	<b>2021</b>	<b>2020</b>	
<b>Diluted earnings per share:</b>			
Profit (loss) attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	<b>\$ (114,939)</b>	<b>62,798</b>	
Weighted-average number of ordinary shares with potential influence of ordinary shares			
Weighted-average number of ordinary shares	155,935	156,710	
Effect of employee stock remuneration (share in thousands)	44	298	
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<b>155,979</b>	<b>157,008</b>	
	<b>\$ (0.74)</b>	<b>0.40</b>	
 (p) Revenue from contracts with customers			
(i) Disaggregation of revenue			
	<b>2021</b>	<b>2020</b>	
Primary geographical markets			
Taiwan	\$ 525,591	745,235	
Japan	490,133	607,444	
China	653,066	815,285	
USA	1,138,303	436,933	
Others	120,983	166,152	
	<b>\$ 2,928,076</b>	<b>2,771,049</b>	
Major product			
PC chassis	\$ 2,141,796	1,580,452	
Mobile device components	720,886	1,006,311	
Mold	65,394	184,286	
	<b>\$ 2,928,076</b>	<b>2,771,049</b>	
 (ii) Contract balances			
	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Trade receivable	\$ 1,098,698	689,557	902,177
Less: Loss allowance	(440)	(76)	(171)
	<b>\$ 1,098,258</b>	<b>689,481</b>	<b>902,006</b>

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

(q) Employee directors' and supervisor's remuneration

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

The Company's remuneration to employees were \$3,000, and the remuneration to directors and supervisors was \$1,500 for the year ended December 31, 2020. 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. For the year ended December 31, 2021, a net loss after tax has occurred, so there is no need to estimate employees and directors remuneration. There was no difference in the actual amount and the estimated amount of the year 2020. The related information would be available at the Market Observation Post System website.

(r) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration to credit risk

The customers of the Company are mainly high tech companies, trade receivables have 82% and 71% are composed by five clients in December 31, 2021 and 2020. 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)(b).

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

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

#### (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>
<b>December 31, 2021</b>					
Secured loans	\$ 2,439,200	(2,467,875)	(808,245)	(374,462)	(1,285,168)
Notes and trade payables (including related parties)	614,102	(614,102)	(614,102)	-	-
Lease liabilities (including current and non-current)	4,385	(4,437)	(3,137)	(1,300)	-
Other payables	38,737	(38,737)	(38,737)	-	-
Guarantee deposits	3,530	(3,530)	(20)	-	(3,510)
	<b><u>\$ 3,099,954</u></b>	<b><u>(3,128,681)</u></b>	<b><u>(1,464,241)</u></b>	<b><u>(375,762)</u></b>	<b><u>(1,288,678)</u></b>
<b>December 31, 2020</b>					
Secured loans	\$ 918,960	(918,960)	(296,960)	(200,000)	(422,000)
Notes and trade payables (including related parties)	592,237	(592,237)	(592,237)	-	-
Lease liabilities (including current and non-current)	7,532	(7,675)	(3,239)	(3,137)	(1,299)
Other payables	43,880	(43,880)	(43,880)	-	-
Guarantee deposits	3,270	(3,270)	(1,470)	-	(1,800)
	<b><u>\$ 1,565,879</u></b>	<b><u>(1,566,022)</u></b>	<b><u>(937,786)</u></b>	<b><u>(203,137)</u></b>	<b><u>(425,099)</u></b>

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:

	<u>December 31, 2021</u>			<u>December 31, 2020</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD to NTD	\$ 40,972	27.68	1,134,105	26,261	28.48	747,913
Financial liabilities						
Monetary items						
USD to NTD	24,479	27.68	677,579	22,546	28.48	642,110

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to the Financial Statements**

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, 2021 and 2020, would have affected the net profit before tax by \$22,826 and \$5,290, 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:

	<b>2021</b>	<b>2020</b>
	<b>Exchange profit (loss)</b>	<b>Exchange profit (loss)</b>
NTD	\$ (9,628)	(43,432)

(v) Interest Rate analysis

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

	<b>Carrying amount</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Variable rate instruments:		
Financial assets	\$ 92,266	72,612
Financial liabilities	2,439,200	918,960

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 \$5,867 and \$2,116 for the years ended December 31, 2021 and 2020, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

(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, 2021				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 92,391	-	-	-	-
Trade receivables, net	1,098,258	-	-	-	-
Other receivables	3	-	-	-	-
Refundable deposits	3,044	-	-	-	-
	<b>\$ 1,193,696</b>				

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**Notes to the Financial Statements**

		December 31, 2021				
		Fair Value				
		Book value	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at amortized cost</b>						
Bank loans	\$ 2,439,200	-	-	-	-	-
Trade payables (including related parties)	614,102	-	-	-	-	-
Lease liabilities	4,385	-	-	-	-	-
Refundable deposits	3,530	-	-	-	-	-
	<u>\$ 3,061,217</u>					
		December 31, 2020				
		Fair Value				
		Book value	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents	\$ 72,725	-	-	-	-	-
Trade receivables, net	689,481	-	-	-	-	-
Refundable deposits	3,038	-	-	-	-	-
	<u>\$ 765,244</u>					
<b>Financial liabilities at amortized cost</b>						
Bank loans	\$ 918,960	-	-	-	-	-
Trade payables (including related parties)	592,237	-	-	-	-	-
Lease liabilities	7,532	-	-	-	-	-
Other payables	43,880	-	-	-	-	-
Guarantee deposits	3,270	-	-	-	-	-
	<u>\$ 1,565,879</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 liability with amortized cost evaluation

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

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

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

##### a) Non-derivative financial instruments

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

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

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

#### (s) Financial risk management

##### (i) Briefings

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

- 1) Credit risk
- 2) Liquidity risk
- 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.

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

#### (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, 2021 and 2020, the Company do not offer any endorsement and guarantees, except to its subsidiaries, please refer to note (13)(a).

#### (iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to note 6(h) and note 6(i) for unused short-term and long-term bank facilities as of December 31, 2021 and 2020.

Based on the resolution approved in the shareholders' meeting held on March 9, 2022, the Company authorized the Board of Directors to increase capital by issuing ordinary shares in the limit of 70,000 thousand shares. The rights and obligations are the same as ordinary shares of the Company. (refer to note (11))

#### (v) Market risk

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

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the New Taiwan Dollars (TWD).

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

2) Interest rate risk

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

3) Other market value risk

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

(t) Capital management

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

Debt-to-asset ratio in 2021 and 2020 as follow:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Total liabilities	\$ 3,100,928	1,571,057
Total assets	5,342,659	3,940,398
Debt-to-asset ratio	58%	40%

As of December 31, 2021, the capital management method do not change.

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to the Financial Statements**

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

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2021 and 2020 were as follows:

	<b>January 1, 2021</b>	<b>Cash flows</b>	<b>Non-cash flows</b>		<b>December 31, 2021</b>
			<b>Additions</b>	<b>Write-off</b>	
Long term loans	\$ 622,000	1,018,000	-	-	1,640,000
Short term loans	296,960	502,240	-	-	799,200
Lease liabilities	7,532	(3,147)	-	-	4,385
Guarantee deposits	3,270	260	-	-	3,530
Total liabilities from financing activities	<b>\$ 929,762</b>	<b>1,517,353</b>	<b>-</b>	<b>-</b>	<b>2,447,115</b>

	<b>January 1, 2020</b>	<b>Cash flows</b>	<b>Non-cash flows</b>		<b>December 31, 2020</b>
			<b>Additions</b>	<b>Write-off</b>	
Long term loans	\$ 306,000	316,000	-	-	622,000
Short term loans	390,000	(93,040)	-	-	296,960
Lease liabilities	3,797	(2,134)	5,914	(45)	7,532
Guarantee deposits	3,270	-	-	-	3,270
Total liabilities from financing activities	<b>\$ 703,067</b>	<b>220,826</b>	<b>5,914</b>	<b>(45)</b>	<b>929,762</b>

**(7) Related-party transactions:**

- (a) Names and relationship with related parties

<b>Name of related party</b>	<b>Relationship with the Company</b>
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

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Purchases

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

	<b>2021</b>	<b>2020</b>
Subsidiary:		
Dongguan Chenming Electronic Co., Ltd.	\$ 2,750,502	2,546,860
Chenming Electronic (Ningbo) Co., Ltd.	5,894	-
	<b>\$ 2,756,396</b>	<b>2,546,860</b>

The Company purchases certain products manufactured by its related parties. The purchase prices for related parties are no general supplier for comparison, and the collection period for related parties is 60 days and payment according to subsidiaries's financial needs.

(ii) Payables to Related Parties

The payables to related parties were as follows:

<b>Account</b>	<b>Related party categories</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Trade payables	Subsidiary-Dongguan Chenming Electronic Co., Ltd.	\$ 603,681	-
Trade payables	Subsidiary-Chenming Electronic (Ningbo) Co., Ltd.	2,533	522,051
		<b>\$ 606,214</b>	<b>589,420</b>

(iii) Lease

The Company 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, 2021 and 2020 were both \$3,429.

(iv) Guarantee

- 1) The main management was the guarantor of the syndication contract, and the amounts of loans were \$2,020,000 and \$622,000, as of December 31, 2021 and 2020, respectively.
- 2) The Company had provided a guarantee for loans taken out by subsidiary as follows:

	<b>2021</b>	<b>2020</b>
Chenming Electronic (Ningbo) Co., Ltd.	\$ 52,128	-
Dongguan Chenming Electronic Co., Ltd.	238,920	-
	<b>\$ 291,048</b>	<b>-</b>

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to the Financial Statements**

(v) Other

The Company dispatched its employees to its subsidiaries for providing management services. As of December 31, 2021 and 2020, the relative revenue amounted to \$4,209 and \$4,471, respectively, which was recognized in other income.

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	<b>2021</b>	<b>2020</b>
Short-term employee benefits	\$ 7,068	7,483
Post-employment benefits	216	6,508
	<b>\$ 7,284</b>	<b>13,991</b>

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<b>Pledged Assets</b>	<b>Object</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
PPE and investment properties	Short-term loans and long-term		
— land and rights-of-use	loans	\$ 1,654,968	750,621
land			
— properties	"	228,157	131,732
		<b>\$ 1,883,125</b>	<b>882,353</b>

**(9) Commitments and contingencies: None.**

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events:**

Based on the resolution approved in the shareholders' meeting held on March 9, 2022, the Company authorized the Board of Directors to increase capital by issuing ordinary shares in the limit of 70,000 thousand shares. The rights and obligations are the same as ordinary shares of the Company.

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to the Financial Statements**

**(12) Other:**

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

By function  By item	2021			2020		
	Cost of sales	Operatin g expenses	Total	Cost of sales	Operatin g expenses	Total
Employee benefits						
Salary	-	75,848	75,848	-	73,379	73,379
Labor and health insurance	-	6,809	6,809	-	6,131	6,131
Pension	-	4,009	4,009	-	3,624	3,624
Remuneration of directors	-	-	-	-	1,500	1,500
Others	-	5,446	5,446	-	4,151	4,151
Depreciation	-	7,661	7,661	-	5,212	5,212
Amortization	-	1,030	1,030	-	740	740

Note: The depreciation expense, of which the depreciation expense of investment properties was deducted, amounted to \$1,237 for the year ended December 31, 2020, and was recognized as the deduction of rent revenue.

	2021	2020
Number of employees	<u>82</u>	<u>80</u>
Non-employees directors	<u>5</u>	<u>5</u>
Average labor cost	<u>\$ 1,196</u>	<u>1,164</u>
Average salary and bonus	<u>\$ 985</u>	<u>978</u>
Percentage change in average salary and bonus	<u>0.7%</u>	
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

The Company's salary and remuneration policy information is as follows:

- (a) The salary paid to managers and employees is divided into two types: fixed salary and variable salary. Fixed salary is the monthly salary regardless of profit or loss; while variable salary, including employee remuneration, business development bonus and year end performance bonus, depends on the Company's profit and factors such as performance review, job responsibility, contribution to the Company's operations, economic environment and market condition. The Company sets up related policies to reflect the work performance of its managers and employees.
- (b) The policy takes the current year's earning into consideration since it reflects the Company's operating performance.

## CHENMING ELECTRONIC TECHNOLOGY CORP.

### Notes to the Financial Statements

- (c) The directors and supervisors of the Company do not have fixed remuneration. When there is earnings in the year, the directors and supervisors will be paid in accordance with the R.O.C. Company Act and the Company' articles. In addition to the Company's previous operating performance, competitors and listed companies are used as the benchmarks for the approval of the remuneration policy and structure. The remuneration to directors and supervisors is also reference to the total remuneration as the results of the directors' performance review, such as comprehensive review of their involvement in the Company's accounting, financial status, audit reports, and Company's business operation, in order to balance the Company's sustainable business and risk control.
- (d) The salary of managers not only refers to competitors and current year operating performance, but is also reference to long term goal indicators, such as proposals and strategies that are helpful to the operation and development of the Company, as well as deployment and operation of the planned target products and markets. Moreover, the managers are not guided to pursue short term rewards and engage in behaviors that surpass the Company's risks in order to balance the Company's sustainable business and risk control.

#### (13) Other disclosures

- (a) Information on significant transactions:

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

- (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Trade receivables due from related parties	Yes	166,080	166,080	110,720	0.8189% 0.9320%	Short-term financial	-	Operating demand	-	-	-	2,187,317 (note 1)	2,187,317 (note 1)
2	CHENMING ELECTRONIC CO., LTD	Dongguan Chenming Electronic Co., Ltd	Trade receivables due from related parties	Yes	304,080	86,880	86,880	4.67% 6.25%	Short-term financial	-	Operating demand	-	-	-	446,755 (note 2)	446,755 (note 2)
Total						<u>252,960</u>	<u>197,600</u>									

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 \$2,187,317. 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 \$2,187,317.

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 \$446,755 (\$1,116,887\*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 \$446,755 (\$1,116,887\*40%).

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**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to Financial Statements**

(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										
0	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	100% owned subsidiary	896,692	52,128	52,128	43,440	-	2.33%	1,793,385 (note 1)	Yes	No	Yes
1	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Both are subsidiaries of the Company	446,755	52,128	-	-	-	4.67%	893,510 (note 2)	No	No	Yes
0	The Company	Dongguan Chenming Electronic Co., Ltd	100% owned subsidiary	896,692	238,920	238,920	129,886	-	10.66%	1,793,385 (note 1)	Yes	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 \$896,692. (\$2,241,731\*40%). In addition, the total endorsement guarantees of the Company shall be no more than 80% of the Company's net worth, which amounted to \$1,793,385 (\$2,241,731\*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 \$446,755. (\$1,116,887\*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 \$893,510 (\$1,116,887\*80%).

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates, and joint ventures): None.

(iv) Individual securities acquired or disposed of with an accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and properties	Note 1	1,000,000	Paid 1,000,000	T-MAC TECHVEST PCB CO., LTD.	None	N/A	N/A	N/A	-	Note 2	Set up the production line based in Taiwan, with the plant still under construction.	None

Note 1: Based on the resolution of the Board of Directors meeting held on September 17, 2021, the Company decided to acquire the land and properties in Zhongli Dist., Taoyuan City and signed a real estate contract with T-MAC TECHVEST PCB CO., LTD. on September 17, 2021, with the total price of NTD 1,000,000, please refer to Note(6)(e).

Note 2: The Company acquired the appraisal reports of Jhong-Ding Real Estate Appraisers Joint Firm and Sinyi Real Estate Appraisers Joint Firm.

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**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to Financial Statements**

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

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

(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	2,750,502	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 (603,681)	(98) %	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,750,502)	(74) %	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 603,681	59 %	"

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

(viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

(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 603,681	4.61	-	-	425,091	-	Note 2
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	The company's ultimate parent company is the same	Other current financial assets 110,720	-	-	-	-	-	Note 2

Note 1: Balance of February 17, 2022.

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

(ix) Trading in derivative instruments: None.

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**Notes to Financial Statements**

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2021 (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, 2021			Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2021	December 31, 2020	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,099,183	2,061,572	63,358	100%	2,187,317	(121,075)	(121,075)	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USD, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100%	1,248	(1,460)	(1,460)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100%	959,645	(110,449)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandso company
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC	Samoa	Investment	735,006	697,395	21,210	100%	1,083,781	(11,192)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandso company

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

(c) Information on investment in mainland China:

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

(In Thousands of United States Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital (note 3)	Method of investment	Accumulated outflow of investment from January 1, 2021 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2021	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2 and 3)	Carrying amount as of December 31, 2021 (note 3)	Accumulated remittance of earnings as of December 31, 2021
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,785,360 (USD64,500)	note 1 and 7	549,725 (USD19,860)	37,368 (USD1,350) (note 6)	-	587,093 (USD21,210)	(12,210)	100%	(12,348)	1,116,887	-
Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	802,111 (USD28,978) (note 4 and 5)	note 1 and 8	689,232 (USD24,900)	-	-	689,232 (USD24,900)	(87,976)	100%	(87,976)	732,067	-

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**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to Financial Statements**

(ii) Limitation on investment in mainland China:

<b>Company Name</b>	<b>Accumulated Investment in Mainland China as of December 31, 2021</b>	<b>Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (note 3)</b>	<b>Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs</b>
The Company	1,276,325 (USD46,110)	1,425,797 (USD51,510)	Unlimited (note 9)

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

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

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$27.68 as of December 31, 2021.

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

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

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

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

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

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

(iii) Significant transactions:

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

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**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Notes to Financial Statements**

(d) Major shareholders:

(Unit: Share)

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Lin, Mu-Ho		25,000,230	16.03%
Hui Chi Investment Co., Ltd.		16,000,000	10.26%

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

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

**(14) Segment information:**

The Company has provided the operating segments disclosure in the consolidated financial statements.

**CHENMING ELECTRONIC TECHNOLOGY CORP.**

**Statement of Cash and Cash Equivalents**

**December 31, 2021**

**(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	52,398
	Foreign currency (US\$1,342 thousand ; JPY\$476 thousand ; RMB\$616 thousand)	<u>39,943</u>
		<u><b>\$ 92,391</b></u>

Note : The exchange rate is 27.68 New Taiwan dollars for 1 U.S. dollar ; 0.2405 New Taiwan dollars for 1 JPY ; 4.344 New Taiwan dollars for 1 RMB.

**Statement of Trade Receivables**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Trade Receivables:		
Non-Related party:		
E Company	Non-Related party operating income	\$ 527,259
CC Company	"	204,025
F Company	"	76,914
Other (Note)	"	<u>290,500</u>
Total		1,098,698
Less: Loss allowance		<u>(440)</u>
Trade Receivables, net		<u><b>\$ 1,098,258</b></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, 2021**

**(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	62,008	\$ 2,236,002	1,350	79,962	-	-	(121,075)	(7,572)	63,358	100%	2,187,317	2,187,317	None
CHENMING ELECTROONIC TECHNOLOGY USA, Inc.	200	2,770	-	-	-	-	(1,460)	(62)	200	100%	1,248	1,248	None
		<u>\$ 2,238,772</u>		<u>79,962</u>			<u>(122,535)</u>	<u>(7,634)</u>			<u>2,188,565</u>	<u>2,188,565</u>	

Note1: The Company invested the additional cash of \$38,218 in its subsidiaries, resulting in the difference between the consideration and the carrying amounts to be \$41,744.

**CHENMING ELECTRONIC TECHNOLOGY CORP.**  
**Statement of Changes in Property, Plant and Equipment**  
**December 31, 2021 and 2020**

Please refer to Note 6(e).

**Statement of Changes in Investment Property**

Please refer to Note 6(g).

**Statement of Short-Term Borrowings**  
**December 31, 2021 and 2020**  
**(Expressed in Thousands of New Taiwan Dollars)**

<b>Creditor</b>	<b>Description</b>	<b>Amount</b>	<b>Contract period</b>	<b>Interest Rate</b>	<b>Loan commitments</b>	<b>Collaterals or Pledged assets</b>
Mega International Commercial Bank Co.,Ltd	Secured Loans	\$ 419,200	2021.12.26~2022.12.25	Please refer to note (6)(h)	USD25,400thousand	Land, Properties and investment properties
Hua Nan Commercial Bank	Secured Loans	310,000	2021.8.20~2022.8.20	"	NTD350,000	Land, Properties and investment properties
CTBC Bank Co., Ltd.	Secured loans	40,000	2021.1.31~2022.1.31	"	NTD120,000	None
Cathay United Bank	Secured loans	<u>30,000</u>	2021.5.28~2022.5.28	"	NTD100,000	None
		<b><u>\$ 799,200</u></b>				

**CHENMING ELECTRONIC TECHNOLO  
CORP.**

**Statement of Long-Term Loans**

**December 31, 2021**

(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>			
Mega International Commercial Bank Co.,Ltd	Secured Loans	\$ -	300,000	Please refer to Note 6(i)	2020.3~2023.1	Land, Properties and investment properties
Hua Nan Commercial Bank	Secured Loans	-	1,340,000	Please refer to Note 6(i)	2005.11~2041.10	Land, Properties and investment properties
		<u>\$ -</u>	<u>1,640,000</u>			

**Statement of Notes and Trade Payables**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Notes and Trade payables:		
Dongguan Chenming Electronic Co., Ltd	Related party operating cost	\$ 603,681
Other (Note)	Non-Related party operating cost	<u>10,421</u>
		<u><b>\$ 614,102</b></u>

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

**CHENMING ELECTRONIC TECHNOLOG  
CORP.**

**Statement of Operating Revenue**

**For the year ended December 31, 2021**

**(Expressed in Thousands of New Taiwan  
Dollars)**

<b>Item</b>	<b>Number — pieces in thousand</b>	<b>Amount</b>
Sales revenue:		
Computer and server case	1,255	\$ 2,143,462
Mobile components	61,790	720,982
Less: Sales discount		(1,762)
		2,862,682
Mold revenue		65,394
Net sales revenue		<b>\$ 2,928,076</b>

**Statement of Operating Costs**

<b>Item</b>	<b>Amount</b>
Raw materials, beginning of year	\$ -
Add: Purchase of raw material	25,737
Less: Raw materials, end of year	-
Raw materials used	25,737
Add: Work-in-process, beginning of year	21
Less: Work-in-process, end of year	-
Cost of finished goods	25,758
Finished goods, beginning of year	5,612
Finished goods purchased	2,750,502
Less: Finished goods, end of year	(2,317)
Total	<b>\$ 2,779,555</b>

**CHENMING ELECTRONIC TECHNOLOG  
CORP.**

**Statement of Operating Expenses**

**For the year ended December 31, 2021**

**(Expressed in Thousands of New Taiwan  
Dollars)**

<b>Item</b>	<b>Selling expenses</b>	<b>Administrative expenses</b>	<b>Research and development expenses</b>
Payroll expenses	\$ 19,174	41,081	15,593
Insurance expenses	2,482	4,689	1,879
Depreciation expenses	1,243	6,040	378
Professional service fees	-	7,530	-
Other (Note)	6,576	22,550	4,789
<b>Total</b>	<b>\$ 29,475</b>	<b>81,890</b>	<b>22,639</b>

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

VI. Any financial distress experienced by the company or its affiliated enterprise and impacts on the company's financial status in the last year up till the publication date of this annual report:

None.

# Seven. Review and Analysis of Financial Position and Business Performance, and Risk Management Issues

## I. Financial position

Unit: NTD thousand

Item \ Year	2020	2021	Variation	
			Amount	%
Current assets	3,154,950	3,868,007	713,057	22.60
Long-term investments	-	-	-	-
Fixed assets	1,315,813	2,812,920	1,497,107	113.78
Other assets	493,276	530,975	37,699	7.64
Total assets	4,964,039	7,211,902	2,247,863	45.28
Current liabilities	1,867,332	3,295,715	1,428,383	76.49
Long-term liabilities	622,000	1,663,458	1,041,458	167.44
Other liabilities	14,351	10,998	(3,353)	(23.36)
Total liabilities	2,503,683	4,970,171	2,466,488	98.51
Share capital	1,559,350	1,559,350	0	0.00
Capital reserve	131,819	173,563	41,744	31.67
Retained earnings	737,192	575,472	-161,720	-21.94
Total shareholders' equity	2,460,356	2,241,731	(218,625)	(8.89)
Explanation to major variations:				
1. Fixed assets increased: due to acquisition of production site and plant in Taiwan.				
2. Long-term liability increased: due to additional long-term borrowings undertaken to finance plant acquisition.				
3. Capital reserves increased: due to differences between the price and book value of subsidiaries' equity upon acquisition.				

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

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

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

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

## II. Business performance

Unit: NTD thousand

Item \ Year	2020	2021	Variation	Variation % (%)
Operating revenue				
Sales revenue	6,124,518	5,284,564	(839,954)	(13.71)
Less: Sales return	-	-	-	-
Sales discount	-	-	-	-
Net operating revenues	6,124,518	5,284,564	(839,954)	(13.71)
Operating costs	5,567,991	5,024,252	(543,739)	(9.77)
Gross profit	556,527	260,312	(296,215)	(53.23)
Operating expenses	364,968	382,707	17,739	4.86
Operating profit	191,559	(122,395)	(313,954)	(163.89)
Non-operating revenues	44,284	27,560	(16,724)	(37.77)
Non-operating expenses	127,095	24,756	(102,339)	(80.52)
Pre-tax profit	108,748	(119,591)	(228,339)	(209.97)
Income tax expense	28,572	(4,820)	(33,392)	(116.87)
Net income	80,176	(114,771)	(194,947)	(243.15)

(I) Explanation to major variations:

1. Operating revenues decreased: mainly as a result of worldwide raw material shortage, the ongoing China-USA trade war, and the COVID-19 pandemic that postponed customers' purchases.
2. Operating costs, gross profit, and operating profit decreased: rising raw material prices and shipping rates worldwide combined with an increase of basic wages and social insurance premiums in the Mainland all contributed additional operating costs and resulted in a year-on-year decline in gross profit.
3. Operating expenses increased: rising basic wages and social insurance premiums in the Mainland and increased shipping rates worldwide all contributed to higher operating costs.
4. Decrease in non-operating revenues and expenses: due to fluctuation of foreign currency exchange rate.
5. Profit before tax, income tax expense, and net income decreased: rising raw material prices and shipping rates worldwide combined with an increase of basic wages and social insurance premiums in the Mainland all contributed additional operating costs and resulted in a year-on-year decline in gross profit.

(II) Expected sales volume and basis of estimate: The Company does not produce financial forecasts, hence not applicable.

(III) Possible financial impacts and responsive plans: The Company does not produce financial forecasts, hence not applicable.

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

Note 2: Explanations are provided for variations above 20% and amounting to 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	2020	2021	Variation (%)
Cash flow ratio	25.58	1.72	-93%
Cash flow adequacy ratio	103.5	31.93	-69%
Cash reinvestment ratio	13.7	0.23	-98%
Cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio decreased: due to decrease in cash flow from operating activities.			

(II) Improvements for lack of liquidity: The Company's current ratio stood at 117.36%, which presents no concern for lack of liquidity.

#### (III) Liquidity analysis for the next year

Unit: NTD thousand

Opening cash balance (1)	Projected net cash flow from operating activities for the year (2)	Projected cash outflow for the year (3)	Projected cash surplus (deficit) (1)+(2)-(3)	Remedy for estimated cash shortage	
				Investment plans	Financing plans
222,648	320,112	215,113	327,647	-	-
1. Analysis of cash flow changes for the year: <ol style="list-style-type: none"> <li>(1) Operating activities: mainly due to increasing net income expected in the following year.</li> <li>(2) Investing activities: mainly due to increasing machinery/equipment investments expected in the following year.</li> <li>(3) Financing activities: mainly due to decreasing loans expected in the following year.</li> </ol> 2. Response 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: The Company acquired NT\$1,000,000,000 of property at Jhongli Industrial Park in 2021 for the construction of Taiwan production site. The project was financed with a combination of proprietary working capital and loans from financial institutions.

(II) Expected benefits:

1. The project helps diversify risk of relying on a single production site, particularly given the ongoing China-USA trade dispute and the COVID-19 pandemic.
2. The project provides the additional production capacity needed to meet the market's demands for 5G, AI, and IoT solutions.

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

The Company operates as an operations center in Taiwan, and establishes production sites overseas. Business investments reported losses in 2021 mainly due to rising raw material prices and shipping rates worldwide, and increase of basic wages and social insurance premiums in the Mainland; all of which contributed additional operating costs. 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 response measures:

1. Exchange rate changes:

The Company has always been mindful of exchange rate changes, and continues to execute the following measures in 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 external parties, endorsements/guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future response measures:

The Company adopts a pragmatic business approach that aims to deliver consistent performance. Aside from long-term business investments, the Company does not engage in any high-risk or highly leveraged investment. All external party lending, endorsement, guarantee, and derivative trading activities are executed according to the Company's "Procedures for External Party Lending, Endorsement, and Guarantee" and "Procedures for the Acquisition or Disposal of Assets." 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) Research, design, and development of Gaming PC.
- (2) Research, design, and development of Fanless Case.
- (3) Ongoing development of manufacturing process for hydroxyapatite (HAP).
- (4) Ongoing development of continuous furnace production for cobalt-based alloy F75 (Co-28Cr-6Mo), and MIM process involving continuous furnace.
- (5) Development of MIM process for continuous furnace production of HK30.
- (6) Development of MIM process for continuous furnace production of Nitronic60.
- (7) Development of heatsinks (LGA4677) for Intel's latest server system - Eagle Stream.

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\$55,000,000 on R&D in 2022 to achieve the above targets.

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

The Company has always complied and monitored changes in local as well as foreign policies and regulations, so that the management may have the most up-to-date information to review and revise the Company's policies in line with current regulations. The Company has complied with regulatory requirements. Also, it will be introducing

supporting measures and policies such as: independent director system, corporate social responsibility policy, directors/supervisors liability insurance, on-job training for managers etc. to enhance corporate governance. Up till the publication date of this annual report, there was no change to local and foreign regulations that may significantly impact the Company's financial and business operation.

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

As people adapt to the COVID-19 pandemic, uprise of "remote service," "cloud computing," and "digital solutions" present the IT/electronics industry with new opportunities, and Chenming was able to capitalize on this new trend by continually adopting automated production and smart process management solutions to further improve production efficiency and product quality. Furthermore, by providing customers with more comprehensive services and expanding market exposure, the Company is able to create competitive advantage through differentiation.

These efforts have been made to minimize financial and business impacts in the event of technological or industrial exchanges. As of the publication date of annual report, the Company encountered no significant financial or business impact due to changes in technology or industry.

#### 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. Effective and improving information security management

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. Information security and network risk assessment

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. Impacts and responses to significant information security events  
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 response 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 response measures associated with plant expansions:

Expected benefits:

- A. Minimizes impact of relying on a single location, particularly given the ongoing China-USA trade dispute and the COVID-19 pandemic.
- B. Provides the additional production capacity needed to meet the market's increasing demands for 5G, AI, and IoT solutions.
- C. A Taiwan-based production site meets customers' demand and helps secure sales orders.

Potential risks:

- A. Cost of supply and labor far exceeds that of Mainland manufacturers, and the Company may not be able to price its products to meet customers' needs.
- B. Personnel recruitment is limited by labor supply and government regulations, and the Company may not be able to construct plant facilities according to the schedule.

Response measures:

- A. Adopt smart production and automation solutions for lower labor cost and improved production efficiency.
  - B. Continually coordinate with customers to establish off-site backup to support business strategies and allow flexible adjustments.
- (IX) Risks and response measures associated with concentrated sales or purchases:
1. Risk of concentrated purchase and response 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 response 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 response 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 response 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:  
None of the Company's directors, supervisors, President, person-in-charge, shareholders with more than 10% ownership interest, and subsidiaries had any litigation, non-contentious case, or administrative litigation as of the publication date of annual report, whether concluded or pending judgment.
- (XIII) Other material risks and response 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. Effective and improving information security management  
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. Information security and network risk assessment  
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. Impacts and responses to significant information security events  
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.

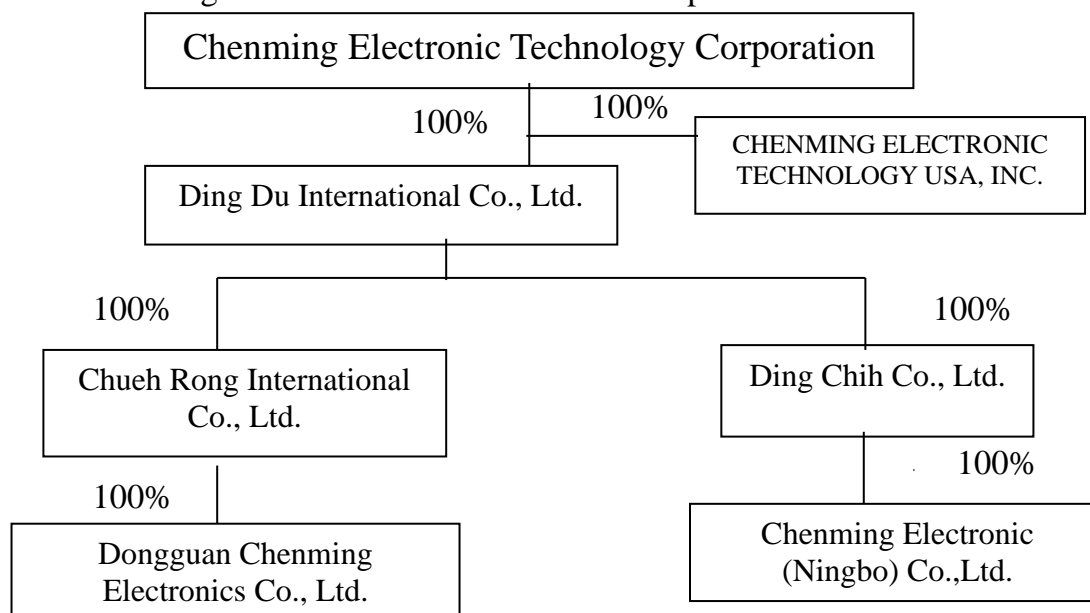
VII. Other important matters: None.

# Eight. Special Remarks

## I. Information of affiliated companies

### (一) Consolidated business report

#### 1. Organizational chart of affiliated companies:



#### 2. Profile of affiliated companies

Unit: NTD

Name	Date of establishment	Address	Paid-in capital	Main business activities or products
Ding Du International Co., Ltd.	September 30, 1999	Offshore Chambers P.O.Box217,Apia,Samoa	63,357,960 (USD)	Investment holding company
Chueh Rong International Co., Ltd.	January 5, 2000	Offshore Chambers P.O.Box217,Apia,Samoa	45,987,960 (USD)	Investment holding company
Dongguan Chenming Electronics Co., Ltd.	February 11, 2010	No. 442, Zhenan Road, Changan Dongguan City, Guangdong Province No. 442, Zhenan Road, Changan	28,978,000 (USD)	Manufacturing of computer chassis
Ding Chih Co., Ltd.	April 12, 2012	Offshore Chambers P.O.Box217,Apia,Samoa	20,210,000 (USD)	Investment holding company
Chenming Electronic (Ningbo) Co.,Ltd.	August 16, 2000	No. 25, Gangdong Avenue, Beilun District, Ningbo City, Zhejiang Province	64,500,000 (USD)	Manufacturing of computer chassis
CHENMING ELECTRONIC TECHNOLOGY USA, INC.	July 1, 2019	8101 SANDY SPRING ROAD SUITE 250, LAUREL, MD 20707	200,000 (USD)	Import/export of PC chassis

3. Common shareholders in controlling and controlled companies: None.

4. Businesses covered by affiliated companies and separation of duties:

The Company and affiliated companies are involved in: manufacturing and sale of PC/server chassis and components for mobile devices.

In general, the affiliated companies support each other in terms of technology, production capacity, marketing and service to maximize synergy.

#### 5. Directors, supervisors, and President of affiliated companies

Unit: shares; %

Name	Title	Name or name of representative	Shareholding	
			Number of shares	Shareholding percentage
Ding Du International Co., Ltd.	Director	Chenming Electronic Technology Corporation (Representative: Lin Mu-Ho)	63,357,960	100%
Chueh Rong International Co., Ltd.	Director	Ding Du International Co., Ltd. (Representative: Lin Mu-Ho)	45,987,960	100%
Dongguan Chenming Electronics Co., Ltd.	Director	Chueh Rong International Co., Ltd. (Representative: Lin Mu-Ho)	Note	100%
	President	Fan Yu-Hsiang		
Ding Chih Co., Ltd.	Director	Ding Du International Co., Ltd. (Representative: Lin Mu-Ho)	20,210,000	100%
Chenming Electronic (Ningbo) Co., Ltd.	Director	Ding Chih Co., Ltd. (Representative: Lin Mu-Ho)	Note	100%
	Vice President	Wu Chien-Sheng		
CHENMING ELECTRONIC TECHNOLOGY USA, INC	Director	Chenming Electronic Technology Corporation (Representative: Lin Mu-Ho)	200,000	100%

Note: Limited company

#### 6. Performance of affiliated companies

Unit: thousand dollars; date: December 31, 2021

Name	Share capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current net profit	Earnings per share (\$)
Ding Du International Co., Ltd.	2,099,183	2,187,317	0	2,187,317	0	0	121,075	-
Chueh Rong International Co., Ltd.	1,471,994	1,121,159	161,514	959,645	0	(17,578)	(110,449)	-
Dongguan Chenming Electronics Co., Ltd.	802,111	2,328,911	1,596,844	730,067	3,725,193	26,742	(87,976)	-
Ding Chih Co., Ltd.	735,006	1,116,997	33,216	1,083,781	0	0	(11,192)	-
Chenming Electronic (Ningbo) Co., Ltd.	1,785,360	2,049,491	932,604	1,116,887	1,381,796	102,626	(2,815)	-
CHENMING ELECTRONIC TECHNOLOGY USA, INC	6,236	1,249	0	1,249	0	(1,459)	(1,459)	-

(II) Consolidated financial statements of affiliated companies

**Declaration**

Affiliated enterprises subject to the preparation of consolidated business reports under “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were identical to the affiliated companies subject to the preparation of consolidated financial statements under IFRS10 for fiscal year 2021 (from January 1 to December 31, 2021). All mandatory disclosures of the consolidated business report have been disclosed in the consolidated financial statements for parent company and subsidiaries, therefore no separate consolidated financial statements for the affiliated enterprises were prepared.

Declaration made by the undersigned

Company name: Chenming Mold Ind. Corp.

Chairman: Lin Mu-Ho

Date: March 4, 2022

(III) Affiliation report: None.

II. Private placement of securities in the last year up until the publication date of annual report:

Item	2022 first private placement Issuance date: April 7, 2022
Type of privately placed securities (Note 2)	common shares
Date of shareholder meeting and amount approved (Note 3)	March 9, 2022; to issue up to 70,000,000 common shares.
Pricing basis and rationality	<p>Reference price for this private placement of common shares will be determined based on the higher between: the arithmetic average closing price of common share 1, 3, or 5 business days prior to the pricing date, less stock and cash dividends while adding back share price after reversing the effect of capital reduction; or the arithmetic average closing price of common share 30 business days prior to the pricing date, less stock and cash dividends while adding back share price after reversing the effect of capital reduction.</p> <p>This private placement of common shares shall be priced according to the regulations of the authority. A special shareholders meeting will be convened to authorize the board of directors to determine the final pricing date and the price of private placement depending on the availability of potential subscribers and the prevailing market condition. The private placement should not be priced below 80% of the reference price mentioned above; if there is a need to price the private placement of common shares before face value on a later date due to change in market conditions, the price shall be determined in such a way that complies with laws and reflects the market condition, to the extent that is necessary and reasonable. If the pricing method for this private placement of common shares, as described above, concludes a subscription price that is lower than the face value of shares and results in cumulative losses, the Company will, depending on business performance and market condition, attempt to cover such losses by way of capital reduction or using earnings or capital reserve, which should not adversely impact shareholders' equity.</p>
Selection of specific subscribers (Note 4)	<p>The Company will only approach parties that meet the requirements stated in Article 43-6 of the Securities and Exchange Act and Instruction No. (91)-Tai-Tsai-Cheng-I-0910003455 issued by the Financial Supervisory Commission on June 13, 2002 for subscription of this private placement of common shares.</p>
Reasons for private placement	<ol style="list-style-type: none"> <li>1. Reasons to forgo public offering: The Company has opted to raise capital via private placement after evaluating the conditions of the capital market and after taking into consideration the timeliness, accessibility, and cost of capital. This project is expected to strengthen competitiveness and improve operating performance of the Company, and should have positive benefits on shareholders' equity.</li> <li>2. Private placement limit: The Company will issue up to 70,000,000 shares in two placements within one year from the date of special shareholders meeting resolution.</li> <li>3. Expected number of private placements, use of capital, and expected benefits for each placement:</li> </ol>

Item	2022 first private placement Issuance date: April 7, 2022				
	Expected number of placements	Expected number of privately issued shares	Use of privately sourced capital	Expected benefits	
	First	No more than 40,000,000 shares	Strengthening of working capital To provide working capital, improve financial structure, or meet the Company's capital requirements for future growth	To strengthen financial structure, improve business performance, and raise overall competitiveness	
	Second	No more than 30,000,000 shares	Strengthening of working capital To provide working capital, improve financial structure, or meet the Company's capital requirements for future growth	To strengthen financial structure, improve business performance, and raise overall competitiveness	
Payment completion date	Proceeds for the 40,000,000 shares issued in the first private placement were collected on March 14, 2022.				
	Subscriber of private placement (Note 5)	Eligibility (Note 6)	Volume subscribed	Relationship with the Company	Involvement in the Company's management
Subscriber's background	Lin Mu-Ho	Party selected in accordance with Article 43-6 of the Securities and Exchange Act	5,000,000	Chairman and director of the Company	Chairman and director of the Company
	Shang Mei Precision Industrial Co., Ltd.	Party selected in accordance with Article 43-6 of the Securities and Exchange Act	35,000,000	Major shareholder of the Company	None
Actual subscription (or conversion) price (Note 7)	NT\$13.5				
Difference between the actual subscription (or conversion) price and the reference	Actual subscription price for the current private placement of common shares: NT\$13.5. Reference price: NT\$13.71; subscription price of this private placement was set at 98.46% of the reference price, and did not fall below 80% of the reference price resolved in shareholders' meeting.				

Item	2022 first private placement Issuance date: April 7, 2022
price (Note 7)	
Impacts to shareholders' equity following the private placement (e.g.: increase in cumulative losses...)	The shares were issued at premium and increased net worth per share to the benefit of shareholders.
Planned and actual usage of privately raised capital	The Company expects to use the fresh capital for working capital and for supporting future growth requirements starting from the second quarter of 2022.
Benefits of the private equity placement	The additional capital will help the Company strengthen competitiveness, improve business performance, expand, and increase profitability.

Note 1: Adjust the number of columns as needed. List separately if the private security placement is completed over multiple issues.

Note 2: Specify the type of securities issued through private placement, such as common shares, preferred shares, convertible preferred shares, preferred shares with embedded warrants, ordinary corporate bonds, convertible corporate bonds, corporate bonds with warrants, offshore convertible corporate bonds, global depository receipts, and employee stock options.

Note 3: For private placement of corporate bond that does not require approval in a shareholders' meeting, specify the board of directors approval date and the amount approved.

Note 4: If subscribers have already been designated for an ongoing private placement, specify subscribers' names and their relationships with the Company.

Note 5: The number of sections is adjustable, if necessary.

Note 6: Provide input according to Subparagraph 1, 2, or 3, Paragraph 1, Article 43-6 of the Securities and Exchange Act.

Note 7: Actual subscription (or conversion) price refers to the final subscription (or conversion) price at which the private placement was issued.

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**