

**CHENMING ELECTRONIC TECHNOLOGY CORP.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2023 and 2022**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of CHENMING ELECTRONIC TECHNOLOGY CORP. (the "Company") and its subsidiaries (the "Group") as of June 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the changes in equity and cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting", endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" of the Republic of China. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023 and 2022, and of its consolidated financial performance for the three months and six months then ended, as well as its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



The engagement partners on the reviews resulting in this independent auditors' review report are Yi-Wen Wang and Szu-Chuan Chien .

KPMG

Taipei, Taiwan (Republic of China)

August 2, 2023

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Consolidated Balance Sheet
June 30, 2023, December 31, 2022, and June 30, 2022
(Expressed in Thousands of New Taiwan Dollars)

Assets		June 30, 2023		December 31, 2022		June 30, 2022		Liabilities and Equity		June 30, 2023		December 31, 2022		June 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 455,353	8	411,222	6	345,962	5	2100	Short-term loans (note (6)(i))	\$ 110,000	2	40,000	-	340,000	5
1110	Current financial assets at fair value through profit or loss (note (6)(b))	1,004	-	800	-	961	-	2130	Current contract liabilities (note (6)(q))	2,274	-	2,791	-	3,344	-
1170	Trade receivables, net (notes (6)(c) and (6)(q))	1,651,450	29	2,643,333	37	1,656,923	26	2170	Trade payables	1,249,647	21	2,354,120	33	1,461,270	23
1310	Inventories, net (note (6)(d))	781,648	14	968,952	14	1,175,550	19	2200	Other payables	321,139	6	272,783	4	241,338	4
1476	Other current financial assets (notes (6)(f) and (7))	25,806	-	32,545	-	-	-	2220	Other payables-related parties (notes (6)(e) and (7))	-	-	-	-	35,664	1
1460	Non-current assets classified as held for sale (notes (6)(f) and (6)(h))	-	-	-	-	22,551	-	2230	Current tax liabilities (note (6)(n))	41,890	1	50,148	1	17,515	-
1479	Other current assets	27,218	-	91,940	1	61,846	1	2280	Current lease liabilities (note (6)(k))	1,291	-	2,028	-	10,307	-
		<u>2,942,479</u>	<u>51</u>	<u>4,148,792</u>	<u>58</u>	<u>3,263,793</u>	<u>51</u>	2300	Other current liabilities	1,901	-	1,005	-	178	-
										<u>1,728,142</u>	<u>30</u>	<u>2,722,875</u>	<u>38</u>	<u>2,109,616</u>	<u>33</u>
Non-current assets:								Non-current liabilities:							
1600	Property, plant, and equipment (notes (6)(f) and (8))	2,410,813	42	2,515,016	36	2,628,683	41	2540	Long-term loans (note (6)(j))	982,100	17	1,334,900	19	1,403,207	22
1755	Right-of-use assets (note (6)(g))	180,963	3	186,985	3	224,635	4	2560	Non-current tax liabilities (note (6)(n))	29,408	1	-	-	-	-
1760	Investment property, net (notes (6)(h) and (8))	225,951	4	227,778	3	173,350	3	2580	Non-current lease liabilities (notes (6)(k) and (7))	1,379	-	127	-	2,537	-
1780	Intangible assets	5,592	-	8,219	-	11,398	-	2645	Guarantee deposits	25,818	-	26,152	1	9,446	-
1840	Deferred income tax assets	5,402	-	5,402	-	1,705	-			<u>1,038,705</u>	<u>18</u>	<u>1,361,179</u>	<u>20</u>	<u>1,415,190</u>	<u>22</u>
1980	Other non-current financial assets	6,582	-	8,656	-	18,154	-		Total liabilities	<u>2,766,847</u>	<u>48</u>	<u>4,084,054</u>	<u>58</u>	<u>3,524,806</u>	<u>55</u>
1990	Other non-current assets	14,337	-	1,339	-	54,375	1	Equity attributable to owners of parent (note (6)(o)):							
		<u>2,849,640</u>	<u>49</u>	<u>2,953,395</u>	<u>42</u>	<u>3,112,300</u>	<u>49</u>	3100	Ordinary shares	1,959,350	34	1,959,350	28	1,959,350	31
								3200	Capital surplus	313,563	5	313,563	4	313,563	5
								3300	Retained earnings	838,328	14	795,688	11	620,507	10
								3410	Exchange differences on translation of foreign financial statements	(85,969)	(1)	(50,468)	(1)	(42,133)	(1)
										<u>3,025,272</u>	<u>52</u>	<u>3,018,133</u>	<u>42</u>	<u>2,851,287</u>	<u>45</u>
									Total equity	<u>3,025,272</u>	<u>52</u>	<u>3,018,133</u>	<u>42</u>	<u>2,851,287</u>	<u>45</u>
Total assets		<u>\$ 5,792,119</u>	<u>100</u>	<u>7,102,187</u>	<u>100</u>	<u>6,376,093</u>	<u>100</u>	Total liabilities and equity		<u>\$ 5,792,119</u>	<u>100</u>	<u>7,102,187</u>	<u>100</u>	<u>6,376,093</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 three months and six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)**

	For the three months ended				For the six months ended			
	June 30		June 30		June 30		June 30	
	2023	2022	2023	2022	2023	2022	2023	2022
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue, net (note (6)(q))	\$ 1,350,195	100	1,327,685	100	2,883,544	100	2,503,967	100
5000 Operating costs (notes (6)(d), (6)(m) and (12))	<u>1,212,752</u>	<u>90</u>	<u>1,245,543</u>	<u>94</u>	<u>2,600,013</u>	<u>90</u>	<u>2,334,946</u>	<u>93</u>
5900 Gross profit from operations	<u>137,443</u>	<u>10</u>	<u>82,142</u>	<u>6</u>	<u>283,531</u>	<u>10</u>	<u>169,021</u>	<u>7</u>
6000 Operating expenses (notes (6)(m) and (12)):								
6100 Selling expenses	42,800	3	34,170	2	76,672	3	67,798	3
6200 Administrative expenses	75,728	6	50,316	4	125,630	4	99,431	4
6300 Research and development expenses	<u>13,752</u>	<u>1</u>	<u>14,200</u>	<u>1</u>	<u>27,003</u>	<u>1</u>	<u>28,267</u>	<u>1</u>
	<u>132,280</u>	<u>10</u>	<u>98,686</u>	<u>7</u>	<u>229,305</u>	<u>8</u>	<u>195,496</u>	<u>8</u>
6900 Net operating income (loss)	<u>5,163</u>	<u>-</u>	<u>(16,544)</u>	<u>(1)</u>	<u>54,226</u>	<u>2</u>	<u>(26,475)</u>	<u>(1)</u>
7000 Non-operating income and expenses:								
7050 Finance costs, net (note (6)(k))	(72)	-	(8,352)	(1)	(671)	-	(19,713)	(1)
7100 Interest income	1,172	-	675	-	1,787	-	1,142	-
7110 Rent revenue (note (7))	28,571	2	4,231	-	37,604	1	8,404	-
7190 Other income	939	-	978	-	2,401	-	40,201	2
7210 Gains (losses) on disposals of property, plant and equipment and investment property (note (6)(f))	(15,843)	(1)	-	-	(15,843)	(1)	-	-
7230 Foreign exchange gains (losses) (note (6)(s))	78,222	6	60,999	5	47,650	2	62,594	3
7590 Other expense and losses	<u>(149)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(163)</u>	<u>-</u>	<u>(16)</u>	<u>-</u>
	<u>92,840</u>	<u>7</u>	<u>58,531</u>	<u>4</u>	<u>72,765</u>	<u>2</u>	<u>92,612</u>	<u>4</u>
7900 Profit from continuing operations before tax	98,003	7	41,987	3	126,991	4	66,137	3
7950 Less: Income tax expenses (note (6)(n))	<u>21,587</u>	<u>1</u>	<u>4,274</u>	<u>-</u>	<u>25,570</u>	<u>-</u>	<u>21,102</u>	<u>1</u>
Profit	<u>76,416</u>	<u>6</u>	<u>37,713</u>	<u>3</u>	<u>101,421</u>	<u>4</u>	<u>45,035</u>	<u>2</u>
8300 Other comprehensive income (loss):								
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361 Exchange differences on translation of foreign financial statements	(41,729)	(3)	17,199	1	(35,501)	(1)	24,521	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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>(41,729)</u>	<u>(3)</u>	<u>17,199</u>	<u>1</u>	<u>(35,501)</u>	<u>(1)</u>	<u>24,521</u>	<u>1</u>
8300 Other comprehensive income (loss)	<u>(41,729)</u>	<u>(3)</u>	<u>17,199</u>	<u>1</u>	<u>(35,501)</u>	<u>(1)</u>	<u>24,521</u>	<u>1</u>
8500 Comprehensive income (loss)	<u>\$ 34,687</u>	<u>3</u>	<u>54,912</u>	<u>4</u>	<u>65,920</u>	<u>3</u>	<u>69,556</u>	<u>3</u>
Earnings per share (expressed in NTD) (note (6)(p)):								
9750 Basic earnings per share	<u>\$ 0.39</u>		<u>0.19</u>		<u>0.52</u>		<u>0.25</u>	
9850 Diluted earnings per share	<u>\$ 0.39</u>		<u>0.19</u>		<u>0.52</u>		<u>0.25</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 Changes in Equity****For the six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to owners of parent						Other component of equity Exchange differences on translation of foreign financial statements	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings		
			Legal reserve	Special reserve	Unappropriated retained earnings			
Balance on January 1, 2022	\$ 1,559,350	173,563	302,505	59,020	213,947	575,472	(66,654)	2,241,731
Profit for the six months ended June 30, 2022	-	-	-	-	45,035	45,035	-	45,035
Other comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	-	-	24,521	24,521
Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	45,035	45,035	24,521	69,556
Capital increased by cash	400,000	140,000	-	-	-	-	-	540,000
Balance on June 30, 2022	\$ 1,959,350	313,563	302,505	59,020	258,982	620,507	(42,133)	2,851,287
Balance on January 1, 2023	\$ 1,959,350	313,563	302,505	66,654	426,529	795,688	(50,468)	3,018,133
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	22,022	-	(22,022)	-	-	-
Special reserve reversed	-	-	-	(16,186)	16,186	-	-	-
Cash dividends of ordinary share	-	-	-	-	(58,781)	(58,781)	-	(58,781)
Profit for the six months ended June 30, 2023	-	-	-	-	101,421	101,421	-	101,421
Other comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	-	-	(35,501)	(35,501)
Total comprehensive income (loss) for the six months ended June 30, 2023	-	-	-	-	101,421	101,421	(35,501)	65,920
Balance on June 30, 2023	\$ 1,959,350	313,563	324,527	50,468	463,333	838,328	(85,969)	3,025,272

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 six months ended June 30, 2023 and 2022****(Expressed in Thousands of New Taiwan Dollars)**

	For the six months ended June 30	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 126,991	66,137
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	247,847	246,695
Amortization expense	4,263	6,167
Expected credit gains	(189)	(180)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(204)	29
Interest expenses	671	19,713
Interest income	(1,787)	(1,142)
Loss (gain) from disposal of property, plant and equipment, net	15,843	(37,750)
Total adjustments to reconcile profit	<u>266,444</u>	<u>233,532</u>
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	-	(2,000)
Decrease in trade receivables	969,295	557,490
Decrease in inventories	214,606	197,808
Decrease in other current assets	64,796	22,138
Decrease in other financial assets	6,739	1,182
Increase (decrease) in contract liabilities	(517)	2,670
Decrease in trade payables	(1,086,338)	(519,729)
Decrease in other payables and other current liabilities	(4,284)	(13,430)
Total changes in operating assets and liabilities	<u>164,297</u>	<u>246,129</u>
Total adjustments	<u>430,741</u>	<u>479,661</u>
Cash inflow generated from operations	557,732	545,798
Interest received	1,787	1,142
Income taxes paid	(3,967)	(4,113)
Net cash flows from operating activities	<u>555,552</u>	<u>542,827</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	1,010
Acquisition of property, plant, and equipment	(193,849)	(415,485)
Proceeds from disposal of property, plant and equipment	-	460,363
Increase in prepayment for business facilities and others	(14,516)	(29,808)
Decrease in refundable deposits	2,074	2,309
Acquisition of intangible assets	(1,548)	(3,389)
Net cash flows from (used in) investing activities	<u>(207,839)</u>	<u>15,000</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	70,000	(690,771)
Proceeds from long-term loans	117,200	273,437
Repayments of long-term loans	(470,000)	(533,688)
Increase (decrease) in guarantee deposits	(334)	1,384
Payment of lease liabilities	(1,462)	(7,439)
Proceeds from issuing shares	-	540,000
Interest paid	(10,759)	(20,179)
Net cash flows used in financing activities	<u>(295,355)</u>	<u>(437,256)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(8,227)</u>	<u>2,743</u>
Net increase in cash and cash equivalents	44,131	123,314
Cash and cash equivalents at beginning of period	<u>411,222</u>	<u>222,648</u>
Cash and cash equivalents at end of period	<u>\$ 455,353</u>	<u>345,962</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

June 30, 2023 and 2022

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

(1) Company history

CHENMING ELECTRONIC TECHNOLOGY CORP. (the “Company”) was incorporated on June 1976 and the Company's common shares were listed on the Taiwan Stock Exchange (TWSE) on September 16, 2002. The business activities of the Group are the production of server cases, computer cases, and the manufacturing and development of mobile devices.

The consolidated financial statements of the Company as of and for the years ended June 30, 2023 are comprised of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). Please refer to note (4)(b) 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 six months ended June 30, 2023 and 2022 were authorized for issuance by the Board of Directors on August 2, 2023.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2023:

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

(Continued)

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

- (b) 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:

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , new IAS 1 amendments clarify that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability’s classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	The amendments require the company to disclose information about its supplier finance arrangements that enable users of financial statements to assess the effects of those arrangements on the company’s liabilities and cash flows and on the company’s exposure to liquidity risk.	January 1, 2024

(Continued)

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

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

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”
- IFRS16 “Requirements for Sale and Leaseback Transactions”
- Amendments to IAS12 “International Tax Reform – Pillar Two Model Rules”

(4) Summary of significant accounting policies

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2022. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2022.

(b) Basis of consolidation

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>			<u>Description</u>
			<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	
The Company	TOP CITY INTERNATIONAL LIMITED	Investment	100 %	100 %	100 %	
The Company	CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	Import and export business of computer case	100 %	100 %	100 %	
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC.	Investment	100 %	100 %	100 %	
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Investment	100 %	100 %	100 %	
GERSHWIN INTERNATIONAL LIMITED	Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	100 %	100 %	100 %	

(Continued)

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

<u>Name of investor</u>	<u>Name of subsidiary</u>	<u>Principal activity</u>	<u>Shareholding</u>			<u>Description</u>
			<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>	
PEAK SHREWD INC.	CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	100 %	100 %	100 %	
PEAK SHREWD INC.	UNEEC ELECTRONIC (KUNSHAN) CO., LTD	Computer case and production of relative components	100 %	100%	-	Note 1

Note 1: The subsidiary was established on July 1, 2022 and dismissed by the board of directors on March 22, 2023 due to changes of operation plan.

(c) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, generally, the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to assets not within the scope of IAS 36 – Impairment of Assets. Such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of the cumulative impairment loss that has been recognized.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

(d) Income taxes

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

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

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

(e) Employee benefits

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

(Continued)

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

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

The preparation of the consolidated financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates, and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2022. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2022.

(6) Explanation of significant accounts

Except for the following disclosures, there were no material differences in the disclosures of significant accounts between the interim in consolidated financial statements for the current period and the 2022 consolidated financial statements. Please refer to note (6) to the 2022 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand	\$ 840	816	50
Checking accounts and demand deposits	303,963	407,259	345,912
Time deposits	150,550	3,147	-
	\$ 455,353	411,222	345,962

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

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

	June 30, 2023	December 31, 2022	June 30, 2022
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate-Funds	\$ 1,004	800	961

As of June 30, 2023, December 31, 2022, and June 30, 2022, the Group did not pledge any financial assets as collaterals.

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

(c) Trade receivables

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Trade receivables-measured at amortized cost	\$ 1,421,095	2,183,181	1,657,397
Trade receivables-measured at fair value through other comprehensive income	<u>230,658</u>	<u>460,650</u>	<u>-</u>
	1,651,753	2,643,831	1,657,397
Less: Loss allowance	<u>(303)</u>	<u>(498)</u>	<u>(474)</u>
Trade receivables, net	<u><u>\$ 1,651,450</u></u>	<u><u>2,643,333</u></u>	<u><u>1,656,923</u></u>

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

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

	<u>June 30, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average expected credit loss rate</u>	<u>Allowance lifetime expected credit loss</u>
Current	\$ 1,643,615	0.02%	257
1 to 30 days past due	6,419	0.31%	20
31 to 150 days past due	<u>1,719</u>	1.51%	<u>26</u>
	<u><u>\$ 1,651,753</u></u>		<u><u>303</u></u>
	<u>December 31, 2022</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average expected credit loss rate</u>	<u>Allowance lifetime expected credit loss</u>
Current	\$ 2,610,234	0.01%	249
1 to 30 days past due	4,880	0.25%	12
31 to 150 days past due	<u>28,717</u>	0.83%	<u>237</u>
	<u><u>\$ 2,643,831</u></u>		<u><u>498</u></u>

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

	June 30, 2022		
	Gross carrying amount	Weighted- average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 1,596,449	0.01%	161
1 to 30 days past due	33,618	0.29%	98
31 to 150 days past due	27,330	0.79%	215
	\$ 1,657,397		474

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

	For the six months ended June 30,	
	2023	2022
Balance at January 1	\$ 498	649
Impairment losses reversed	(189)	(180)
Foreign exchange gains (losses)	(6)	5
Balance at June 30	\$ 303	474

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

As of June 30, 2023 and December 31, 2022, the Group sold its trade receivables without recourse as follows:

June 30, 2023					
Purchaser	Amount Transferred	Credit Lines	Amount Advanced (Recognized in Short-term loans)	Range of Interest Rate	Guarantee item
Financial institutions	\$ 176,003 (USD5,652 thousand dollars)	465,000 (USD15,000 thousand dollars)	-	-	-

(Continued)

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

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

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group did not pledge any receivables as collaterals.

(d) Inventories

	June 30, 2023	December 31, 2022	June 30, 2022
Raw materials	\$ 294,145	298,519	351,612
Work in progress	177,170	218,742	276,413
Finished goods and merchandise inventories	310,333	451,691	547,525
	\$ 781,648	968,952	1,175,550

The Group's composition details of operating cost for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Cost of goods sold	\$ 1,214,032	1,243,354	2,607,922	2,324,976
Revenue from sale of scraps	(12,540)	(17,460)	(32,678)	(27,047)
Inventories valuation and obsolescence losses (reversal of write-downs)	(5,719)	395	(10,479)	(960)
Loss on scrapping of inventories	16,979	19,196	35,248	37,919
Shortage of inventories	-	58	-	58
	\$ 1,212,752	1,245,543	2,600,013	2,334,946

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group did not pledge any inventories as collaterals.

(Continued)

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

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

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 sub-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 June 30, 2022, the balance of \$35,664 was recognized as other payables-related parties. As of June 30, 2023, the remaining unpaid balance had all been paid. For the related information, please refer to note (7)(b) for details.

The Group established its subsidiary, UNEEC ELECTRONIC (KUNSHAN) CO., LTD., with a capital of USD 1,000,000, based on a resolution approved during the board meeting held on March 22, 2022. However, due to changes of operation plans, the board decided on March 22, 2023 to liquidate the above subsidiary thereafter.

(f) Property, plant, and equipment

The cost and depreciation of the property, plant, and equipment of the Group for the six months ended June 30, 2023 and 2022 were as follows:

	<u>Land</u>	<u>Properties</u>	<u>Machinery and equipment</u>	<u>Office equipment and others</u>	<u>Molds</u>	<u>Under construction and equipment under acceptance</u>	<u>Total</u>
Cost:							
Balance at January 1, 2023	\$ 1,115,264	821,405	432,808	151,736	829,223	192,949	3,543,385
Additions	-	-	8,214	17,302	114,165	59,011	198,692
Disposals	-	-	(72,750)	(31,237)	(252,290)	-	(356,277)
Transferred into (out)	-	-	1,010	400	-	-	1,410
Effect of changes in exchange rates	-	(5,139)	(4,446)	(914)	(12,831)	-	(23,330)
Balance at June 30, 2023	<u>\$ 1,115,264</u>	<u>816,266</u>	<u>364,836</u>	<u>137,287</u>	<u>678,267</u>	<u>251,960</u>	<u>3,363,880</u>
Balance at January 1, 2022	\$ 1,533,559	868,941	423,531	103,618	616,403	-	3,546,052
Additions	-	-	28,339	20,719	335,884	31,590	416,532
Disposals	(418,295)	-	(586)	(76)	-	-	(418,957)
Transferred into (out)	-	-	41,679	497	-	-	42,176
Reclassified to non-current assets held for sale	-	(2,524)	-	-	-	-	(2,524)
Effect of changes in exchange rates	-	3,875	3,125	642	7,743	-	15,385
Balance at June 30, 2022	<u>\$ 1,115,264</u>	<u>870,292</u>	<u>496,088</u>	<u>125,400</u>	<u>960,030</u>	<u>31,590</u>	<u>3,598,664</u>

(Continued)

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

	<u>Land</u>	<u>Properties</u>	<u>Machinery and equipment</u>	<u>Office equipment and others</u>	<u>Molds</u>	<u>Under construction and equipment under acceptance</u>	<u>Total</u>
Depreciation:							
Balance at January 1, 2023	\$ -	325,368	247,097	56,920	398,984	-	1,028,369
Depreciation	-	12,190	12,582	20,586	194,886	-	240,244
Disposals	-	-	(72,750)	(27,970)	(201,432)	-	(302,152)
Effect of changes in exchange rates	-	(2,449)	(2,782)	(419)	(7,744)	-	(13,394)
Balance at June 30, 2023	<u>\$ -</u>	<u>335,109</u>	<u>184,147</u>	<u>49,117</u>	<u>384,694</u>	<u>-</u>	<u>953,067</u>
Balance at January 1, 2022	\$ -	313,757	283,316	33,268	102,791	-	733,132
Depreciation	-	13,068	9,684	13,461	197,515	-	233,728
Reclassified to non-current assets held for sale	-	(1,165)	-	-	-	-	(1,165)
Disposals	-	-	(552)	(76)	-	-	(628)
Effect of changes in exchange rates	-	1,502	1,872	194	1,346	-	4,914
Balance at June 30, 2022	<u>\$ -</u>	<u>327,162</u>	<u>294,320</u>	<u>46,847</u>	<u>301,652</u>	<u>-</u>	<u>969,981</u>
Book value:							
Balance at January 1, 2023	<u>\$ 1,115,264</u>	<u>496,037</u>	<u>185,711</u>	<u>94,816</u>	<u>430,239</u>	<u>192,949</u>	<u>2,515,016</u>
Balance at June 30, 2023	<u>\$ 1,115,264</u>	<u>481,157</u>	<u>180,689</u>	<u>88,170</u>	<u>293,573</u>	<u>251,960</u>	<u>2,410,813</u>
Balance at January 1, 2022	<u>\$ 1,533,559</u>	<u>555,184</u>	<u>140,215</u>	<u>70,350</u>	<u>513,612</u>	<u>-</u>	<u>2,812,920</u>
Balance at June 30, 2022	<u>\$ 1,115,264</u>	<u>543,130</u>	<u>201,768</u>	<u>78,553</u>	<u>658,378</u>	<u>31,590</u>	<u>2,628,683</u>

In order to increase operational capital and improve financial structure, the Group decided to dispose of a parcel of land on March 23, 2022, and signed a real estate sales contract with Shin Yau Mei Biomedical Technology Corporation with a total price of \$477,000 (classified as other financial assets - current). After deducting related transaction costs of \$20,952 and the booking value of the land amounted to \$418,295 also recognized a gain on disposal of fixed assets of \$37,753. The related proceeds were fully received. Please refer to (6)(h) for the details of the reclassification of non-current assets held for sale on June 30, 2022.

The Group had acquired equipment from its related party with a total price of \$36,923 in August, 2022. In the end, only four pieces of equipment were reserved, and the others were returned. As of December 31, 2022, the remaining unreceived balance of \$17,958 was recognized as other financial asset - current. As of June 30, 2023, the receivable has been fully collected. For the related information, please refer to note (7) for details.

As of June 30, 2023, December 31, 2022 and June 30, 2022 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.

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

(g) Right-of-use assets

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

	<u>Land</u>	<u>Properties</u>	<u>Transportation</u>	<u>Others</u>	<u>Total</u>
Cost:					
Balance at January 1, 2023	\$ 214,824	27,561	19,354	2,476	264,215
Additions	-	-	1,977	-	1,977
Effect of changes in exchange rates	(2,692)	(788)	-	-	(3,480)
Balance at June 30, 2023	<u>\$ 212,132</u>	<u>26,773</u>	<u>21,331</u>	<u>2,476</u>	<u>262,712</u>
Balance at January 1, 2022	\$ 244,329	19,735	19,356	3,467	286,887
Additions	-	9,080	-	1,531	10,611
Effect of changes in exchange rates	2,029	457	-	-	2,486
Balance at June 30, 2022	<u>\$ 246,358</u>	<u>29,272</u>	<u>19,356</u>	<u>4,998</u>	<u>299,984</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2023	\$ 29,900	27,561	17,547	2,222	77,230
Depreciation	4,370	-	1,337	69	5,776
Effect of changes in exchange rates	(469)	(788)	-	-	(1,257)
Balance at June 30, 2023	<u>\$ 33,801</u>	<u>26,773</u>	<u>18,884</u>	<u>2,291</u>	<u>81,749</u>
Balance at January 1, 2022	\$ 29,209	18,249	12,823	2,062	62,343
Depreciation	4,903	4,540	2,623	281	12,347
Effect of changes in exchange rates	247	412	-	-	659
Balance at June 30, 2022	<u>\$ 34,359</u>	<u>23,201</u>	<u>15,446</u>	<u>2,343</u>	<u>75,349</u>
Book value:					
Balance at January 1, 2023	<u>\$ 184,924</u>	<u>-</u>	<u>1,807</u>	<u>254</u>	<u>186,985</u>
Balance at June 30, 2023	<u>\$ 178,331</u>	<u>-</u>	<u>2,447</u>	<u>185</u>	<u>180,963</u>
Balance at January 1, 2022	<u>\$ 215,120</u>	<u>1,486</u>	<u>6,533</u>	<u>1,405</u>	<u>224,544</u>
Balance at June 30, 2022	<u>\$ 211,999</u>	<u>6,071</u>	<u>3,910</u>	<u>2,655</u>	<u>224,635</u>

(h) Investment property

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

	<u>Land</u>	<u>Right-of-use Land</u>	<u>Properties</u>	<u>Total</u>
Cost:				
Balance at January 1, 2023 (Same Balance as June 30, 2023)	<u>\$ 136,906</u>	<u>30,873</u>	<u>100,601</u>	<u>131,474</u>
Balance at January 1, 2022	\$ 152,640	-	63,116	215,756
Reclassified to non-current assets held for sale	-	-	(25,871)	(25,871)
Balance at June 30, 2022)	<u>\$ 152,640</u>	<u>-</u>	<u>37,245</u>	<u>37,245</u>

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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	<u>Land</u>	<u>Right-of-use Land</u>	<u>Properties</u>	<u>Total</u>
Depreciation:				
Balance at January 1, 2023	\$ -	9,262	31,340	40,602
Depreciation	<u>-</u>	<u>515</u>	<u>1,312</u>	<u>1,827</u>
Balance at June 30, 2023	<u>\$ -</u>	<u>9,777</u>	<u>32,652</u>	<u>42,429</u>
Balance at January 1, 2022	\$ -	-	20,594	20,594
Depreciation	-	-	620	620
Reclassified to non-current assets held for sale	<u>-</u>	<u>-</u>	<u>(4,679)</u>	<u>(4,679)</u>
Balance at June 30, 2022	<u>\$ -</u>	<u>-</u>	<u>16,535</u>	<u>16,535</u>
Book Value				
Balance at January 1, 2023	<u>\$ 136,906</u>	<u>21,611</u>	<u>69,261</u>	<u>227,778</u>
Balance at June 30, 2023	<u>\$ 136,906</u>	<u>21,096</u>	<u>67,949</u>	<u>225,951</u>
Balance at January 1, 2022	<u>\$ 152,640</u>	<u>-</u>	<u>42,522</u>	<u>195,162</u>
Balance at June 30, 2022	<u>\$ 152,640</u>	<u>-</u>	<u>20,710</u>	<u>173,350</u>

The Group's chairman decided to sell certain investment properties of the Group in the first half of 2022. Therefore, the Group entered into a sales agreement with a non-related party on July 22, 2022 for the disposal of the aforementioned investment properties, at the amount of \$94,886 (deducting related transaction cost), resulting in the amount of \$72,398 to be recognized as gain on disposal of property, plant and equipment. As of June 30, 2022, the transfer procedures had not been completed, therefore it was recognized as non-current assets held for sale. The transfer of the title deed had completed in September, 2022.

There were no significant differences between the fair values of investment properties and that of those disclosed in the 2022 consolidated financial statements. Please refer to note (6)(h) of the 2022 consolidated financial statement.

Please refer to note (8) for information on investment properties pledged as collateral as of June 30, 2023, December 31, 2022 and June 30, 2022.

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

(i) Short-term loans

The short-term loans were summarized as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Credit loans	\$ 100,000	-	-
Secured loans	<u>10,000</u>	<u>40,000</u>	<u>340,000</u>
	<u>\$ 110,000</u>	<u>40,000</u>	<u>340,000</u>
Unused credit line for short-term loans	<u>\$ 2,933,210</u>	<u>2,396,600</u>	<u>2,320,321</u>
Range of interest rates	<u>1.0%~1.65%</u>	<u>1.95%</u>	<u>1.0%~1.50%</u>

- (i) As of June 30, 2023, December 31, 2022 and June 30, 2022, the main management was the guarantor of short-term loans. Please refer to note (7).
- (ii) For information on interest rate and liquidity risk exposure, please refer to note (6)(s).
- (iii) As of June 30, 2023, December 31, 2022 and June 30, 2022, the Group provided its assets as collateral for short-term loans, please refer to note (8) for details.

(j) Long-term loans

The long-term loans were summarized as follows:

	<u>June 30, 2023</u>	<u>December 31, 2022</u>	<u>June 30, 2022</u>
Secured bank loans	\$ 982,100	1,334,900	1,403,207
Less: Current portion	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 982,100</u>	<u>1,334,900</u>	<u>1,403,207</u>
Unused long-term credit lines	<u>\$ 1,033,900</u>	<u>791,300</u>	<u>731,768</u>
Range of interest rate	<u>0.7%~1.95%</u>	<u>1.5%~1.85%</u>	<u>0.26%~4.35%</u>

- (i) The main management was the guarantor of long-term loans. Please refer to note (7).
- (ii) The Group increased its long-term loans of \$117,200 and \$273,437 for the six months ended June 30, 2023 and 2022, respectively. Due to the changes in its capital use and interest rates, the Group repaid the amounts of \$470,000 and \$533,688 for the six months ended June 30, 2023 and 2022, respectively.
- (iii) For information on interest rate and liquidity risk exposure, please refer to note (6)(s).
- (iv) The Group provided part of its assets as collaterals for long-term loans. Please refer to note (8) for details.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(k) Lease liabilities

The book value of lease liabilities were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Current	<u>\$ 1,291</u>	<u>2,028</u>	<u>10,307</u>
Non-current	<u>\$ 1,379</u>	<u>127</u>	<u>2,537</u>

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

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Interest on lease liabilities	<u>\$ 8</u>	<u>146</u>	<u>21</u>	<u>246</u>
Expenses relating to short-term leases	<u>\$ 2,886</u>	<u>150</u>	<u>5,765</u>	<u>907</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 39</u>	<u>45</u>	<u>78</u>	<u>90</u>

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

	For the six months ended June 30,	
	2023	2022
Total cash outflow for leases	<u>\$ 7,326</u>	<u>8,682</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.

(l) Operating lease

There were no significant additions in operating lease for the six months ended June 30, 2023 and 2022. Please refer to note (6)(l) of the consolidated financial statements for the year ended December 31, 2022 for other related information.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(m) Employee benefits – Defined contribution plans

The Group recognized its pension expenses under the defined contribution plans which were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Operating expense	<u>\$ 1,007</u>	<u>964</u>	<u>1,980</u>	<u>1,971</u>

Other subsidiaries included in compilation of consolidated financial statements pay the basic endowment insurance expenses at a certain percentage according to the assessed employee wage amount. The recognized pension expenses were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Operating cost	\$ 10,869	16,449	23,071	36,343
Operating expense	<u>2,980</u>	<u>2,347</u>	<u>4,930</u>	<u>4,783</u>
	<u>\$ 13,849</u>	<u>18,796</u>	<u>28,001</u>	<u>41,126</u>

(n) Income taxes

(i) The components of income tax for the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022 were as follows:

	For the three months ended June 30,		For the six months ended June 30,	
	2023	2022	2023	2022
Current tax expense (benefit)	<u>\$ 21,587</u>	<u>4,274</u>	<u>\$ 25,570</u>	<u>21,102</u>

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

(iii) Assessment of tax

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

(iv) Income tax payment

Since the impact of the COVID-19 pandemic outbreak resulted in Company's profit-seeking enterprise income for 2022 to be \$46,030, the Company applied for a 36-month installment plan to the National Taxation Bureau of Taipei, Ministry of Finance. As of June 30, 2023, a total of \$1,279 has been paid, leaving a remaining balance of \$44,751, of which, the amount of \$15,343 is due within one year, while the amount of \$29,408 will mature after one year. Both amounts have been classified as current and non-current income tax liabilities, respectively, in the current reporting period.

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

(o) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to June 30, 2023 and 2022. For the related information, please refer to note (6)(o) of the consolidated financial statements for the year ended December 31, 2022.

(i) Ordinary shares

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

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

(ii) Earnings Distribution

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

(p) Earnings per share

For the three months ended June 30, 2023 and 2022 and for the six months ended June 30, 2023 and 2022, the Group's earnings per share was calculated as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ <u>76,416</u>	<u>37,713</u>	<u>101,421</u>	<u>45,035</u>
Weighted-average number of ordinary shares (share in thousands)	<u>195,935</u>	<u>195,935</u>	<u>195,935</u>	<u>180,023</u>
	\$ <u>0.39</u>	<u>0.19</u>	<u>0.52</u>	<u>0.25</u>

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

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (after adjusted the influence of potential ordinary shares)	\$ 76,416	37,713	101,421	45,035
Weighted-average number of ordinary shares with potential influence of ordinary shares				
Weighted-average number of ordinary shares	195,935	195,935	195,935	180,023
Effect of employee stock remuneration (share in thousands)	47	60	210	97
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	195,982	195,995	196,145	180,120
	\$ 0.39	0.19	0.52	0.25

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Primary geographical markets				
China	\$ 669,603	586,463	1,171,037	1,064,296
Taiwan	330,631	263,441	788,847	613,960
USA	274,458	338,023	760,294	540,139
Japan	66,697	101,628	142,115	210,521
Others	8,806	38,130	21,251	75,051
	\$ 1,350,195	1,327,685	2,883,544	2,503,967
Major products				
PC and server chassis	\$ 1,262,482	1,211,006	2,736,875	2,280,834
Mobile device components	-	44,423	-	73,520
Mold	87,713	72,256	146,669	149,613
	\$ 1,350,195	1,327,685	2,883,544	2,503,967

(Continued)

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

(ii) Contract balances

	June 30, 2023	December 31, 2022	June 30, 2022
Trade receivables	\$ 1,651,753	2,643,831	1,657,397
Less: Loss allowance	<u>(303)</u>	<u>(498)</u>	<u>(474)</u>
Total	<u>\$ 1,651,450</u>	<u>2,643,333</u>	<u>1,656,923</u>
Contract liabilities	<u>\$ 2,274</u>	<u>2,791</u>	<u>3,344</u>

The amount of revenue recognized for the six months ended June 30, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$2,791 and \$674, respectively.

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

(r) Remunerations to employees and directors

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

The Company's remuneration to employees was \$1,500, \$800, \$2,500 and \$1,300, and the remuneration to directors was \$375, \$375, \$750 and \$750 for the three months and six months ended June 30, 2023 and 2022. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employee remuneration were calculated based on the closing price of the Company's shares on the day before the approval from the Board of Directors. A net loss after tax has occurred, so the Company did not need to estimate employees and directors remuneration in 2021.

(s) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair values of the Group's financial instruments and degree of exposure to credit risk, liquidity risk, and market risk arising from financial instruments. For the related information, please refer to note (6)(s) of the consolidated financial statements for the year ended December 31, 2022.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(i) Receivable securities

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

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

(ii) Liquidity Risk

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

	<u>Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
June 30, 2023					
Bank loans	\$ 1,092,100	(1,110,719)	(111,635)	-	(999,084)
Trade payables	1,249,647	(1,249,647)	(1,249,647)	-	-
Lease liabilities (including current and non-current)	2,670	(2,724)	(1,324)	(1,400)	-
Other payables	321,139	(321,139)	(321,139)	-	-
Guarantee deposits	<u>25,818</u>	<u>(25,818)</u>	<u>-</u>	<u>-</u>	<u>(25,818)</u>
	<u>\$ 2,691,374</u>	<u>(2,710,047)</u>	<u>(1,683,745)</u>	<u>(1,400)</u>	<u>(1,024,902)</u>
December 31, 2022					
Bank loans	\$ 1,374,900	(1,399,014)	(40,780)	-	(1,358,234)
Trade payables	2,354,120	(2,354,120)	(2,354,120)	-	-
Lease liabilities (including current and non-current)	2,155	(2,186)	(2,056)	(130)	-
Other payables (including related parties)	272,783	(272,783)	(272,783)	-	-
Guarantee deposits	<u>26,152</u>	<u>(26,152)</u>	<u>-</u>	<u>-</u>	<u>(26,152)</u>
	<u>\$ 4,030,110</u>	<u>(4,054,255)</u>	<u>(2,669,739)</u>	<u>(130)</u>	<u>(1,384,386)</u>
June 30, 2022					
Bank loans	\$ 1,743,207	(1,769,539)	(344,757)	-	(1,424,782)
Trade payables	1,461,270	(1,461,270)	(1,461,270)	-	-
Lease liabilities (including current and non-current)	12,844	(13,282)	(10,573)	(1,218)	(1,491)
Other payables (including related parties)	277,002	(277,002)	(277,002)	-	-
Guarantee deposits	<u>9,446</u>	<u>(9,446)</u>	<u>(1,837)</u>	<u>-</u>	<u>(7,609)</u>
	<u>\$ 3,503,769</u>	<u>(3,530,539)</u>	<u>(2,095,439)</u>	<u>(1,218)</u>	<u>(1,433,882)</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	June 30, 2023			December 31, 2022			June 30, 2022		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD to TWD	\$ 47,935	31.14	1,492,696	70,907	30.71	2,177,554	27,765	29.72	825,176
USD to CNY	25,376	7.2258	790,209	27,930	6.9646	857,730	12,693	6.7114	377,236
CNY to TWD	118,876	4.282	509,027	128,419	4.408	566,071	93,263	4.439	413,994
Financial liabilities									
Monetary items									
USD to TWD	12,868	31.14	400,710	33,656	30.71	1,033,576	6,916	29.72	205,544
USD to CNY	1,946	7.2258	60,598	1,526	6.9646	46,863	857	6.7114	25,470
CNY to TWD	171,404	4.282	733,952	312,534	4.408	1,377,650	185,704	4.439	824,340

2) Sensitivity analysis

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

A weakening or strengthening 5% of each functional currency against Group entities' functional currency as of June 30, 2023 and 2022 would have affected the net profit before tax as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
USD (against the TWD)		
Strengthening 5%	\$ 54,599	30,982
Weakening 5%	(54,599)	(30,982)
USD (against the CNY)		
Strengthening 5%	36,481	17,588
Weakening 5%	(36,481)	(17,588)
CNY (against the TWD)		
Strengthening 5%	(11,246)	(20,517)
Weakening 5%	11,246	20,517

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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3) Exchange gains and losses of monetary items

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

	For the six months ended June 30,			
	2023		2022	
	Exchange profit (loss)	Average rate	Exchange profit (loss)	Average rate
TWD	\$ 16,579	-	86,711	-
CNY	7,090	4.3823	(5,433)	4.4390

(iv) Interest rate analysis

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

	Carrying amount	
	June 30, 2023	June 30, 2022
Fixed rate instruments:		
Financial assets	\$ 150,550	-
Variable rate instruments:		
Financial assets	304,753	345,775
Financial liabilities	1,092,100	1,743,207

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 \$984 and \$1,747 for the six months ended June 30, 2023 and 2022, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(v) Fair value

1) The kinds of financial instruments and fair value

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

	June 30, 2023				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss-					
Beneficiary certificate-Funds	\$ <u>1,004</u>	1,004	-	-	1,004
Financial assets measured at amortized cost					
Cash and cash equivalents	455,353	-	-	-	-
Trade receivables, net	1,651,450	-	-	-	-
Other financial assets	25,806	-	-	-	-
Refundable deposits (classified as other financial assets – non-current)	<u>6,582</u>	-	-	-	-
	<u>\$ 2,140,195</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,092,100	-	-	-	-
Trade payables	1,249,647	-	-	-	-
Lease liabilities	2,670	-	-	-	-
Other payables	321,139	-	-	-	-
Guarantee deposits	<u>25,818</u>	-	-	-	-
	<u>\$ 2,691,374</u>				

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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	June 30, 2022				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,743,207	-	-	-	-
Trade payables	1,461,270	-	-	-	-
Lease liabilities	12,844	-	-	-	-
Other payables (including related parties)	277,002	-	-	-	-
Guarantee deposits	<u>9,446</u>	-	-	-	-
	<u>\$ 3,503,769</u>				

2) Valuation techniques for financial instruments measured at fair value

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

Financial assets and financial liabilities measured at amortized cost

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

3) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

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

Except from the active market, the Group also acquires its financial instrument value from the valuation technique or reference to a rival's quotation. The fair value through the valuation technique refers to other essentially prerequisite and similar financial instruments with current fair value, discount cash flow, and other valuation methods.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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The financial instruments from the non-active market are evaluated by the discount cash flow model, the main assumption is according to time value of money and investment risk to evaluate future cash flow.

(t) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(t) of the consolidated financial statements for the year ended December 31, 2022.

(u) Capital management

Management believes that the objectives, policies, and processes of the capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2022. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2022. Please refer to note (6)(u) of the consolidated financial statements for the year ended December 31, 2022 for further details.

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

Reconciliation of liabilities arising from financing activities for the six months ended June 30, 2023 and 2022 were as follows:

	January 1, 2023	Cash flows	Non-cash flows			June 30, 2023
			Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 1,334,900	(352,800)	-	-	-	982,100
Short-term loans	40,000	70,000	-	-	-	110,000
Lease liabilities	2,155	(1,462)	1,977	-	-	2,670
Guarantee deposits	26,152	(334)	-	-	-	25,818
Total liabilities from financing activities	<u>\$ 1,403,207</u>	<u>(284,596)</u>	<u>1,977</u>	<u>-</u>	<u>-</u>	<u>1,120,588</u>

	January 1, 2022	Cash flows	Non-cash flows			June 30, 2022
			Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 1,663,458	(260,251)	-	-	-	1,403,207
Short-term loans	1,030,771	(690,771)	-	-	-	340,000
Lease liabilities	9,626	(7,439)	10,611	-	46	12,844
Guarantee deposits	8,062	1,384	-	-	-	9,446
Total liabilities from financing activities	<u>\$ 2,711,917</u>	<u>(957,077)</u>	<u>10,611</u>	<u>-</u>	<u>46</u>	<u>1,765,497</u>

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(7) Related-party transactions

(a) Names and relationships with related parties

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

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

(b) Transaction among other relative parties

(i) Lease

The Group rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them since August 2011. The rental fee is determined based on nearby office rental rates. The rental revenue for the three months and six months ended June 30, 2023 and 2022 were both \$857,857, \$1,714 and \$1,714, respectively.

(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 June 30, 2022, the remaining unpaid balance of \$35,664 which was recognized as other payables related parties. As of June 30, 2023, the remaining unpaid balance had all been paid. Please refer to note (6)(e) for related information.

(iii) Property transaction

In August 2022, the Group purchased machinery equipment amounting to \$36,923 from Sheng Mei Precision Industrial (KunShan) Co., Ltd.. Only four pieces of equipment were reserved, and the others were returned. As of December 31, 2022, the remaining unreceived balance of \$17,958 was recognized as other financial asset –current. As of June 30, 2023, the receivable has been fully collected .

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(c) Key management personnel compensation

(i) Key management personnel compensation was comprised of:

	For the three months ended June 30		For the six months ended June 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 1,955	2,052	4,868	4,780
Post-employment benefits	71	73	152	149
	<u>\$ 2,026</u>	<u>2,125</u>	<u>5,020</u>	<u>4,929</u>

(ii) Guarantee

Chairman of the company, Mu-Ho Lin, was the guarantor of the syndication contract as of June 30, 2023, December 31, 2022 and June 30, 2022, respectively.

(8) Pledged assets

Assets	Subject	June 30, 2023	December 31, 2022	June 30, 2022
Property, plant and equipment and investment properties	Short-term loans and long-term loans			
— land and right-of-use land		\$ 1,327,335	1,333,412	1,333,846
— properties	Short-term loans and long-term loans	313,026	323,460	331,978
Other financial assets	Customs deposits			
— non-current		2,249	2,055	13,404
		<u>\$ 1,642,610</u>	<u>1,658,927</u>	<u>1,679,228</u>

(9) Commitments and contingencies

	June 30, 2023	December 31, 2022	June 30, 2022
Acquisition of property, plant and equipment	<u>\$ 16,785</u>	<u>89,314</u>	<u>114,247</u>

(10) Losses due to major disasters: None.

(11) Subsequent events

(i) In response to its business operational needs, the Group decided to authorize its chairman to purchase a parcel of land in Thailand to set up a manufacturing site for USD6,000 thousand based on a resolution decided during the Board meeting held on July 12, 2023. Related information can be accessed through the Market Observation Post System website.

(ii) In order to repay its bank loans, the Company decided to issue 3-year domestic secured convertible bonds, at the amount of \$400,000, based on a resolution approved during the board meeting held on August 2, 2023.

(Continued)

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	Three months ended June 30, 2023			Three months ended June 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	233,918	74,079	307,997	274,066	52,933	326,999
Labor and health insurance	-	2,276	2,276	-	2,544	2,544
Pension	10,869	3,987	14,856	16,449	3,311	19,760
Others	18,578	4,387	22,965	16,570	3,946	20,516
Depreciation	117,312	2,923	120,235	131,911	3,875	135,786
Amortization	1,027	812	1,839	2,501	380	2,881

By function	Six months ended June 30, 2023			Six months ended June 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	470,416	124,879	595,295	550,367	106,438	656,805
Labor and health insurance	-	4,901	4,901	-	4,700	4,700
Pension	23,071	6,910	29,981	36,343	6,754	43,097
Others	35,666	9,226	44,892	33,501	8,654	42,155
Depreciation	241,876	5,971	247,847	238,968	7,727	246,695
Amortization	2,545	1,718	4,263	5,406	761	6,167

- (b) Seasonality of operations

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

(Continued)

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

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the 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	186,840	186,840	124,560	5.88795%~6.35307%	Short-term financial	-	Operating demand	-	-	-	2,348,852 (note 1)	2,348,852 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	Yes	55,666	55,666	21,410	4.15%	"	-	"	-	-	-	476,265 (note 2)	476,265 (note 2)
3	Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC (NINGBO) CO., LTD	"	Yes	55,666	55,666	-	4.15%	"	-	"	-	-	-	315,712 (note 3)	315,712 (note 3)

Note 1: The total amount for lending to a subsidiary whose voting shares are 100% owned, directly or indirectly, by TOP CITY INTERNATIONAL LIMITED for funding for a short-term period shall not exceed the net worth of TOP CITY INTERNATIONAL LIMITED, which amounted to \$2,348,852. 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 \$2,348,852.

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 \$476,265 (\$1,190,662*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 \$476,265 (\$1,190,662*40%).

Note 3: The total amount for lending to a company for funding for a short-term period shall not exceed forty percent of the net worth of Dongguan Chenming Electronic Co., Ltd, which amounted to \$315,712 (\$789,281*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 \$315,712 (\$789,281*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										
1	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	100% owned subsidiary	1,210,109 (note 1)	51,384	51,384	-	-	1.70 %	2,420,218 (note 1)	Yes	No	Yes
2	The Company	Dongguan Chenming Electronic Co., Ltd	100% owned subsidiary	1,210,109 (note 1)	299,730	299,730	-	-	9.91 %	2,420,218 (note 1)	Yes	No	Yes
						351,114							
3	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Both are subsidiaries of the Company	476,265 (note 2)	171,270	171,270	-	-	14.38 %	952,530 (note 2)	No	No	Yes

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1: The total amount of endorsement guarantees of the Company and its subsidiaries shall not exceed 80% of the Company's net worth; the amount of endorsement guarantees for an entity shall not exceed 40% of the Company's net worth. The total endorsement guarantees of the Company shall not exceed 40% of the net worth of the Company which amounted to \$1,210,109. (\$3,025,272*40%). In addition, the total endorsement guarantees of the Company shall be no more than 80% of the Company's net worth, which amounted to \$2,420,218 (\$3,025,272*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 \$476,265. (\$1,190,662*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 \$952,530 (\$1,190,662*80%).

- (iii) Securities held as of June 30, 2023 (excluding investment in subsidiaries, associates, and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note	
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value		
The Company	Beneficiary certificate: Mega Global Metaverse Tech Fund	-	Current financial assets at fair value through profit or loss	100	1,004	-	%	1,004	-

- (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: None.
- (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	943,493	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 (322,074)	(98)%	
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(943,493)	(62)%	Net 60 days from the end of month of delivery	No customers for comparison	Net 60 days from the end of month of delivery and depending on the operating demand	Trade payables 322,074	43 %	"

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to 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 322,074	3.29	-	-	90,760	-	Note 2
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	The company's ultimate parent company is the same	Other current financial assets 145,150	-	-	-	-	-	Note 2, 3

Note 1: The accumulated received balance as of July 21, 2023.

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

Note 3: Including interest receivables \$20,590.

- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship (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	124,560	Rate 5.88795%~6.05708%	2%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	943,493	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	33%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Trade receivables	322,074	"	6%

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.

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2023 (excluding information on investees in mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2023			Net income (losses) of the investment	Investment income (losses)	Note	
				June 30, 2023	December 31, 2022	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,166,745	2,166,745	65,558	100 %	2,348,852	89,683	89,683	Subsidiaries	
The Company	CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100 %	143	(130)	(130)	Subsidiaries	
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	976,557	20,968		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	802,568	802,568	23,410	100 %	1,219,541	64,629		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.

(c) Information on investment in mainland China:

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

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from January 1, 2023 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of June 30, 2023	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2 and 3)	Carrying amount as of June 30, 2023 (note 3)	Accumulated remittance of earnings as of June 30, 2023
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	2,008,530 (USD64,500)	notes 1 and 6	697,847 (USD22,410)	-	-	697,847 (USD22,410)	65,443	100 %	65,443	1,190,662	-
Dongguan Chenming Electronic Co., Ltd	"	902,375 (note 4) (USD28,978) (note 5)	notes 1 and 7	775,386 (USD24,900)	-	-	775,386 (USD24,900)	35,975	100 %	35,975	789,281	-
UNEEC ELECTRONIC (KUNSHAN) CO., LTD	"	31,140 (USD1,000)	notes 1 and 6	31,140 (USD1,000)	-	-	31,140 (USD1,000)	(816)	100 %	(816)	28,755	-

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

(ii) Limitation on investment in mainland China:

Accumulated Investment in Mainland China as of June 30, 2023	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (note 3)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
1,504,373 (USD48,310)	1,697,441 (USD54,510)	Unlimited (note 8)

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

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

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$31.14 as of June 30, 2023.

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

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

Note6: Investment in Mainland China through TOP CITY INTERNATIONAL LIMITED and PEAK SHREWD INC.

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

Note8: According to the "REGULATIONS GOVERNING THE APPROVAL OF INVESTMENT OR TECHNICAL COOPERATION IN MAINLAND CHINA" amended in August 29, 2008, by the MOEAIC, the Company has acquired related documents. Therefore, there is no restriction to the Company's investing amount in Mainland China.

(iii) Significant transactions:

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

(d) Major shareholders:

(Unit: Share)		
Shareholding	Shares	Percentage
Shareholder's Name		
SHANG MEI PRECISION INDUSTRIAL CO., LTD	35,000,000	17.86 %
Lin, Mu-Ho	30,000,230	15.31 %

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.

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

(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.