

**CHENMING ELECTRONIC TECHNOLOGY CORP.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Nine Months Ended September 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 September 30, 2023 and 2022, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the changes in equity and cash flows for the nine 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 September 30, 2023 and 2022, and of its consolidated financial performance for the three months and nine months then ended, as well as its consolidated cash flows for the nine 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)

November 8, 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
September 30, 2023, December 31, 2022, and September 30, 2022
(Expressed in Thousands of New Taiwan Dollars)

Assets		September 30, 2023		December 31, 2022		September 30, 2022		Liabilities and Equity		September 30, 2023		December 31, 2022		September 30, 2022	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note (6)(a))	\$ 571,777	9	411,222	6	382,922	5	2100	Short-term loans (note (6)(i))	\$ 60,000	1	40,000	-	110,000	2
1110	Current financial assets at fair value through profit or loss (note (6)(b))	1,000	-	800	-	1,853	-	2130	Current contract liabilities (note (6)(q))	6,801	-	2,791	-	443	-
1170	Trade receivables, net (notes (6)(c) and (6)(q))	2,041,550	32	2,643,333	37	2,145,239	30	2170	Trade payables	1,672,503	26	2,354,120	33	2,163,991	31
1310	Inventories, net (note (6)(d))	837,095	13	968,952	14	1,417,713	20	2200	Other payables	329,306	5	272,783	4	242,232	3
1476	Other current financial assets (notes (6)(f), (6)(l) and (7))	45,998	1	32,545	-	-	-	2220	Other payables-related parties (notes (6)(e) and (7))	-	-	-	-	22,225	-
1479	Other current assets	70,537	1	91,940	1	71,602	1	2230	Current tax liabilities (note (6)(n))	53,090	1	50,148	1	42,248	1
		<u>3,567,957</u>	<u>56</u>	<u>4,148,792</u>	<u>58</u>	<u>4,019,329</u>	<u>56</u>	2280	Current lease liabilities (note (6)(k))	1,816	-	2,028	-	13,345	-
								2300	Other current liabilities	2,140	-	1,005	-	3,152	-
										<u>2,125,656</u>	<u>33</u>	<u>2,722,875</u>	<u>38</u>	<u>2,597,636</u>	<u>37</u>
Non-current assets:								Non-current liabilities:							
1600	Property, plant, and equipment (notes (6)(f) and (8))	2,333,062	37	2,515,016	36	2,532,588	36	2540	Long-term loans (note (6)(j))	1,021,700	16	1,334,900	19	1,376,684	19
1755	Right-of-use assets (note (6)(g))	182,467	3	186,985	3	346,806	5	2560	Non-current tax liabilities (note (6)(n))	25,572	-	-	-	-	-
1760	Investment property, net (notes (6)(h) and (8))	225,037	4	227,778	3	173,091	3	2580	Non-current lease liabilities (notes (6)(k) and (7))	2,200	-	127	-	123,455	2
1780	Intangible assets	5,092	-	8,219	-	11,845	-	2645	Guarantee deposits	27,613	1	26,152	1	25,990	-
1840	Deferred income tax assets	5,402	-	5,402	-	5,902	-			<u>1,077,085</u>	<u>17</u>	<u>1,361,179</u>	<u>20</u>	<u>1,526,129</u>	<u>21</u>
1980	Other non-current financial assets (note (8))	6,499	-	8,656	-	16,509	-			<u>3,202,741</u>	<u>50</u>	<u>4,084,054</u>	<u>58</u>	<u>4,123,765</u>	<u>58</u>
1990	Other non-current assets (note (6)(f))	22,236	-	1,339	-	8,626	-	Total liabilities							
		<u>2,779,795</u>	<u>44</u>	<u>2,953,395</u>	<u>42</u>	<u>3,095,367</u>	<u>44</u>	Equity attributable to owners of parent (note (6)(o)):							
								3100	Ordinary shares	1,959,350	31	1,959,350	28	1,959,350	28
								3200	Capital surplus	313,563	5	313,563	4	313,563	3
								3300	Retained earnings	920,321	15	795,688	11	749,730	11
								3410	Exchange differences on translation of foreign financial statements	(48,223)	(1)	(50,468)	(1)	(31,712)	-
										<u>3,145,011</u>	<u>50</u>	<u>3,018,133</u>	<u>42</u>	<u>2,990,931</u>	<u>42</u>
								Total equity							
								Total liabilities and equity							
Total assets		<u>\$ 6,347,752</u>	<u>100</u>	<u>7,102,187</u>	<u>100</u>	<u>7,114,696</u>	<u>100</u>			<u>\$ 6,347,752</u>	<u>100</u>	<u>7,102,187</u>	<u>100</u>	<u>7,114,696</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 nine months ended September 30, 2023 and 2022
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	For the three months ended September 30				For the nine months ended September 30			
	2023		2022		2023		2022	
	Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue, net (note (6)(q))							
	\$ 1,771,240	100	1,688,576	100	4,654,784	100	4,192,543	100
5000	Operating costs (notes (6)(d), (6)(m) and (12))							
	<u>1,544,732</u>	<u>87</u>	<u>1,491,472</u>	<u>88</u>	<u>4,144,745</u>	<u>89</u>	<u>3,826,418</u>	<u>91</u>
5900	Gross profit from operations							
	<u>226,508</u>	<u>13</u>	<u>197,104</u>	<u>12</u>	<u>510,039</u>	<u>11</u>	<u>366,125</u>	<u>9</u>
6000	Operating expenses (notes (6)(m) and (12)):							
6100	Selling expenses							
	47,475	3	42,995	3	124,147	3	110,793	3
6200	Administrative expenses							
	82,573	4	50,957	3	208,203	4	150,388	3
6300	Research and development expenses							
	<u>15,618</u>	<u>1</u>	<u>16,194</u>	<u>1</u>	<u>42,621</u>	<u>1</u>	<u>44,461</u>	<u>1</u>
	<u>145,666</u>	<u>8</u>	<u>110,146</u>	<u>7</u>	<u>374,971</u>	<u>8</u>	<u>305,642</u>	<u>7</u>
6900	Net operating income							
	<u>80,842</u>	<u>5</u>	<u>86,958</u>	<u>5</u>	<u>135,068</u>	<u>3</u>	<u>60,483</u>	<u>2</u>
7000	Non-operating income and expenses:							
7050	Finance costs, net (note (6)(k))							
	(2,302)	-	-	-	(2,973)	-	(19,713)	-
7100	Interest income							
	351	-	297	-	2,138	-	1,439	-
7110	Rent revenue (note (7))							
	24,390	1	4,223	-	61,994	1	12,627	-
7190	Other income (losses), net							
	(237)	-	2,680	-	2,000	-	5,116	-
7210	Gains (losses) on disposals of property, plant and equipment and investment property (notes (6)(f) and (6)(h))							
	(23,934)	(1)	(29,278)	(1)	(39,777)	(1)	8,471	-
7230	Foreign exchange gains (losses) (note (6)(s))							
	<u>15,797</u>	<u>-</u>	<u>90,037</u>	<u>5</u>	<u>63,447</u>	<u>1</u>	<u>152,631</u>	<u>3</u>
	<u>14,065</u>	<u>-</u>	<u>67,959</u>	<u>4</u>	<u>86,829</u>	<u>1</u>	<u>160,571</u>	<u>3</u>
7900	Profit from continuing operations before tax							
	94,907	5	154,917	9	221,897	4	221,054	5
7950	Less: Income tax expenses (note (6)(n))							
	<u>12,913</u>	<u>-</u>	<u>25,694</u>	<u>1</u>	<u>38,483</u>	<u>-</u>	<u>46,796</u>	<u>1</u>
	<u>81,994</u>	<u>5</u>	<u>129,223</u>	<u>8</u>	<u>183,414</u>	<u>4</u>	<u>174,258</u>	<u>4</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							
	37,746	2	10,421	-	2,245	-	34,942	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>37,746</u>	<u>2</u>	<u>10,421</u>	<u>-</u>	<u>2,245</u>	<u>-</u>	<u>34,942</u>	<u>1</u>
8300	Other comprehensive income (loss)							
	<u>37,746</u>	<u>2</u>	<u>10,421</u>	<u>-</u>	<u>2,245</u>	<u>-</u>	<u>34,942</u>	<u>1</u>
8500	Comprehensive income (loss)							
	<u>\$ 119,740</u>	<u>7</u>	<u>139,644</u>	<u>8</u>	<u>185,659</u>	<u>4</u>	<u>209,200</u>	<u>5</u>
	Earnings per share (expressed in NTD) (note (6)(p)):							
9750	Basic earnings per share							
	<u>\$ 0.42</u>		<u>0.66</u>		<u>0.94</u>		<u>0.94</u>	
9850	Diluted earnings per share							
	<u>\$ 0.42</u>		<u>0.66</u>		<u>0.93</u>		<u>0.94</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 nine months ended September 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
Appropriation and distribution of retained earnings:								
Special reserve appropriated	-	-	-	7,634	(7,634)	-	-	-
Profit for the nine months ended September 30, 2022	-	-	-	-	174,258	174,258	-	174,258
Other comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	-	-	34,942	34,942
Total comprehensive income (loss) for the nine months ended September 30, 2022	-	-	-	-	174,258	174,258	34,942	209,200
Capital increased by cash	400,000	140,000	-	-	-	-	-	540,000
Balance on September 30, 2022	\$ 1,959,350	313,563	302,505	66,654	380,571	749,730	(31,712)	2,990,931
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 nine months ended September 30, 2023	-	-	-	-	183,414	183,414	-	183,414
Other comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	-	-	2,245	2,245
Total comprehensive income (loss) for the nine months ended September 30, 2023	-	-	-	-	183,414	183,414	2,245	185,659
Balance on September 30, 2023	\$ 1,959,350	313,563	324,527	50,468	545,326	920,321	(48,223)	3,145,011

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

	For the nine months ended September 30	
	2023	2022
Cash flows from (used in) operating activities:		
Profit before tax	\$ 221,897	221,054
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	345,367	391,336
Amortization expense	5,954	9,133
Expected credit losses (gains)	190	(398)
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	(231)	137
Interest expenses	2,973	19,713
Interest income	(2,138)	(1,439)
Loss (gain) from disposal of property, plant and equipment, net	39,777	(8,471)
Total adjustments to reconcile profit	<u>391,892</u>	<u>410,011</u>
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(1,000)	(3,000)
Decrease in trade receivables	603,493	75,907
Decrease (increase) in inventories	223,833	(39,910)
Decrease in other current assets	21,477	12,382
Decrease (increase) in other financial assets	(13,453)	1,182
Increase (decrease) in contract liabilities	4,010	(231)
Increase (decrease) in trade payables	(683,333)	176,202
Increase in other payables and other current liabilities	62,883	7,912
Total changes in operating assets and liabilities	<u>217,910</u>	<u>230,444</u>
Total adjustments	<u>609,802</u>	<u>640,455</u>
Cash inflow generated from operations	831,699	861,509
Interest received	2,138	1,439
Income taxes paid	(10,176)	(5,074)
Net cash flows from operating activities	<u>823,661</u>	<u>857,874</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,031	1,010
Acquisition of property, plant, and equipment	(268,746)	(549,811)
Proceeds from disposal of property, plant and equipment	-	551,115
Increase in prepayment for business facilities and others	(27,655)	573
Decrease in refundable deposits	2,157	3,954
Acquisition of intangible assets	(3,175)	(6,787)
Net cash flows from (used in) investing activities	<u>(296,388)</u>	<u>54</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	20,000	(920,771)
Proceeds from long-term loans	156,800	572,218
Repayments of long-term loans	(470,000)	(858,992)
Increase in guarantee deposits	1,461	17,928
Decrease in other payables to related parties	-	(15,728)
Payment of lease liabilities	(2,293)	(11,246)
Distribution of cash dividends	(58,781)	-
Proceeds from issuing shares	-	540,000
Interest paid	(15,529)	(28,219)
Net cash flows used in financing activities	<u>(368,342)</u>	<u>(704,810)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>1,624</u>	<u>7,156</u>
Net increase in cash and cash equivalents	<u>160,555</u>	<u>160,274</u>
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>\$ <u>571,777</u></u>	<u><u>382,922</u></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

September 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 September 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 nine months ended September 30, 2023 and 2022 were authorized for issuance by the Board of Directors on November 8, 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”

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

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

(Continued)

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2024, would not have a significant impact on its consolidated financial statements:

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

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material 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 material 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.

(Continued)

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

(b) Basis of consolidation

Name of investor	Name of subsidiary	Principal activity	Shareholding			Description
			September 30, 2023	December 31, 2022	September 30, 2022	
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 %	
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
The Company	CHENMING ELECTRONIC TECHNOLOGY (THAILAND) CO., LTD.	Computer case and production of relative components	100 %	- %	- %	Note 2

Note 1: As of September 30, 2023, the liquidation procedure has been completed.

Note 2: It was a capital injection in July 2023.

(c) 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 measured by multiplying together the pre-tax income for the interim reporting period and the management's best estimate of effective annual tax rate. 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.

(d) 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.

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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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Cash on hand	\$ 730	816	50
Checking accounts and demand deposits	415,804	407,259	382,872
Time deposits	<u>155,243</u>	<u>3,147</u>	<u>-</u>
	<u>\$ 571,777</u>	<u>411,222</u>	<u>382,922</u>

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

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate-Funds	\$ <u>1,000</u>	<u>800</u>	<u>1,853</u>

As of September 30, 2023, December 31, 2022 and September 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>September 30, 2023</u>	<u>December 31, 2022</u>	<u>September 30, 2022</u>
Trade receivables-measured at amortized cost	\$ 1,608,322	2,183,181	2,145,496
Trade receivables-measured at fair value through other comprehensive income	<u>433,918</u>	<u>460,650</u>	<u>-</u>
	2,042,240	2,643,831	2,145,496
Less: Loss allowance	<u>(690)</u>	<u>(498)</u>	<u>(257)</u>
Trade receivables, net	<u><u>\$ 2,041,550</u></u>	<u><u>2,643,333</u></u>	<u><u>2,145,239</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 was determined as follows:

	<u>September 30, 2023</u>		
	<u>Gross carrying amount</u>	<u>Weighted- average expected credit loss rate</u>	<u>Allowance lifetime expected credit loss</u>
Current	\$ 1,997,210	0.02%	475
1 to 30 days past due	33,488	0.29%	98
31 to 150 days past due	<u>11,542</u>	1.01%	<u>117</u>
	<u><u>\$ 2,042,240</u></u>		<u><u>690</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

	September 30, 2022		
	Gross carrying amount	Weighted- average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 2,103,755	0.01%	175
1 to 30 days past due	20,506	0.11%	23
31 to 150 days past due	21,235	0.28%	59
	\$ 2,145,496		257

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

	For the nine months ended September 30,	
	2023	2022
Balance at January 1	\$ 498	649
Impairment losses recognized (reversed)	190	(398)
Foreign exchange gains	2	6
Balance at September 30	\$ 690	257

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

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

September 30, 2023					
Purchaser	Amount Transferred	Credit Lines	Amount Advanced (Recognized in Short-term loans)	Range of Interest Rate	Guarantee item
Financial institutions	\$ 262,839 (USD8,145 thousand dollars)	465,000 (USD15,000 thousand dollars)	-	-	-

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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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 September 30, 2023, December 31, 2022 and September 30, 2022, the Group did not pledge any receivables as collaterals.

(d) Inventories

	September 30, 2023	December 31, 2022	September 30, 2022
Raw materials	\$ 301,924	298,519	425,024
Work in progress	156,687	218,742	297,042
Finished goods and merchandise inventories	378,484	451,691	695,647
	\$ 837,095	968,952	1,417,713

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Cost of goods sold	\$ 1,541,717	1,476,629	4,149,639	3,801,605
Revenue from sale of scraps	(14,537)	(16,396)	(47,215)	(43,443)
Reversal of write-downs	(133)	(1,734)	(10,612)	(2,694)
Loss on scrapping of inventories	17,657	32,973	52,905	70,892
Shortage of inventories	28	-	28	58
	\$ 1,544,732	1,491,472	4,144,745	3,826,418

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

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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 September 30, 2022, the balance of \$22,225 was recognized as other payables-related parties. As of September 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. As of September 30, 2023, the liquidation process had been completed.

(f) Property, plant, and equipment

The cost and depreciation of the property, plant, and equipment of the Group for the nine months ended September 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	-	-	17,231	30,919	147,781	80,146	276,077
Disposals	-	-	(72,750)	(44,308)	(340,869)	-	(457,927)
Transferred into (out)	-	-	6,391	398	(259,050)	-	(252,261)
Effect of changes in exchange rates	-	285	321	7	(1,276)	-	(663)
Balance at September 30, 2023	<u>\$ 1,115,264</u>	<u>821,690</u>	<u>384,001</u>	<u>138,752</u>	<u>375,809</u>	<u>273,095</u>	<u>3,108,611</u>
Balance at January 1, 2022	\$ 1,533,559	868,941	423,531	103,618	616,403	-	3,546,052
Additions	-	-	29,030	34,216	376,271	97,831	537,348
Disposals	(418,295)	(2,524)	(1,651)	(562)	(209,225)	-	(632,257)
Transferred into (out)	-	-	41,731	2,233	-	17,888	61,852
Effect of changes in exchange rates	-	5,261	4,260	911	11,064	-	21,496
Balance at September 30, 2022	<u>\$ 1,115,264</u>	<u>871,678</u>	<u>496,901</u>	<u>140,416</u>	<u>794,513</u>	<u>115,719</u>	<u>3,534,491</u>

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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	-	18,291	19,406	29,110	267,040	-	333,847
Disposals	-	-	(72,750)	(39,336)	(306,064)	-	(418,150)
Transferred into (out)	-	-	-	-	(168,406)	-	(168,406)
Effect of changes in exchange rates	-	189	201	8	(509)	-	(111)
Balance at September 30, 2023	<u>\$ -</u>	<u>343,848</u>	<u>193,954</u>	<u>46,702</u>	<u>191,045</u>	<u>-</u>	<u>775,549</u>
Balance at January 1, 2022	\$ -	313,757	283,316	33,268	102,791	-	733,132
Depreciation	-	19,614	15,861	21,316	315,060	-	371,851
Disposals	-	(1,177)	(1,211)	(562)	(107,804)	-	(110,754)
Effect of changes in exchange rates	-	2,100	2,573	310	2,691	-	7,674
Balance at September 30, 2022	<u>\$ -</u>	<u>334,294</u>	<u>300,539</u>	<u>54,332</u>	<u>312,738</u>	<u>-</u>	<u>1,001,903</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 September 30, 2023	<u>\$ 1,115,264</u>	<u>477,842</u>	<u>190,047</u>	<u>92,050</u>	<u>184,764</u>	<u>273,095</u>	<u>2,333,062</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 September 30, 2022	<u>\$ 1,115,264</u>	<u>537,384</u>	<u>196,362</u>	<u>86,084</u>	<u>481,775</u>	<u>115,719</u>	<u>2,532,588</u>

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

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

The Group entered into a real estate agreement with a non-related party on August 8, 2023, for the acquisition of a parcel of land with the total price of \$128,801 (THB146,000 thousand), based on the resolution approved during the Board Meeting held on July 12, 2023. The related transfer procedures have yet to be completed as of September 30, 2023; hence, the accumulated paid amount of \$12,880 (THB14,600 thousand) was recognized as other non-current assets.

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

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

(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	-	-	4,154	-	4,154
Effect of changes in exchange rates	150	44	-	-	194
Balance at September 30, 2023	<u>\$ 214,974</u>	<u>27,605</u>	<u>23,508</u>	<u>2,476</u>	<u>268,563</u>
Balance at January 1, 2022	\$ 244,329	19,735	19,356	3,467	286,887
Additions	-	134,340	1,321	1,531	137,192
Effect of changes in exchange rates	2,755	1,831	-	-	4,586
Balance at September 30, 2022	<u>\$ 247,084</u>	<u>155,906</u>	<u>20,677</u>	<u>4,998</u>	<u>428,665</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2023	\$ 29,900	27,561	17,547	2,222	77,230
Depreciation	6,557	-	2,118	104	8,779
Effect of changes in exchange rates	43	44	-	-	87
Balance at September 30, 2023	<u>\$ 36,500</u>	<u>27,605</u>	<u>19,665</u>	<u>2,326</u>	<u>86,096</u>
Balance at January 1, 2022	\$ 29,209	18,249	12,823	2,062	62,343
Depreciation	7,357	6,819	3,939	442	18,557
Effect of changes in exchange rates	354	605	-	-	959
Balance at September 30, 2022	<u>\$ 36,920</u>	<u>25,673</u>	<u>16,762</u>	<u>2,504</u>	<u>81,859</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 September 30, 2023	<u>\$ 178,474</u>	<u>-</u>	<u>3,843</u>	<u>150</u>	<u>182,467</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 September 30, 2022	<u>\$ 210,164</u>	<u>130,233</u>	<u>3,915</u>	<u>2,494</u>	<u>346,806</u>

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

(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 September 30, 2023)	\$ <u>136,906</u>	<u>30,873</u>	<u>100,601</u>	<u>268,380</u>
Balance at January 1, 2022	\$ 152,640	-	63,116	215,756
Disposals	<u>(15,734)</u>	<u>-</u>	<u>(10,137)</u>	<u>(25,871)</u>
Balance at September 30, 2022	<u>\$ 136,906</u>	<u>-</u>	<u>52,979</u>	<u>189,885</u>
Depreciation:				
Balance at January 1, 2023	\$ -	9,262	31,340	40,602
Depreciation	<u>-</u>	<u>771</u>	<u>1,970</u>	<u>2,741</u>
Balance at September 30, 2023	<u>\$ -</u>	<u>10,033</u>	<u>33,310</u>	<u>43,343</u>
Balance at January 1, 2022	\$ -	-	20,594	20,594
Depreciation	-	-	928	928
Disposals	<u>-</u>	<u>-</u>	<u>(4,728)</u>	<u>(4,728)</u>
Balance at September 30, 2022	<u>\$ -</u>	<u>-</u>	<u>16,794</u>	<u>16,794</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 September 30, 2023	<u>\$ 136,906</u>	<u>20,840</u>	<u>67,291</u>	<u>225,037</u>
Balance at January 1, 2022	<u>\$ 152,640</u>	<u>-</u>	<u>42,522</u>	<u>195,162</u>
Balance at September 30, 2022	<u>\$ 136,906</u>	<u>-</u>	<u>36,185</u>	<u>173,091</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. 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 September 30, 2023, December 31, 2022 and September 30, 2022.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(i) Short-term loans

The short-term loans were summarized as follows:

	September 30, 2023	December 31, 2022	September 30, 2022
Credit loans	\$ 60,000	-	-
Secured loans	-	40,000	110,000
	\$ 60,000	40,000	110,000
Unused credit line for short-term loans	\$ 3,205,113	2,396,600	2,650,191
Range of interest rates	1.40%~1.47%	1.95%	1.0%~1.6%

- (i) As of September 30, 2023, December 31, 2022 and September 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) 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:

	September 30, 2023	December 31, 2022	September 30, 2022
Secured bank loans	\$ 1,021,700	1,334,900	1,376,684
Less: Current portion	-	-	-
Total	\$ 1,021,700	1,334,900	1,376,684
Unused long-term credit lines	\$ 994,300	791,300	681,110
Range of interest rate	0.5%~1.95%	1.5%~1.85%	0.5%~4.4%

- (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 \$156,800 and \$572,218 for the nine months ended September 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 \$858,992 for the nine months ended September 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:

	September 30, 2023	December 31, 2022	September 30, 2022
Current	<u>\$ 1,816</u>	<u>2,028</u>	<u>13,345</u>
Non-current	<u>\$ 2,200</u>	<u>127</u>	<u>123,455</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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Interest on lease liabilities	<u>\$ 21</u>	<u>113</u>	<u>42</u>	<u>366</u>
Expenses relating to short-term leases	<u>\$ 2,880</u>	<u>114</u>	<u>8,645</u>	<u>1,021</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 39</u>	<u>39</u>	<u>117</u>	<u>129</u>

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

	For the nine months ended September 30,	
	2023	2022
Total cash outflow for leases	<u>\$ 11,097</u>	<u>12,762</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.

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(l) Operating lease

There were no significant additions in operating leases for the nine months ended September 30, 2023 and 2022. As of September 30, 2023, and December 31, 2022, the lease receivable of \$44,858 and \$13,642, respectively, was recognized under other financial assets-current based on the straight-line method. Please refer to note (6)(l) of the consolidated financial statements for the year ended December 31, 2022, for other related information

(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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	Operating expense	\$ 991	981	2,971

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 September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	Operating cost	\$ 11,633	16,064	34,704
Operating expense	3,460	2,068	8,390	6,851
	\$ 15,093	18,132	43,094	59,258

(n) Income taxes

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
	Current tax expense (benefit)	\$ 12,913	25,694	\$ 38,483

(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.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(iv) Income tax payment

The Company's profit-seeking enterprise income for 2022 shows a voluntary supplementary payment of \$46,030. Due to the impact of COVID-19, the company has applied to the National Taxation Bureau of Taipei, Ministry of Finance for a 36-month installment plan. As of September 30, 2023, a total of \$5,115 has been paid, leaving a remaining balance of \$40,916. The amount due within one year is \$15,343, while the amount due after one year is \$25,572. These amounts have been classified as current and non-current income tax liabilities in this reporting period, respectively.

(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 September 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.

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

(p) Earnings per share

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

	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ <u>81,994</u>	<u>129,223</u>	<u>183,414</u>	<u>174,258</u>
Weighted-average number of ordinary shares (share in thousands)	<u>195,935</u>	<u>195,935</u>	<u>195,935</u>	<u>185,386</u>
	<u>\$ 0.42</u>	<u>0.66</u>	<u>0.94</u>	<u>0.94</u>
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>81,994</u>	<u>129,223</u>	<u>183,414</u>	<u>174,258</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares				
Weighted-average number of ordinary shares	195,935	195,935	195,935	185,386
Effect of employee stock remuneration (share in thousands)	<u>45</u>	<u>256</u>	<u>189</u>	<u>346</u>
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>195,980</u>	<u>196,191</u>	<u>196,124</u>	<u>185,732</u>
	<u>\$ 0.42</u>	<u>0.66</u>	<u>0.94</u>	<u>0.94</u>

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30,		For the nine months ended September 30,	
	2023	2022	2023	2022
Primary geographical markets				
China	\$ 477,332	615,473	1,648,369	1,679,769
Taiwan	808,280	343,759	1,597,127	957,719
USA	407,860	593,183	1,168,154	1,133,322
Japan	69,136	116,021	211,251	326,542
Others	<u>8,632</u>	<u>20,140</u>	<u>29,883</u>	<u>95,191</u>
	<u>\$ 1,771,240</u>	<u>1,688,576</u>	<u>4,654,784</u>	<u>4,192,543</u>
Major products				
PC and server chassis	\$ 1,646,493	1,546,523	4,383,368	3,827,357
Mobile device components	-	66,643	-	140,163
Mold	<u>124,747</u>	<u>75,410</u>	<u>271,416</u>	<u>225,023</u>
	<u>\$ 1,771,240</u>	<u>1,688,576</u>	<u>4,654,784</u>	<u>4,192,543</u>

(ii) Contract balances

	September 30, 2023	December 31, 2022	September 30, 2022
Trade receivables	\$ 2,042,240	2,643,831	2,145,496
Less: Loss allowance	<u>(690)</u>	<u>(498)</u>	<u>(257)</u>
Total	<u>\$ 2,041,550</u>	<u>2,643,333</u>	<u>2,145,239</u>
Contract liabilities	<u>\$ 6,801</u>	<u>2,791</u>	<u>443</u>

The amount of revenue recognized for the nine months ended September 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.

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

The Company's remuneration to employees was \$2,000, \$3,700, \$4,500 and \$5,000, and the remuneration to directors was \$375, \$375, \$1,125 and \$1,125 for the three months and nine months ended September 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.

(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>
September 30, 2023					
Bank loans	\$ 1,081,700	(1,099,789)	(60,882)	-	(1,038,907)
Trade payables	1,672,503	(1,672,503)	(1,672,503)	-	-
Lease liabilities (including current and non-current)	4,016	(4,160)	(1,920)	(1,734)	(506)
Other payables	329,306	(329,306)	(329,306)	-	-
Guarantee deposits	<u>27,613</u>	<u>(27,613)</u>	<u>-</u>	<u>-</u>	<u>(27,613)</u>
	<u>\$ 3,115,138</u>	<u>(3,133,371)</u>	<u>(2,064,611)</u>	<u>(1,734)</u>	<u>(1,067,026)</u>

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

	<u>Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 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	26,152	(26,152)	-	-	(26,152)
	<u>\$ 4,030,110</u>	<u>(4,054,255)</u>	<u>(2,669,739)</u>	<u>(130)</u>	<u>(1,384,386)</u>
September 30, 2022					
Bank loans	\$ 1,486,684	(1,511,659)	(111,606)	-	(1,400,053)
Trade payables	2,163,991	(2,163,991)	(2,163,991)	-	-
Lease liabilities (including current and non-current)	136,800	(168,662)	(16,510)	(16,318)	(135,834)
Other payables (including related parties)	264,457	(264,457)	(264,457)	-	-
Guarantee deposits	25,990	(25,990)	(728)	-	(25,262)
	<u>\$ 4,077,922</u>	<u>(4,134,759)</u>	<u>(2,557,292)</u>	<u>(16,318)</u>	<u>(1,561,149)</u>

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>September 30, 2023</u>			<u>December 31, 2022</u>			<u>September 30, 2022</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</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 TWD	\$ 45,971	32.27	1,483,484	70,907	30.71	2,177,554	50,949	31.75	1,617,631
USD to CNY	31,365	7.1798	1,012,149	27,930	6.9646	857,730	18,391	7.0998	583,914
CNY to TWD	109,204	4.415	482,136	128,419	4.408	566,071	96,840	4.473	433,165
Financial liabilities									
Monetary items									
USD to TWD	22,463	32.27	724,881	33,656	30.71	1,033,576	23,502	31.75	746,189
USD to CNY	3,989	7.1798	128,725	1,526	6.9646	46,863	1,048	7.0998	33,274
CNY to TWD	218,840	4.415	966,179	312,534	4.408	1,377,650	272,676	4.473	1,219,680

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.

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

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

	<u>September 30,</u> <u>2023</u>	<u>September 30,</u> <u>2022</u>
USD (against the TWD)		
Strengthening 5%	\$ 37,930	43,572
Weakening 5%	(37,930)	(43,572)
USD (against the CNY)		
Strengthening 5%	44,171	27,532
Weakening 5%	(44,171)	(27,532)
CNY (against the TWD)		
Strengthening 5%	(24,202)	(39,326)
Weakening 5%	24,202	39,326

3) Exchange gains and losses of monetary items

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

	<u>For the nine months ended September 30,</u>			
	<u>2023</u>		<u>2022</u>	
	<u>Exchange</u> <u>profit (loss)</u>	<u>Average rate</u>	<u>Exchange</u> <u>profit (loss)</u>	<u>Average rate</u>
TWD	\$ 34,456	-	206,190	-
CNY	6,611	4.3852	(12,085)	4.4319

(iv) Interest rate analysis

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

	<u>Carrying amount</u>	
	<u>September</u> <u>30, 2023</u>	<u>September</u> <u>30, 2022</u>
Fixed rate instruments:		
Financial assets	\$ 155,243	-
Variable rate instruments:		
Financial assets	415,754	382,797
Financial liabilities	1,081,700	1,486,684

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$1,249 and \$2,070 for the nine months ended September 30, 2023 and 2022, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(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.

	September 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	\$ 1,000	1,000	-	-	1,000
Financial assets measured at amortized cost					
Cash and cash equivalents	571,777	-	-	-	-
Trade receivables, net	2,041,550	-	-	-	-
Other financial assets	45,998	-	-	-	-
Refundable deposits (classified as other financial assets – non-current)	6,499	-	-	-	-
	<u>\$ 2,666,824</u>				

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

		September 30, 2023			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,081,700	-	-	-	-
Trade payables	1,672,503	-	-	-	-
Lease liabilities	4,016	-	-	-	-
Other payables	329,306	-	-	-	-
Guarantee deposits	<u>27,613</u>	-	-	-	-
	<u>\$ 3,115,138</u>				
		December 31, 2022			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss- Beneficiary certificate-Funds	\$ <u>800</u>	800	-	-	800
Financial assets measured at amortized cost					
Cash and cash equivalents	411,222	-	-	-	-
Trade receivables, net	2,643,333	-	-	-	-
Other financial assets	32,545	-	-	-	-
Refundable deposits (classified as other financial assets – non-current)	<u>8,656</u>	-	-	-	-
	<u>3,095,756</u>				
	<u>\$ 3,096,556</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,374,900	-	-	-	-
Trade payables	2,354,120	-	-	-	-
Lease liabilities	2,155	-	-	-	-
Other payables (including related parties)	272,783	-	-	-	-
Guarantee deposit	<u>26,152</u>	-	-	-	-
	<u>\$ 4,030,110</u>				

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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	September 30, 2022				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Non-derivative financial assets mandatorily measured at fair value through profit or loss- Beneficiary certificate-Funds	\$ <u>1,853</u>	1,853	-	-	1,853
Financial assets measured at amortized cost					
Cash and cash equivalents	382,922	-	-	-	-
Trade receivable, net	2,145,239	-	-	-	-
Refundable deposits (classified as other financial assets – non-current)	16,509	-	-	-	-
	<u>2,544,670</u>				
	<u>\$ 2,546,523</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 1,486,684	-	-	-	-
Trade payables	2,163,991	-	-	-	-
Lease liabilities	136,800	-	-	-	-
Other payables (including related parties)	264,457	-	-	-	-
Guarantee deposits	25,990	-	-	-	-
	<u>\$ 4,077,922</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.

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

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

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

(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 nine months ended September 30, 2023 and 2022 were as follows:

	January 1, 2023	Cash flows	Non-cash flows			September 30, 2023
			Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 1,334,900	(313,200)	-	-	-	1,021,700
Short-term loans	40,000	20,000	-	-	-	60,000
Lease liabilities	2,155	(2,293)	4,154	-	-	4,016
Guarantee deposits	<u>26,152</u>	<u>1,461</u>	-	-	-	<u>27,613</u>
Total liabilities from financing activities	<u>\$ 1,403,207</u>	<u>(294,032)</u>	<u>4,154</u>	<u>-</u>	<u>-</u>	<u>1,113,329</u>

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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	January 1, 2022	Cash flows	Non-cash flows			September 30, 2022
			Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 1,663,458	(286,774)	-	-	-	1,376,684
Short-term loans	1,030,771	(920,771)	-	-	-	110,000
Lease liabilities	9,626	(11,246)	137,192	-	1,228	136,800
Guarantee deposits	8,062	17,928	-	-	-	25,990
Total liabilities from financing activities	<u>\$ 2,711,917</u>	<u>(1,200,863)</u>	<u>137,192</u>	<u>-</u>	<u>1,228</u>	<u>1,649,474</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
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 nine months ended September 30, 2023 and 2022 were both \$857, \$857, \$2,571 and \$2,571, 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 September 30, 2022, the remaining unpaid balance of \$22,225 which was recognized as other payables related parties. As of December 31, 2022, the remaining unpaid balance had all been paid. Please refer to note (6)(e) for related information.

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(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 September 30, 2023, the receivable has been fully collected .

(c) Key management personnel compensation

(i) Key management personnel compensation was comprised of:

	For the three months ended		For the nine months ended	
	September 30		September 30	
	2023	2022	2023	2022
Short-term employee benefits	\$ 1,718	2,113	6,586	6,893
Post-employment benefits	68	74	220	223
	<u>\$ 1,786</u>	<u>2,187</u>	<u>6,806</u>	<u>7,116</u>

(ii) Guarantee

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

(8) Pledged assets

Assets	Subject	September 30, 2023	December 31, 2022	September 30, 2022
Property, plant and equipment and investment properties	Short-term loans and long-term loans			
— land and right-of-use land		\$ 1,328,736	1,333,412	1,333,526
— properties	Short-term loans and long-term loans	311,933	323,460	328,853
Other financial assets	Customs deposits			
— non-current		2,249	2,055	10,679
		<u>\$ 1,642,918</u>	<u>1,658,927</u>	<u>1,673,058</u>

(9) Commitments and contingencies

	September 30, 2023	December 31, 2022	September 30, 2022
Acquisition of property, plant and equipment	<u>\$ 128,612</u>	<u>89,314</u>	<u>131,152</u>

(10) Losses due to major disasters: None.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(11) Subsequent events

In order to repay its bank loans, the Company decided to issue domestic secured convertible bonds, wherein 4,000 bonds were issued at the par value of \$100 per share, totaling \$400,000, with a duration of three-year and a 0% coupon rate, based on a resolution approved during the Board meeting held on August 2, 2023. The issuance of bonds was declared effective on October 19, 2023. The issuance was conducted through a competitive auction method, issuing at 112.3% of the par value, resulting in an actual total raised amount of \$449,190.

(12) Other

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

By function By item	Three months ended September 30, 2023			Three months ended September 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	242,183	77,679	319,862	303,478	62,086	365,564
Labor and health insurance	-	1,906	1,906	-	1,816	1,816
Pension	11,633	4,451	16,084	16,064	3,049	19,113
Others	18,395	4,953	23,348	18,864	4,191	23,055
Depreciation	94,452	3,068	97,520	140,732	3,909	144,641
Amortization	977	714	1,691	2,564	402	2,966

By function By item	Nine months ended September 30, 2023			Nine months ended September 30, 2022		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	712,599	202,558	915,157	853,845	168,524	1,022,369
Labor and health insurance	-	6,807	6,807	-	6,516	6,516
Pension	34,704	11,361	46,065	52,407	9,803	62,210
Others	54,061	14,178	68,239	52,365	12,845	65,210
Depreciation	336,328	9,039	345,367	379,700	11,636	391,336
Amortization	3,522	2,432	5,954	7,970	1,163	9,133

- (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	193,620	193,620	129,080	5.88795%~6.52219%	Short-term financial	-	Operating demand	-	-	-	2,396,913 (note 1)	2,396,913 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	Yes	114,790	114,790	114,790	4.15%	"	-	"	-	-	-	496,613 (note 2)	496,613 (note 2)
3	Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC (NINGBO) CO., LTD	"	Yes	57,395	57,395	-	4.15%	"	-	"	-	-	-	328,080 (note 3)	328,080 (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 \$2,396,913. 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 \$2,396,913.

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 \$496,613 (\$1,241,533*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 \$496,613 (\$1,241,533*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 \$328,080 (\$820,199*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 \$328,080 (\$820,199*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	1,258,004 (note 1)	52,980	52,980	-	-	1.68 %	2,516,009 (note 1)	Yes	No	Yes
2	The Company	Dongguan Chenming Electronic Co., Ltd	100% owned subsidiary	1,258,004 (note 1)	309,935	309,935	-	-	9.85 %	2,516,009 (note 1)	Yes	No	Yes
						362,915							
3	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Both are subsidiaries of the Company	496,613 (note 2)	177,485	-	-	-	- %	993,226 (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 \$1,258,004. (\$3,145,011*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 \$2,516,009 (\$3,145,011*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 \$496,613.(\$1,241,533*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 \$993,226 (\$1,241,533*80%).

- (iii) Securities held as of September 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 Bond ETF Strategic Income Fund	-	Current financial assets at fair value through profit or loss	100	1,000	-	%	1,000	-

- (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	1,543,107	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 (662,516)	(99)%	
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(1,543,107)	(65)%	Net 60 days from the end of month of delivery	No customers for comparison	Net 60 days from the end of month of delivery and depending on the operating demand	Trade payables 662,516	66 %	"

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 662,516	2.76	-	-	-	-	Note 2
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	The company's ultimate parent company is the same	Other current financial assets 151,655	-	-	-	-	-	Note 2, 3
CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	The company's ultimate parent company is the same	Other current financial assets 115,400	-	-	-	-	-	Note 2, 4

Note 1: The accumulated received balance as of November 6, 2023.

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

Note 3: Including interest receivables \$22,575.

Note 4: Including interest receivables \$610.

- (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	151,655	Rate 5.88795%~6.05708%	2%
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	2	Other current financial assets	115,400	Rate 3.95%~4.05%	2%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	1,543,107	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	662,516	"	10%

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 nine months ended September 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 September 30, 2023			Net income (losses) of the investment	Investment income (losses)	Note
				September 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 %	2,396,913	129,585	129,585	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100 %	102	(176)	(176)	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY (THAILAND) Co., LTD.	Thailand	Computer case and production of relative components	14,745	-	1,650	100 %	14,230	(62)	(62)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	1,002,758	44,770	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 %	1,241,533	78,590	"	"

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

(c) Information on investment in mainland China:

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

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2023 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2023	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2 and 3)	Carrying amount as of September 30, 2023 (note 3)	Accumulated remittance of earnings as of September 30, 2023
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	2,081,415 (USD64,500)	notes 1 and 6	723,171 (USD22,410)	-	-	723,171 (USD22,410)	79,281	100 %	79,281	1,241,533	-
Dongguan Chenming Electronic Co., Ltd	"	935,120 (note 4) (USD28,978)	notes 1 and 7	803,523 (USD24,900)	-	-	803,523 (USD24,900)	66,894	100 %	66,894	820,199	-
UNEEC ELECTRONIC (KUNSHAN) CO., LTD	"	32,270 (USD1,000)	notes 1 and 6	32,270 (USD1,000)	-	30,108 (USD933)	-	(816)	- %	(816)	- (note 9)	-

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(ii) Limitation on investment in mainland China:

Accumulated Investment in Mainland China as of September 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
1,528,856 (USD47,377)	1,759,038 (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 \$32.27 as of September 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.

Note9: As of September 30, 2023, the liquidation process had been completed.

(iii) Significant transactions:

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

(d) Major shareholders:

(Unit: Share)

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

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

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

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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(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.