

CHENMING ELECTRONIC TECHNOLOGY CORP.**FINANCIAL STATEMENTS**

**With Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023**

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

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of CHENMING ELECTRONIC TECHNOLOGY CORP. (“the Company”), which comprise the balance sheet as of December 31, 2024 and 2023, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statement Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Revenue recognition

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

Description of key audit matters:

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

Audit Procedures:

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Wang, I-Wen and Chien, Szu-Chuan.

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2025

Notes to Readers

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

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

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

Balance Sheets

December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2024		December 31, 2023		Liabilities and Equity		December 31, 2024		December 31, 2023	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 410,524	6	153,657	3	2100	Short-term loans (note (6)(i))	\$ -	-	20,000	-
1110	Current financial assets at fair value through profit or loss (note (6)(b))	-	-	1,699	-	2170	Trade payables	82,460	1	1,605	-
1170	Trade receivables, net (notes (6)(c) and (6)(r))	1,420,201	21	925,006	17	2180	Trade payables to related parties (note (7))	1,376,241	20	1,098,198	21
1310	Inventories, net (note (6)(d))	89,716	1	5,287	-	2230	Current tax liabilities (note (6)(o))	131,302	2	38,170	1
1479	Other current assets	7,224	-	1,633	-	2200	Other payables	82,520	1	62,065	1
		<u>1,927,665</u>	<u>28</u>	<u>1,087,282</u>	<u>20</u>	2280	Current lease liabilities (note (6)(l))	665	-	655	-
Non-current assets:						2300	Other current liabilities (note (6)(j))	469	-	345	-
1510	Non-current financial assets at fair value through profit or loss (notes (6)(b) and (6)(k))	1,950	-	1,640	-	2320	Long-term loans, current portion	<u>34,523</u>	<u>1</u>	<u>-</u>	<u>-</u>
1550	Investments accounted for using equity method, net (note (6)(e))	3,094,733	45	2,457,618	46			<u>1,708,180</u>	<u>25</u>	<u>1,221,038</u>	<u>23</u>
1600	Property, plant, and equipment (notes (6)(f) and (8))	1,643,156	24	1,585,942	30	Non-Current liabilities:					
1755	Right-of-use assets (note (6)(g))	933	-	1,592	-	2530	Bonds payable (note (6)(k))	471,698	7	377,911	7
1760	Investment property, net (notes (6)(h) and (8))	170,754	3	171,793	3	2540	Long-term loans (note (6)(j))	203,877	3	433,900	8
1840	Deferred income tax assets (note (6)(o))	1,309	-	8,525	1	2560	Non-current tax liabilities (note (6)(o))	6,393	-	21,736	1
1980	Other non-current financial assets	1,561	-	1,270	-	2570	Deferred income tax liabilities (note (6)(o))	4,549	-	188	-
1990	Other non-current assets	4,995	-	2,748	-	2580	Non-current lease liabilities (note (6)(l))	280	-	945	-
		<u>4,919,391</u>	<u>72</u>	<u>4,231,128</u>	<u>80</u>	2645	Guarantee deposits	<u>4,238</u>	<u>-</u>	<u>4,238</u>	<u>-</u>
								<u>691,035</u>	<u>10</u>	<u>838,918</u>	<u>16</u>
								<u>2,399,215</u>	<u>35</u>	<u>2,059,956</u>	<u>39</u>
							Total liabilities				
							Equity attributable to owners of parent (notes (6)(k) and (6)(p)):				
						3100	Ordinary shares	2,051,389	30	1,959,350	37
						3200	Capital surplus	765,025	11	380,656	7
						3300	Retained earnings	1,642,068	24	990,051	18
						3410	Exchange differences on translation of foreign financial statements	(10,641)	-	(71,603)	(1)
							Total equity	<u>4,447,841</u>	<u>65</u>	<u>3,258,454</u>	<u>61</u>
							Total liabilities and equity	<u>\$ 6,847,056</u>	<u>100</u>	<u>\$ 5,318,410</u>	<u>100</u>
	Total assets	<u>\$ 6,847,056</u>	<u>100</u>	<u>5,318,410</u>	<u>100</u>						

See accompanying notes to financial statements.

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

Statements of Comprehensive Income

For the years ended December 31, 2024 and 2023

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

	2024		2023	
	Amount	%	Amount	%
4000 Operating revenue, net (note (6)(r))	\$ 4,139,566	100	2,569,509	100
5000 Operating costs (notes (6)(d), (6)(n), (7) and (12))	<u>3,385,327</u>	<u>82</u>	<u>2,307,485</u>	<u>90</u>
5900 Gross profit from operations	<u>754,239</u>	<u>18</u>	<u>262,024</u>	<u>10</u>
6000 Operating expenses (notes (6)(n), (7) and (12)):				
6100 Selling expenses	38,292	1	37,229	1
6200 Administrative expenses	101,762	2	93,211	4
6300 Research and development expenses	<u>32,859</u>	<u>1</u>	<u>26,796</u>	<u>1</u>
	<u>172,913</u>	<u>4</u>	<u>157,236</u>	<u>6</u>
6900 Net operating income	<u>581,326</u>	<u>14</u>	<u>104,788</u>	<u>4</u>
7000 Non-operating income and expenses:				
7050 Finance costs, net (notes (6)(k) and (6)(l))	(10,105)	-	(7,004)	-
7100 Interest income	3,362	-	1,786	-
7110 Rent revenue (notes (6)(m) and (7))	12,069	-	12,022	1
7190 Other income (losses), net (notes (6)(k) and (7))	1,907	-	4,649	-
7230 Foreign exchange gains (losses), net (note (6)(t))	83,092	2	(21,924)	(1)
7070 Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	<u>196,953</u>	<u>5</u>	<u>177,746</u>	<u>7</u>
	<u>287,278</u>	<u>7</u>	<u>167,275</u>	<u>7</u>
7900 Profit from continuing operations before tax	868,604	21	272,063	11
7951 Less: Income tax expenses (note (6)(o))	<u>138,213</u>	<u>3</u>	<u>18,919</u>	<u>1</u>
Profit	<u>730,391</u>	<u>18</u>	<u>253,144</u>	<u>10</u>
8300 Other comprehensive income:				
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	60,962	1	(21,135)	(1)
8399 Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>60,962</u>	<u>1</u>	<u>(21,135)</u>	<u>(1)</u>
8300 Other comprehensive income (loss)	<u>60,962</u>	<u>1</u>	<u>(21,135)</u>	<u>(1)</u>
8500 Comprehensive income (loss)	<u>\$ 791,353</u>	<u>19</u>	<u>232,009</u>	<u>9</u>
Earnings per share (expressed in NTD) (note (6)(q)):				
9750 Basic earnings per share	<u>\$ 3.63</u>		<u>1.29</u>	
9850 Diluted earnings per share	<u>\$ 3.57</u>		<u>1.28</u>	

See accompanying notes to financial statements.

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

Statements of Changes in Equity
For the years ended December 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings	Other components of equity	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements	
Balance on January 1, 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 year ended December 31, 2023	-	-	-	-	253,144	253,144	-	253,144
Other comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	-	-	(21,135)	(21,135)
Total comprehensive income (loss) for the year ended December 31, 2023	-	-	-	-	253,144	253,144	(21,135)	232,009
Issuance of convertible bonds	-	67,093	-	-	-	-	-	67,093
Balance on December 31, 2023	1,959,350	380,656	324,527	50,468	615,056	990,051	(71,603)	3,258,454
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	25,314	-	(25,314)	-	-	-
Special reserve reversed	-	-	-	21,135	(21,135)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(78,374)	(78,374)	-	(78,374)
Profit for the year ended December 31, 2024	-	-	-	-	730,391	730,391	-	730,391
Other comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	-	-	60,962	60,962
Total comprehensive income (loss) for the year ended December 31, 2024	-	-	-	-	730,391	730,391	60,962	791,353
Conversion of convertible bonds	92,039	287,492	-	-	-	-	-	379,531
Issuance of convertible bonds	-	96,877	-	-	-	-	-	96,877
Balance on December 31, 2024	\$ 2,051,389	765,025	349,841	71,603	1,220,624	1,642,068	(10,641)	4,447,841

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2024 and 2023

(Expressed in Thousands of New Taiwan Dollars)

	2024	2023
Cash flows from (used in) operating activities:		
Profit before tax	\$ 868,604	272,063
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	20,465	6,399
Amortization expense	2,032	1,683
Expected credit gains	(1)	(78)
Net losses (gains) on financial assets or liabilities at fair value through profit or loss	709	(1,170)
Interest expense	10,105	7,004
Interest income	(3,362)	(1,786)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(196,953)	(177,746)
Total adjustments to reconcile profit (loss)	(167,005)	(165,694)
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	-	(1,000)
(Increase) decrease in trade receivables	(495,194)	389,183
Increase in inventories	(84,429)	(4,043)
(Increase) decrease in other current assets	(5,420)	2,312
Increase in trade payables (including related parties)	358,898	261,671
Increase (decrease) in other payables and other current liabilities	20,191	(26,966)
Other	547	(317)
Total changes in operating assets and liabilities	(205,407)	620,840
Total adjustments	(372,412)	455,146
Cash inflow generated from operations	496,192	727,209
Interest received	3,362	1,786
Income taxes paid	(49,018)	(8,783)
Net cash flows from operating activities	450,536	720,212
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	1,019	1,031
Acquisition of investments accounted for using equity method	(379,200)	(35,097)
Proceeds from capital reduction of investments accounted for using equity method	-	29,034
Acquisition of property, plant and equipment	(74,451)	(78,567)
Acquisition of intangible assets	(3,309)	(1,522)
Increase in prepayments for equipment and others	(2,791)	334
Net cash flows used in from investing activities	(458,732)	(84,787)
Cash flows from (used in) financing activities:		
Decrease in short-term loans	(20,000)	(20,000)
Proceeds from issuance of convertible bonds	564,718	443,005
Proceeds from long-term loans	280,400	199,000
Repayments of long-term loans	(475,900)	(1,100,000)
Payment of lease liabilities	(655)	(1,668)
Distribution in cash dividends	(78,374)	(58,781)
Interest paid	(5,126)	(19,355)
Net cash flows from (used in) financing activities	265,063	(557,799)
Net increase in cash and cash equivalents	256,867	77,626
Cash and cash equivalents at beginning of period	153,657	76,031
Cash and cash equivalents at end of period	\$ 410,524	153,657

See accompanying notes to financial statements.

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

Notes to the Financial Statements

For the years ended December 31, 2024 and 2023

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

(1) Company history

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

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

These financial statements were authorized for issue by the Board of Directors on March 13, 2025.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the IFRS Accounting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2024:

- 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”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2025, would not have a significant impact on its financial statements:

- Amendments to IAS21 “Lack of Exchangeability”

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> ● A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined ‘operating profit’ subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities. ● Management performance measures (MPMs): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS Accounting Standards. ● Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes. 	January 1, 2027

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
Annual Improvements to IFRS Accounting Standards—Volume 11	<p>The amendments set out:</p> <ol style="list-style-type: none"> 1. IFRS 1 “ First-time Adoption of International Financial Reporting Standards”: <p>The amendments address a potential confusion arising from an inconsistency in wording between paragraph B6 of IFRS 1 and requirements for hedge accounting in IFRS 9 Financial Instruments.</p> 2. IFRS 7 “ Financial Instruments: Disclosures”: <p>The amendments address a potential confusion in IFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when IFRS 13 Fair Value Measurement was issued.</p> 3. IFRS 9 “Financial Instruments”: <ul style="list-style-type: none"> ● Derecognition of a lease liability <p>The IASB’s amendment states that if a lease liability is derecognized, then the derecognition will be accounted for under IFRS 9, (i.e. the difference between the carrying amount and the consideration paid is recognized in profit or loss). However, when a lease liability is modified, the modification will be accounted for under IFRS 16 Leases.</p> ● Transaction price <p>The amendments require companies to initially measure a trade receivable without a significant financing component at the amount determined by applying IFRS 15 Revenue from Contracts with Customers. The amendments remove the conflict between IFRS 9 and IFRS 15 over the amount at which a trade receivable is initially measured.</p> 	January 1, 2026

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

Standards or Interpretations	Content of amendment	Effective date per IASB
	4. IFRS 10 “ Consolidated Financial Statements”: The amendments clarify the determination of a ‘de facto agent’.	
	5. IAS 7 “Statement of Cash Flows”: The amendments address a potential confusion in applying paragraph 37 of IAS 7 that arises from the use of the term ‘cost method’.	

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “ Insurance Contracts” and amendments to IFRS 17 “ Insurance Contracts”
- IFRS 19 “Subsidiaries without Public Accountability: Disclosures”
- Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” regarding the application guidance requirements for Sections 3.1 and 3.3 of IFRS 9 and the related disclosure requirements of IFRS 7
- Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”

(4) Summary of material accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

(ii) Foreign operations

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

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

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

The Company classifies the asset as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies the liability as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Fair value through profit or loss (FVTPL)

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

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

3) Impairment of financial assets

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

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.**Notes to the Financial Statements**

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

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

4) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

3) Treasury shares

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

4) Financial liabilities

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

7) Interest rate benchmark reform

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

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

(iii) Derivative financial instruments

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

(g) Inventories

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

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

(h) Investment in subsidiaries

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

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

(i) Investment property

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

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

- 1) Buildings: 5 ~ 51 years
- 2) Machinery: 10 ~20 years
- 3) Other equipment: 1 ~10 years
- 4) Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

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

(k) Lease

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(i) As a lessee

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

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

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

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

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

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

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

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

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

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

(ii) As a lessor

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

(l) Intangible assets

(i) Recognition & measurement

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

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

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

(ii) Subsequent expenditure

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(iii) Amortization

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

The estimated useful lives for computer software current and comparative periods are 1~3 years.

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

(m) Impairment of non-financial assets

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

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

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

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

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

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

(n) Revenue

(i) Revenue from contracts with customers

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

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

(ii) Financing components

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

(o) Government grants

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

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Termination benefits

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

(iii) Short-term employee benefits

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(q) Income taxes

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

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

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

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

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

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

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

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(r) Earnings per share

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

(s) Operating segments

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

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

In preparing these financial statements, management has made judgments estimates, 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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are consistent with the Company's risk management and climate-related commitments where appropriate. Revisions to estimates are recognised prospectively in the period of the change and future periods.

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2024	December 31, 2023
Cash on hand	\$ 50	50
Checking accounts and demand deposits	410,474	153,607
	<u>\$ 410,524</u>	<u>153,657</u>

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Current mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets		
Beneficiary certificate-Funds	\$ -	990
Derivative financial assets		
Forward exchange contract	<u>-</u>	<u>709</u>
	<u>\$ -</u>	<u>1,699</u>
Non-current mandatorily measured at fair value through profit or loss:		
Convertible bonds-embedded derivatives	<u>\$ 1,950</u>	<u>1,640</u>

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

	<u>December 31, 2023</u>		
	<u>Contract amount</u> <u>(in thousands)</u>	<u>Currency</u>	<u>Maturity</u>
Hedging financial assets			
Forward exchange contracts:			
Forward exchange sold	USD 1,000	USD to TWD	2024.1.5

As of December 31, 2024 and 2023, the Company did not pledge any financial assets as collaterals.

(c) Trade receivables

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Trade receivables — measured at amortized costs	\$ 764,365	458,268
Trade receivable — measured at fair value through other comprehensive income	<u>656,028</u>	<u>466,931</u>
	1,420,393	925,199
Less: Loss allowance	<u>(192)</u>	<u>(193)</u>
Trade receivables, net	<u>\$ 1,420,201</u>	<u>925,006</u>

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

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

	December 31, 2024		
	Gross carrying amount	Weighted- average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 1,410,653	0.01%	179
1 to 30 days past due	9,711	0.11%	11
31 to 150 days past due	15	0.00%	-
150 to 360 days past due	14	14.29%	2
	\$ 1,420,393		192
	December 31, 2023		
	Gross carrying amount	Weighted- average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 919,077	0.02%	174
1 to 30 days past due	5,851	0.10%	6
31 to 150 days past due	271	4.80%	13
	\$ 925,199		193

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

	2024	2023
Balance on January 1	\$ 193	271
Impairment losses reversed	(1)	(78)
Balance on December 31	\$ 192	193

As of December 31, 2024 and 2023, the Company did not pledge any receivable as collateral.

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.

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CHENMING ELECTRONIC TECHNOLOGY CORP.
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As of December 31, 2024 and 2023, the Company sold its trade receivables without recourse as follows:

December 31, 2024					
Purchaser	Amount Derecognized	Credit Lines	Amount Advanced (Recognized in Short- term loans)	Range of Interest Rate	Guarantee Item
Financial institutions	\$ 656,028 <u>(USD 20,010)</u> thousand dollars)	465,000 <u>(USD 15,000)</u> thousand dollars)	-	-	-
December 31, 2023					
Purchaser	Amount Derecognized	Credit Lines	Amount Advanced (Recognized in Short- term loans)	Range of Interest Rate	Guarantee Item
Financial institutions	\$ 466,931 <u>(USD 15,207)</u> thousand dollars)	465,000 <u>(USD 15,000)</u> thousand dollars)	-	-	-

(d) Inventories

	December 31, 2024	December 31, 2023
Raw materials	\$ 73,925	47
Work in progress	14,311	-
Finished goods and merchandise inventories	1,480	5,240
	\$ 89,716	5,287

The Company Composition details of operating cost on December 31, 2024 and 2023 as follow:

	December 31, 2024	December 31, 2023
Cost of good sold	\$ 3,382,048	2,307,485
Revenue from sale of scraps	(15)	-
Inventory valuation and obsolescence losses	982	-
Shortage of inventories	2,312	-
	\$ 3,385,327	2,307,485

As of December 31, 2024 and 2023, the Company did not pledge any inventories as collateral.

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CHENMING ELECTRONIC TECHNOLOGY CORP.
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(e) Investments accounted for using equity method

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

Subsidiaries	<u>December 31, 2024</u>	<u>December 31, 2023</u>
	<u>\$ 3,094,733</u>	<u>2,457,618</u>

- (i) The Company has invested in establishing a subsidiary, CHENMING ELECTRONIC TECHNOLOGY (Thailand) Co.,Ltd. in 2023, with an amount of \$35,097 (US\$1,095 thousand) to meet future orders and accommodate operational development needs. In 2024, the Company further invested an additional amount of \$379,200 (US\$11,875) in Thailand for (i) the acquisition of equipment, and the parcel of land to build its factory, as well as (ii) other operating demand.
- (ii) The Company set up its subsidiary, UNEEC ELECTRONIC (KUNSHAN) CO., LTD., with a capital of USD 1,000 thousand, based on a resolution approved during the board meeting held on March 23, 2022. However, due to changes of operation plans, the board decided on March 22, 2023, to liquidate the subsidiary mentioned above. As of December 31, 2023, the liquidation process have been completed, and the liquidation proceeds of USD 933 thousand have been repatriated. TOP CITY INTERNATIONAL LIMITED has also reduced its capital by refunding the proceeds of USD 933 thousand.
- (iii) As of December 31, 2024 and 2023, the Company did not provide any investment accounted for using equity method as collateral.

(f) Property, Plant and Equipment

The cost and depreciation of the property, plant and equipment of the Company for the years ended December 31, 2024 and 2023 were as follows:

	<u>Land</u>	<u>Properties</u>	<u>Machinery and equipment</u>	<u>Office equipment and others</u>	<u>Construction in progress and prepayments for equipment</u>	<u>Total</u>
Cost:						
Balance at January 1, 2024	\$ 1,115,263	229,343	-	3,086	282,928	1,630,620
Additions	-	13,459	-	5,781	55,211	74,451
Disposals	-	-	-	(1,722)	-	(1,722)
Transferred into (out)	-	211,486	69,551	3,421	(282,928)	1,530
Balance at December 31, 2024	<u>\$ 1,115,263</u>	<u>454,288</u>	<u>69,551</u>	<u>10,566</u>	<u>55,211</u>	<u>1,704,879</u>
Balance at January 1, 2023	\$ 1,115,263	229,343	-	3,207	192,949	1,540,762
Additions	-	-	-	1,084	89,979	91,063
Disposals	-	-	-	(1,205)	-	(1,205)
Balance at December 31, 2023	<u>\$ 1,115,263</u>	<u>229,343</u>	<u>-</u>	<u>3,086</u>	<u>282,928</u>	<u>1,630,620</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

	<u>Land</u>	<u>Properties</u>	<u>Machinery and equipment</u>	<u>Office equipment and others</u>	<u>Construction in progress and prepayments for equipment</u>	<u>Total</u>
Depreciation:						
Balance at January 1, 2024	\$ -	43,221	-	1,457	-	44,678
Depreciation	-	13,231	3,520	2,016	-	18,767
Disposals	-	-	-	(1,722)	-	(1,722)
Balance at December 31, 2024	<u>\$ -</u>	<u>56,452</u>	<u>3,520</u>	<u>1,751</u>	<u>-</u>	<u>61,723</u>
Balance at January 1, 2023	\$ -	40,684	-	1,493	-	42,177
Depreciation	-	2,537	-	1,169	-	3,706
Disposals	-	-	-	(1,205)	-	(1,205)
Balance at December 31, 2023	<u>\$ -</u>	<u>43,221</u>	<u>-</u>	<u>1,457</u>	<u>-</u>	<u>44,678</u>
Book value:						
Balance at December 31, 2024	<u>\$ 1,115,263</u>	<u>397,836</u>	<u>66,031</u>	<u>8,815</u>	<u>55,211</u>	<u>1,643,156</u>
Balance at January 1, 2023	<u>\$ 1,115,263</u>	<u>188,659</u>	<u>-</u>	<u>1,714</u>	<u>192,949</u>	<u>1,498,585</u>
Balance at December 31, 2023	<u>\$ 1,115,263</u>	<u>186,122</u>	<u>-</u>	<u>1,629</u>	<u>282,928</u>	<u>1,585,942</u>

As of December 31, 2024 and 2023 the Company had provided parts of the property, plant and equipment as collateral for its long-term loans and credit lines. Please refer to note (8) for details.

(g) Right-of-use assets

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

	<u>Transportation</u>
Cost:	
Balance on January 1, 2024 (Same balance as December 31, 2024)	<u>\$ 11,471</u>
Balance on January 1, 2023	\$ 9,495
Additions	1,976
Balance on December 31, 2023	<u>\$ 11,471</u>
Accumulated depreciation and impairment losses:	
Balance on January 1, 2024	\$ 9,879
Depreciation	659
Balance on December 31, 2024	<u>\$ 10,538</u>
Balance on January 1, 2023	\$ 8,225
Depreciation	1,654
Balance on December 31, 2023	<u>\$ 9,879</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

	Transportation
Book value:	
Balance on December 31, 2024	\$ <u><u>933</u></u>
Balance on December 31, 2023	\$ <u><u>1,592</u></u>
Balance on January 1, 2023	\$ <u><u>1,270</u></u>

(h) Investment Property

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

	Land	Properties	Total
Cost:			
Balance on January 1, 2024 (Same balance as December 31, 2024)	\$ <u><u>136,906</u></u>	<u><u>52,979</u></u>	<u><u>189,885</u></u>
Balance on January 1, 2023 (Same balance as December 31, 2023)	\$ <u><u>136,906</u></u>	<u><u>52,979</u></u>	<u><u>189,885</u></u>
Depreciation:			
Balance on January 1, 2024	\$ -	18,092	18,092
Depreciation	<u>-</u>	<u>1,039</u>	<u>1,039</u>
Balance on December 31, 2024	\$ <u><u>-</u></u>	<u><u>19,131</u></u>	<u><u>19,131</u></u>
Balance on January 1, 2023	\$ -	17,053	17,053
Depreciation	<u>-</u>	<u>1,039</u>	<u>1,039</u>
Balance on December 31, 2023	\$ <u><u>-</u></u>	<u><u>18,092</u></u>	<u><u>18,092</u></u>
Book Value:			
Balance on December 31, 2024	\$ <u><u>136,906</u></u>	<u><u>33,848</u></u>	<u><u>170,754</u></u>
Balance on December 31, 2023	\$ <u><u>136,906</u></u>	<u><u>34,887</u></u>	<u><u>171,793</u></u>
Balance on January 1, 2023	\$ <u><u>136,906</u></u>	<u><u>35,926</u></u>	<u><u>172,832</u></u>
Fair Value:			
Balance on December 31, 2024			\$ <u><u>514,611</u></u>
Balance on December 31, 2023			\$ <u><u>535,534</u></u>

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

As of December 31, 2024 and 2023, the Company pledge investment properties as collateral. Please refer to note (8) for details.

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(i) Short-term loans

The short-term loans were summarized as follows:

	<u>December 31,</u> <u>2024</u>	<u>December 31,</u> <u>2023</u>
Credit Loan	\$ -	20,000
Secured Loan	-	-
	<u>\$ -</u>	<u>20,000</u>
Unused credit lines for short-term loans	<u>\$ 2,538,627</u>	<u>2,166,432</u>
Annual interest rates	<u>-</u>	<u>1.00%~1.47%</u>

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

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

(iii) As of December 31, 2024 and 2023, the Company provided part of its assets as collateral for short term loans. Please refer to note (8) for details.

(j) Long-term loans

The long-term loans were summarized as follows:

	<u>December 31, 2024</u>			
	<u>Currency</u>	<u>Range of</u> <u>interest rates</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	TWD	<u>0.89%</u>	2028~2031	\$ <u>238,400</u>
Current				\$ 34,523
Non-current				<u>203,877</u>
Total				<u>\$ 238,400</u>
Unused long-term credit lines				<u>\$ 500,000</u>
	<u>December 31, 2023</u>			
	<u>Currency</u>	<u>Range of</u> <u>interest rates</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	TWD	<u>0.5%~1.95%</u>	2028~2041	\$ <u>433,900</u>
Current				\$ -
Non-current				<u>433,900</u>
Total				<u>\$ 433,900</u>
Unused long-term credit lines				<u>\$ 952,100</u>

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

- (i) The main management was the guarantor of long-term loan contracts, please refer to note (7).
- (ii) The Company increased its long-term loans of \$280,400 and \$199,000 for the year ended December 31, 2024 and 2023, respectively. Due to the changes in its capital use and inter rates, the Company repaid the amounts of \$475,900 and \$1,100,000 for the year ended December 31, 2024 and 2023, respectively.
- (iii) For information on interest rate and liquidity risk, please refer to note (6)(t).
- (iv) As of December 31, 2024 and 2023, the Company provided part of its assets as collateral for long-term loans. Please refer to note (8) for details.
- (k) Bonds payable
- (i) The Company issued the third domestic secured corporate bond on November 16, 2023. The information was as follows:

- 1) The details of bonds payable were as follows:

	December 31, 2024	December 31, 2023
Total convertible corporate bonds issued	\$ 400,000	400,000
Unamortized discounts on bonds payable	-	(22,089)
Accumulated converted amount	(400,000)	-
Balance of bonds payable as of reporting date	<u>\$ -</u>	<u>377,911</u>
Embedded derivatives – call option (recorded as financial assets at fair value through profit or loss – non-current)	<u>\$ -</u>	<u>1,640</u>
Equity component – conversion options (recorded as capital surplus)	<u>\$ -</u>	<u>67,093</u>
Embedded derivatives-gains or losses resulting from call option at fair value (recorded as other income (losses), net)	<u>\$ 271</u>	<u>-</u>
Interest expense	<u>\$ 3,531</u>	<u>619</u>

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

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

The effective interest rate of the third issued of convertible bonds is 1.9672%. The third domestic secured corporate bonds were all converted into the Company's common stock in September 2024.

- 3) The significant terms of the third issued convertible bonds were as follows:
- a) Term: 3 years (November 16, 2023~ November 16, 2026)
 - b) Interest rate: 0%.
 - c) Guarantee situation:
 Mega International Commercial Bank Co., Ltd. and Hua Nan Commercial Bank, Ltd. served as the guarantee banks for the convertible corporate bonds. Each guarantee bank is only responsible for guaranteeing within its respective scope, with the distribution of guarantee responsibilities being 50% for Mega International Commercial Bank Co., Ltd. and 50% for Hua Nan Commercial Bank, Ltd. They do not bear joint liabilities.
 - d) Redemption at the option of the Company:
 - i) Within the period between three months after the issuance date (February 17, 2024) and 40 days before the last convertible date (October 6, 2026), if the closing price of the Company's common stock listed on the Taiwan Stock Exchange exceeds 30% of the conversion price for 30 consecutive business days, then the Company could redeem the bonds at face value of the corporate bonds in cash.
 - ii) Within the period between three months after the issuance date (February 17, 2024) and 40 days before the last convertible date (October 6, 2026), if the remaining amount of the convertible bonds is less than 10% of the total par value, then the Company could redeem the bonds at face value of the corporate bonds in cash.
 - e) Repurchase at the option of bondholders: None.
 - f) Terms of conversion:
 - i) The bondholders may request the conversion of the convertible bonds into the Company's common stock at the par value and conversion price at the time of their request, at any time between three months after the issuance date (February 17, 2024) and the maturity date (November 16, 2026), except for the following periods:
 - The period starts from 15 business days before the book closure date for issuance of the bonus shares, book closure date for cash dividends, book closure date for rights issue, to the record date for distribution of entitlements;
 - The period starts from the base date of capital reduction to the day before the transaction of reissue of shares after the capital reduction;

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CHENMING ELECTRONIC TECHNOLOGY CORP.

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- The period starts from the starting date of the suspension of conversion for the change of the stock's par value to the date before the trading date of the reissuance shares;
 - The period in which transfer common stocks is suspended by laws.
- ii) The conversion price of NT\$43.5 per share upon issuance had been adjusted to NT\$43.3 per share after paying increase the investment in its subsidiary on common shares on August 2, 2024.
- 4) For the year ended December 31, 2024, the convertible bonds with a par value of \$400,000 were converted into ordinary shares of the Company of \$92,039, and the capital surplus arising from the conversion - premium on share issuance was \$354,585 (including the stock options converted to discount on share issuance of \$67,093, the unamortized discount on bonds payable of \$18,558, and the call options converted to premium on share issuance of \$1,911).
- (ii) The Company issued the fourth domestic secured corporate bonds on October 18, 2024. The information was as follows:
- 1) The details of bonds payable were as follows:

	December 31, 2024
Total convertible corporate bonds issued	\$ 500,000
Unamortized discounts on bonds payable	(28,302)
Balance of bonds payable as of reporting date	\$ 471,698
Embedded derivatives – call option (recorded as financial assets at fair value through profit or loss – non-current)	\$ 1,950
Equity component – conversion options (recorded as capital surplus)	\$ 96,877
Embedded derivatives-gains or losses resulting from call option at fair value (recorded as other income (losses), net)	\$ (300)
Interest expense	\$ 1,629

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

	The fourth
The compound interest present value of the convertible bonds face value at issuance	\$ 474,500
The embedded derivative asset at issuance – call option	(2,250)
The equity components at issuance	97,790
Total amount of the convertible bonds at issuance	\$ 570,040
Issuance costs	\$ 5,322

The effective interest rate of the fourth issued of convertible bonds is 2.0789%.

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CHENMING ELECTRONIC TECHNOLOGY CORP.
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3) The significant terms of the fourth issued convertible bonds were as follows:

- a) Term: 3 years (October 18, 2024~ October 18, 2027)
- b) Interest rate: 0%.
- c) Guarantee situation:

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

d) Redemption at the option of the Company:

- i) Within the period between three months after the issuance date (January 19, 2025) and 40 days before the last convertible date (September 8, 2027), if the closing price of the Company's common stock listed on the Taiwan Stock Exchange exceeds 30% of the conversion price for 30 consecutive business days, then the Company could redeem the bonds at face value of the corporate bonds in cash.
- ii) Within the period between three months after the issuance date (January 19, 2025) and 40 days before the last convertible date (September 8, 2027), if the remaining amount of the convertible bonds is less than 10% of the total par value, then the Company could redeem the bonds at face value of the corporate bonds in cash.

e) Repurchase at the option of bondholders: None.

f) Terms of conversion:

- i) The bondholders may request the conversion of the convertible bonds into the Company's common stock at the par value and conversion price at the time of their request, at any time between three months after the issuance date (January 19, 2025) and the maturity date (October 18, 2027), except for the following periods:
 - The period starts from 15 business days before the book closure date for issuance of the bonus shares, book closure date for cash dividends, book closure date for rights issue, to the record date for distribution of entitlements;
 - The period starts from the base date of capital reduction to the day before the transaction of reissue of shares after the capital reduction;
 - The period starts from the starting date of the suspension of conversion for the change of the stock's par value to the date before the trading date of the reissuance shares;

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

- The period in which transfer common stocks is suspended by laws.

4) The conversion price: The conversion price was NT\$144.5 per share at issuance.

(l) Lease liabilities

	December 31, 2024	December 31, 2023
Current	<u>\$ 665</u>	<u>655</u>
Non-current	<u>\$ 280</u>	<u>945</u>

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

The amounts recognized in profit or loss were as follows:

	2024	2023
Interest on lease liabilities	<u>\$ 20</u>	<u>21</u>
Expenses relating to short-term leases	<u>\$ 1,471</u>	<u>1,031</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 169</u>	<u>120</u>

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

	2024	2023
Total cash outflow for leases	<u>\$ 2,315</u>	<u>2,840</u>

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

(m) Operating lease—Leases as lessor

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

As of December 31, 2024 and 2023, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2024	December 31, 2023
Less than one year	<u>\$ 11,829</u>	<u>11,829</u>
Between two and five years	<u>4,800</u>	<u>16,629</u>
Total undiscounted lease payment	<u>\$ 16,629</u>	<u>28,458</u>

The lease revenue from investment properties were \$12,069 and \$12,022 in 2024 and 2023, respectively.

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(n) Employee benefits

(i) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to \$4,678 and \$4,011 for the years ended December 31, 2024 and 2023, respectively.

(o) Income taxes

(i) Income tax expenses

1) The amount of income tax for 2024 and 2023 was as follows:

	<u>2024</u>	<u>2023</u>
Current tax expense		
Current period	\$ 126,937	21,854
Adjustment for prior period	<u>(301)</u>	<u>-</u>
	<u>126,636</u>	<u>21,854</u>
Deferred tax expense (benefits)		
Origination and reversal of temporary differences	<u>11,577</u>	<u>(2,935)</u>
	<u>11,577</u>	<u>(2,935)</u>
Income tax expense	<u><u>\$ 138,213</u></u>	<u><u>18,919</u></u>

2) Reconciliation of income tax and profit before tax for 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Profit excluding income tax	\$ <u>868,604</u>	<u>272,063</u>
Income tax using the Company's domestic tax rate	173,721	54,413
Others	<u>(35,508)</u>	<u>(35,494)</u>
	<u><u>\$ 138,213</u></u>	<u><u>18,919</u></u>

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(ii) Deferred tax assets and liabilities

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

	<u>Unrealized exchange gains and others</u>
Deferred tax liabilities:	
Balance on January 1, 2024	\$ 188
Recognized in other comprehensive income	<u>4,361</u>
Balance on December 31, 2024	<u>\$ 4,549</u>
Balance on December 31, 2023 (Same balance as December 31, 2023)	<u>\$ 188</u>
	<u>Paid leave liability and others</u>
Deferred tax assets:	
Balance on January 1, 2024	\$ 8,525
Recognized in profit or (loss)	<u>(7,216)</u>
Balance on December 31, 2024	<u>\$ 1,309</u>
Balance on January 1, 2023	\$ 5,402
Recognized in profit or (loss)	<u>3,123</u>
Balance on December 31, 2023	<u>\$ 8,525</u>

(iii) The Company's tax returns for the years through 2022 were assessed by the Taipei National Tax Administration.

(iv) Income tax payment

The Company's profit-seeking enterprise income for 2022 shows a voluntary supplementary payment of \$46,030. Due to the impact of COVID-19, the company has applied to the National Taxation Bureau of Taipei, Ministry of Finance for a 36-month installment plan. As of December 31, 2024, a total of \$24,294 has been paid, leaving a remaining balance of \$21,736. The amount due within one year is \$15,343, while the amount due after one year is \$6,393. These amounts have been classified as current and non-current income tax liabilities in this reporting period, respectively.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(p) Capital and other equity

(i) Ordinary shares

As of December 31, 2024 and 2023, the authorized common stocks were both \$3,000,000, with a par value of 10 New Taiwan dollars per share, and of which \$205,139 thousand shares and \$195,935 thousand shares were issued. All issued shares were paid up upon issuance.

Reconciliation of shares outstanding for 2024 and 2023 was as follows:

(in thousands of shares)	Ordinary shares	
	2024	2023
Balance on January 1	195,935	195,935
Conversion of convertible bonds	9,204	-
Balance on December 31	\$ 205,139	-

(ii) Capital surplus

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

	December 31, 2024	December 31, 2023
Additional paid-in capital	\$ 505,136	150,551
Difference between consideration and carrying amount of subsidiaries acquired or disposed	163,012	163,012
Convertible bonds-conversion options	96,877	67,093
	\$ 765,025	380,656

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

(iii) Retained Earning

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

1) Legal reserve

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

2) Special reserve

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve in earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and is not qualified for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriation of earnings for the year of 2023 and 2022 approved in the shareholders' meeting held on June 14, 2024 and June 16, 2023 was \$78,374 and \$58,781 by cash dividends. The relevant information can be accessed from the Market Observation Post System.

The appropriation of earnings for the year of 2024 approved in the Board of Directors meeting held on March 13, 2025 was \$123,083 by cash dividends.

(q) Earnings per share

For the years ended December 31, 2024 and 2023, the Company's earnings per share were calculated as follows:

	<u>2024</u>	<u>2023</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>730,391</u>	<u>253,144</u>
Weighted-average number of ordinary shares (share in thousands)	<u>201,371</u>	<u>195,935</u>
	\$ <u>3.63</u>	<u>1.29</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (basic)	730,391	253,144
Interest expense and other gains or losses of convertible bonds	<u>5,189</u>	<u>379</u>
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>735,580</u>	<u>253,523</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

	2024	2023	
Weighted-average number of ordinary shares with potential influence of ordinary shares			
Weighted-average number of ordinary shares	201,371	195,935	
Effect of employee stock remuneration	150	214	
Effect of convertible bonds	4,659	1,159	
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	206,180	197,308	
	\$ 3.57	1.28	
 (r) Revenue from contracts with customers			
 (i) Disaggregation of revenue			
	2024	2023	
Primary geographical markets			
Taiwan	\$ 685,146	412,512	
USA	3,144,842	1,798,328	
Others	309,578	358,669	
	\$ 4,139,566	2,569,509	
Major product			
PC and server chassis	\$ 4,091,876	2,474,195	
Mold	47,690	95,314	
	\$ 4,139,566	2,569,509	
 (ii) Contract balances			
	December 31, 2024	December 31, 2023	January 1, 2023
Trade receivable	\$ 1,420,393	925,199	1,314,382
Less: Loss allowance	(192)	(193)	(271)
Total	\$ 1,420,201	925,006	1,314,111

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(s) Remunerations to employee and directors

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

The Company's remuneration to employees were \$18,000 and \$7,000, and the remuneration to directors were both \$1,500 for the year ended December 31, 2024 and 2023. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employee remuneration were calculated based on the closing price of the Company's shares on the day before the approval from the Board of Directors. There was no difference in the actual amount and the estimated amount for the year 2023 and 2022. The related information would be available at the Market Observation Post System website.

(t) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration to credit risk

The customers of the Company are mainly high tech companies, trade receivables have 97% and 94% are composed by five clients in December 31, 2024 and 2023. Thus, the company has concentration to credit risk situation.

(ii) Receivable securities

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

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(iii) Liquidity Risk

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

	<u>Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2024					
Bank loans	\$ 238,400	(238,461)	(34,530)	-	(203,931)
Notes and trade payables (including related parties)	1,458,701	(1,458,701)	(1,458,701)	-	-
Lease liabilities (including current and non-current)	945	(956)	(675)	(281)	-
Bonds payable	471,698	(500,000)	-	-	(500,000)
Other payables	82,520	(82,520)	(82,520)	-	-
Guarantee deposits	4,238	(4,238)	-	-	(4,238)
	<u>\$ 2,256,502</u>	<u>(2,284,876)</u>	<u>(1,576,426)</u>	<u>1,999,517</u>	<u>(2,027,083)</u>
December 31, 2023					
Bank loans	\$ 453,900	(459,346)	(20,294)	-	(439,052)
Notes and trade payables (including related parties)	1,099,803	(1,099,803)	(1,099,803)	-	-
Lease liabilities (including current and non-current)	1,600	(1,631)	(675)	(675)	(281)
Bonds payable	377,911	(400,000)	-	-	(400,000)
Other payables	62,065	(62,065)	(62,065)	-	-
Guarantee deposits	4,238	(4,238)	-	-	(4,238)
	<u>\$ 1,999,517</u>	<u>(2,027,083)</u>	<u>(1,182,837)</u>	<u>(675)</u>	<u>(843,571)</u>

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

(iv) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2024</u>			<u>December 31, 2023</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD to NTD	\$ 53,575	32.785	1,756,456	33,887	30.705	1,040,500
Financial liabilities						
Monetary items						
USD to NTD	44,393	32.785	1,455,425	35,305	30.705	1,084,040

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables and trade payables, that are denominated in foreign currency. A weakening or strengthening 5% of each major foreign currency against the Company functional currency, the net profit before tax would have increased or decreased by \$15,052 for the year ended December 31, 2024 and decreased or increased by \$2,177 for the year ended December 31, 2023. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

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

	2024	2023
	Exchange profit (loss)	Exchange profit (loss)
NTD	\$ 83,092	(21,924)

(v) Interest Rate analysis

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

	Carrying amount	
	December 31, 2024	December 31, 2023
Variable rate instruments:		
Financial assets	\$ 410,424	153,557
Financial liabilities	238,400	453,900

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decreased by \$430 for the year ended December 31, 2024 and decreased or increased by \$751 for the year ended December 31, 2023, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(vi) Fair value

1) Procedure of valuation

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

2) Fair value hierarchy

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

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

3) The kinds of financial instruments and fair value

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

	December 31, 2024				
	Book value	Fair Value			Total
	Level 1	Level 2	Level 3		
Financial assets at fair value through profit or loss (non-current)					
Derivative financial assets—					
Convertible bonds—					
embedded derivative					
instrument	\$ 1,950	-	-	1,950	1,950

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

	December 31, 2024				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 410,524	-	-	-	-
Trade receivables, net	1,420,201	-	-	-	-
Refundable deposits (classified as other financial assets — non-current)	1,561	-	-	-	-
	<u>\$ 1,834,236</u>				
Financial liabilities at amortized cost					
Bank loans	\$ 238,400	-	-	-	-
Trade payables (including related parties)	1,458,701	-	-	-	-
Lease liabilities	945	-	-	-	-
Other payables	82,520	-	-	-	-
Bonds payable	471,698	-	-	-	-
Guarantee deposits	4,238	-	-	-	-
	<u>\$ 2,256,502</u>				
December 31, 2023					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss (including current and non-current)					
Non-derivative financial assets mandatorily measured at fair value through profit or loss — Beneficiary certificate-Funds	\$ 990	990	-	-	990
Mandatorily measured at fair value through profit or loss — Forward exchange contract	709	-	709	-	709
Derivative financial assets — Convertible bonds — embedded derivative instrument	1,640	-	-	1,640	1,640
	<u>3,339</u>				

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

	December 31, 2023				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 153,657	-	-	-	-
Trade receivables, net	925,006	-	-	-	-
Refundable deposits (classified as other financial assets — non-current)	<u>1,270</u>	-	-	-	-
	<u>\$ 1,083,272</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 453,900	-	-	-	-
Trade payables (including related parties)	1,099,803	-	-	-	-
Lease liabilities	1,600	-	-	-	-
Other payables	62,065	-	-	-	-
Bonds payable	<u>377,911</u>	-	-	-	-
Guarantee deposit	<u>4,238</u>	-	-	-	-
	<u>\$ 1,999,517</u>				

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

5) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments traded in active markets are based on quoted market prices.

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

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

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

b) Derivative financial instruments

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

6) Reconciliation of Level 3 fair values

	Fair value through profit or loss
	Derivative financial assets – convertible bonds
Balance on January 1, 2024	\$ 1,640
Issue	2,250
Converted	(1,911)
Total gains and losses recognized	
In profit or loss	(29)
In other comprehensive income	-
Balance on December 31, 2024	\$ 1,950
Balance on January 1, 2023	\$ -
Issue	1,400
Total gains and losses recognized	
In profit or loss	240
In other comprehensive income	-
Balance on December 31, 2023	\$ 1,640

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

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

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

Quantitative information of significant unobservable inputs was as follows:

<u>Items</u>	<u>Valuation Technique</u>	<u>Significant input of unobservable</u>	<u>The relative between input and fair value</u>
Financial assets at fair value through profit or loss – call option of convertible bonds	Binomial convertible bonds pricing models	Volatility (65.86% as of December 31, 2024 and 59.13% as of December 31, 2023)	The higher the volatility is, the higher the fair value will be.

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

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

	<u>Input</u>	<u>Move up or down</u>	<u>Profit or loss</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2024				
Financial assets at fair value through profit or loss – call option of convertible bonds	Volatility	5%	\$ <u>400</u>	<u>(350)</u>
December 31, 2023				
Financial assets at fair value through profit or loss – call option of convertible bonds	Volatility	5%	\$ <u>280</u>	<u>(320)</u>

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(u) Financial risk management

(i) Briefings

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

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Trade receivables and other receivables

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

The Company constantly evaluate clients' financial situation, but usually won't ask clients to offer collateral.

2) Guarantees

As of December 31, 2024 and 2023, the Company do not offer any endorsement and guarantees, except to its subsidiaries, please refer to note (13)(a).

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to note (6)(i) and note (6)(j) for unused short-term and long-term bank facilities as of December 31, 2024 and 2023.

(v) Market risk

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

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the New Taiwan Dollars (TWD).

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

2) Interest rate risk

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

3) Other market value risk

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

(v) Capital management

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

Debt-to-asset ratio in 2024 and 2023 as follow:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Total liabilities	\$ 2,399,215	2,059,956
Total assets	6,847,056	5,318,410
Debt-to-asset ratio	35 %	39 %

As of December 31, 2024, the capital management method do not change.

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

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2024 and 2023 were as follows:

	<u>January 1, 2024</u>	<u>Cash flows</u>	<u>Non-cash flows</u>		<u>December 31, 2024</u>
			<u>Additions</u>	<u>Write-off</u>	
Long term loans (including current portion)	\$ 433,900	(195,500)	-	-	238,400
Short term loans	20,000	(20,000)	-	-	-
Bonds payable	377,911	564,718	-	(470,931)	471,698
Lease liabilities	1,600	(655)	-	-	945
Guarantee deposits	4,238	-	-	-	4,238
Total liabilities from financing activities	<u>\$ 837,649</u>	<u>348,563</u>	<u>-</u>	<u>(470,931)</u>	<u>715,281</u>
			<u>Non-cash flows</u>		
	<u>January 1, 2023</u>	<u>Cash flows</u>	<u>Additions</u>	<u>Write-off</u>	<u>December 31, 2023</u>
Long term loans	\$ 1,334,900	(901,000)	-	-	433,900
Short term loans	40,000	(20,000)	-	-	20,000
Bonds payable	-	443,005	-	(65,094)	377,911
Lease liabilities	1,292	(1,668)	1,976	-	1,600
Guarantee deposits	4,238	-	-	-	4,238
Total liabilities from financing activities	<u>\$ 1,380,430</u>	<u>(479,663)</u>	<u>1,976</u>	<u>(65,094)</u>	<u>837,649</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
Dongguan Chenming Electronic Co., Ltd.	Subsidiary of the Company
CHENMING ELECTRONIC (NINGBO) Co., Ltd.	Subsidiary of the Company
CHENMING ELECTRONIC TECHNOLOGY (THAILAND) CO., LTD.	Subsidiary of the Company
TOP CITY INTERNATIONAL LIMITED	Subsidiary of the Company
CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	Subsidiary of the Company
PEAK SHREWD INC.	Subsidiary of the Company
GERSHWIN INTERNATIONAL LIMITED	Subsidiary of the Company
Lin, Mu-Ho	Chairman of the Company

(b) Significant transactions with related parties

(i) Purchases

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

	<u>2024</u>	<u>2023</u>
Subsidiary:		
Dongguan Chenming Electronic Co., Ltd.	\$ 3,208,285	2,293,296
CHENMING ELECTRONIC (NINGBO) Co., Ltd.	<u>110,694</u>	<u>5,204</u>
	<u>\$ 3,318,979</u>	<u>2,298,500</u>

The Company purchases certain products manufactured by its related parties. The purchase prices for related parties are no general supplier for comparison, and the collection period for related parties is 120 days and payment according to subsidiaries's financial needs.

(ii) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Trade payables	Subsidiary-Dongguan Chenming Electronic Co., Ltd.	\$ 1,328,987	1,097,219
Trade payables	Subsidiary-CHENMING ELECTRONIC (NINGBO) Co., Ltd.	<u>47,254</u>	<u>979</u>
		<u>\$ 1,376,241</u>	<u>1,098,198</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(iii) Lease

The Company rents parts of its office and miscellaneous equipment to its chairman and collects monthly rental from them since August 2011. The rental fee is determined based on nearby office rental rates. The rental revenue for the years ended December 31, 2024 and 2023 were both \$3,429.

(iv) Guarantee

- 1) Chairman of the company, Mu-Ho Lin, was the guarantor of the syndication contract as of December 31, 2024 and 2023, respectively.
- 2) The Company had provided a guarantee for loans taken out by subsidiary as follows:

	2024	2023
Chenming Electronic (Ningbo) Co., Ltd.	\$ 53,736	51,924
Dongguan Chenming Electronic Co., Ltd.	314,658	298,688
	\$ 368,394	350,612

(v) Other

The Company dispatched its employees to its subsidiaries for providing management services. As of December 31, 2024 and 2023, the relative revenue amounted to \$2,603 and \$3,061, respectively, which was recognized in other income.

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	2024	2023
Short-term employee benefits	\$ 11,071	5,152
Post-employment benefits	432	108
	\$ 11,503	5,260

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged Assets	Object	December 31, 2024	December 31, 2023
PPE and investment properties	Short-term loans and long-term		
— land and rights-of-use land	loans	\$ 1,252,169	1,252,169
— properties	"	214,575	221,009
		\$ 1,466,744	1,473,178

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(9) Commitments and contingencies:

The Group's unrecognized contractual commitments were as follows:

	December 31, 2024	December 31, 2023
Acquisition of property, plant and equipment	\$ 6,895	10,500

(10) Losses Due to Major Disasters: None.**(11) Subsequent Events: None****(12) Other:**

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

By function By item	2024			2023		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	16,674	96,401	113,075	-	85,935	85,935
Labor and health insurance	929	9,886	10,815	-	9,197	9,197
Pension	881	3,797	4,678	-	4,011	4,011
Remuneration of directors	-	1,500	1,500	-	1,500	1,500
Others	892	5,797	6,689	-	4,390	4,390
Depreciation	14,669	5,796	20,465	-	6,399	6,399
Amortization	-	2,032	2,032	-	1,683	1,683

	2024	2023
Number of employees	126	81
Non-employees directors	5	5
Average labor cost	\$ 1,118	1,362
Average salary and bonus	\$ 935	1,131
Percentage change in average salary and bonus	(17.3)%	(4.6)%
Remuneration of supervisor	\$ -	-

The Company's salary and remuneration policy information is as follows:

- (a) The salary paid to managers and employees is divided into two types: fixed salary and variable salary. Fixed salary is the monthly salary regardless of profit or loss; while variable salary, including employee remuneration, business development bonus and year end performance bonus, depends on the Company's profit and factors such as performance review, job responsibility, contribution to the Company's operations, economic environment and market condition. The Company sets up related policies to reflect the work performance of its managers and employees.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

- (b) The policy takes the current year's earning into consideration since it reflects the Company's operating performance.
- (c) The directors and supervisors of the Company do not have fixed remuneration. When there is earnings in the year, the directors and supervisors will be paid in accordance with the R.O.C. Company Act and the Company's articles. In addition to the Company's previous operating performance, competitors and listed companies are used as the benchmarks for the approval of the remuneration policy and structure. The remuneration to directors and supervisors is also reference to the total remuneration as the results of the directors' performance review, such as comprehensive review of their involvement in the Company's accounting, financial status, audit reports, and Company's business operation, in order to balance the Company's sustainable business and risk control.
- (d) The salary of managers not only refers to competitors and current year operating performance, but is also reference to long term goal indicators, such as proposals and strategies that are helpful to the operation and development of the Company, as well as deployment and operation of the planned target products and markets. Moreover, the managers are not guided to pursue short term rewards and engage in behaviors that surpass the Company's risks in order to balance the Company's sustainable business and risk control.

(13) Other disclosures

- (a) Information on significant transactions:

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

- (i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Trade receivables due from related parties	Yes	196,710	196,710	131,140	5.72939%~6.69133%	Short-term financial	-	Operating demand	-	-	-	2,663,138 (note 1)	2,663,138 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	Yes	429,888	313,460	250,768	3.95%~4.05%	"	-	"	-	-	-	1,353,254 (note 2)	1,353,254 (note 2)

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 \$2,663,138. 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 \$2,663,138.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed the net worth of CHENMIN ELECTRONIC (NINGBO) CO., LTD, which amounted to \$1,353,254. In addition, the total amount lendable to any one borrower shall be no more than the borrower's net worth, which amounted to \$1,353,254.

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to Financial Statements

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary / endorsements / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in mainland China
		Name	Relationship with the Company										
1	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	100% owned subsidiary	1,779,136 (note 1)	53,736	53,736	-	-	1.21 %	3,558,273 (note 1)	Yes	No	Yes
2	The Company	Dongguan Chenming Electronic Co., Ltd	100% owned subsidiary	1,779,136 (note 1)	314,658	314,658	-	-	7.07 %	3,558,273 (note 1)	Yes	No	Yes

Note 1: The total amount of endorsement guarantees of the Company and its subsidiaries shall not exceed 80% of the Company's net worth; the amount of endorsement guarantees for an entity shall not exceed 40% of the Company's net worth. The total endorsement guarantees of the Company shall not exceed 40% of the net worth of the Company which amounted to \$1,779,136. (\$4,447,841*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 \$3,558,273 (\$4,447,841*80%).

(iii) Securities held as of December 31, 2024 (excluding investment in subsidiaries, associates, and joint ventures): None.

(iv) Individual securities acquired or disposed of with an accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars / shares)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Others		Ending Balance		
					Shares / Units	Amount	Shares / Units	Amount	Shares / Units	Price	Cost	Gain (loss) on disposal	Shares / Units	Amount (Note 1)	Shares / Units	Amount	
The Company	CHENMING ELECTRONIC TECHNOLOGY (THAILAND) CO., LTD.	Investments accounted for using equity method	Capital Increase by Cash	Subsidiaries	5,225	34,910	39,775	379,200	-	-	-	-	-	-	17,468	45,000	431,578

Note 1: Others refer to investment income using equity method and foreign currency translation differences of foreign operations.

(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.

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(English Translation of Financial Report Originally Issued in Chinese)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to Financial Statements

- (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	3,208,285	94 %	Net 120 days from the end of month of purchase	No suppliers for comparison	Net 120 days from the end of month of purchase and depending on the operating demand	Trade payables (1,328,987)	(91)%	
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sales)	(3,208,285)	(70)%	Net 120 days from the end of month of delivery	No customers for comparison	Net 120 days from the end of month of delivery and depending on the operating demand	Trade receivables 1,328,987	70 %	
The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	Subsidiaries of PEAK SHREWD INC.	Purchases	110,694	3 %	Net 120 days from the end of month of delivery	No customers for comparison	Net 120 days from the end of month of delivery and depending on the operating demand	Trade payables (47,254)	(3)%	
CHENMING ELECTRONIC (NINGBO) CO., LTD	The Company	Ultimate holding company	(Sales)	(110,694) (CNY 26,109)	(3)%	Net 120 days from the end of month of delivery	No customers for comparison	Net 120 days from the end of month of delivery and depending on the operating demand	Trade receivables 47,254	4 %	

- (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 1,328,987	2.64	-	-	516,334	-	
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	The company's ultimate parent company is the same	Other current financial assets 165,563	-	-	-	-	-	Note 2
CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	The company's ultimate parent company is the same	Other current financial assets 257,654	-	-	-	-	-	Note 3

Note 1: The accumulated received balance as of February 29, 2025.

Note 2: Including interest receivables \$34,423.

Note 3: Including interest receivables \$6,886.

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

(Continued)

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to Financial Statements

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2024 (excluding information on investees in mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2024			Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2024	December 31, 2023	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,138,097	2,138,097	64,558	100 %	2,663,138	199,195	199,195	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100 %	17	(57)	(57)	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY (THAILAND) Co., LTD.	Thailand	Computer case and production of relative components	414,297	35,097	45,000	100 %	431,578	(2,185)	(2,185)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	1,140,743	46,254	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	773,920	773,920	22,410	100 %	1,353,254	140,376	"	"

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, 2024 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2024	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2 and 3)	Carrying amount as of December 31, 2024 (note 3)	Accumulated remittance of earnings as of December 31, 2024
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	2,114,633 (USD64,500)	notes 1 and 6	734,712 (USD22,410)	-	-	734,712 (USD22,410)	140,366	100 %	140,366	1,353,121	-
Dongguan Chenming Electronic Co., Ltd	"	950,043 (note 4) (USD28,978) (note 5)	notes 1 and 7	816,347 (USD24,900)	-	-	816,347 (USD24,900)	78,836	100 %	78,836	1,000,348	-

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)**CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to Financial Statements****(ii) Limitation on investment in mainland China:**

Company Name	Accumulated Investment in Mainland China as of December 31, 2024	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (note 3)	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	1,553,255 (USD47,377)	1,756,522 (USD53,577)	Unlimited (note 8)

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

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

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$32.785 as of December 31, 2024.

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)

Shareholder's Name	Shareholding	Shares	Percentage
SHANG MEI PRECISION INDUSTRIAL CO., LTD		35,000,000	17.06 %
Lin, Mu-Ho		29,991,230	14.61 %

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

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

(14) Segment information:

The Company has provided the operating segments disclosure in the consolidated financial statements.

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Cash and Cash Equivalents

December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty Cash		\$ 50
Checking accounts and demand deposits	NTD	70,227
	Foreign currency	
	(US\$10,293 thousand ; JPY\$271 thousand ; RMB\$597 thousand ; THB\$74)	<u>340,247</u>
		<u>\$ 410,524</u>

Note : The exchange rate is 32.785 New Taiwan dollars for 1 U.S. dollar ; 0.2099 New Taiwan dollars for 1 JPY ; 4.478 New Taiwan dollars for 1 RMB ; 0.9623 New Taiwan dollars for 1 THB.

Statement of Trade Receivables

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Trade Receivables:		
Non-Related party:		
E Company	Non-Related party operating income	\$ 1,118,895
CC Company	"	81,080
Other (Note)	"	<u>220,418</u>
Total		1,420,393
Less: Loss allowance		<u>(192)</u>
Trade Receivables, net		<u>\$ 1,420,201</u>

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

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

<u>Investee Company</u>	<u>Beginning Balance</u>		<u>Additions (Note1)</u>		<u>Disposals</u>		<u>Investment income</u>	<u>Cumulative translation adjustment</u>	<u>Ending Balance</u>			<u>Market price or net value</u>	<u>Collaterals or Pledged assets</u>
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>			<u>Number of shares</u>	<u>Percentage of Ownership</u>	<u>Amount</u>		
TOP CITY INTERNATIONAL LIMITED	64,558	\$ 2,422,638	-	-	-	-	199,195	41,305	64,558	100 %	2,663,138	2,663,138	None
CHENMING ELECTROONIC TECHNOLOGY USA, Inc.	200	70	-	-	-	-	(57)	4	200	100 %	17	17	None
CHENMING ELECTRONIC TECHNOLOGY (THAILAND) CO., LTD.	5,225	<u>34,910</u>	39,775	<u>379,200</u>	-	<u>-</u>	<u>(2,185)</u>	<u>19,653</u>	45,000	100 %	<u>431,578</u>	<u>431,578</u>	None
		<u>\$ 2,457,618</u>		<u>379,200</u>		<u>-</u>	<u>196,953</u>	<u>60,962</u>			<u>3,094,733</u>	<u>3,094,733</u>	

Note1: The increase is due to the new investment of \$379,200.

CHENMING ELECTRONIC TECHNOLOGY CORP.
Statement of Changes in Property, Plant and Equipment
December 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

Please refer to Note 6(f).

Statement of Changes in Investment Property

Please refer to Note 6(h).

Statement of Long-Term Loans

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>		<u>Interest Rate</u>	<u>Contract period</u>	<u>Clooaterals or Pledged assets</u>
		<u>Loan within 1 year</u>	<u>Loan more than 1 year</u>			
Hua Nan Commercial Bank	Secured Loans	<u>\$ 34,523</u>	<u>203,877</u>	Please refer to Note 6(j)	2041.11	Land, Properties and investment properties

Chenming Electronic Technology Corp.
Statement of Notes and Trade Payables
December 31, 2024
(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Trade payables:		
Dongguan Chenming Electronic Co., Ltd	Related party operating cost	\$ 1,328,987
Other (Note)	Related party and Non-Related party operating cost	<u>129,714</u>
		<u>\$ 1,458,701</u>

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

Statement of Operating Revenue

<u>Item</u>	<u>Number— pieces in thousand</u>	<u>Amount</u>
Sales revenue:		
Computer and server case	1,050	\$ 4,093,447
Less: Sales discount		<u>(1,571)</u>
		4,091,876
Mold revenue		47,690
Less: Sales discount		<u>-</u>
Net sales revenue		<u>\$ 4,139,566</u>

Chenming Electronic Technology Corp.
Statement of Operating Costs
For the year ended December 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Amount
Raw materials, beginning of year	\$ 47
Add: Purchase of raw material	101,165
Less: Raw materials, end of year	(74,791)
Transferred to operating expense and others	(2,313)
Raw materials used	24,108
Direct labor	8,040
Manufacturing expenses	37,953
Total manufacturing costs	70,101
Add: Work-in-process, beginning of year	-
Less: Work-in-process, end of year	(14,421)
Cost of finished goods	55,680
Add: Finished goods, beginning of year	5,240
Finished goods purchased	3,322,615
Less: Finished goods, end of year	(1,487)
Costs of sales of finished goods and processing costs	3,382,048
Revenue from sales of scraps	(15)
Inventories valuation losses	982
Shortage of inventories	2,312
Costs of sales	\$ 3,385,327

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Operating Expenses

For the year ended December 31, 2024

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Payroll expenses	\$ 22,974	52,022	21,405
Travel expenses	2,720	1,220	3,008
Insurance expenses	3,110	4,754	2,021
Depreciation expenses	1,076	4,466	254
Entertainment expenses	3,496	1,994	1,021
Professional service fees	-	7,307	-
Safety and health expenses	-	5,600	-
Other (Note)	<u>4,916</u>	<u>24,399</u>	<u>5,150</u>
Total	<u>\$ 38,292</u>	<u>101,762</u>	<u>32,859</u>

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