

**CHENMING ELECTRONIC TECHNOLOGY CORP.
AND SUBSIDIARIES**
(Formerly CHENMING MOLD IND. CORP. AND Subsidiary)

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report
For the Years Ended December 31, 2020 and 2019

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~10
(4) Summary of significant accounting policies	10~26
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	26~27
(6) Explanation of significant accounts	27~51
(7) Related-party transactions	51~52
(8) Pledged assets	52
(9) Commitments and contingencies	52
(10) Losses due to major disasters	52
(11) Subsequent events	52
(12) Other	53
(13) Other disclosures	
(a) Information on significant transactions	53~56
(b) Information on investees	56
(c) Information on investment in mainland China	56~57
(d) Major shareholders	58
(14) Segment information	58~59

Representation Letter

The entities that are required to be included in the combined financial statements of Chenming Electronic Technology Corp. as of and for the year ended December 31, 2020 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chenming Electronic Technology Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Chenming Electronic Technology Corp.
Chairman: Lin, Mu-Ho
Date: March 17, 2021



安侯建業聯合會計師事務所

KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 home.kpmg/tw

Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of CHENMING ELECTRONIC TECHNOLOGY CORP. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2020 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Inventory valuation

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

Description of key audit matters:

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

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

Other Matter

CHENMING ELECTRONIC TECHNOLOGY CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 17, 2021

Notes to Readers

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

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

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

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2020</u>		<u>December 31, 2019</u>				<u>December 31, 2020</u>		<u>December 31, 2019</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 366,138	7	348,611	7	2100	Short-term loans (note (6)(h))	\$ 296,960	6	390,000	8
1170	Trade receivables, net (notes (6)(b) and (p))	1,735,973	35	2,053,094	42	2130	Current contract liabilities (note (6)(p))	615	-	1,221	-
1310	Inventories, net (note (6)(c))	966,616	20	973,795	20	2170	Trade payables	1,260,274	25	1,380,417	28
1476	Other current financial assets	22,738	-	743	-	2200	Other payables	274,570	6	273,309	5
1479	Other current assets	<u>63,485</u>	<u>2</u>	<u>75,236</u>	<u>1</u>	2220	Other payables-related parties (notes (6)(d) and (7))	24,208	-	25,783	1
		<u>3,154,950</u>	<u>64</u>	<u>3,451,479</u>	<u>70</u>	2230	Current tax liabilities	4,704	-	29,300	1
						2280	Current lease liabilities (note (6)(j))	5,448	-	4,382	-
Non-current assets:						2300	Other current liabilities	<u>553</u>	<u>-</u>	<u>635</u>	<u>-</u>
1600	Property, plant, and equipment (notes (6)(e) and (8))	1,315,813	27	969,922	20			<u>1,867,332</u>	<u>37</u>	<u>2,105,047</u>	<u>43</u>
1755	Right-of-use assets (note (6)(f))	238,573	5	243,743	5	Non-current liabilities:					
1760	Investment property, net (notes (6)(g) and (8))	196,399	4	197,636	4	2540	Long-term loans (note (6)(i))	622,000	13	306,000	6
1780	Intangible assets	2,653	-	1,390	-	2570	Deferred income tax liabilities	-	-	4,931	-
1840	Deferred income tax assets (notes (6)(m))	3,021	-	4,850	-	2580	Non-current lease liabilities (note (6)(j))	6,297	-	5,693	-
1980	Other non-current financial assets (note (8))	26,598	-	24,422	-	2645	Guarantee deposits	<u>8,054</u>	<u>-</u>	<u>7,691</u>	<u>-</u>
1990	Other non-current assets (note (6)(l))	<u>26,032</u>	<u>-</u>	<u>43,511</u>	<u>1</u>			<u>636,351</u>	<u>13</u>	<u>324,315</u>	<u>6</u>
		<u>1,809,089</u>	<u>36</u>	<u>1,485,474</u>	<u>30</u>			<u>2,503,683</u>	<u>50</u>	<u>2,429,362</u>	<u>49</u>
							Total liabilities				
							Equity attributable to owners of parent				
							(note (6)(n)):				
						3100	Ordinary shares	1,559,350	31	1,629,350	33
						3200	Capital surplus	131,819	3	82,967	2
						3300	Retained earnings	737,192	15	736,745	15
						3410	Exchange differences on translation of foreign financial statements	(59,020)	(1)	(81,209)	(2)
						3500	Treasury shares	-	-	(49,810)	(1)
							Total equity attributable to owners of parent	<u>2,369,341</u>	<u>48</u>	<u>2,318,043</u>	<u>47</u>
						36XX	Non-controlling interests	<u>91,015</u>	<u>2</u>	<u>189,548</u>	<u>4</u>
							Total equity	<u>2,460,356</u>	<u>50</u>	<u>2,507,591</u>	<u>51</u>
							Total liabilities and equity	<u>\$ 4,964,039</u>	<u>100</u>	<u>4,936,953</u>	<u>100</u>
	Total assets	<u>\$ 4,964,039</u>	<u>100</u>	<u>4,936,953</u>	<u>100</u>						

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019

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

	2020		2019	
	Amount	%	Amount	%
4000 Operating revenue (note 6(p))	\$ 6,124,518	100	6,028,702	100
5000 Operating costs (notes 6(c), (l) and (12))	<u>5,567,991</u>	<u>91</u>	<u>5,463,795</u>	<u>91</u>
5900 Gross profit from operations	<u>556,527</u>	<u>9</u>	<u>564,907</u>	<u>9</u>
6000 Operating expenses (notes 6(l) and (12)):				
6100 Selling expenses	128,186	2	135,274	2
6200 Administrative expenses	183,883	3	194,692	3
6300 Research and development expenses	<u>52,899</u>	<u>1</u>	<u>49,128</u>	<u>1</u>
	<u>364,968</u>	<u>6</u>	<u>379,094</u>	<u>6</u>
6900 Net operating income	<u>191,559</u>	<u>3</u>	<u>185,813</u>	<u>3</u>
7000 Non-operating income and expenses:				
7050 Finance costs, net (note 6(j))	(10,308)	-	(10,307)	-
7100 Interest income	1,474	-	1,473	-
7110 Rent revenue (notes 6(k) and (7))	15,555	-	14,421	1
7190 Other income	27,255	1	13,076	-
7230 Foreign exchange gains (losses) (note 6(r))	(106,851)	(2)	8,519	-
7590 Other expense and losses	<u>(9,936)</u>	<u>-</u>	<u>(556)</u>	<u>-</u>
	<u>(82,811)</u>	<u>(1)</u>	<u>26,626</u>	<u>1</u>
7900 Profit from continuing operations before tax	108,748	2	212,439	4
7950 Less: Income tax expenses (note 6(m))	<u>28,572</u>	<u>1</u>	<u>55,431</u>	<u>1</u>
Profit	<u>80,176</u>	<u>1</u>	<u>157,008</u>	<u>3</u>
8300 Other comprehensive income:				
8310 Components of other comprehensive income (loss) that not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	-	-	(980)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(m))	<u>612</u>	<u>-</u>	<u>(196)</u>	<u>-</u>
Total components of other comprehensive income that will not be reclassified to profit or loss	<u>(612)</u>	<u>-</u>	<u>(784)</u>	<u>-</u>
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	18,954	-	(41,010)	(1)
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total components of other comprehensive income (loss) that will be reclassified to profit or loss	<u>18,954</u>	<u>-</u>	<u>(41,010)</u>	<u>(1)</u>
8300 Other comprehensive income (loss)	<u>18,342</u>	<u>-</u>	<u>(41,794)</u>	<u>(1)</u>
8500 Comprehensive income	<u>\$ 98,518</u>	<u>1</u>	<u>115,214</u>	<u>2</u>
Profit attributable to:				
8610 Owners of parent	\$ 62,798	1	132,900	3
8620 Non-controlling interests	<u>17,378</u>	<u>-</u>	<u>24,108</u>	<u>-</u>
	<u>\$ 80,176</u>	<u>1</u>	<u>157,008</u>	<u>3</u>
Comprehensive income attributable to:				
8710 Owners of parent	\$ 84,375	1	96,125	2
8720 Non-controlling interests	<u>14,143</u>	<u>-</u>	<u>19,089</u>	<u>-</u>
	<u>\$ 98,518</u>	<u>1</u>	<u>115,214</u>	<u>2</u>
Earnings per share (expressed in NTD) (note 6(o)):				
9750 Basic earnings per share	<u>\$ 0.40</u>		<u>0.82</u>	
9850 Diluted earnings per share	<u>\$ 0.40</u>		<u>0.82</u>	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Changes in Equity
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Attributable to owners of parent						Other component of equity	Exchange differences on translation of foreign financial statements	Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings						
			Legal reserve	Special reserve	Unappropriated retained earnings							
Balance on January 1, 2019	\$ 1,699,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	2,340,477	269,675	2,610,152	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	11,005	-	(11,005)	-	-	-	-	-	-	
Special reserve	-	-	-	14,123	(14,123)	-	-	-	-	-	-	
Cash dividends on ordinary shares	-	-	-	-	(48,881)	(48,881)	-	-	(48,881)	-	(48,881)	
Profit for the year ended December 31, 2019	-	-	-	-	132,900	132,900	-	-	132,900	24,108	157,008	
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(784)	(784)	(35,991)	-	(36,775)	(5,019)	(41,794)	
Total comprehensive income for the year ended December 31, 2019	-	-	-	-	132,116	132,116	(35,991)	-	96,125	19,089	115,214	
Purchase of treasury shares	-	-	-	-	-	-	-	(102,322)	(102,322)	-	(102,322)	
Retirement of treasury shares	(70,000)	(2,162)	-	-	(32,377)	(32,377)	-	104,539	-	-	-	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	32,644	-	-	-	-	-	-	32,644	-	32,644	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(99,216)	(99,216)	
Balance on December 31, 2019	1,629,350	82,967	284,492	45,219	407,034	736,745	(81,209)	(49,810)	2,318,043	189,548	2,507,591	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	13,290	-	(13,290)	-	-	-	-	-	-	
Special reserve	-	-	-	35,990	(35,990)	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(46,781)	(46,781)	-	-	(46,781)	-	(46,781)	
Profit for the year ended December 31, 2020	-	-	-	-	62,798	62,798	-	-	62,798	17,378	80,176	
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(612)	(612)	22,189	-	21,577	(3,235)	18,342	
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	62,186	62,186	22,189	-	84,375	14,143	98,518	
Purchase of treasury shares	-	-	-	-	-	-	-	(38,712)	(38,712)	-	(38,712)	
Retirement of treasury shares	(70,000)	(3,564)	-	-	(14,958)	(14,958)	-	88,522	-	-	-	
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	52,416	-	-	-	-	-	-	52,416	-	52,416	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(112,676)	(112,676)	
Balance on December 31, 2020	\$ 1,559,350	131,819	297,782	81,209	358,201	737,192	(59,020)	-	2,369,341	91,015	2,460,356	

See accompanying notes to consolidated financial statements.

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

Consolidated Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	<u>2020</u>	<u>2019</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 108,748	212,439
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	209,414	245,649
Amortization expense	1,718	1,743
Expected credit loss (gain)	167	(1,764)
Net loss on financial assets or liabilities at fair value through profit or loss	(124)	-
Interest expense	10,308	10,307
Interest income	(1,474)	(1,473)
Loss on disposal of property, plant and equipment, net	9,816	103
Other	252	(12)
Total adjustments to reconcile profit (loss)	<u>230,077</u>	<u>254,553</u>
Changes in operating assets and liabilities:		
Decrease (increase) in trade receivables	325,228	(105,592)
Decrease (increase) in inventories	10,700	22,925
Decrease (increase) in other current assets	11,461	(6,746)
Decrease (increase) in other financial assets	743	15,399
Decrease (increase) in defined benefit plan assets	22,746	-
Increase (decrease) in contract liabilities	(606)	(802)
Increase (decrease) in trade payables	(126,014)	(104,312)
Increase (decrease) in other payables and other current liabilities	(27,953)	(30,598)
Total changes in operating assets and liabilities	<u>216,305</u>	<u>(209,726)</u>
Total adjustments	<u>446,382</u>	<u>44,827</u>
Cash inflow generated from (used in) operations	555,130	257,266
Interest received	1,474	1,473
Income taxes paid	(79,019)	(55,324)
Net cash flows from (used in) operating activities	<u>477,585</u>	<u>203,415</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(4,500)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	4,624	-
Acquisition of property, plant, and equipment	(488,567)	(78,615)
Decrease (increase) in prepayment for business facilities	(25,832)	(20,807)
Decrease (increase) in refundable deposits	(2,176)	(3,402)
Acquisition of intangible assets	(2,981)	(798)
Net cash flows from (used in) investing activities	<u>(519,432)</u>	<u>(103,622)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(93,040)	20,000
Increase in long-term loans	638,000	200,000
Repayment of long-term loans	(322,000)	(176,000)
Increase (decrease) in guarantee deposits	363	1,302
Payment of lease liabilities	(14,134)	(6,170)
Distribution of cash dividends	(46,781)	(48,881)
Payments to acquire treasury shares	(38,712)	(102,322)
Interest paid	(10,092)	(10,354)
Acquisition of non-controlling interests	(61,835)	(40,789)
Net cash flows from (used in) financing activities	<u>51,769</u>	<u>(163,214)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>7,605</u>	<u>(8,982)</u>
Net increase (decrease) in cash and cash equivalents	17,527	(72,403)
Cash and cash equivalents at beginning of period	348,611	421,014
Cash and cash equivalents at end of period	<u>\$ 366,138</u>	<u>348,611</u>

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

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

(1) Company history

CHENMING ELECTRONIC TECHNOLOGY CORP. (the “Company”) (Formerly Chenming Mold Ind. Corp.) was incorporated on June 1976. The business activities of the Company are the production of computer cases, and the manufacturing and development of mobile devices.

The consolidated financial statements of the Company as of and for the years ended December 31, 2019 are comprised of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). Please refer to note (4)(c) for related information of the Group’s primary business activities.

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

These consolidated financial statements for the years ended December 31, 2020 and 2019 were authorized for issue by the Board of Directors on March 17, 2021.

(3) New standards, amendments and interpretations adopted:

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

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

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

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

Standards or Interpretations	Content of amendment	Effective date per IASB
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	<p>The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.</p> <p>The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.</p>	January 1, 2023

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts – Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

(4) Summary of significant accounting policies

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

(Continued)

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

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

(Continued)

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

(ii) List of subsidiaries in the consolidated financial statements.

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2020	December 31, 2019	
The Company	TOP CITY INTERNATIONAL LIMITED	Investment	100 %	100 %	
The Company	CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	Import and export business of computer case	100 %	100 %	Note 1
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC.	Investment	100 %	100 %	
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Investment	100 %	100 %	
GERSHWIN INTERNATIONAL LIMITED	Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	100 %	100 %	
PEAK SHREWD INC.	CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	92 %	82 %	Note 2

Note 1: The Subsidiary was incorporated in July 2019.

Note 2: The Company acquired 10% interest of CHENMING ELECTRONIC (NINGBO) CO., LTD in April 2019, resulting in its ratio of shareholding to increase from 72% to 82%. Again, the Company acquired 10% interest of CHENMING ELECTRONIC (NINGBO) CO., LTD in August 2020, resulting in its ratio of shareholding to increase from 82% to 92%.

(d) Foreign currencies

(i) Foreign currency transaction

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

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

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

(Continued)

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

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

(Continued)

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

(f) Cash and cash equivalents

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

(g) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

(Continued)

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

2) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

3) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

(Continued)

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

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

6) Offsetting of financial assets and liabilities

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

(h) Inventories

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

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

(Continued)

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

(i) Investment property

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

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

(Continued)

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

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

- 1) Buildings: 4 ~ 51 years
- 2) Machinery: 1 ~ 4 years
- 3) Other equipment: 1 ~ 11 years
- 4) Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

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

(k) Leases

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the customer has the right to direct the use of the asset throughout the period of use only if either:
 - the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or
 - the relevant decisions about how and for what purpose the asset is used are predetermined and:
 - the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use.

At the inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(Continued)

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

(ii) As a lessee

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

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

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

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

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

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

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

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to 0.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
Notes to the Consolidated 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 Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

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

As a practical expedient, the Group elects not to assess all rent concessions that meets all the conditions as follows are lease modifications or not:

- (i) the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- (ii) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (iii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (iv) there is no substantive change to other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

- (v) As a lessor

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

(Continued)

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

(l) Intangible assets

(i) Recognition and measurement

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

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

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

(ii) Subsequent Expenditure

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

(iii) Amortization

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

The estimated useful lives for computer software for the current and comparative periods are 1~4 years.

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

(m) Impairment of non-financial assets

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

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

(Continued)

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

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

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

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

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

(n) Revenue

(i) Revenue from contracts with customers

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

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

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

(ii) Financing components

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

(Continued)

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

(o) Government grants

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

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

(Continued)

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

(q) Income taxes

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

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

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

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

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

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

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

(Continued)

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

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

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

- (r) Earnings per share

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

- (s) Operating segments

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

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

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

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

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

(Continued)

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

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

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand	\$ 416	50
Checking accounts and demand deposits	<u>365,722</u>	<u>348,561</u>
	<u>\$ 366,138</u>	<u>348,611</u>

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

(b) Trade receivables

	December 31, 2020	December 31, 2019
Trade receivables	\$ 1,736,665	2,053,607
Less: Loss allowance	<u>(692)</u>	<u>(513)</u>
Trade receivables, net	<u>\$ 1,735,973</u>	<u>2,053,094</u>

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

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

(Continued)

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

	December 31, 2019		
	Gross carrying amount	Weighted- average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 2,035,354	0.02%	455
1 to 30 days past due	17,417	0.16%	28
31 to 150 days past due	836	3.59%	30
	\$ 2,053,607		513

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

	2020	2019
Balance on January 1	\$ 513	2,290
Impairment losses recognized (reversed)	167	(1,764)
Foreign exchange gains / (losses)	12	(13)
Balance on December 31	\$ 692	513

As of December 31, 2020 and 2019, the Group did not pledge any receivables as collaterals.

(c) Inventories

	December 31, 2020	December 31, 2019
Raw materials	\$ 236,860	270,294
Work in progress	191,097	273,932
Finished goods and merchandise inventories	538,659	429,569
	\$ 966,616	973,795

The Group's composition details of operating cost for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Cost of goods sold	\$ 5,482,555	5,349,440
Revenue from sale of scraps	(62,360)	(62,402)
Inventories valuation and obsolescence losses (gain from price recovery of inventory)	1,285	19,307
Loss on scrapping of inventories	146,487	157,381
Overage of inventories	24	69
	\$ 5,567,991	5,463,795

As of December 31, 2020 and 2019, the Group did not pledge any inventories as collaterals.

(Continued)

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

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

Considering its future development strategy, the Company decided on March 18, 2019 to purchase 10% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD amounting to \$66,572 (US\$2,160 thousand) from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary PEAK SHREWD INC., a fully owned subsidiary of the Group. The contract was signed on March 2019, and the related transfer procedures had been completed in April 2019. The Group increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 72% to 82%. As of December 31, 2019, the remaining unpaid balance of \$25,783, which was recognized as other payable-related parties. As of December 31, 2020, the Group has already made its payment.

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

(e) Property, plant, and equipment

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

	<u>Land</u>	<u>Properties</u>	<u>Machinery and equipment</u>	<u>Office equipment and others</u>	<u>Total</u>
Cost:					
Balance on January 1, 2020	\$ 210,897	776,469	512,811	92,048	1,592,225
Additions	402,817	-	102,040	12,627	517,484
Disposals	-	(756)	(229,293)	(74,351)	(304,400)
Reclassifications	-	-	20,503	289	20,792
Effect of changes in exchange rates	-	3,076	2,507	157	5,740
Balance on December 31, 2020	<u>\$ 613,714</u>	<u>778,789</u>	<u>408,568</u>	<u>30,770</u>	<u>1,831,841</u>
Balance on January 1, 2019	\$ 210,897	783,604	534,195	121,264	1,649,960
Additions	-	-	59,028	7,034	66,062
Disposals	-	-	(77,357)	(35,921)	(113,278)
Reclassifications	-	-	3,668	-	3,668
Effect of changes in exchange rates	-	(7,135)	(6,723)	(329)	(14,187)
Balance on December 31, 2019	<u>\$ 210,897</u>	<u>776,469</u>	<u>512,811</u>	<u>92,048</u>	<u>1,592,225</u>
Depreciation:					
Balance on January 1, 2020	\$ -	260,358	291,065	70,880	622,303
Depreciation	-	34,119	135,576	16,029	185,724
Disposals	-	(701)	(221,805)	(72,078)	(294,584)
Effect of changes in exchange rates	-	1,125	1,384	76	2,585
Balance on December 31, 2020	<u>\$ -</u>	<u>294,901</u>	<u>206,220</u>	<u>14,907</u>	<u>516,028</u>

(Continued)

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

	<u>Land</u>	<u>Properties</u>	<u>Machinery and equipment</u>	<u>Office equipment and others</u>	<u>Total</u>
Balance on January 1, 2019	\$ -	227,436	213,198	71,664	512,298
Depreciation	-	34,791	158,185	35,292	228,268
Disposals	-	-	(77,255)	(35,920)	(113,175)
	-	(1,869)	(3,063)	(156)	(5,088)
Balance on December 31, 2019	<u>\$ -</u>	<u>260,358</u>	<u>291,065</u>	<u>70,880</u>	<u>622,303</u>
Book value:					
Balance on December 31, 2020	<u>\$ 613,714</u>	<u>483,888</u>	<u>202,348</u>	<u>15,863</u>	<u>1,315,813</u>
Balance on December 31, 2019	<u>\$ 210,897</u>	<u>516,111</u>	<u>221,746</u>	<u>21,168</u>	<u>969,922</u>

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

As of December 31, 2020 and 2019 the Group had provided parts of the property, plant, and equipment as collaterals for its long-term loans and credit lines. Please refer to note (8) for details.

(f) Right-of-use assets

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

	<u>Land</u>	<u>Properties</u>	<u>Transportation</u>	<u>others</u>	<u>Total</u>
Cost:					
Balance at January 1, 2020	\$ 243,496	1,914	11,785	2,476	259,671
Additions	-	8,704	7,144	-	15,848
Write-off	-	-	(844)	-	(844)
Effect of changes in exchange rates	1,538	288	-	-	1,826
Balance at December 31, 2020	<u>\$ 245,034</u>	<u>10,906</u>	<u>18,085</u>	<u>2,476</u>	<u>276,501</u>
Balance at January 1, 2019	\$ 247,063	2,036	7,742	1,759	258,600
Additions	-	-	4,043	1,455	5,498
Write-off	-	(48)	-	(738)	(786)
Effect of changes in exchange rates	(3,567)	(74)	-	-	(3,641)
Balance at December 31, 2019	<u>\$ 243,496</u>	<u>1,914</u>	<u>11,785</u>	<u>2,476</u>	<u>259,671</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2020	\$ 9,703	1,914	3,608	703	15,928
Depreciation of the period	9,681	7,297	4,794	681	22,453
Write-off	-	-	(799)	-	(799)
Effect of changes in exchange rates	145	201	-	-	346
Balance at December 31, 2020	<u>\$ 19,529</u>	<u>9,412</u>	<u>7,603</u>	<u>1,384</u>	<u>37,928</u>
Balance at January 1, 2019	\$ -	-	-	-	-
Depreciation of the period	9,845	1,988	3,608	703	16,144
Effect of changes in exchange rates	(142)	(74)	-	-	(216)
Balance at December 31, 2019	<u>\$ 9,703</u>	<u>1,914</u>	<u>3,608</u>	<u>703</u>	<u>15,928</u>

(Continued)

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

	<u>Land</u>	<u>Properties</u>	<u>Transportation</u>	<u>others</u>	<u>Total</u>
Book value:					
Balance at December 31, 2020	\$ <u>225,505</u>	<u>1,494</u>	<u>10,482</u>	<u>1,092</u>	<u>238,573</u>
Balance at December 31, 2019	\$ <u>233,793</u>	<u>-</u>	<u>8,177</u>	<u>1,773</u>	<u>243,743</u>

(g) Investment property

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

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Cost			
Balance on January 1, 2020 (Same balance as December 31, 2017)	\$ <u>152,640</u>	<u>63,116</u>	<u>215,756</u>
Balance on January 1, 2019 (Same balance as December 31, 2018)	\$ <u>152,640</u>	<u>63,116</u>	<u>215,756</u>
Depreciation			
Balance on January 1, 2020	\$ -	18,120	18,120
Depreciation	<u>-</u>	<u>1,237</u>	<u>1,237</u>
Balance on December 31, 2020	\$ <u>-</u>	<u>19,357</u>	<u>19,357</u>
Balance on January 1, 2019	\$ -	16,883	16,883
Depreciation	<u>-</u>	<u>1,237</u>	<u>1,237</u>
Balance on December 31, 2019	\$ <u>-</u>	<u>18,120</u>	<u>18,120</u>
Book Value			
Balance on December 31, 2020	\$ <u>152,640</u>	<u>43,759</u>	<u>196,399</u>
Balance on December 31, 2019	\$ <u>152,640</u>	<u>44,996</u>	<u>197,636</u>
Fair Value			
Balance on December 31, 2020			\$ <u>534,612</u>
Balance on December 31, 2019			\$ <u>547,048</u>

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

Please refer to note (8) for information on investment properties pledged as collaterals as of December 31, 2020 and 2019.

(Continued)

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

(h) Short-term loans

The short-term loans were summarized as follows:

	December 31, 2020	December 31, 2019
Credit loans	\$ -	230,000
Secured loans	<u>296,960</u>	<u>160,000</u>
	<u>\$ 296,960</u>	<u>390,000</u>
Unused credit line for short-term loans	<u>\$ 860,992</u>	<u>621,552</u>
Annual interest rates	<u>0.5%~1.3%</u>	<u>1.0%~1.3%</u>

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

(ii) As of December 31, 2020 and 2019, the Group provided part of its assets as collateral for short-term loans, please refer to note (8) for details.

(i) Long-term loans

The long-term loans were summarized as follows:

	December 31, 2019			
	Currency	Range of interest rates	Expiration	Amount
Secured bank loans	NTD	<u>1.0%~1.5%</u>	2023~2040	<u>\$ 622,000</u>
Current				\$ -
Non-current				<u>622,000</u>
Total				<u>\$ 622,000</u>
Unused long-term credit lines				<u>\$ 786,000</u>
	December 31, 2020			
	Currency	Range of interest rates	Expiration	Amount
Secured bank loans	NTD	<u>1.0%~1.5%</u>	2023~2025	<u>\$ 306,000</u>
Current				\$ -
Non-current				<u>306,000</u>
Total				<u>\$ 306,000</u>
Unused long-term credit lines				<u>\$ 130,000</u>

(i) The main management are the guarantor of long-term loans. Please refer to note (7).

(ii) The information of interest rate and liquidity risk exposure can refer to note (6)(r).

(iii) The Group provided part of its assets as collaterals for long-term loans. Please refer to note (8) for details.

(Continued)

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

(j) Lease liabilities

	December 31, 2020	December 31, 2019
Current	<u>\$ 5,448</u>	<u>4,382</u>
Non-current financial assets	<u>\$ 6,297</u>	<u>5,693</u>

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

The amounts recognized in profit or loss were as follows:

	2020	2019
Interest on lease liabilities	<u>\$ 498</u>	<u>416</u>
Variable lease payments not included in the measurement of lease liabilities	<u>\$ 725</u>	<u>1,424</u>
Expenses relating to short-term leases	<u>\$ 521</u>	<u>452</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 160</u>	<u>71</u>

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

	2020	2019
Total cash outflow for leases	<u>\$ 16,038</u>	<u>8,533</u>

(i) Real estate leases

The Group leases right-of-use of land, with lease terms of 40~45 years.

(ii) Other leases

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

(k) Operating lease

(i) Leases as lessor

The Group leases out its investment property and has classified these leases as operating leases as it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note (6)(g) sets out information about the operating leases of investment property.

(Continued)

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

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

	December 31, 2020
Less than one year	\$ 13,665
One to five years	36,400
Total undiscounted lease payments	\$ 50,065

The Group leases out its investment properties. The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2019
Less than one year	\$ 15,552
One to five years	6,984
	\$ 22,536

The lease revenue from investment properties were \$16,792 and \$15,658 in 2020 and 2019, respectively. Moreover, the related depreciation expense both amounted to \$1,237.

(l) Employee benefits

(i) Defined benefit plans

The Group settled the old labor pension plan of all of its employees on August 7, 2020, and fully refunded the entire planned assets of \$26,384 from the Bureau of Labor Funds, Ministry of Labor. As of December 31, 2019, the reconciliation of defined obligation present value and plan asset at fair value is as follows:

	December 31, 2019
Present value of defined benefit obligations	\$ 36,746
Fair value of plan assets	(59,492)
Net defined benefit liabilities (assets)	\$ (22,746)

The Group makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

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

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by the local banks.

For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of defined benefit obligations for the Group were as follows:

	2019
Defined benefit obligation at January 1	\$ 33,422
Current service costs and interest costs	459
Remeasurements in net defined benefit liability (assets)	2,865
Defined benefit obligation at December 31	\$ 36,746

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Group were as follows:

	2019
Fair value of plan assets at January 1	\$ (56,826)
Expected return on plan assets	(781)
Remeasurement in net defined benefit liability (assets)	(1,885)
Fair value of plan assets at December 31	\$ (59,492)
Actual return on plan assets	\$ (2,666)

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group were as follows:

	2020	2019
Interest costs	\$ 207	459
Expected rate of return on plan assets	(335)	(781)
	\$ (128)	(322)
Administrative expense	\$ (128)	(322)

(Continued)

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

5) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	December 31, 2019
Discount rate	1.125 %
Future salary increase rate	1.000 %

The discount rate was based on the life of the related obligation, and was used as a reference to the return rate on bonds issued by the government, which was declared by GreTai Securities Market.

The department of labor from Taipei City Government has approved the Group to suspend the contribution of pension in 2019.

6) Sensitivity Analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	Influences of defined benefit obligation	
	Increased 0.25%	Decreased 0.25%
December 31, 2019		
Discount rate	\$ (1,283)	1,339
Future salary increasing rate	1,322	(1,266)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

(ii) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to \$3,752 and \$3,675 for the years ended December 31, 2020 and 2019, respectively.

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

(Continued)

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

	<u>2020</u>	<u>2019</u>
Operating cost	\$ 62,351	71,156
Operating expense	<u>5,992</u>	<u>5,894</u>
	<u>\$ 68,343</u>	<u>77,050</u>

(m) Income taxes

(i) The amount of income tax for 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ 30,429	57,649
Undistributed earnings additional tax	1,803	1,733
Adjustment for prior period	<u>54</u>	<u>(584)</u>
	<u>32,286</u>	<u>58,798</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	<u>(3,714)</u>	<u>(3,367)</u>
	<u>(3,714)</u>	<u>(3,367)</u>
Income tax expenses	<u>\$ 28,572</u>	<u>55,431</u>

(ii) The amount of income tax recognized in other comprehensive income for 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Items that may not be reclassified subsequently to profit or loss		
Remeasurement from defined benefit plan	<u>\$ 612</u>	<u>(196)</u>

(iii) Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Profit excluding income tax	\$ 108,748	212,439
Income tax using the Company's domestic tax rate	33,219	72,166
Under (over) provision in prior periods	54	(584)
Undistributed earnings additional tax	1,803	1,733
Others	<u>(6,504)</u>	<u>(17,884)</u>
	<u>\$ 28,572</u>	<u>55,431</u>

(Continued)

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

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2020 and 2019. Also, management considered it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	\$ <u>34,553</u>	<u>28,400</u>

2) Unrecognized deferred tax assets

Details of unrecognized deferred tax assets as follow:

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Unrecognized tax losses	\$ <u>10,619</u>	<u>3,357</u>

According to the Income Tax Act, the loss in the previous five years can be compensated by using the profits incurred by the Company in the current year; and the income tax shall be evaluated by using the net amount. Dongguan CHENMING Electronic Co., Ltd did not have sufficient taxable profit to cover for its temporary differences, therefore, it cannot be classified to deferred tax assets.

As of December 31, 2020, tax loss from unrecognized deferred tax asset in Dongguan CHENMING Electronic Co., Ltd.:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiration date of the deficit</u>
2020 (Estimated)	\$ <u>42,477</u>	2025

3) Recognized deferred tax assets and liabilities

	<u>Defined benefit plans</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:			
Balance on January 1, 2020	\$ 4,991	(60)	4,931
Recognized in (profit) or loss	(5,543)	-	(5,543)
Recognized in other comprehensive income	<u>612</u>	<u>-</u>	<u>612</u>
Balance on December 31, 2020	\$ <u>60</u>	<u>(60)</u>	<u>-</u>

(Continued)

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

	Defined benefit plans	Others	Total
Balance on January 1, 2019	\$ 5,122	(60)	5,062
Recognized in (profit) or loss	65	-	65
Recognized in other comprehensive income	(196)	-	(196)
Balance on December 31, 2019	\$ 4,991	(60)	4,931
Deferred tax assets:			
Balance on January 1, 2020	\$ -	4,850	4,850
Recognized in profit or (loss)	-	(1,829)	(1,829)
Balance on December 31, 2020	\$ -	3,021	3,021
Balance on January 1, 2019	\$ -	1,418	1,418
Recognized in profit or (loss)	-	3,432	3,432
Balance on December 31, 2019	\$ -	4,850	4,850

(v) Assessment of tax

The Company's tax returns for the years through 2018 were assessed by the Taipei National Tax Administration.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2020 and 2019, the authorized common stocks were both \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which 155,935 and 162,935 thousand shares, were issued, respectively. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Additional paid-in capital	\$ 10,551	14,115
Difference arising from subsidiary's share price and its carrying value	121,268	68,852
	\$ 131,819	82,967

(Continued)

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

(iii) Retained Earnings

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

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

1) Legal reserve

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

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and is not qualified for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

The appropriations of earnings for the year of 2019 approved in the shareholders' meeting on June 12, 2020 was \$46,781 by cash dividends.

The appropriations of earnings for the year of 2018 approved in the shareholders' meeting on June 14, 2019 was \$48,881 by cash dividends.

(iv) Treasury shares

In 2020 and 2019, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 3,500 and 7,000 thousand shares, respectively as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2020, all treasury shares repurchased had be cancelled.

(Continued)

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

Movements of treasury share were as follows:

	<u>2020</u>		<u>2019</u>	
	<u>Share (thousands)</u>	<u>Amount</u>	<u>Share (thousands)</u>	<u>Amount</u>
Balance on January, 1	3,500	\$ 49,810	3,500	\$ 52,027
Repurchase	3,500	38,712	7,000	102,322
Retirement	<u>(7,000)</u>	<u>(88,522)</u>	<u>(7,000)</u>	<u>(104,539)</u>
Balance on December 31	<u>-</u>	<u>\$ -</u>	<u>3,500</u>	<u>\$ 49,810</u>

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

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

(o) Earnings per share

For the years ended December 31, 2020 and 2019, the Company's earnings per share was calculated as follows:

	<u>2020</u>	<u>2019</u>
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>62,798</u>	<u>132,900</u>
Weighted-average number of ordinary shares (share in thousands)	<u>156,710</u>	<u>162,479</u>
	<u>\$ 0.40</u>	<u>0.82</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>62,798</u>	<u>132,900</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	156,710	162,479
Effect of employee stock remuneration (share in thousands)	<u>298</u>	<u>412</u>
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>157,008</u>	<u>162,891</u>
	<u>\$ 0.40</u>	<u>0.82</u>

(Continued)

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

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2020</u>	<u>2019</u>
Primary geographical markets		
Taiwan	\$ 1,192,692	1,111,019
China	3,519,480	3,288,605
USA	637,883	404,166
Japan	607,504	839,340
Other	<u>166,959</u>	<u>385,572</u>
	<u>\$ 6,124,518</u>	<u>6,028,702</u>
Major products		
PC and server chassis	\$ 4,586,048	4,876,005
Mobile device components	1,006,311	874,003
Mold	<u>532,159</u>	<u>278,694</u>
	<u>\$ 6,124,518</u>	<u>6,028,702</u>

(ii) Contract balances

	<u>December 31, 2020</u>	<u>December 31, 2019</u>	<u>January 1, 2018</u>
Trade receivables	\$ 1,736,665	2,053,607	1,975,622
Less: Loss allowance	<u>(692)</u>	<u>(513)</u>	<u>(2,290)</u>
	<u>\$ 1,735,973</u>	<u>2,053,094</u>	<u>1,973,332</u>
Contract liabilities	<u>\$ 615</u>	<u>1,221</u>	<u>2,023</u>

The amount of revenue recognized for the years ended December 31, 2020 and 2019 that were included in the contract liability balance at the beginning of the period were \$1,221 and \$2,023, respectively.

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

(q) Employee, directors' and supervisor's remuneration

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

(Continued)

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

The Group's remuneration to employees were \$3,000 and \$5,000, respectively; and the remuneration to directors and supervisors both amounted to \$1,500 for the years ended December 31, 2020 and 2019. 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.

The remuneration to employees was \$5,000 and the remuneration to directors and supervisors was \$1,500 in 2019. There were no differences in the actual amount and the estimated amount as of December 31, 2019. The related information would be available at the Market Observation Post System website.

(r) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration to credit risk

The customers of the Group are mainly high-tech companies, trade receivables have 76% and 80% are composed by five clients in December 31, 2020 and 2019. Thus, the company has concentration to credit risk situation.

(ii) Receivable securities

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

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

(Continued)

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

(iii) Liquidity Risk

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, 2020					
Secured loans	\$ 918,960	(918,960)	(296,960)	(200,000)	(422,000)
Unsecured loans	-	-	-	-	-
Trade payables	1,260,274	(1,260,274)	(1,260,274)	-	-
Lease liabilities (including current and non-current)	11,745	(12,122)	(5,683)	(4,253)	(2,186)
Other payables (including related parties)	298,778	(298,778)	(298,778)	-	-
Guarantee deposits	8,054	(8,054)	(4,784)	(1,470)	(1,800)
	<u>\$ 2,497,811</u>	<u>(2,498,188)</u>	<u>(1,866,479)</u>	<u>(205,723)</u>	<u>(425,986)</u>
December 31, 2019					
Secured loans	\$ 466,000	(466,000)	(160,000)	-	(306,000)
Unsecured loans	230,000	(230,000)	(230,000)	-	-
Trade payables	1,380,417	(1,380,417)	(1,380,417)	-	-
Lease liabilities (including current and non-current)	10,075	(10,598)	(4,651)	(2,824)	(3,123)
Other payables (including related parties)	299,092	(299,092)	(299,092)	-	-
Guarantee deposits	7,691	(7,691)	(4,421)	(3,270)	-
	<u>\$ 2,393,275</u>	<u>(2,393,798)</u>	<u>(2,078,581)</u>	<u>(6,094)</u>	<u>(309,123)</u>

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

	<u>December 31, 2020</u>			<u>December 31, 2019</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	\$ 26,457	28.480	753,495	32,199	29.980	965,326
USD to CNY	27,171	6.5249	773,830	30,710	6.9762	920,686
CNY to NTD	114,473	4.377	501,048	106,342	4.305	457,802
Financial liabilities						
Monetary items						
USD to NTD	5,322	28.480	151,571	7,571	29.98	226,979
USD to CNY	1,398	6.5249	39,815	2,259	6.9762	67,725
CNY to NTD	201,881	4.377	883,633	195,510	4.305	841,671

(Continued)

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

2) Sensitivity analysis

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

A weakening or strengthening 5% of each major foreign currency against Group entities' functional currency as of December 31, 2020, would have affected the net profit before tax as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
USD (against the NTD)		
Strengthening 5%	\$ 30,096	36,917
Weakening 5%	(30,096)	(36,917)
USD (against the CNY)		
Strengthening 5%	36,701	42,648
Weakening 5%	(36,701)	(42,648)
CNY (against the NTD)		
Strengthening 5%	(19,129)	(19,193)
Weakening 5%	19,129	19,193

3) Exchange gains and losses of monetary items

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

	<u>For the years ended December 31,</u>			
	<u>2020</u>		<u>2019</u>	
	<u>Exchange profit (loss)</u>	<u>Average rate</u>	<u>Exchange profit (loss)</u>	<u>Average rate</u>
NTD	\$ (38,779)	-	(2,952)	-
CNY	(15,912)	4.278	2,566	4.4703

(v) Interest rate analysis

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

	<u>Carrying amount</u>	
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Variable rate instruments:		
Financial assets	\$ 365,659	348,498
Financial liabilities	918,960	696,000

(Continued)

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

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$1,383 and \$869 for the years ended December 31, 2020 and 2019, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(vi) Fair value

1) Procedure of valuation

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

2) Fair value hierarchy

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

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

3) The kinds of financial instruments and fair value

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

(Continued)

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

	December 31, 2020				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 366,138	-	-	-	-
Trade receivables, net	1,735,973	-	-	-	-
Other financial assets	22,738	-	-	-	-
Refundable deposits	26,598	-	-	-	-
	<u>\$ 2,151,447</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 918,960	-	-	-	-
Trade payables	1,260,274	-	-	-	-
Lease liabilities	11,745	-	-	-	-
Other payables (including related parties)	298,778	-	-	-	-
Guarantee deposit	8,054	-	-	-	-
	<u>\$ 2,497,811</u>				
December 31, 2019					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 348,611	-	-	-	-
Trade receivables, net	2,053,094	-	-	-	-
Other financial assets	743	-	-	-	-
Refundable deposits	24,422	-	-	-	-
	<u>\$ 2,426,870</u>				
Financial liabilities measured at amortized cost					
Bank loans	\$ 696,000	-	-	-	-
Trade payables	1,380,417	-	-	-	-
Lease liabilities	10,075	-	-	-	-
Other payables (including related parties)	299,092	-	-	-	-
Guarantee deposits	7,691	-	-	-	-
	<u>\$ 2,393,275</u>				

(Continued)

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

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

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

Financial liability with amortized cost evaluation

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

5) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

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

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

(s) Financial risk management

(i) Briefings

The Group is have exposed to the following risks from its financial instruments :

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

(Continued)

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Trade receivables and other receivables

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

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

2) Guarantees

As of December 31, 2020 and 2019, the Group do not offer any endorsement and guarantees except to the entities in the Group, please refer to note (13)(a).

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to note 6(h) and note 6(i) for unused short-term and long-term bank facilities as of December 31, 2020 and 2019.

(Continued)

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

(v) Market risk

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (NTD) and US Dollars (USD), Chinese Yuan (CNY). The currencies used in these transactions are denominated in NTD, USD, and CNY.

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

2) Interest rate risk

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

3) Other market value risk

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

(t) Capital management

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

Debt-to-asset ratio in December 31, 2020 and 2019 as follow:

	December 31, 2020	December 31, 2019
Total liabilities	\$ 2,503,683	2,429,362
Total assets	4,964,039	4,936,953
Debt-to-asset ratio	50 %	49 %

As of December 31, 2020, the capital management method do not change.

(Continued)

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

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

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2020 and 2019 were as follows:

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

	January 1, 2019	Cash flows	Non-cash flows			December 31, 2019
			Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 282,000	24,000	-	-	-	306,000
Short-term loans	370,000	20,000	-	-	-	390,000
Lease liabilities	11,537	(6,170)	5,498	(789)	(1)	10,075
Guarantee deposits	6,389	1,302	-	-	-	7,691
Total liabilities from financing activities	<u>\$ 669,926</u>	<u>39,132</u>	<u>5,498</u>	<u>(789)</u>	<u>(1)</u>	<u>713,766</u>

(7) Related-party transactions

(a) Names and relationships with related parties

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

<u>Name of related parties</u>	<u>Relationship with the Group</u>
CHENMING (H.K.) CORPORATION LIMITED	Same chairman with the Company
UNEEC Culture and Education Foundation	Same chairman with the Company
Lin, Mu-Ho	Chairman of the Company

(b) Transaction among other relative parties

(i) Lease

The Group rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. The rental fee is determined based on nearby office rental rates. The rental revenue for the years ended December 31, 2020 and 2019 amounted to \$3,429 and \$2,514, respectively.

(Continued)

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

(ii) Equity trading

To increase all shareholders' equity and enhance the corporate governance, the Company decided on August 5, 2020 and March 18, 2019 to purchase 10% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD amounting to \$60,260 (US\$2,050) and \$66,572 (US\$2,160), respectively, from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary PEAK SHREWD INC., a fully owned subsidiary of the Group. The contracts, were signed and the related transfer procedures had been completed. The Group increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 82% to 92%. As of December 31, 2020 and 2019, the remaining unpaid balance of \$24,208 and \$25,783, respectively, which was recognized as other payables related parties. Please refer to note (6)(d) for related information.

(c) Key management personnel compensation

(i) Key management personnel compensation was comprised of:

	<u>2020</u>	<u>2019</u>
Short-term employee benefits	\$ 12,280	10,827
Post-employment benefits	8,953	270
	<u>\$ 21,233</u>	<u>11,097</u>

(ii) Guarantee

The main management was the guarantor of the syndication contract, and the amounts of syndication were \$622,000 and \$306,000, as of December 31, 2020 and 2019, respectively.

(8) Pledged assets

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
PPE and investment properties	Short-term loans and long-term loans		
— land		\$ 750,621	347,804
— properties	Short-term loans and long-term loans	131,732	135,307
Other financial asset	Customs deposits		
— non-current		<u>20,235</u>	<u>22,255</u>
		<u>\$ 902,588</u>	<u>505,366</u>

(9) Commitments and contingencies: None.

(10) Losses due to major disasters: None.

(11) Subsequent events

Based on the resolution approved during the Board of Directors' meeting held on March 17, 2021, the Company decided to invest indirectly in CHENMING ELECTRONIC (NINGBO) CO., LTD., via current investment structure, to obtain 8% of its ownership for USD \$1,700 thousand in cash, resulting in the Company to acquire the entire shareholdings of CHENMING ELECTRONIC (NINGBO) CO., LTD.

(Continued)

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

(12) Other

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

By function By item	December 31, 2020			December 31, 2019		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,378,380	196,776	1,575,156	1,333,712	194,904	1,528,616
Labor and health insurance	-	6,131	6,131	-	6,105	6,105
Pension	62,351	9,616	71,967	71,156	9,247	80,403
Others	67,815	14,564	82,379	70,907	15,794	86,701
Depreciation	198,006	10,171	208,177	235,212	9,200	244,412
Amortization	978	740	1,718	725	1,018	1,743

Note: The depreciation expense, which subtracts the depreciation expense from investment properties, were both \$1,237 for the years ended December 31, 2020 and 2019, respectively, which were recognized in the subtraction of rent revenue.

(a) Seasonality of operations

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

(13) Other disclosures**(a) Information on significant transactions:**

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

(i) Loans to other parties:

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	170,880	170,880	113,920	0.932%~2.6055%	Short-term financial	-	Operating demand	-	-	-	2,236,001 (note 1)	2,236,001 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Trade receivables due from related parties	Yes	315,144	175,080	175,080	4.35%~4.67625%	Short-term financial	-	Operating demand	-	-	-	455,076 (note 2)	455,076 (note 2)
Total						<u>345,960</u>	<u>289,000</u>									

Note 1: The total amount for lending to a subsidiary whose voting shares are 100% owned, directly or indirectly, by TOP CITY INTERNATIONAL LIMITED for funding for a short-term period shall not exceed the net worth of TOP CITY INTERNATIONAL LIMITED, which amounted to \$2,236,001. 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 \$2,236,001.

Note 2: The total amount for lending to a company for funding for a short-term period shall not exceed forty percent of the net worth of CHENMING ELECTRONIC (NINGBO) CO., LTD, which amounted to \$455,076 (\$1,137,691*40%). In addition, the total amount lendable to any one borrower shall be no more than forty percent of the borrower's net worth, which amounted to \$455,076 (\$1,137,691*40%).

(Continued)

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

(ii) Guarantees and endorsements for other parties:

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 to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in mainland China
		Name	Relationship with the Company										
0	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	92% owned subsidiary	947,736	52,524	52,524	-	-	2.22 %	1,895,473 (note 1)	Yes	No	Yes
	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Both are subsidiaries of the Company	455,076	52,524	52,524	39,393	-	4.62 %	910,153 (note 2)	No	No	Yes

Note 1: The total amount of endorsement guarantees of the Company and its subsidiaries shall not exceed 80% of the Company's net worth; the amount of endorsement guarantees for an entity shall not exceed 40% of the Company's net worth. The total endorsement guarantees of the Company shall not exceed 40% of the net worth of the Company which amounted to \$947,736. (\$2,369,341*40%). In addition, the total endorsement guarantees of the Company shall be no more than 80% of the Company's net worth, which amounted to \$1,895,473 (\$2,369,341*80%).

Note 2: The total amount of endorsement guarantees of CHENMING ELECTRONIC (NINGBO) CO., LTD., shall not exceed 80% of its net worth; the amount of endorsement guarantees for an entity shall not exceed 40% of its net worth. The total endorsement guarantees of CHENMING ELECTRONIC (NINGBO) CO., LTD., shall not exceed 40% of the net worth of CHENMING ELECTRONIC (NINGBO) CO., LTD., which amounted to \$455,076.(\$1,137,691*40%). In addition, the total endorsement guarantees of CHENMING ELECTRONIC (NINGBO) CO., LTD., shall be no more than 80% of its net worth, which amounted to \$910,153 (\$1,137,691*80%).

- (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates, and joint ventures): None.
- (iv) Individual securities acquired or disposed of with an accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land	Note 1	410,000	Paid 410,000	SHIN DE KNITTING CORP. and SHIN TA KNITTING MACHINERY CORP.	None	N/A	N/A	N/A	-	Valuation report	Set up the production line based in Taiwan, with the plant still under construction	None

Note 1: Based on the resolution of the Board of Director' meeting held on June 24, 2020, the Company decided to acquire the land for its office building and signed a real estate contract with SHIN DE KNITTING CORP. and SHIN TA KNITTING MACHINERY CORP. on July 31, 2020. with the total price of NTD\$410,000, please refer to Note(6)(e).

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

(Continued)

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

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

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/trade receivables (payables)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/trade receivables (payables)	
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	2,546,860	99 %	Net 60 days from the end of month of purchase	No suppliers for comparison	Net 60 days from the end of month of purchase and depending on the operating demand	Trade payables (589,420)	(99)%	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,546,860)	(64)%	Net 60 days from the end of month of delivery	No customers for comparison	Net 60 days from the end of month of delivery and depending on the operating demand	Trade receivables 589,420	55 %	None
Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC (NINGBO) CO., LTD	Subsidiaries of PEAK SHREWD INC.	(Sale)	(111,971)	(3)%	Net 60 days from the end of month of delivery	No customers for comparison	Net 60 days from the end of month of delivery and depending on the operating demand	-	- %	"
CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	111,971 (CNY 26,109)	11 %	Net 60 days from the end of month of delivery	No customers for comparison	Net 60 days from the end of month of delivery and depending on the operating demand	-	- %	"

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

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

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 589,420	4.65	-	-	426,761	-	Note 2

Note 1: Balance of March 5, 2021.

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

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	2	Other current financial assets	113,920	Rate 0.932%~2.60550%	2%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	2,546,860	The price is based on the fixed ratio of final selling price, and the credit period is net 60 days from the end of month of delivery	42%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Trade receivables	589,420	"	12%
2	Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC (NINGBO) CO., LTD	2	Sales	111,971	"	2%
3	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	2	Other current financial assets	175,080	Rate 4.35%~4.67625%	4%

(Continued)

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

Note 1: The numbers filled in as follows:

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

Note 2: Relationship with the transactions labeled as follows:

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2020 (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, 2020			Highest balance during the year		Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2020	December 31, 2019	Shares (thousands)	Percentage of ownership	Carrying value	Shares / Units (thousands)	Percentage of ownership			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,061,572	2,002,903	62,008	100 %	2,236,002	62,008	100	35,443	35,443	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USD, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100 %	2,770	200	100	(1,802)	(1,802)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	1,070,094	45,988	100	(15,064)	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	697,395	638,726	19,860	100 %	1,022,581	19,860	100	49,372	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandson company

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

(c) Information on investment in mainland China:

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

(In Thousands of United States Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital (note 3)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2020 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2020	Net income (losses) of the investment	Percentage of ownership	Highest balance during the year		Investment income (losses) (note 2 and 3)	Carrying amount as of December 31, 2020 (note 3)	Accumulated remittance of earnings as of December 31, 2020
					Outflow	Inflow				Shares/Units (thousands)	Percentage of ownership			
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,836,960 (USD64,500)	note 1 and 7	506,944 (USD17,800)	58,669 (USD2,060)	-	565,613 (USD19,860)	65,518	92 %	-	92	48,141	1,046,676	-
Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	825,293 (USD28,978)	note 1 and 8	709,152 (USD24,900)	-	-	709,152 (USD24,900)	13,849	100 %	-	100	13,849	820,044	-

(Continued)

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

(ii) Limitation on investment in mainland China:

(In Thousands of USD)

Company Name	Accumulated Investment in Mainland China as of December 31, 2020	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	1,274,765 (USD44,760)	1,418,589 (USD49,810)	Unlimited (note 9)

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

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

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$28.48 as of December 31, 2020.

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

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

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

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

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

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

(iii) Significant transactions:

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

(Continued)

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

(d) Major shareholders:

(Unit: Share)

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

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

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

(14) Segment information:

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

(a) Overall information of the Group

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

(ii) Geographic information

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

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

(Continued)

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

2) Non-current Assets:

<u>Country</u>	<u>2020</u>	<u>2019</u>
Taiwan	\$ 926,488	511,068
Mainland China	852,982	922,387
	<u>\$ 1,779,470</u>	<u>1,433,455</u>

Non-current assets include property, plant and equipment, intangible assets, investment property, and other assets, excluding prepaid pension, cost deferred tax assets, and guarantee deposit.

(iii) Important clients information

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

	<u>2020</u>	<u>2019</u>
I company	\$ 1,097,593	1,278,807
B company	1,342,055	944,618
C company	1,009,143	896,771
A company	661,430	524,363
D company	622,358	533,283
H company	611,118	975,190