

**CHENMING ELECTRONIC TECHNOLOGY CORP.
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2021 and 2020**

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

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of CHENMING ELECTRONIC TECHNOLOGY CORP. (the "Company") and its subsidiaries (the "Group") as of June 30, 2021 and 2020, and the related consolidated statements of comprehensive income for the three months and six months then ended, as well as the changes in equity and cash flows for the six months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting", endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standard 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2021 and 2020, and of its consolidated financial performance for the three months and six months then ended, as well as its consolidated cash flows for the six months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



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

KPMG

Taipei, Taiwan (Republic of China)
August 11, 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 review such consolidated financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2021 and 2020

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

| | For the three months ended | | | | For the six months ended | | | | |
|------|--|--------------|---------|-----------|--------------------------|-----------|---------|-----------|-----|
| | June 30 | | June 30 | | June 30 | | June 30 | | |
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 | |
| | Amount | % | Amount | % | Amount | % | Amount | % | |
| 4000 | Operating revenue (note 6(q)) | \$ 1,089,515 | 100 | 1,630,728 | 100 | 2,148,243 | 100 | 2,991,576 | 100 |
| 5000 | Operating costs (notes 6(d), (m) and (12)) | 1,048,064 | 96 | 1,456,711 | 89 | 2,019,619 | 94 | 2,718,835 | 91 |
| 5900 | Gross profit from operations | 41,451 | 4 | 174,017 | 11 | 128,624 | 6 | 272,741 | 9 |
| 6000 | Operating expenses (notes 6(m) and (12)): | | | | | | | | |
| 6100 | Selling expenses | 28,397 | 3 | 32,322 | 2 | 54,134 | 3 | 61,075 | 2 |
| 6200 | Administrative expenses | 46,830 | 4 | 45,520 | 3 | 93,867 | 4 | 90,430 | 3 |
| 6300 | Research and development expenses | 14,060 | 1 | 13,072 | 1 | 27,344 | 1 | 25,284 | 1 |
| | | 89,287 | 8 | 90,914 | 6 | 175,345 | 8 | 176,789 | 6 |
| 6900 | Net operating income (expenses) | (47,836) | (4) | 83,103 | 5 | (46,721) | (2) | 95,952 | 3 |
| 7000 | Non-operating income and expenses: | | | | | | | | |
| 7050 | Finance costs, net (note 6(k)) | (3,247) | - | (2,253) | - | (6,318) | - | (5,210) | - |
| 7100 | Interest income | 310 | - | 494 | - | 641 | - | 945 | - |
| 7110 | Rent revenue (notes 6(l) and (7)) | 3,861 | - | 3,886 | - | 7,768 | - | 7,777 | - |
| 7190 | Other income | 4,871 | - | 10,306 | 1 | 5,494 | - | 11,260 | - |
| 7230 | Foreign exchange gains (losses) (note 6(s)) | (13,419) | (1) | (6,695) | (1) | (1,313) | - | 16,591 | 1 |
| 7590 | Other expense and losses | (76) | - | (2,037) | - | (90) | - | (7,740) | - |
| | | (7,700) | (1) | 3,701 | - | 6,182 | - | 23,623 | 1 |
| 7900 | Profit (Loss) from continuing operations before tax | (55,536) | (5) | 86,804 | 5 | (40,539) | (2) | 119,575 | 4 |
| 7950 | Less: Income tax (benefits) expenses (note 6(n)) | (12,924) | (1) | 31,044 | 2 | (10,832) | (2) | 41,456 | 1 |
| | Profit (Loss) | (42,612) | (4) | 55,760 | 3 | (29,707) | - | 78,119 | 3 |
| 8300 | Other comprehensive income: | | | | | | | | |
| 8360 | Components of other comprehensive income (loss) that will be reclassified to profit or loss | | | | | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | (8,946) | (1) | (16,806) | (1) | (17,527) | (1) | (29,235) | (1) |
| 8399 | Income tax related to components of other comprehensive income that will be reclassified to profit or loss | - | - | - | - | - | - | - | - |
| | Total components of other comprehensive income (loss) that will be reclassified to profit or loss | (8,946) | (1) | (16,806) | (1) | (17,527) | (1) | (29,235) | (1) |
| 8300 | Other comprehensive income (loss) | (8,946) | (1) | (16,806) | (1) | (17,527) | (1) | (29,235) | (1) |
| 8500 | Comprehensive income | \$ (51,558) | (5) | 38,954 | 2 | (47,234) | (1) | 48,884 | 2 |
| | Profit (Loss) attributable to: | | | | | | | | |
| 8610 | Owners of parent | \$ (42,611) | (4) | 42,311 | 2 | (29,875) | - | 60,167 | 2 |
| 8620 | Non-controlling interests | (1) | - | 13,449 | 1 | 168 | - | 17,952 | 1 |
| | | \$ (42,612) | (4) | 55,760 | 3 | (29,707) | - | 78,119 | 3 |
| | Comprehensive income attributable to: | | | | | | | | |
| 8710 | Owners of parent | \$ (51,250) | (5) | 28,516 | 2 | (46,379) | (2) | 36,187 | 1 |
| 8720 | Non-controlling interests | (308) | - | 10,438 | - | (855) | - | 12,697 | 1 |
| | | \$ (51,558) | (5) | 38,954 | 2 | (47,234) | (2) | 48,884 | 2 |
| | Earnings per share (expressed in NTD) (note 6(p)): | | | | | | | | |
| 9750 | Basic earnings per share | \$ (0.27) | | 0.27 | | (0.19) | | 0.38 | |
| 9850 | Diluted earnings per share | \$ (0.27) | | 0.27 | | (0.19) | | 0.38 | |

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity
For the six months ended June 30, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

| | Attributable to owners of parent | | | | | | | | | | |
|---|----------------------------------|-----------------|-------------------|-----------------|----------------------------------|-------------------------|--|----------------|---|---------------------------|--------------|
| | Ordinary shares | Capital surplus | Retained earnings | | | | 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 |
| | | | Legal reserve | Special reserve | Unappropriated retained earnings | Total retained earnings | | | | | |
| Balance on January 1, 2020 | \$ 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 |
| Legal reserve | - | - | 13,290 | - | (13,290) | - | - | - | - | - | - |
| Special reserve | - | - | - | 35,990 | (35,990) | - | - | - | - | - | - |
| Cash dividends on ordinary shares | - | - | - | - | (46,781) | (46,781) | - | - | (46,781) | - | (46,781) |
| Profit for the six months ended June 30, 2020 | - | - | - | - | 60,167 | 60,167 | - | - | 60,167 | 17,952 | 78,119 |
| Other comprehensive income for the six months ended June 30, 2020 | - | - | - | - | - | - | (23,980) | - | (23,980) | (5,255) | (29,235) |
| Total comprehensive income for the six months ended June 30, 2020 | - | - | - | - | 60,167 | 60,167 | (23,980) | - | 36,187 | 12,697 | 48,884 |
| Purchase of treasury shares | - | - | - | - | - | - | - | (38,712) | (38,712) | - | (38,712) |
| Retirement of treasury shares | (70,000) | (3,564) | - | - | (14,958) | (14,958) | - | 88,522 | - | - | - |
| Balance on June 30, 2020 | \$ 1,559,350 | 79,403 | 297,782 | 81,209 | 356,182 | 735,173 | (105,189) | - | 2,268,737 | 202,245 | 2,470,982 |
| Balance on January 1, 2021 | \$ 1,559,350 | 131,819 | 297,782 | 81,209 | 358,201 | 737,192 | (59,020) | - | 2,369,341 | 91,015 | 2,460,356 |
| Profit (Loss) for the six months ended June 30, 2021 | - | - | - | - | (29,875) | (29,875) | - | - | (29,875) | 168 | (29,707) |
| Other comprehensive income for the six months ended June 30, 2021 | - | - | - | - | - | - | (16,504) | - | (16,504) | (1,023) | (17,527) |
| Total comprehensive income for the six months ended June 30, 2021 | - | - | - | - | (29,875) | (29,875) | (16,504) | - | (46,379) | (855) | (47,234) |
| Difference between consideration and carrying amount of subsidiaries acquired or disposed | - | 41,744 | - | - | - | - | - | - | 41,744 | - | 41,744 |
| Changes in non-controlling interests | - | - | - | - | - | - | - | - | - | (90,160) | (90,160) |
| Balance on June 30, 2021 | \$ 1,559,350 | 173,563 | 297,782 | 81,209 | 328,326 | 707,317 | (75,524) | - | 2,364,706 | - | 2,364,706 |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the six months ended June 30, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

| | For the six months ended June 30 | |
|--|-------------------------------------|------------------|
| | 2021 | 2020 |
| Cash flows from (used in) operating activities: | | |
| Profit (Loss) before tax | \$ (40,539) | 119,575 |
| Adjustments: | | |
| Adjustments to reconcile profit (loss): | | |
| Depreciation expense | 114,599 | 111,588 |
| Amortization expense | 2,719 | 752 |
| Expected credit losses (gains) | 219 | 965 |
| Net losses (gains) on financial assets or liabilities at fair value through profit or loss | (75) | 7 |
| Interest expenses | 6,318 | 5,210 |
| Interest income | (641) | (945) |
| Losses on disposal of property, plant and equipment, net | 4,681 | 7,634 |
| Other | - | 118 |
| Total adjustments to reconcile profit (loss) | <u>127,820</u> | <u>125,329</u> |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in financial assets at fair value through profit or loss | (1,500) | (3,000) |
| Decrease (increase) in trade receivables | 365,907 | (58,187) |
| Decrease (increase) in inventories | (269,127) | 38,642 |
| Decrease (increase) in other current assets | 1,476 | (44,677) |
| Decrease (increase) in other financial assets | - | 247 |
| Increase (decrease) in contract liabilities | 362 | (306) |
| Increase (decrease) in trade payables | (25,189) | (101,060) |
| Increase (decrease) in other payables and other current liabilities | (39,319) | (25,961) |
| Total changes in operating assets and liabilities | <u>32,610</u> | <u>(194,302)</u> |
| Total adjustments | <u>160,430</u> | <u>(68,973)</u> |
| Cash inflow generated from (used in) operations | 119,891 | 50,602 |
| Interest received | 641 | 945 |
| Income taxes refund (paid) | 20,495 | (39,357) |
| Net cash flows from (used in) operating activities | <u>141,027</u> | <u>12,190</u> |
| Cash flows from (used in) investing activities: | | |
| Acquisition of property, plant, and equipment | (298,444) | (20,640) |
| Decrease (increase) in prepayment for business facilities | (13,410) | (12,810) |
| Decrease (increase) in refundable deposits | 1,860 | (327) |
| Acquisition of intangible assets | (10,234) | - |
| Net cash flows from (used in) investing activities | <u>(320,228)</u> | <u>(33,777)</u> |
| Cash flows from (used in) financing activities: | | |
| Increase (decrease) in short-term loans | 44,585 | 50,000 |
| Increase (decrease) in long-term loans | 74,000 | (6,000) |
| Increase (decrease) in guarantee deposits | (476) | (634) |
| Payment of lease liabilities | (5,851) | (7,069) |
| Payments to acquire treasury shares | - | (38,712) |
| Interest paid | (6,256) | (5,280) |
| Acquisition of non-controlling interests | (39,192) | (25,783) |
| Net cash flows from (used in) financing activities | <u>66,810</u> | <u>(33,478)</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(9,135)</u> | <u>(7,000)</u> |
| Net increase (decrease) in cash and cash equivalents | (121,526) | (62,065) |
| Cash and cash equivalents at beginning of period | 366,138 | 348,611 |
| Cash and cash equivalents at end of period | <u>\$ 244,612</u> | <u>286,546</u> |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards
as of June 30, 2021 and 2020

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2021 and 2020

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

(1) Company history

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

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

These consolidated financial statements for the six months ended June 30, 2021 and 2020 were authorized for issuance by the Board of Directors on August 11, 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, 2021:

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

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

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

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

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

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

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

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

(Continued)

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

(4) Summary of significant accounting policies

(a) Statement of compliance

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

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2020. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2020.

(b) Basis of consolidation

List of subsidiaries in the consolidated financial statements.

| Name of investor | Name of subsidiary | Principal activity | Shareholding | | | Description |
|--------------------------------|--|---|---------------|-------------------|---------------|-------------|
| | | | June 30, 2021 | December 31, 2020 | June 30, 2020 | |
| The Company | TOP CITY INTERNATIONAL LIMITED | Investment | 100 % | 100 % | 100 % | |
| The Company | CHENMING ELECTRONIC TECHNOLOGY USA, Inc. | Import and export business of computer case | 100 % | 100 % | 100 % | |
| TOP CITY INTERNATIONAL LIMITED | PEAK SHREWD INC. | Investment | 100 % | 100 % | 100 % | |
| TOP CITY INTERNATIONAL LIMITED | GERSHWIN INTERNATIONAL LIMITED | Investment | 100 % | 100 % | 100 % | |
| GERSHWIN INTERNATIONAL LIMITED | Dongguan Chenming Electronic Co., Ltd | Computer case and production of relative components | 100 % | 100 % | 100 % | |
| PEAK SHREWD INC. | CHENMING ELECTRONIC (NINGBO) CO., LTD | Computer case and production of relative components | 100 % | 92 % | 82 % | Note 1 |

Note 1: The Group acquired 10% interest of CHENMING ELECTRONIC (NINGBO) CO., LTD in August 2020, resulting in its ratio of shareholding to increase from 82% to 92%. The Group acquired 8% interest of CHENMING ELECTRONIC (NINGBO) CO., LTD in April 2021, resulting in its ratio of shareholding to increase from 92% to 100%

(c) Employee benefits

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

(Continued)

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

(d) Income taxes

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

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

For a change in tax rate that is substantively enacted in an interim period, the effect of the change should immediately be recognized in the interim period in which the change occurs.

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

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

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

The preparation of the consolidated interim financial statements, estimates, and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2020. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2020.

(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2020. Please refer to note (6) of the 2020 annual consolidated financial statements.

(a) Cash and cash equivalents

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|---------------------------------------|--------------------------|------------------------------|--------------------------|
| Cash on hand | \$ 572 | 416 | 50 |
| Checking accounts and demand deposits | 231,113 | 365,722 | 286,496 |
| Time deposits | 12,927 | - | - |
| | <u>\$ 244,612</u> | <u>366,138</u> | <u>286,546</u> |

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

(Continued)

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

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

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|--|--------------------------|------------------------------|--------------------------|
| Mandatorily measured at fair value through profit or loss: | | | |
| Non-derivative financial assets | | | |
| Beneficiary certificate-Funds | \$ <u>1,575</u> | <u>-</u> | <u>2,993</u> |

(c) Trade receivables

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|------------------------|--------------------------|------------------------------|--------------------------|
| Trade receivables | \$ 1,363,698 | 1,736,665 | 2,092,333 |
| Less: Loss allowance | <u>(904)</u> | <u>(692)</u> | <u>(1,452)</u> |
| Trade receivables, net | <u>\$ 1,362,794</u> | <u>1,735,973</u> | <u>2,090,881</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:

| | <u>June 30, 2021</u> | | |
|-------------------------|----------------------------------|--|--|
| | <u>Gross carrying amount</u> | <u>Weighted- average expected credit loss rate</u> | <u>Allowance lifetime expected credit loss</u> |
| Current | \$ 1,330,555 | 0.02% | 239 |
| 1 to 30 days past due | 11,346 | 0.18% | 20 |
| 31 to 150 days past due | <u>21,797</u> | <u>2.96%</u> | <u>645</u> |
| | <u>\$ 1,363,698</u> | | <u>904</u> |
| | <u>December 31, 2020</u> | | |
| | <u>Gross carrying amount</u> | <u>Weighted- average expected credit loss rate</u> | <u>Allowance lifetime expected credit loss</u> |
| 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> | <u>4.60%</u> | <u>74</u> |
| | <u>\$ 1,736,665</u> | | <u>692</u> |

(Continued)

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

| | June 30, 2020 | | |
|-------------------------|----------------------------------|--|--|
| | Gross carrying amount | Weighted- average expected credit loss rate | Allowance lifetime expected credit loss |
| Current | \$ 2,064,433 | 0.06% | 1,296 |
| 1 to 30 days past due | 14,524 | 0.13% | 19 |
| 31 to 150 days past due | 13,376 | 1.02% | 137 |
| | <u>\$ 2,092,333</u> | | <u>1,452</u> |

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

| | For the six months ended June 30, | |
|---|--|--------------|
| | 2021 | 2020 |
| Balance on January 1 | \$ 692 | 513 |
| Impairment losses recognized (reversed) | 219 | 965 |
| Foreign exchange gains / (losses) | (7) | (26) |
| Balance on June 30 | <u>\$ 904</u> | <u>1,452</u> |

As of June 30, 2021, December 31, 2020, and June 30, 2020, the Group did not pledge any receivables as collaterals.

(d) Inventories

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|--------------------------|------------------------------|--------------------------|
| Raw materials | \$ 303,719 | 236,860 | 284,923 |
| Work in progress | 272,204 | 191,097 | 232,157 |
| Finished goods and merchandise inventories | 654,123 | 538,659 | 411,394 |
| | <u>\$ 1,230,046</u> | <u>966,616</u> | <u>928,474</u> |

(Continued)

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

The Group's composition details of operating cost for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020 were as follows:

| | For the three months ended | | For the six months ended | |
|---|-----------------------------------|-------------------------|---------------------------------|-------------------------|
| | June 30, | | June 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| Cost of goods sold | \$ 1,031,810 | 1,426,507 | 1,994,574 | 2,673,456 |
| Revenue from sale of scraps | (11,891) | (17,151) | (21,952) | (29,947) |
| Inventories valuation and obsolescence losses (gain from price recovery of inventory) | 4,578 | 15,837 | 3,715 | 13,565 |
| Loss on scrapping of inventories | 23,546 | 31,518 | 43,261 | 61,761 |
| Shortage of inventories | 21 | - | 21 | - |
| | <u>\$ 1,048,064</u> | <u>1,456,711</u> | <u>2,019,619</u> | <u>2,718,835</u> |

The write-down of the inventories to net realizable value amounted to \$4,578, \$15,837, \$3,715 and \$13,565 for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, respectively. The write-downs are included in operating costs.

As of June 30, 2021, December 31, 2020, and June 30, 2020, the Group did not pledge any inventories as collaterals.

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

To increase all shareholders' equity and enhance the corporate governance, the Group decided on August 5, 2020, to purchase 10% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD. amounting to \$60,260 (US\$2,050 thousand) from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary PEAK SHREWD INC., a fully owned subsidiary of the Group. The contract was signed, and the related transfer procedures had been completed in August 2020. The Group increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 82% to 92%. As of December 31, 2020, the remaining unpaid balance of \$24,208 was recognized as other payable-related parties. As of June 30, 2021, the Group has already made its payment.

The Group decided on March 17, 2021, to purchase 8% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD. amounting to \$48,416 (US\$1,700 thousand) from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary PEAK SHREWD INC., a fully owned subsidiary of the Group. The contract was signed in March 2021, and the related transfer procedures had been completed in April 2021. The Group increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 92% to 100%. As of June 30, 2021, the remaining unpaid balance of \$33,432 was recognized as other payable-related parties. For the related information, please refer to note(7)(b) for details.

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

(f) Property, plant, and equipment

The cost and accumulated depreciation of the property, plant, and equipment of the Group for the six months ended June 30, 2021 and 2020 were as follows:

| | <u>Land</u> | <u>Properties</u> | <u>Machinery and equipment</u> | <u>Office equipment and others</u> | <u>Molds</u> | <u>Total</u> |
|--|-------------------|-------------------|--|--|----------------|------------------|
| Cost: | | | | | | |
| Balance on January 1, 2021 | \$ 613,714 | 778,789 | 408,568 | 30,770 | - | 1,831,841 |
| Additions | 3,955 | - | 13,377 | 21,285 | 236,143 | 274,760 |
| Disposals | - | - | - | - | (5,375) | (5,375) |
| Reclassifications | 11,524 | - | 10,796 | 918 | - | 23,238 |
| Effect of changes in exchange rates | <u>-</u> | <u>(2,905)</u> | <u>(2,587)</u> | <u>(194)</u> | <u>(785)</u> | <u>(6,471)</u> |
| Balance on June 30, 2021 | <u>\$ 629,193</u> | <u>775,884</u> | <u>430,154</u> | <u>52,779</u> | <u>229,983</u> | <u>2,117,993</u> |
| Balance on January 1, 2020 | \$ 210,897 | 776,469 | 512,811 | 92,048 | - | 1,592,225 |
| Additions | - | - | 48,592 | 6,050 | - | 54,642 |
| Disposals | - | - | (112,287) | (45,467) | - | (157,754) |
| Reclassifications | - | - | 20,496 | 290 | - | 20,786 |
| Effect of changes in exchange rates | <u>-</u> | <u>(4,871)</u> | <u>(4,637)</u> | <u>(232)</u> | <u>-</u> | <u>(9,740)</u> |
| Balance on June 30, 2020 | <u>\$ 210,897</u> | <u>771,598</u> | <u>464,975</u> | <u>52,689</u> | <u>-</u> | <u>1,500,159</u> |
| Depreciation: | | | | | | |
| Balance on January 1, 2021 | \$ - | 294,901 | 206,220 | 14,907 | - | 516,028 |
| Depreciation | - | 14,012 | 60,320 | 5,575 | 21,808 | 101,715 |
| Disposals | - | - | - | - | (694) | (694) |
| Effect of changes in exchange rates | <u>-</u> | <u>(1,039)</u> | <u>(1,461)</u> | <u>(80)</u> | <u>(94)</u> | <u>(2,674)</u> |
| Balance on June 30, 2021 | <u>\$ -</u> | <u>307,874</u> | <u>265,079</u> | <u>20,402</u> | <u>21,020</u> | <u>614,375</u> |
| Balance on January 1, 2020 | \$ - | 260,358 | 291,065 | 70,880 | - | 622,303 |
| Depreciation | - | 17,037 | 73,977 | 9,483 | - | 100,497 |
| Disposals | - | - | (105,868) | (44,252) | - | (150,120) |
| Effect of changes in exchange rates | <u>-</u> | <u>(1,369)</u> | <u>(2,383)</u> | <u>(121)</u> | <u>-</u> | <u>(3,873)</u> |
| Balance on June 30, 2020 | <u>\$ -</u> | <u>276,026</u> | <u>256,791</u> | <u>35,990</u> | <u>-</u> | <u>568,807</u> |
| Book value: | | | | | | |
| Balance on January 1, 2021 | <u>\$ 613,714</u> | <u>483,888</u> | <u>202,348</u> | <u>15,863</u> | <u>-</u> | <u>1,315,813</u> |
| Balance on June 30, 2021 | <u>\$ 629,193</u> | <u>468,010</u> | <u>165,075</u> | <u>32,377</u> | <u>208,963</u> | <u>1,503,618</u> |
| Balance on June 30, 2020 | <u>\$ 210,897</u> | <u>495,572</u> | <u>208,184</u> | <u>16,699</u> | <u>-</u> | <u>931,352</u> |

(Continued)

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

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 June 30, 2021, December 31, 2020, and June 30, 2020 the Group had provided parts of the property, plant, and equipment as collaterals for its long-term loans and credit lines. Please refer to note (8) for details.

(g) Right-of-use assets

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

| | <u>Land</u> | <u>Properties</u> | <u>Transportation</u> | <u>others</u> | <u>Total</u> |
|---|-------------------|-------------------|-----------------------|---------------|----------------|
| Cost: | | | | | |
| Balance at January 1, 2021 | \$ 245,034 | 10,906 | 18,085 | 2,476 | 276,501 |
| Additions | - | 8,912 | - | - | 8,912 |
| Effect of changes in exchange rates | (1,452) | (243) | - | - | (1,695) |
| Balance at June 30, 2021 | <u>\$ 243,582</u> | <u>19,575</u> | <u>18,085</u> | <u>2,476</u> | <u>283,718</u> |
| Balance at January 1, 2020 | \$ 243,496 | 1,914 | 11,785 | 2,476 | 259,671 |
| Additions | - | 8,693 | 1,876 | - | 10,569 |
| Write-off | - | - | (844) | - | (844) |
| Effect of changes in exchange rates | (2,435) | (165) | - | - | (2,600) |
| Balance at June 30, 2020 | <u>\$ 241,061</u> | <u>10,442</u> | <u>12,817</u> | <u>2,476</u> | <u>266,796</u> |
| Accumulated depreciation and impairment losses: | | | | | |
| Balance at January 1, 2021 | \$ 19,529 | 9,412 | 7,603 | 1,384 | 37,928 |
| Depreciation of the period | 4,869 | 4,454 | 2,603 | 340 | 12,266 |
| Effect of changes in exchange rates | (130) | (184) | - | - | (314) |
| Balance at June 30, 2021 | <u>\$ 24,268</u> | <u>13,682</u> | <u>10,206</u> | <u>1,724</u> | <u>49,880</u> |
| Balance at January 1, 2020 | \$ 9,703 | 1,914 | 3,608 | 703 | 15,928 |
| Depreciation of the period | 4,827 | 2,897 | 2,409 | 340 | 10,473 |
| Write-off | - | - | (799) | - | (799) |
| Effect of changes in exchange rates | (120) | (88) | - | - | (208) |
| Balance at June 30, 2020 | <u>\$ 14,410</u> | <u>4,723</u> | <u>5,218</u> | <u>1,043</u> | <u>25,394</u> |
| Book value: | | | | | |
| Balance at January 1, 2021 | <u>\$ 225,505</u> | <u>1,494</u> | <u>10,482</u> | <u>1,092</u> | <u>238,573</u> |
| Balance at June 30, 2021 | <u>\$ 219,314</u> | <u>5,893</u> | <u>7,879</u> | <u>752</u> | <u>233,838</u> |
| Balance at June 30, 2020 | <u>\$ 226,651</u> | <u>5,719</u> | <u>7,599</u> | <u>1,433</u> | <u>241,402</u> |

(Continued)

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

(h) Investment property

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

| | <u>Land</u> | <u>Properties</u> | <u>Total</u> |
|----------------------------|-------------------|-------------------|----------------|
| Book value: | | | |
| Balance on January 1, 2021 | \$ <u>152,640</u> | <u>43,759</u> | <u>196,399</u> |
| Balance on June 30, 2021 | \$ <u>152,640</u> | <u>43,141</u> | <u>195,781</u> |
| Balance on June 30, 2020 | \$ <u>152,640</u> | <u>44,378</u> | <u>197,018</u> |

There were no material addition, disposal, impairment, or reversal situation of investment properties for the six months ended June 30, 2021 and 2020. Please refer to note (12) for details. For other related information, please refer to note(6)(g) of the 2020 consolidated financial statements.

There were no significant differences between the fair values of investment properties and that of those disclosed in the 2020 consolidated financial statements. Please refer to note (6)(g) of the 2020 consolidated financial statement.

Please refer to note (8) for information on investment properties pledged as collateral as of June 30, 2021, December 31, 2020, and June 30, 2020.

(i) Short-term loans

The short-term loans were summarized as follows:

| | <u>June 30, 2021</u> | <u>December 31, 2020</u> | <u>June 30, 2020</u> |
|---|--------------------------|------------------------------|--------------------------|
| Credit loans | \$ - | - | 220,000 |
| Secured loans | <u>341,545</u> | <u>296,960</u> | <u>220,000</u> |
| | <u>\$ 341,545</u> | <u>296,960</u> | <u>440,000</u> |
| Unused credit line for short-term loans | <u>\$ 1,154,358</u> | <u>860,992</u> | <u>613,712</u> |
| Annual interest rates | <u>0.5%~4.35%</u> | <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)(s).

(ii) As of June 30, 2021, December 31, 2020, and June 30, 2020, the Group provided part of its assets as collateral for short-term loans, please refer to note (8) for details.

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

(j) Long-term loans

The long-term loans were summarized as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-------------------------------|--------------------------|------------------------------|--------------------------|
| Secured bank loans | \$ 696,000 | 622,000 | 300,000 |
| Unsecured bank loans | - | - | - |
| Less: Current portion | - | - | - |
| Total | <u>\$ 696,000</u> | <u>622,000</u> | <u>300,000</u> |
| Unused long-term credit lines | <u>\$ 706,000</u> | <u>786,000</u> | <u>180,000</u> |
| Range of interest rate | <u>1.0%~1.3%</u> | <u>1.0%~1.5%</u> | <u>1.0%~1.5%</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)(s).

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

(k) Lease liabilities

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|------------------------------|--------------------------|------------------------------|--------------------------|
| Current | <u>\$ 10,590</u> | <u>5,448</u> | <u>7,915</u> |
| Non-current financial assets | <u>\$ 4,158</u> | <u>6,297</u> | <u>5,559</u> |

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

The amounts recognized in profit or loss were as follows:

| | For the three months ended | | For the six months ended | |
|---|-----------------------------------|-------------|---------------------------------|-------------|
| | June 30, | | June 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| Interest on lease liabilities | <u>\$ 179</u> | <u>161</u> | <u>261</u> | <u>280</u> |
| Variable lease payments not included in the measurement of lease liabilities | <u>\$ -</u> | <u>244</u> | <u>-</u> | <u>722</u> |
| Expenses relating to short-term leases | <u>\$ 126</u> | <u>133</u> | <u>253</u> | <u>257</u> |
| Expense relating to leases of low-value assets, excluding short-term leases of low-value assets | <u>\$ 46</u> | <u>28</u> | <u>92</u> | <u>66</u> |

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

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

| | For the six months ended | |
|-------------------------------|---------------------------------|--------------|
| | June 30, | |
| | 2021 | 2020 |
| Total cash outflow for leases | <u>\$ 6,457</u> | <u>8,394</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.

(l) Operating lease

There were no significant changes in operating lease for the six months ended June 30, 2021 and 2020. Please refer to note (6)(k) of the consolidated financial statements for the year ended December 31, 2020 for other related information.

(m) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement, or other one-time event in the prior fiscal year. The consolidated financial statements shall be measured and disclosed in accordance with the actuarial report measured on December 31, 2019.

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

The pension costs of the defined benefit plans were as follows:

| | For the three months ended | | For the six months ended | |
|----------------------------|-----------------------------------|-------------|---------------------------------|--------------|
| | June 30, | | June 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| Operating expense (income) | <u>\$ -</u> | <u>(64)</u> | <u>-</u> | <u>(128)</u> |

(Continued)

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

(ii) Defined contribution plans

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|-----------------|--------------------------------------|--------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Operating expense | \$ 1,011 | 938 | 1,985 |

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

| | For the three months ended June 30, | | For the six months ended June 30, | |
|-------------------|--|---------------|--------------------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Operating cost | \$ 19,163 | 11,301 | 37,394 |
| Operating expense | 1,951 | 1,082 | 3,940 | 2,323 |
| | \$ 21,114 | 12,383 | 41,334 | 25,865 |

(n) Income taxes

(i) The components of income tax for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020 were as follows:

| | For the three months ended June 30, | | For the six months ended June 30, | |
|--|--|--------------------|--------------------------------------|-----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | Current tax expense (benefit) | \$ (12,924) | 31,044 | (10,832) |

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

(iii) Assessment of tax

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

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

(o) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to June 30, 2021 and 2020. For the related information, please refer to note (6)(n) of the consolidated financial statements for the year ended December 31, 2020.

(i) Capital surplus

The balances of capital surplus as of June 30, 2021, December 31, 2020, and June 30, 2020, were as follows:

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|--|--------------------------|------------------------------|--------------------------|
| Additional paid-in capital | \$ 10,551 | 10,551 | 10,551 |
| Difference arising from subsidiary's share price and its carrying value | <u>163,012</u> | <u>121,268</u> | <u>68,852</u> |
| | <u>\$ 173,563</u> | <u>131,819</u> | <u>79,403</u> |

(ii) 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.

(iii) Earnings Distribution

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

(iv) Treasury shares

As of June 30, 2021, the Group has no treasury shares. For the six months ended June 30, 2020, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 3,500 thousand shares as treasury shares in order to protect the Company's integrity and shareholders' equity. All treasury shares repurchased had been cancelled in 2020.

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

Movements of treasury share were as follows:

| | <u>For the six months ended June 30, 2020</u> | |
|-----------------------|---|-----------------|
| | <u>Share (thousands)</u> | <u>Amount</u> |
| Balance on January, 1 | 3,500 | \$ 49,810 |
| Repurchase | 3,500 | 38,712 |
| Retirement | <u>(7,000)</u> | <u>(88,522)</u> |
| Balance on June 30 | <u>-</u> | <u>\$ -</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 should not hold any shareholder rights before their transfer.

(p) Earnings per share

For the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, the Company's earnings per share was calculated as follows:

| | <u>For the three months ended June 30,</u> | | <u>For the six months ended June 30,</u> | |
|---|--|----------------|--|----------------|
| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
| Basic earnings per share: | | | | |
| Profit attributable to ordinary shareholders of the Company | \$ <u>(42,611)</u> | <u>42,311</u> | <u>(29,875)</u> | <u>60,167</u> |
| Weighted-average number of ordinary shares (share in thousands) | <u>155,935</u> | <u>155,935</u> | <u>155,935</u> | <u>157,494</u> |
| | <u>\$ (0.27)</u> | <u>0.27</u> | <u>(0.19)</u> | <u>0.38</u> |
| Diluted earnings per share: | | | | |
| Profit attributable to ordinary shareholders of the Company (after adjusted the influence of potential ordinary shares) | \$ <u>(42,611)</u> | <u>42,311</u> | <u>(29,875)</u> | <u>60,167</u> |

(Continued)

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

| | For the three months ended | | For the six months ended | |
|--|-----------------------------------|----------------|---------------------------------|----------------|
| | June 30, | | June 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| Weighted-average number of ordinary shares with potential influence of ordinary shares | | | | |
| Weighted-average number of ordinary shares | 155,935 | 155,935 | 155,935 | 157,494 |
| Effect of employee stock remuneration (share in thousands) | - | 112 | 86 | 283 |
| Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares) | <u>155,935</u> | <u>156,047</u> | <u>156,021</u> | <u>157,777</u> |
| | <u>\$ (0.27)</u> | <u>0.27</u> | <u>(0.19)</u> | <u>0.38</u> |

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

| | For the three months ended | | For the six months ended | |
|------------------------------|-----------------------------------|------------------|---------------------------------|------------------|
| | June 30, | | June 30, | |
| | 2021 | 2020 | 2021 | 2020 |
| Primary geographical markets | | | | |
| Taiwan | \$ 202,120 | 352,639 | 399,100 | 655,670 |
| China | 584,967 | 1,005,518 | 1,096,785 | 1,650,734 |
| USA | 214,917 | 92,712 | 416,944 | 185,122 |
| Japan | 72,261 | 134,399 | 190,231 | 387,231 |
| Other | 15,250 | 45,460 | 45,183 | 112,819 |
| | <u>\$ 1,089,515</u> | <u>1,630,728</u> | <u>2,148,243</u> | <u>2,991,576</u> |
| Major products | | | | |
| PC and server chassis | \$ 825,322 | 1,264,493 | 1,579,950 | 2,329,924 |
| Mobile device components | 172,986 | 194,164 | 405,017 | 349,167 |
| Mold | 91,207 | 172,071 | 163,276 | 312,485 |
| | <u>\$ 1,089,515</u> | <u>1,630,728</u> | <u>2,148,243</u> | <u>2,991,576</u> |

(Continued)

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

(ii) Contract balances

| | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|----------------------|----------------------------|------------------------------|--------------------------|
| Trade receivables | \$ 1,363,698 | 1,736,665 | 2,092,333 |
| Less: Loss allowance | <u>(904)</u> | <u>(692)</u> | <u>(1,452)</u> |
| | <u>\$ 1,362,794</u> | <u>1,735,973</u> | <u>2,090,881</u> |
| Contract liabilities | <u>\$ 977</u> | <u>615</u> | <u>915</u> |

The amount of revenue recognized for the six months ended June 30, 2021 and 2020 that were included in the contract liability balance at the beginning of the period were \$615 and \$1,215, respectively.

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

(r) Remunerations to employees, directors and supervisors

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

The Group's remuneration to employees were \$0, \$450, \$0 and \$1,450; and the remuneration to directors and supervisors was \$0, \$375, \$0 and \$750 for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employee remuneration were calculated based on the closing price of the Company's shares on the day before the approval from the Board of Directors. For the six months ended June 30, 2021, a net loss after tax has occurred, so there is no need to estimate employees and directors remuneration.

The remuneration to employees was \$3,000 and \$5,000, respectively; and the remuneration to directors and supervisors were both \$1,500 in 2020 and 2019, respectively. The actual amount and the estimated amount, which was estimated in the financial statement on December 31, 2020, and December 31, 2019, had no difference. Related information would be available at the Market Observation Post System website.

(Continued)

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

(s) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair values of the Group's financial instruments and degree of exposure to credit risk, liquidity risk, and market risk arising from financial instruments. For the related information, please refer to note (6)(r) of the consolidated financial statements for the year ended December 31, 2020.

(i) Receivable securities

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

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

(ii) Liquidity Risk

The following table shows the contractual maturities of financial liabilities, excluding estimated interest payments:

| | <u>Amount</u> | <u>Contractual cash flows</u> | <u>Within a year</u> | <u>1 ~ 2 years</u> | <u>Over 2 years</u> |
|---|---------------------|-----------------------------------|--------------------------|--------------------|-------------------------|
| June 30, 2021 | | | | | |
| Secured loans | \$ 1,037,545 | (1,037,545) | (341,545) | (270,000) | (426,000) |
| Unsecured loans | - | - | - | - | - |
| Trade payables | 1,227,906 | (1,227,906) | (1,227,906) | - | - |
| Lease liabilities (including current and non-current) | 14,748 | (15,083) | (10,851) | (3,529) | (703) |
| Other payables (including related parties) | 243,367 | (243,367) | (243,367) | - | - |
| Guarantee deposits | 7,578 | (7,578) | (5,418) | - | (2,160) |
| | <u>\$ 2,531,144</u> | <u>(2,531,479)</u> | <u>(1,829,087)</u> | <u>(273,529)</u> | <u>(428,863)</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> |

(Continued)

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

| | <u>Amount</u> | <u>Contractual cash flows</u> | <u>Within a year</u> | <u>1 ~ 2 years</u> | <u>Over 2 years</u> |
|---|---------------------|-----------------------------------|--------------------------|--------------------|-------------------------|
| June 30, 2020 | | | | | |
| Secured loans | \$ 520,000 | (520,000) | (220,000) | - | (300,000) |
| Unsecured loans | 220,000 | (220,000) | (220,000) | - | - |
| Trade payables | 1,267,669 | (1,267,669) | (1,267,669) | - | - |
| Lease liabilities (including current and non-current) | 13,474 | (13,474) | (7,915) | (3,105) | (2,454) |
| Other payables (including related parties) | 328,244 | (328,244) | (328,244) | - | - |
| Guarantee deposits | 7,057 | (7,057) | (3,787) | (3,270) | - |
| | <u>\$ 2,356,444</u> | <u>(2,356,444)</u> | <u>(2,047,615)</u> | <u>(6,375)</u> | <u>(302,454)</u> |

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

| | <u>June 30, 2021</u> | | | <u>December 31, 2020</u> | | | <u>June 30, 2020</u> | | |
|-----------------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|
| | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>TWD</u> |
| Financial assets | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD to NTD | \$ 24,318 | 27.860 | 677,499 | 26,457 | 28.48 | 753,495 | 27,942 | 29.630 | 827,921 |
| USD to CNY | 15,041 | 6.4601 | 419,042 | 27,171 | 6.5249 | 773,830 | 30,030 | 7.0795 | 889,789 |
| CNY to NTD | 84,393 | 4.309 | 363,649 | 114,473 | 4.377 | 501,048 | 143,545 | 4.191 | 601,597 |
| Financial liabilities | | | | | | | | | |
| Monetary items | | | | | | | | | |
| USD to NTD | 4,523 | 27.860 | 126,011 | 5,322 | 28.48 | 151,571 | 4,191 | 29.630 | 124,179 |
| USD to CNY | 551 | 6.4601 | 15,351 | 1,398 | 6.5249 | 39,815 | 2,644 | 7.0795 | 78,342 |
| CNY to NTD | 166,578 | 4.309 | 717,785 | 201,881 | 4.377 | 883,633 | 200,616 | 4.191 | 840,782 |

2) Sensitivity analysis

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

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CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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A weakening or strengthening 5% of each major foreign currency against Group entities' functional currency as of June 30, 2021, would have affected the net profit before tax as follows:

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
|-----------------------|----------------------|----------------------|
| USD (against the NTD) | | |
| Strengthening 5% | \$ 27,574 | 35,187 |
| Weakening 5% | (27,574) | (35,187) |
| USD (against the CNY) | | |
| Strengthening 5% | 20,185 | 40,572 |
| Weakening 5% | (20,185) | (40,572) |
| CNY (against the NTD) | | |
| Strengthening 5% | (17,707) | (11,959) |
| Weakening 5% | 17,707 | 11,959 |

3) Exchange gains and losses of monetary items

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

| | <u>For the six months ended June 30,</u> | | | |
|-----|--|---------------------|-----------------------------------|---------------------|
| | <u>2021</u> | | <u>2020</u> | |
| | <u>Exchange profit (loss)</u> | <u>Average rate</u> | <u>Exchange profit (loss)</u> | <u>Average rate</u> |
| NTD | \$ 5,930 | - | 7,643 | - |
| CNY | (1,667) | 4.3447 | 2,107 | 4.2468 |

(iv) Interest rate analysis

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

| | <u>Carrying amount</u> | |
|----------------------------|--------------------------|--------------------------|
| | <u>June 30, 2021</u> | <u>June 30, 2020</u> |
| Variable rate instruments: | | |
| Financial assets | \$ 12,927 | - |
| Variable rate instruments: | | |
| Financial assets | \$ 231,038 | 286,433 |
| Financial liabilities | 1,037,545 | 740,000 |

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.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES
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If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$1,008 and \$567 for the six months ended June 30, 2021 and 2020, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(v) Fair value

1) The kinds of financial instruments and fair value

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

| | June 30, 2021 | | | | |
|--|---------------------|------------|---------|---|-------|
| | Book value | Fair Value | | | Total |
| | Level 1 | Level 2 | Level 3 | | |
| Financial assets at fair value through profit or loss | | | | | |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss- | | | | | |
| Beneficiary certificate-Funds | \$ 1,575 | 1,575 | - | - | 1,575 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 244,612 | - | - | - | - |
| Trade receivables, net | 1,362,794 | - | - | - | - |
| Other financial assets | - | - | - | - | - |
| Refundable deposits | 24,738 | - | - | - | - |
| | <u>1,632,144</u> | | | | |
| | <u>\$ 1,633,719</u> | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | \$ 1,037,545 | - | - | - | - |
| Trade payables | 1,227,906 | - | - | - | - |
| Lease liabilities | 14,748 | - | - | - | - |
| Other payables (including related parties) | 243,367 | - | - | - | - |
| Guarantee deposits | 7,578 | - | - | - | - |
| | <u>\$ 2,531,144</u> | | | | |

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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 | <u>26,598</u> | - | - | - | - |
| | <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 | <u>8,054</u> | - | - | - | - |
| | <u>\$ 2,497,811</u> | | | | |
| June 30, 2020 | | | | | |
| | Book value | Fair Value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss-Beneficiary certificate-Funds | \$ <u>2,993</u> | 2,993 | - | - | 2,993 |
| Financial assets measured at amortized cost | | | | | |
| Cash and cash equivalents | 286,546 | - | - | - | - |
| Trade receivable, net | 2,090,881 | - | - | - | - |
| Other financial assets | 496 | - | - | - | - |
| Refundable deposits | <u>24,749</u> | - | - | - | - |
| | <u>2,402,672</u> | | | | |
| | <u>\$ 2,405,665</u> | | | | |
| Financial liabilities measured at amortized cost | | | | | |
| Bank loans | \$ 740,000 | - | - | - | - |
| Trade payables | 1,267,669 | - | - | - | - |
| Lease liabilities | 13,474 | - | - | - | - |
| Other payables (including related parties) | 328,244 | - | - | - | - |
| Guarantee deposits | <u>7,057</u> | - | - | - | - |
| | <u>\$ 2,356,444</u> | | | | |

(Continued)

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

2) 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.

3) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

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

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

(t) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in note (6)(s) of the consolidated financial statements for the year ended December 31, 2020.

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

(u) Capital management

Management believes that the objectives, policies, and processes of the capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2020. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2020. Please refer to note (6)(t) of the consolidated financial statements for the year ended December 31, 2020 for further details.

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

Reconciliation of liabilities arising from financing activities for the six months ended June 30, 2021 and 2020 were as follows:

| | January 1, 2021 | Cash flows | Non-cash flows | | | June 30, 2021 |
|---|--------------------|----------------|----------------|-----------|---------------------------|------------------|
| | | | Additions | Write-off | Foreign exchange movement | |
| Long-term loans | \$ 622,000 | 74,000 | - | - | - | 696,000 |
| Short-term loans | 296,960 | 44,585 | - | - | - | 341,545 |
| Lease liabilities | 11,745 | (5,851) | 8,912 | - | (58) | 14,748 |
| Guarantee deposits | 8,054 | (476) | - | - | - | 7,578 |
| Total liabilities from financing activities | <u>\$ 938,759</u> | <u>112,258</u> | <u>8,912</u> | <u>-</u> | <u>(58)</u> | <u>1,059,871</u> |

| | January 1, 2020 | Cash flows | Non-cash flows | | | June 30, 2020 |
|---|--------------------|---------------|----------------|-------------|---------------------------|------------------|
| | | | Additions | Write-off | Foreign exchange movement | |
| Long-term loans | \$ 306,000 | (6,000) | - | - | - | 300,000 |
| Short-term loans | 390,000 | 50,000 | - | - | - | 440,000 |
| Lease liabilities | 10,075 | (7,069) | 10,569 | (45) | (56) | 13,474 |
| Guarantee deposits | 7,691 | (634) | - | - | - | 7,057 |
| Total liabilities from financing activities | <u>\$ 713,766</u> | <u>36,297</u> | <u>10,569</u> | <u>(45)</u> | <u>(56)</u> | <u>760,531</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>Names of related parties</u> | <u>Relationships 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 |

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

(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 three months and six months ended June 30, 2021 and 2020 were \$857, \$857, \$1,714, and \$1,714, respectively.

(ii) Equity trading

On March 17, 2021, the Board of Directors decided to acquire 8% of shares of CHENMING ELECTRONIC (NINGBO) CO., LTD., which amounted to \$48,416 (US\$1,700) and increased its shares in CHENMING ELECTRONICS (NINGBO) CO., LTD from 92% to 100%. The contracts were signed, and the related transfer procedures had been completed. As of June 30, 2021, the remaining unpaid amount is \$33,432.

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) from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary PEAK SHREWD INC., a fully owned subsidiary of the Group. The contracts were signed, and the related transfer procedures had been completed. The Group increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 82% to 92%. As of December 31, 2020, the remaining unpaid balance of \$24,208, which was recognized as other payables related parties; as of June 30, 2021, the Group has already made its payment. Please refer to note (6)(e) for related information.

(c) Key management personnel compensation

(i) Key management personnel compensation was comprised of:

| | For the three months ended | | For the six months ended | |
|------------------------------|-----------------------------------|---------------------|---------------------------------|---------------------|
| | June 30 | | June 30 | |
| | 2021 | 2020 | 2021 | 2020 |
| Short-term employee benefits | \$ 2,232 | 2,275 | 5,120 | 5,043 |
| Post-employment benefits | 81 | 76 | 162 | 152 |
| | <u>\$ 2,313</u> | <u>2,351</u> | <u>5,282</u> | <u>5,195</u> |

(ii) Guarantee

The main management was the guarantor of the syndication contract, and the amounts of syndication were \$717,545, \$622,000 and \$300,000, as of June 30, 2021, December 31, 2020, and June 30, 2020, respectively.

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

(8) Pledged assets

The carrying values of pledged assets were as follows:

| Assets | Subject | June 30, 2021 | December 31, 2020 | June 30, 2020 |
|-------------------------------|--------------------------------------|-------------------|----------------------|------------------|
| PPE and investment properties | Short-term loans and long-term loans | | | |
| — land | | \$ 750,621 | 750,621 | 347,804 |
| — properties | Short-term loans and long-term loans | 127,648 | 131,732 | 133,520 |
| Other financial asset | Customs deposits | | | |
| — non-current | | 20,535 | 20,235 | 20,234 |
| | | <u>\$ 898,804</u> | <u>902,588</u> | <u>501,558</u> |

(9) Commitments and contingencies: None.**(10) Losses due to major disasters: None.****(11) Subsequent events: None.****(12) Other**

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

| By function | Three months ended June 30, 2021 | | | Three months ended June 30, 2020 | | |
|----------------------------|-------------------------------------|-----------------------|---------|-------------------------------------|-----------------------|---------|
| | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| By item | | | | | | |
| Employee benefits | | | | | | |
| Salary | 315,161 | 48,715 | 363,876 | 332,197 | 49,123 | 381,320 |
| Labor and health insurance | - | 1,736 | 1,736 | - | 1,545 | 1,545 |
| Pension | 19,163 | 2,962 | 22,125 | 11,301 | 1,956 | 13,257 |
| Others | 16,815 | 4,365 | 21,180 | 18,582 | 4,249 | 22,831 |
| Depreciation | 59,762 | 2,932 | 62,694 | 49,690 | 2,502 | 52,192 |
| Amortization | 1,679 | 200 | 1,879 | 170 | 200 | 370 |

| By function | Six months ended June 30, 2021 | | | Six months ended June 30, 2020 | | |
|----------------------------|-----------------------------------|-----------------------|---------|-----------------------------------|-----------------------|---------|
| | Cost of sales | Operating expenses | Total | Cost of sales | Operating expenses | Total |
| By item | | | | | | |
| Employee benefits | | | | | | |
| Salary | 626,622 | 96,656 | 723,278 | 641,040 | 95,849 | 736,889 |
| Labor and health insurance | - | 3,351 | 3,351 | - | 3,104 | 3,104 |
| Pension | 37,394 | 5,925 | 43,319 | 23,542 | 4,091 | 27,633 |
| Others | 32,698 | 9,864 | 42,562 | 32,424 | 6,962 | 39,386 |
| Depreciation | 108,199 | 5,782 | 113,981 | 106,029 | 4,941 | 110,970 |
| Amortization | 2,320 | 399 | 2,719 | 344 | 408 | 752 |

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Note: The depreciation expense, which was deducted from the depreciation expense of investment properties, was \$309, \$309, \$618, and \$618 for the three months ended June 30, 2021 and 2020 and for the six months ended June 30, 2021 and 2020, respectively, which was recognized in the deduction of rent revenue.

(b) Seasonality of operations

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

(13) Other disclosures

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

| No | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral | | Individual funding loan limits | Maximum limit of fund financing |
|-------|---------------------------------------|---------------------------------------|--|---------------|---|----------------|---------------------------------------|---|---|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | TOP CITY INTERNATIONAL LIMITED | GERSHWIN INTERNATIONAL LIMITED | Trade receivables due from related parties | Yes | 167,160 | 167,160 | 111,440 | 0.8285%~0.932% | Short-term financial | - | Operating demand | - | - | - | 2,272,447 (note 1) | 2,272,447 (note 1) |
| 2 | CHENMING ELECTRONIC (NINGBO) CO., LTD | Dongguan Chenming Electronic Co., Ltd | Trade receivables due from related parties | Yes | 301,630 | 301,630 | 236,995 | 4.35%~4.67625% | Short-term financial | - | Operating demand | - | - | - | 438,118 (note 2) | 438,118 (note 2) |
| Total | | | | | | <u>468,790</u> | <u>348,435</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 \$2,272,447. 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 \$2,272,447.

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 \$438,118 (\$1,095,296*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 \$438,118 (\$1,095,296*40%).

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

| No. | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary / endorsements 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 | 945,882 | 51,708 | 51,708 | - | - | 2.19 % | 1,891,765 (note 1) | Yes | No | Yes |
| | | CHENMING ELECTRONIC (NINGBO) CO., LTD | Both are subsidiaries of the Company | 438,118 | 51,708 | 51,708 | 21,545 | - | 4.72 % | 876,237 (note 2) | No | No | Yes |

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1: The total amount of endorsement guarantees of the Company and its subsidiaries shall not exceed 80% of the Company's net worth; the amount of endorsement guarantees for an entity shall not exceed 40% of the Company's net worth. The total endorsement guarantees of the Company shall not exceed 40% of the net worth of the Company which amounted to \$945,882. (\$2,364,706*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 \$1,891,765 (\$2,364,706*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 \$438,118.(\$1,095,296*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 \$876,237 (\$1,095,296*80%).

- (iii) Securities held as of June 30, 2021 (excluding investment in subsidiaries, associates, and joint ventures):

(In Thousands of New Taiwan Dollars)

| Name of holder | Category and name of security | Relationship with company | Account title | Ending balance | | | Fair value | Note |
|----------------|--|---------------------------|---|--------------------------|----------------|-----------------------------|------------|------|
| | | | | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | | |
| The Company | Beneficiary certificate: KGI Global Trend Fund | - | Current financial assets at fair value through profit or loss | 150 | 1,575 | - % | 1,575 | - |

- (iv) Individual securities acquired or disposed of with an accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with an amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

| Company Name | Counter party | Nature of relationship | Transaction details | | | Transactions with terms different from others | | Notes/trade receivables (payables) | | Note | |
|---------------------------------------|---------------------------------------|--|---------------------|-------------|---------------------------------------|---|-----------------------------|---|---------------------------|-------|--|
| | | | Purchase/(Sale) | Amount | Percentage of total purchases/(sales) | Payment terms | Unit price | Payment Terms | Ending Balance | | Percentage of total notes/trade receivables (payables) |
| The Company | Dongguan Chenming Electronic Co., Ltd | Subsidiaries of GERSHWIN INTERNATIONAL LIMITED | Purchases | 1,115,446 | 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 (478,245) | (98)% | Note |
| Dongguan Chenming Electronic Co., Ltd | The Company | Ultimate holding company | (Sale) | (1,115,446) | (70)% | 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 478,245 | 58 % | None |

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

(Continued)

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

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

(In Thousands of New Taiwan Dollars)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period (Note 1) | Allowance for bad debts | Note |
|---------------------------------------|---------------|------------------------|------------------------------|---------------|---------|--------------|--|-------------------------|--------|
| | | | | | Amount | Action taken | | | |
| Dongguan Chenming Electronic Co., Ltd | The Company | Subsidiaries | Trade receivables 478,245 | 4.18 | - | - | 295,424 | - | Note 2 |

Note 1: Balance of July 26, 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 | 111,440 | Rate 0.8285%~0.932% | 2% |
| 2 | Dongguan Chenming Electronic Co., Ltd | The Company | 1 | Sales | 1,115,446 | The price is based on the fixed ratio of final selling price, and the credit period is net 60 days from the end of month of delivery | 52% |
| 2 | Dongguan Chenming Electronic Co., Ltd | The Company | 1 | Trade receivables | 478,245 | " | 10% |
| 3 | CHENMING ELECTRONIC (NINGBO) CO., LTD | Dongguan Chenming Electronic Co., Ltd | 2 | Other current financial assets | 236,995 | Rate 4.35%~4.67625% | 5% |

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.

(Continued)

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2021 (excluding information on investees in mainland China):

(In Thousands of New Taiwan Dollars)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of June 30, 2021 | | | Net income (losses) of the investment | Investment income (losses) | Note |
|--------------------------------|--|----------|---|----------------------------|-------------------|-----------------------------|-------------------------|----------------|---------------------------------------|---|--------------------|
| | | | | June 30, 2021 | December 31, 2020 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | TOP CITY INTERNATIONAL LIMITED | Samoa | Investment | 2,099,183 | 2,061,572 | 62,858 | 100 % | 2,272,447 | (27,070) | (27,070) | Subsidiaries |
| The Company | CHENMING ELECTRONIC TECHNOLOGY USD, Inc. | U.S.A. | Import and export business of computer case | 6,236 | 6,236 | 200 | 100 % | 2,452 | (260) | (260) | Subsidiaries |
| TOP CITY INTERNATIONAL LIMITED | GERSHWIN INTERNATIONAL LIMITED | Samoa | Investment | 1,471,994 | 1,471,994 | 45,988 | 100 % | 1,066,959 | (3,135) | The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED | A grandson company |
| TOP CITY INTERNATIONAL LIMITED | PEAK SHREWD INC | Samoa | Investment | 735,006 | 697,395 | 20,710 | 100 % | 1,061,974 | (24,123) | The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED | A grandson company |

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

(c) Information on investment in mainland China:

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

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

| Name of investee | Main businesses and products | Total amount of paid-in capital (note 3) | Method of investment | Accumulated outflow of investment from January 1, 2021 (note 3) | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 2021 | Net income (losses) of the investment | Percentage of ownership | Investment income (losses) (note 2 and 3) | Carrying amount as of June 30, 2021 (note 3) | Accumulated remittance of earnings as of June 30, 2021 |
|---------------------------------------|---|--|----------------------|---|----------------------------|--------|---|---------------------------------------|-------------------------|---|--|--|
| | | | | | Outflow | Inflow | | | | | | |
| CHENMING ELECTRONIC (NINGBO) CO., LTD | Computer case and production of relative components | 1,796,970 (USD64,500) | note 1 and 7 | 553,300 (USD19,860) | 37,611 (USD1,350) (note 6) | - | 590,911 (USD21,210) | (24,925) | 100 % | (25,094) | 1,095,296 | - |
| Dongguan Chenming Electronic Co., Ltd | Computer case and production of relative components | 807,327 (USD28,978) (note 4 and 5) | note 1 and 8 | 693,714 (USD24,900) | - | - | 693,714 (USD24,900) | 7,959 | 100 % | 7,959 | 828,003 | - |

(ii) Limitation on investment in mainland China:

(In Thousands of USD)

| Accumulated Investment in Mainland China as of June 30, 2021 | Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs (note 3) | Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs |
|--|---|---|
| 1,284,625 (USD46,110) | 1,435,069 (USD51,510) | Unlimited (note 9) |

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

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

(Continued)

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

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$27.86 as of June 30, 2021.

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

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

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

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

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

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

(iii) Significant transactions:

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

(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.

(Continued)

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

(14) Segment information:

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