

**CHENMING ELECTRONIC TECHNOLOGY CORP.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**With Independent Auditors' Review Report  
For the Nine Months Ended September 30, 2022 and 2021**

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

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## Independent Auditors' Review Report

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

### Introduction

We have reviewed the accompanying consolidated balance sheets of CHENMING ELECTRONIC TECHNOLOGY CORP. (the "Company") and its subsidiaries (the "Group") as of September 30, 2022 and 2021, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the changes in equity and cash flows for the nine months then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting", endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

We conducted our reviews in accordance with the 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 September 30, 2022 and 2021, and of its consolidated financial performance for the three months and nine months then ended, as well as its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



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

KPMG

Taipei, Taiwan (Republic of China)  
November 9, 2022

#### **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 as of September 30, 2022 and 2021**

**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Consolidated Balance Sheet**

**September 30, 2022, December 31, 2021, and September 30, 2021**

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2022		December 31, 2021		September 30, 2021				September 30, 2022		December 31, 2021		September 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Assets</b>															
<b>Current assets:</b>															
1100	Cash and cash equivalents (note (6)(a))	\$ 382,922	5	222,648	3	254,031	5	2100	Short-term loans (note (6)(i))	\$ 110,000	2	1,030,771	15	626,797	11
1110	Current financial assets at fair value through profit or loss (note (6)(b))	1,853	-	-	-	-	-	2130	Current contract liabilities (note (6)(q))	443	-	674	-	686	-
1170	Trade receivables, net (notes (6)(c) and (6)(q))	2,145,239	30	2,199,511	31	1,675,585	30	2170	Trade payables	2,163,991	31	1,965,398	27	1,631,102	29
1310	Inventories, net (note (6)(d))	1,417,713	20	1,360,682	19	1,421,011	25	2200	Other payables	242,232	3	257,855	4	243,573	4
1479	Other current assets	<u>71,602</u>	<u>1</u>	<u>85,166</u>	<u>1</u>	<u>76,695</u>	<u>1</u>	2220	Other payables-related parties (notes (6)(e) and (7))	22,225	-	33,216	-	33,420	1
		<u>4,019,329</u>	<u>56</u>	<u>3,868,007</u>	<u>54</u>	<u>3,427,322</u>	<u>61</u>	2230	Current tax liabilities	42,248	1	526	-	104	-
<b>Non-current assets:</b>															
1600	Property, plant, and equipment (notes (6)(f), (7) and (8))	2,532,588	36	2,812,920	39	1,558,590	28	2280	Current lease liabilities (notes (6)(k) and (7))	13,345	-	6,690	-	9,220	-
1755	Right-of-use assets (notes (6)(g) and (7))	346,806	5	224,544	3	228,918	4	2300	Other current liabilities	<u>3,152</u>	<u>-</u>	<u>585</u>	<u>-</u>	<u>900</u>	<u>-</u>
1760	Investment property, net (notes (6)(h) and (8))	173,091	3	195,162	3	195,471	3			<u>2,597,636</u>	<u>37</u>	<u>3,295,715</u>	<u>46</u>	<u>2,545,802</u>	<u>45</u>
1780	Intangible assets	11,845	-	14,084	-	10,374	-	<b>Non-current liabilities:</b>							
1840	Deferred income tax assets	5,902	-	5,780	-	14,005	-	2540	Long-term loans (note (6)(j))	1,376,684	19	1,663,458	23	793,000	15
1980	Other non-current financial assets (note (8))	16,509	-	20,463	-	29,153	1	2580	Non-current lease liabilities (notes (6)(k) and (7))	123,455	2	2,936	-	3,109	-
1990	Other non-current assets (notes (6)(f))	<u>8,626</u>	<u>-</u>	<u>70,942</u>	<u>1</u>	<u>152,241</u>	<u>3</u>	2645	Guarantee deposits	<u>25,990</u>	<u>-</u>	<u>8,062</u>	<u>-</u>	<u>7,815</u>	<u>-</u>
		<u>3,095,367</u>	<u>44</u>	<u>3,343,895</u>	<u>46</u>	<u>2,188,752</u>	<u>39</u>		<b>Total liabilities</b>	<u>4,123,765</u>	<u>58</u>	<u>4,970,171</u>	<u>69</u>	<u>3,349,726</u>	<u>60</u>
<b>Total assets</b>		<u>\$ 7,114,696</u>	<u>100</u>	<u>7,211,902</u>	<u>100</u>	<u>5,616,074</u>	<u>100</u>	<b>Equity attributable to owners of parent (note (6)(o)):</b>							
								3100	Ordinary shares	1,959,350	28	1,559,350	22	1,559,350	27
								3200	Capital surplus	313,563	3	173,563	2	173,563	3
								3300	Retained earnings	749,730	11	575,472	8	609,986	11
								3410	Exchange differences on translation of foreign financial statements	<u>(31,712)</u>	<u>-</u>	<u>(66,654)</u>	<u>(1)</u>	<u>(76,551)</u>	<u>(1)</u>
									<b>Total equity</b>	<u>2,990,931</u>	<u>42</u>	<u>2,241,731</u>	<u>31</u>	<u>2,266,348</u>	<u>40</u>
								<b>Total liabilities and equity</b>		<u>\$ 7,114,696</u>	<u>100</u>	<u>7,211,902</u>	<u>100</u>	<u>5,616,074</u>	<u>100</u>

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

**Consolidated Statement of Comprehensive Income**

**For the three months and nine months ended September 30, 2022 and 2021**

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

	For the three months ended September 30				For the nine months ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue, net (note (6)(q))</b>	\$ 1,688,576	100	1,401,628	100	4,192,543	100	3,549,871	100
5000 <b>Operating costs (notes (6)(d), (6)(m) and (12))</b>	<u>1,491,472</u>	<u>88</u>	<u>1,365,812</u>	<u>97</u>	<u>3,826,418</u>	<u>91</u>	<u>3,385,431</u>	<u>95</u>
5900 <b>Gross profit from operations</b>	<u>197,104</u>	<u>12</u>	<u>35,816</u>	<u>3</u>	<u>366,125</u>	<u>9</u>	<u>164,440</u>	<u>5</u>
6000 <b>Operating expenses (notes (6)(m) and (12)):</b>								
6100 Selling expenses	42,995	3	35,801	3	110,793	3	89,935	3
6200 Administrative expenses	50,957	3	48,833	4	150,388	3	142,700	4
6300 Research and development expenses	<u>16,194</u>	<u>1</u>	<u>14,747</u>	<u>1</u>	<u>44,461</u>	<u>1</u>	<u>42,091</u>	<u>1</u>
	<u>110,146</u>	<u>7</u>	<u>99,381</u>	<u>8</u>	<u>305,642</u>	<u>7</u>	<u>274,726</u>	<u>8</u>
6900 <b>Net operating income (loss)</b>	<u>86,958</u>	<u>5</u>	<u>(63,565)</u>	<u>(5)</u>	<u>60,483</u>	<u>2</u>	<u>(110,286)</u>	<u>(3)</u>
7000 <b>Non-operating income and expenses:</b>								
7050 Finance costs, net (note (6)(k))	-	-	(3,842)	-	(19,713)	-	(10,160)	-
7100 Interest income	297	-	203	-	1,439	-	844	-
7110 Rent revenue (notes (6)(l) and (7))	4,223	-	3,837	-	12,627	-	11,605	-
7190 Other income	2,681	-	2,850	-	5,132	-	8,344	-
7210 Gains (losses) on disposals of property, plant and equipment and investment property (notes (6)(f) and (6)(h))	(29,279)	(1)	-	-	8,471	-	-	-
7230 Foreign exchange gains (losses) (note (6)(s))	90,037	5	7,238	1	152,631	3	5,925	-
7590 Other expense and losses	-	-	(13)	-	(16)	-	(103)	-
	<u>67,959</u>	<u>4</u>	<u>10,273</u>	<u>1</u>	<u>160,571</u>	<u>3</u>	<u>16,455</u>	<u>-</u>
7900 <b>Profit (loss) from continuing operations before tax</b>	154,917	9	(53,292)	(4)	221,054	5	(93,831)	(3)
7950 Less: Income tax expenses (benefit) (note (6)(n))	<u>25,694</u>	<u>1</u>	<u>(2,742)</u>	<u>-</u>	<u>46,796</u>	<u>1</u>	<u>(13,574)</u>	<u>(1)</u>
<b>Profit (loss)</b>	<u>129,223</u>	<u>8</u>	<u>(50,550)</u>	<u>(4)</u>	<u>174,258</u>	<u>4</u>	<u>(80,257)</u>	<u>(2)</u>
8300 <b>Other comprehensive income (loss):</b>								
8360 <b>Components of other comprehensive income (loss) that will be reclassified to profit or loss</b>								
8361 Exchange differences on translation of foreign financial statements	10,421	-	(1,027)	-	34,942	1	(18,554)	(1)
8399 Less: income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
	<u>10,421</u>	<u>-</u>	<u>(1,027)</u>	<u>-</u>	<u>34,942</u>	<u>1</u>	<u>(18,554)</u>	<u>(1)</u>
<b>Total components of other comprehensive income (loss) that will be reclassified to profit or loss</b>	<u>10,421</u>	<u>-</u>	<u>(1,027)</u>	<u>-</u>	<u>34,942</u>	<u>1</u>	<u>(18,554)</u>	<u>(1)</u>
8300 <b>Other comprehensive income (loss)</b>	<u>10,421</u>	<u>-</u>	<u>(1,027)</u>	<u>-</u>	<u>34,942</u>	<u>1</u>	<u>(18,554)</u>	<u>(1)</u>
8500 <b>Comprehensive income (loss)</b>	<u>\$ 139,644</u>	<u>8</u>	<u>(51,577)</u>	<u>(4)</u>	<u>209,200</u>	<u>5</u>	<u>(98,811)</u>	<u>(3)</u>
<b>Profit (loss) attributable to:</b>								
8610 Owners of parent	\$ 129,223	8	(50,550)	(4)	174,258	4	(80,425)	(2)
8620 Non-controlling interests	-	-	-	-	-	-	168	-
	<u>\$ 129,223</u>	<u>8</u>	<u>(50,550)</u>	<u>(4)</u>	<u>174,258</u>	<u>4</u>	<u>(80,257)</u>	<u>(2)</u>
<b>Comprehensive income (loss) attributable to:</b>								
8710 Owners of parent	\$ 139,644	8	(51,577)	(4)	209,200	5	(97,956)	(3)
8720 Non-controlling interests	-	-	-	-	-	-	(855)	-
	<u>\$ 139,644</u>	<u>8</u>	<u>(51,577)</u>	<u>(4)</u>	<u>209,200</u>	<u>5</u>	<u>(98,811)</u>	<u>(3)</u>
<b>Earnings (deficits) per share (expressed in NTD) (note (6)(p)):</b>								
9750 Basic earnings (deficits) per share	<u>\$ 0.66</u>		<u>(0.32)</u>		<u>0.94</u>		<u>(0.52)</u>	
9850 Diluted earnings (deficits) per share	<u>\$ 0.66</u>		<u>(0.32)</u>		<u>0.94</u>		<u>(0.52)</u>	

See accompanying notes to consolidated financial statements.

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**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Consolidated Statement of Changes in Equity**  
**For the nine months ended September 30, 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Attributable to owners of parent						Other component of equity Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings				
			Legal reserve	Special reserve	Unappropriated retained earnings					
<b>Balance on January 1, 2021</b>	\$ 1,559,350	131,819	297,782	81,209	358,201	737,192	(59,020)	2,369,341	91,015	2,460,356
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	4,723	-	(4,723)	-	-	-	-	-
Special reserve reversed	-	-	-	(22,189)	22,189	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	-	(46,781)	(46,781)	-	(46,781)	-	(46,781)
Loss for the nine months ended September 30, 2021	-	-	-	-	(80,425)	(80,425)	-	(80,425)	168	(80,257)
Other comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	-	-	(17,531)	(17,531)	(1,023)	(18,554)
Total comprehensive income (loss) for the nine months ended September 30, 2021	-	-	-	-	(80,425)	(80,425)	(17,531)	(97,956)	(855)	(98,811)
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)
<b>Balance on September 30, 2021</b>	\$ <b>1,559,350</b>	<b>173,563</b>	<b>302,505</b>	<b>59,020</b>	<b>248,461</b>	<b>609,986</b>	<b>(76,551)</b>	<b>2,266,348</b>	<b>-</b>	<b>2,266,348</b>
<b>Balance on January 1, 2022</b>	\$ 1,559,350	173,563	302,505	59,020	213,947	575,472	(66,654)	2,241,731	-	2,241,731
Appropriation and distribution of retained earnings:										
Special reserve appropriated	-	-	-	7,634	(7,634)	-	-	-	-	-
Profit for the nine months ended September 30, 2022	-	-	-	-	174,258	174,258	-	174,258	-	174,258
Other comprehensive income for the nine months ended September 30, 2022	-	-	-	-	-	-	34,942	34,942	-	34,942
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	-	174,258	174,258	34,942	209,200	-	209,200
Capital increase by cash	400,000	140,000	-	-	-	-	-	540,000	-	540,000
<b>Balance on September 30, 2022</b>	\$ <b>1,959,350</b>	<b>313,563</b>	<b>302,505</b>	<b>66,654</b>	<b>380,571</b>	<b>749,730</b>	<b>(31,712)</b>	<b>2,990,931</b>	<b>-</b>	<b>2,990,931</b>

See accompanying notes to consolidated financial statements.

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**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Consolidated Statement of Cash Flows**

**For the nine months ended September 30, 2022 and 2021**

**(Expressed in Thousands of New Taiwan Dollars)**

	For the nine months ended September 30	
	2022	2021
<b>Cash flows from (used in) operating activities:</b>		
Profit (loss) before tax	\$ 221,054	(93,831)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	391,336	193,039
Amortization expense	9,133	5,340
Expected credit losses (gains)	(398)	42
Net loss (gains) on financial assets or liabilities at fair value through profit or loss	137	(95)
Interest expenses	19,713	10,160
Interest income	(1,439)	(844)
Loss (gain) from disposal of property, plant and equipment and investment property, net	(8,471)	4,682
<b>Total adjustments to reconcile profit</b>	<b>410,011</b>	<b>212,324</b>
<b>Changes in operating assets and liabilities:</b>		
Increase in financial assets at fair value through profit or loss	(3,000)	(1,500)
Decrease in trade receivables	75,907	51,601
Increase in inventories	(39,910)	(461,089)
Decrease in other financial assets	1,182	-
Decrease (increase) in other current assets	12,382	(13,210)
Increase (decrease) in contract liabilities	(231)	71
Increase in trade payables	176,202	379,273
Increase (decrease) in other payables and other current liabilities	7,912	(6,889)
<b>Total changes in operating assets and liabilities</b>	<b>230,444</b>	<b>(51,743)</b>
<b>Total adjustments</b>	<b>640,455</b>	<b>160,581</b>
Cash inflow generated from operations	861,509	66,750
Interest received	1,439	844
Income taxes return (paid)	(5,074)	20,424
<b>Net cash flows from operating activities</b>	<b>857,874</b>	<b>88,018</b>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,010	1,595
Acquisition of property, plant, and equipment	(549,811)	(424,446)
Proceeds from disposal of property, plant and equipment and investment property	551,115	-
Decrease (increase) in refundable deposits	3,954	(2,555)
Acquisition of intangible assets	(6,787)	(13,087)
Prepayments for land and equipment and others	573	(148,273)
<b>Net cash flows from (used in) investing activities</b>	<b>54</b>	<b>(586,766)</b>
<b>Cash flows from (used in) financing activities:</b>		
(Decrease) increase in short-term loans	(920,771)	329,837
Increase in long-term loans	572,218	650,000
Decrease in long-term loans	(858,992)	(479,000)
Increase (decrease) in guarantee deposits	17,928	(239)
Decrease in other payables to related parties	(15,728)	-
Payment of lease liabilities	(11,246)	(9,543)
Distribution of cash dividends	-	(46,781)
Proceeds from issuing shares	540,000	-
Interest paid	(28,219)	(10,052)
Acquisition of non-controlling interests	-	(39,192)
<b>Net cash flows from (used in) financing activities</b>	<b>(704,810)</b>	<b>395,030</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>7,156</b>	<b>(8,389)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>160,274</b>	<b>(112,107)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>222,648</b>	<b>366,138</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 382,922</b>	<b>254,031</b>

See accompanying notes to consolidated financial statements.



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Reviewed only, not audited in accordance with generally accepted auditing standards  
as of September 30, 2022 and 2021

**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**September 30, 2022 and 2021**

**(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.

The consolidated financial statements of the Company as of and for the years ended December 31, 2021 are comprised of the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). Please refer to note (4)(b) for related information of the Group’s primary business activities.

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

These consolidated financial statements for the nine months ended September 30, 2022 and 2021 were authorized for issuance by the Board of Directors on November 9, 2022.

**(3) New standards, amendments and interpretations adopted:**

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

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2022:

- 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”

- (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, 2023, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”

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**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**  
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- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(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:

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

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.

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**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**  
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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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information “
- IFRS16 “Requirements for Sale and Leaseback Transactions”

**(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, 2021. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2021.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

List of subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Principal activity	Shareholding			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
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 %	

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Name of investor	Name of subsidiary	Principal activity	Shareholding			Description
			September 30, 2022	December 31, 2021	September 30, 2021	
PEAK SHREWD INC.	CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	100 %	100 %	100 %	Note 1
PEAK SHREWD INC.	UNEEC ELECTRONIC (KUNSHAN) CO., LTD	Computer case and production of relative components	100 %	-	-	Note 2

Note 1: 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%.

Note 2: The subsidiary was incorporated on July 1, 2022.

(ii) Subsidiaries excluded from the consolidated financial statement: None.

(c) Income taxes

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

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

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

**(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, 2021. For the related information, please refer to note (5) of the consolidated financial statements for the year ended December 31, 2021.

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

**(6) Explanation of significant accounts**

(a) Cash and cash equivalents

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Cash on hand	\$ 50	123	878
Checking accounts and demand deposits	<u>382,872</u>	<u>222,525</u>	<u>253,153</u>
	<u><b>\$ 382,922</b></u>	<u><b>222,648</b></u>	<u><b>254,031</b></u>

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

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

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Mandatorily measured at fair value through profit or loss:			
Non-derivative financial assets			
Beneficiary certificate-Funds	<u><b>\$ 1,853</b></u>	<u>-</u>	<u>-</u>

As of September 30, 2022, the Group did not pledge any financial assets as collaterals.

(c) Trade receivables

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Trade receivables	\$ 2,145,496	2,200,160	1,676,310
Less: Loss allowance	<u>(257)</u>	<u>(649)</u>	<u>(725)</u>
Trade receivables, net	<u><b>\$ 2,145,239</b></u>	<u><b>2,199,511</b></u>	<u><b>1,675,585</b></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:

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**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**  
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	<b>September 30, 2022</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate</b>	<b>Allowance lifetime expected credit loss</b>
Current	\$ 2,103,755	0.01%	175
1 to 30 days past due	20,506	0.11%	23
31 to 150 days past due	21,235	0.28%	59
	<b>\$ 2,145,496</b>		<b>257</b>
	<b>December 31, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate</b>	<b>Allowance lifetime expected credit loss</b>
Current	\$ 2,149,086	0.02%	441
1 to 30 days past due	44,015	0.14%	63
31 to 150 days past due	7,059	2.05%	145
	<b>\$ 2,200,160</b>		<b>649</b>
	<b>September 30, 2021</b>		
	<b>Gross carrying amount</b>	<b>Weighted- average expected credit loss rate</b>	<b>Allowance lifetime expected credit loss</b>
Current	\$ 1,633,219	0.03%	509
1 to 30 days past due	35,671	0.11%	41
31 to 150 days past due	7,420	2.36%	175
	<b>\$ 1,676,310</b>		<b>725</b>

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

	<b>For the nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>
Balance on January 1	\$ 649	692
Impairment losses recognized (reversed)	(398)	42
Foreign exchange gains (losses)	6	(9)
Balance on September 30	<b>\$ 257</b>	<b>725</b>

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group did not pledge any receivables as collaterals.

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**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**  
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## (d) Inventories

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Raw materials	\$ 425,024	403,548	415,435
Work in progress	297,042	318,900	392,423
Finished goods and merchandise inventories	<u>695,647</u>	<u>638,234</u>	<u>613,153</u>
	<b><u>\$ 1,417,713</u></b>	<b><u>1,360,682</u></b>	<b><u>1,421,011</u></b>

The Group's composition details of operating cost for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were as follows:

	<b>For the three months ended September 30,</b>		<b>For the nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Cost of goods sold	\$ 1,476,629	1,358,165	3,801,605	3,352,739
Revenue from sale of scraps	(16,396)	(16,356)	(43,443)	(38,308)
Write-down of inventories (Reversal of write-downs)	(1,734)	(4,314)	(2,694)	(599)
Loss on scrapping of inventories	32,973	28,317	70,892	71,578
Shortage of inventories	<u>-</u>	<u>-</u>	<u>58</u>	<u>21</u>
	<b><u>\$ 1,491,472</u></b>	<b><u>1,365,812</u></b>	<b><u>3,826,418</u></b>	<b><u>3,385,431</u></b>

The factor leading to the net realizable value of inventories being lower than the cost had vanished due to the scrap of obsolete inventories for the three months and nine months ended September 30, 2022 and 2021. Therefore, the decrease in recognized operating costs due to the reversal of allowance for loss amounted to \$1,734, \$4,314, \$2,694 and \$599.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group did not pledge any inventories as collaterals.

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

The Group decided on March 17, 2021, to purchase 8% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD. amounting to \$48,416 (USD1,700 thousand) from CHENMING (H.K.) CORPORATION LIMITED, through its subsidiary PEAK SHREWD INC., a fully owned subsidiary of the Group. The contract was signed in March 2021, and the related transfer procedures had been completed in April 2021. The Group increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 92% to 100%. As of September 30, 2022, December 31, 2021 and September 30, 2021, the remaining unpaid balance of \$22,225, \$33,216 and \$33,420 was recognized as other payables-related parties. For the related information, please refer to note (7)(b) for details.

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**Notes to the Consolidated Financial Statements**

(f) Property, plant, and equipment

The cost and depreciation of the property, plant, and equipment of the Group for the nine months ended September 30, 2022 and 2021 were as follows:

	<u>Land</u>	<u>Properties</u>	<u>Machinery and equipment</u>	<u>Office equipment and others</u>	<u>Molds</u>	<u>Under construction and equipment under acceptance</u>	<u>Total</u>
Cost:							
Balance on January 1, 2022	\$ 1,533,559	868,941	423,531	103,618	616,403	-	3,546,052
Additions	-	-	29,030	34,216	376,271	97,831	537,348
Disposals	(418,295)	(2,524)	(1,651)	(562)	(209,225)	-	(632,257)
Transferred into (out)	-	-	41,731	2,233	-	17,888	61,852
Effect of changes in exchange rates	-	5,261	4,260	911	11,064	-	21,496
Balance on September 30, 2022	<u>\$ 1,115,264</u>	<u>871,678</u>	<u>496,901</u>	<u>140,416</u>	<u>794,513</u>	<u>115,719</u>	<u>3,534,491</u>
Balance on January 1, 2021	\$ 613,714	778,789	408,568	30,770	-	-	1,831,841
Additions	3,955	-	27,105	45,560	323,957	-	400,577
Disposals	-	-	-	-	(5,376)	-	(5,376)
Transferred into (out)	11,524	-	10,772	2,289	-	-	24,585
Effect of changes in exchange rates	-	(3,076)	(2,738)	(251)	(831)	-	(6,896)
Balance on September 30, 2021	<u>\$ 629,193</u>	<u>775,713</u>	<u>443,707</u>	<u>78,368</u>	<u>317,750</u>	<u>-</u>	<u>2,244,731</u>
Depreciation:							
Balance on January 1, 2022	\$ -	313,757	283,316	33,268	102,791	-	733,132
Depreciation	-	19,614	15,861	21,316	315,060	-	371,851
Disposals	-	(1,177)	(1,211)	(562)	(107,804)	-	(110,754)
Effect of changes in exchange rates	-	2,100	2,573	310	2,691	-	7,674
Balance on September 30, 2022	<u>\$ -</u>	<u>334,294</u>	<u>300,539</u>	<u>54,332</u>	<u>312,738</u>	<u>-</u>	<u>1,001,903</u>
Balance on January 1, 2021	\$ -	294,901	206,220	14,907	-	-	516,028
Depreciation	-	20,991	88,087	11,050	53,605	-	173,733
Disposals	-	-	-	-	(694)	-	(694)
Effect of changes in exchange rates	-	(1,108)	(1,566)	(92)	(160)	-	(2,926)
Balance on September 30, 2021	<u>\$ -</u>	<u>314,784</u>	<u>292,741</u>	<u>25,865</u>	<u>52,751</u>	<u>-</u>	<u>686,141</u>
Book value:							
Balance on January 1, 2022	<u>\$ 1,533,559</u>	<u>555,184</u>	<u>140,215</u>	<u>70,350</u>	<u>513,612</u>	<u>-</u>	<u>2,812,920</u>
Balance on September 30, 2022	<u>\$ 1,115,264</u>	<u>537,384</u>	<u>196,362</u>	<u>86,084</u>	<u>481,775</u>	<u>115,719</u>	<u>2,532,588</u>
Balance on January 1, 2021	<u>\$ 613,714</u>	<u>483,888</u>	<u>202,348</u>	<u>15,863</u>	<u>-</u>	<u>-</u>	<u>1,315,813</u>
Balance on September 30, 2021	<u>\$ 629,193</u>	<u>460,929</u>	<u>150,966</u>	<u>52,503</u>	<u>264,999</u>	<u>-</u>	<u>1,558,590</u>

As of September 30, 2022, December 31, 2021 and September 30, 2021 the Group had provided parts of the property, plant, and equipment as collaterals for its long-term loans and credit lines. Please refer to note (8) for details.

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The Group acquired a parcel of land to be used as its production base according to the resolution approved during the board meeting held on June 24, 2020. However, the Group decided to dispose the said land in order to increase its working capital and improve its financial structure. Hence, it entered into a sales agreement with a non-related party on March 29, 2022 for the disposal of the land, at the amount of \$456,048 (deducting related transaction cost), based on the decision made during the board meeting held on March 23, 2022, resulting in the amount of \$37,753 to be recognized as gain on disposal of property, plant and equipment, with the payment having been fully collected as of September 30, 2022.

The Group entered into a real estate agreement with T-MAC TECHVEST PCB CO., LTD. on September 17, 2021 for the acquisition of a parcel of land for its plant, at the total price of \$1,000,000, based on the resolution approved during the Board Meeting held on September 17, 2021. The related transfer procedures have yet to be completed as of September 30, 2021; hence, the accumulated paid balance of \$100,000 was recognized as other non-current assets.

The Group had acquired equipment from its related party, Sheng Mei Precision Industrial (KunShan) Co.,Ltd., with a total price of \$17,339. The transfer procedures have yet to be completed as of September 30, 2022.

The Group had recognized scrapping loss of \$99,190, and it was recognized as net gain on disposal of property, plant, and equipment and investment property.

(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 on January 1, 2022	\$ 244,329	19,735	19,356	3,467	286,887
Additions	-	134,340	1,321	1,531	137,192
Effect of changes in exchange rates	<u>2,755</u>	<u>1,831</u>	<u>-</u>	<u>-</u>	<u>4,586</u>
Balance on September 30, 2022	<u>\$ 247,084</u>	<u>155,906</u>	<u>20,677</u>	<u>4,998</u>	<u>428,665</u>
Balance on January 1, 2021	\$ 245,034	10,906	18,085	2,476	276,501
Additions	-	8,889	1,271	-	10,160
Effect of changes in exchange rates	<u>(1,538)</u>	<u>(237)</u>	<u>-</u>	<u>-</u>	<u>(1,775)</u>
Balance on September 30, 2021	<u>\$ 243,496</u>	<u>19,558</u>	<u>19,356</u>	<u>2,476</u>	<u>284,886</u>
Accumulated depreciation and impairment losses:					
Balance on January 1, 2022	\$ 29,209	18,249	12,823	2,062	62,343
Depreciation	7,357	6,819	3,939	442	18,557
Effect of changes in exchange rates	<u>354</u>	<u>605</u>	<u>-</u>	<u>-</u>	<u>959</u>
Balance on September 30, 2022	<u>\$ 36,920</u>	<u>25,673</u>	<u>16,762</u>	<u>2,504</u>	<u>81,859</u>
Balance on January 1, 2021	\$ 19,529	9,412	7,603	1,384	37,928
Depreciation	7,295	6,664	3,908	511	18,378
Effect of changes in exchange rates	<u>(140)</u>	<u>(198)</u>	<u>-</u>	<u>-</u>	<u>(338)</u>
Balance on September 30, 2021	<u>\$ 26,684</u>	<u>15,878</u>	<u>11,511</u>	<u>1,895</u>	<u>55,968</u>

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	<u>Land</u>	<u>Properties</u>	<u>Transportation</u>	<u>Others</u>	<u>Total</u>
Book value:					
Balance on January 1, 2022	\$ 215,120	1,486	6,533	1,405	224,544
Balance on September 30, 2022	\$ 210,164	130,233	3,915	2,494	346,806
Balance on January 1, 2021	\$ 225,505	1,494	10,482	1,092	238,573
Balance on September 30, 2021	\$ 216,812	3,680	7,845	581	228,918

The Group lease buildings from related party on July 31, 2022, please refer to note (7) for details.

(h) Investment property

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

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Cost			
Balance on January 1, 2022	\$ 152,640	63,116	215,756
Disposals	(15,734)	(10,137)	(25,871)
Balance on September 30, 2022	\$ 136,906	52,979	189,885
Balance on January 1, 2021 (Same balance as September 30, 2021)	\$ 152,640	63,116	215,756
Depreciation			
Balance on January 1, 2022	\$ -	20,594	20,594
Depreciation	-	928	928
Disposals	-	(4,728)	(4,728)
Balance on September 30, 2022	\$ -	16,794	16,794
Balance on January 1, 2021	\$ -	19,357	19,357
Depreciation	-	928	928
Balance on September 30, 2021	\$ -	20,285	20,285
Book Value			
Balance on January 1, 2022	\$ 152,640	42,522	195,162
Balance on September 30, 2022	\$ 136,906	36,185	173,091
Balance on January 1, 2021	\$ 152,640	43,759	196,399
Balance on September 30, 2021	\$ 152,640	42,831	195,471

The Group's chairman decided to sell certain investment properties of the Group in the first half of 2022. Therefore, the Group entered into a sales agreement with a non-related party on July 22, 2022 for the disposal of the aforementioned investment properties, at the amount of \$92,397 (deducting related transaction cost), resulting in the amount of \$69,908 to be recognized as gain on disposal of property, plant and equipment. The transfer of the title deed had yet to be completed as of September 30, 2022.

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There were no significant differences between the fair values of investment properties and that of those disclosed in the 2021 consolidated financial statements. Please refer to note (6)(g) of the 2021 consolidated financial statement.

Please refer to note (8) for information on investment properties pledged as collateral as of September 30, 2022, December 31, 2021 and September 30, 2021.

(i) Short-term loans

The short-term loans were summarized as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Credit loans	\$ -	-	50,000
Secured loans	<u>110,000</u>	<u>1,030,771</u>	<u>576,797</u>
	<u>\$ 110,000</u>	<u>1,030,771</u>	<u>626,797</u>
Unused credit line for short-term loans	<u>\$ 2,650,191</u>	<u>831,596</u>	<u>939,918</u>
Range of interest rates	<u>1.0%-1.6%</u>	<u>1.0%~4.3%</u>	<u>0.5%~4.35%</u>

(i) As of September 30, 2022, December 31, 2021 and September 30, 2021, the main management was the guarantor of short-term loan contracts. Please refer to note (7).

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

(iii) As of September 30, 2022, December 31, 2021 and September 30, 2021, the Group provided part of its assets as collateral for short-term loans, please refer to note (8) for details.

(j) Long-term loans

The long-term loans were summarized as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Secured bank loans	\$ 1,376,684	1,663,458	793,000
Less: Current portion	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,376,684</u>	<u>1,663,458</u>	<u>793,000</u>
Unused long-term credit lines	<u>\$ 681,110</u>	<u>801,142</u>	<u>713,625</u>
Range of interest rate	<u>0.5%-4.4%</u>	<u>1.0%~4.5%</u>	<u>1.0%~1.3%</u>

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

(ii) The Group repaid in advance parts of its long-term loans of \$572,218 and \$650,000 for the nine months ended September 30, 2022 and 2021, respectively, due to the changes in its capital use and interest rates.

(iii) The Group repaid the amounts of \$858,992 and \$479,000 for the nine months ended September 30, 2022 and 2021, respectively.

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**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**  
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- (iv) The information of interest rate and liquidity risk exposure can refer to note (6)(s).  
(v) The Group provided part of its assets as collaterals for long-term loans. Please refer to note (8) for details.

(k) Lease liabilities

The details of lease liabilities were as follows:

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Current	\$ <u>13,345</u>	<u>6,690</u>	<u>9,220</u>
Non-current	\$ <u>123,455</u>	<u>2,936</u>	<u>3,109</u>

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

The amounts recognized in profit or loss were as follows:

	<u>For the three months ended September 30,</u>		<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest on lease liabilities	\$ <u>113</u>	<u>114</u>	<u>366</u>	<u>375</u>
Expenses relating to short-term leases	\$ <u>114</u>	<u>151</u>	<u>1,021</u>	<u>404</u>
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>39</u>	<u>45</u>	<u>129</u>	<u>137</u>

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

	<u>For the nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>12,762</u>	<u>10,459</u>

(i) Real estate leases

The Group leases properties, machinery, and equipment with lease terms of 1~5 years, and leases right-of-use land with lease terms of 28~30 years.

(ii) Other leases

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

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

(l) Operating lease

There were no significant additions in operating lease for the nine months ended September 30, 2022 and 2021. Please refer to note (6)(k) of the consolidated financial statements for the year ended December 31, 2021 for other related information.

(m) Employee benefits – Defined contribution plans

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	Operating expense	\$ 981	1,013	2,952

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	Operating cost	\$ 16,064	21,932	52,407
Operating expense	2,068	2,154	6,851	6,094
	\$ 18,132	24,086	59,258	65,420

(n) Income taxes

(i) The components of income tax for the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021 were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2022	2021	2022	2021
	Current tax expense (benefit)	\$ 25,694	(2,742)	46,796

(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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(o) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the periods from January 1 to September 30, 2022 and 2021. For the related information, please refer to note (6)(n) of the consolidated financial statements for the year ended December 31, 2021.

(i) Ordinary shares

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

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

(ii) Capital surplus

The balances of capital surplus as of September 30, 2022, December 31, 2021 and September 30, 2021 were as follows:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Additional paid-in capital	\$ 10,551	10,551	10,551
Difference arising from subsidiary's share price and its carrying value	<u>303,012</u>	<u>163,012</u>	<u>163,012</u>
	<b><u>\$ 313,563</u></b>	<b><u>173,563</u></b>	<b><u>173,563</u></b>

(iii) Retained Earnings

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

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**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**  
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(iv) Earnings Distribution

The Company does not intend to distribute retained earnings in 2021 due to net loss after tax. The appropriations of earnings for the year of 2020 approved in the shareholders' meeting on July 30, 2021 was \$46,781 by cash dividends.

(p) Earnings (deficits) per share

For the three months ended September 30, 2022 and 2021 and for the nine months ended September 30, 2022 and 2021, the Company's earnings per share was calculated as follows:

	<u>For the three months ended</u> <u>September 30,</u>		<u>For the nine months ended</u> <u>September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
<b>Basic earnings (deficits) per share:</b>				
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>129,223</u>	<u>(50,550)</u>	<u>174,258</u>	<u>(80,425)</u>
Weighted-average number of ordinary shares (share in thousands)	<u>195,935</u>	<u>155,935</u>	<u>185,386</u>	<u>155,935</u>
	<u>\$ 0.66</u>	<u>(0.32)</u>	<u>0.94</u>	<u>(0.52)</u>
<b>Diluted earnings (deficits) per share:</b>				
Profit (loss) attributable to ordinary shareholders of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>129,223</u>	<u>(50,550)</u>	<u>174,258</u>	<u>(80,425)</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares				
Weighted-average number of ordinary shares	195,935	155,935	185,386	155,935
Effect of employee stock remuneration (share in thousands)	<u>256</u>	<u>-</u>	<u>346</u>	<u>-</u>
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>196,191</u>	<u>155,935</u>	<u>185,732</u>	<u>155,935</u>
	<u>\$ 0.66</u>	<u>(0.32)</u>	<u>0.94</u>	<u>(0.52)</u>

The shares issued by the Group as employee remuneration have an anti-dilutive effect due to the loss. Therefore, they were not included in the calculation of diluted earnings per share for the three months and nine months ended of September 30, 2022.

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

(i) Disaggregation of revenue

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Primary geographical markets				
China	\$ 615,473	664,808	1,679,769	1,761,593
Taiwan	343,759	273,856	957,719	672,956
USA	593,183	287,748	1,133,322	704,692
Japan	116,021	138,734	326,542	328,965
Others	<u>20,140</u>	<u>36,482</u>	<u>95,191</u>	<u>81,665</u>
	<b><u>\$ 1,688,576</u></b>	<b><u>1,401,628</u></b>	<b><u>4,192,543</u></b>	<b><u>3,549,871</u></b>
Major products				
PC and server chassis	\$ 1,546,523	1,125,856	3,827,357	2,705,806
Mobile device components	66,643	228,001	140,163	633,018
Mold	<u>75,410</u>	<u>47,771</u>	<u>225,023</u>	<u>211,047</u>
	<b><u>\$ 1,688,576</u></b>	<b><u>1,401,628</u></b>	<b><u>4,192,543</u></b>	<b><u>3,549,871</u></b>

(ii) Contract balances

	<b>September</b>	<b>December</b>	<b>September</b>
	<b>30, 2022</b>	<b>31, 2021</b>	<b>30, 2021</b>
Trade receivables	\$ 2,145,496	2,200,160	1,676,310
Less: Loss allowance	<u>(257)</u>	<u>(649)</u>	<u>(725)</u>
Total	<b><u>\$ 2,145,239</u></b>	<b><u>2,199,511</u></b>	<b><u>1,675,585</u></b>
Contract liabilities	<b><u>\$ 443</u></b>	<b><u>674</u></b>	<b><u>686</u></b>

The amount of revenue recognized for the nine months ended September 30, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$674 and \$615, 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.

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**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**  
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The Company's remuneration to employees was \$3,700, \$0, \$5,000 and \$0, respectively, and the remuneration to directors and supervisors was \$375, \$0, \$1,125 and \$0 for the three months and nine months ended September 30, 2022 and 2021. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employee remuneration were calculated based on the closing price of the Company's shares on the day before the approval from the Board of Directors. A net loss after tax has occurred, so the Company did not need to estimate employees and directors remuneration in 2021. The remuneration to employees was \$3,000, and the remuneration to directors and supervisors were \$1,500 in 2020. The actual amount and the estimated amount, which was estimated in the financial statement on December 31, 2020, had no difference. Related information would be available at the Market Observation Post System website.

(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, 2021.

(i) Receivable securities

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

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

(ii) Liquidity Risk

Except for bank loans and lease liabilities on September 30, 2022 and December 31, 2021 as well as lease liabilities on September 30, 2021, 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>
<b>September 30, 2022</b>					
Secured loans	\$ 1,486,684	(1,511,659)	(111,606)	-	(1,400,053)
Trade payables	2,163,991	(2,163,991)	(2,163,991)	-	-
Lease liabilities (including current and non-current)	136,800	(168,662)	(16,510)	(16,318)	(135,834)
Other payables (including related parties)	264,457	(264,457)	(264,457)	-	-
Guarantee deposits	25,990	(25,990)	(728)	-	(25,262)
	<u>\$ 4,077,922</u>	<u>(4,134,759)</u>	<u>(2,557,292)</u>	<u>(16,318)</u>	<u>(1,561,149)</u>

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**CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES**  
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	<u>Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>December 31, 2021</b>					
Secured loans	\$ 2,694,229	\$ (2,732,128)	(1,047,996)	(374,462)	(1,309,670)
Trade payables	1,965,398	(1,965,398)	(1,965,398)	-	-
Lease liabilities (including current and non-current)	9,626	(9,908)	(6,866)	(2,280)	(762)
Other payables (including related parties)	291,071	(291,071)	(291,071)	-	-
Guarantee deposits	8,062	(8,062)	(20)	-	(8,042)
	<u>\$ 4,968,386</u>	<u>\$ (5,006,567)</u>	<u>(3,311,351)</u>	<u>(376,742)</u>	<u>(1,318,474)</u>
<b>September 30, 2021</b>					
Secured loans	\$ 1,369,797	(1,369,797)	(576,797)	(320,000)	(473,000)
Unsecured loans	50,000	(50,000)	(50,000)	-	-
Trade payables	1,631,102	(1,631,102)	(1,631,102)	-	-
Lease liabilities (including current and non-current)	12,329	(12,583)	(9,424)	(2,990)	(169)
Other payables (including related parties)	276,993	(276,993)	(276,993)	-	-
Guarantee deposits	7,815	(7,815)	(4,305)	-	(3,510)
	<u>\$ 3,348,036</u>	<u>(3,348,290)</u>	<u>(2,548,621)</u>	<u>(322,990)</u>	<u>(476,679)</u>

## (iii) Currency risk

## 1) Exposure to foreign currency risk

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

	<u>September 30, 2022</u>			<u>December 31, 2021</u>			<u>September 30, 2021</u>			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	
Financial assets										
Monetary items										
USD to TWD	\$	50,949	31.75	1,617,631	62,912	27.68	1,741,404	61,984	27.85	1,726,254
USD to CNY		18,391	7.0998	583,914	15,704	6.3757	434,687	11,169	6.4854	311,057
CNY to TWD		96,840	4.473	433,165	99,845	4.344	433,727	78,599	4.305	338,369
Financial liabilities										
Monetary items										
USD to TWD		23,502	31.75	746,189	29,919	27.68	828,158	32,378	27.85	901,727
USD to CNY		1,048	7.0998	33,274	3,929	6.3757	108,755	3,373	6.4854	93,938
CNY to TWD		272,676	4.473	1,219,680	307,393	4.344	1,335,315	237,334	4.305	1,021,723

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

	<u>September 30,</u> <u>2022</u>	<u>September 30,</u> <u>2021</u>
USD (against the TWD)		
Strengthening 5%	\$ 43,572	41,226
Weakening 5%	(43,572)	(41,226)
USD (against the CNY)		
Strengthening 5%	27,532	10,856
Weakening 5%	(27,532)	(10,856)
CNY (against the TWD)		
Strengthening 5%	(39,326)	(34,168)
Weakening 5%	39,326	34,168

3) Exchange gains and losses of monetary items

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

	<u>For the nine months ended September 30,</u>			
	<u>2022</u>		<u>2021</u>	
	<u>Exchange</u> <u>profit (loss)</u>	<u>Average rate</u>	<u>Exchange</u> <u>profit (loss)</u>	<u>Average rate</u>
TWD	\$ 206,190	-	12,078	-
CNY	(12,085)	4.4319	(1,420)	4.3332

(iv) Interest rate analysis

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

	<u>Carrying amount</u>	
	<u>September</u> <u>30, 2022</u>	<u>September</u> <u>30, 2021</u>
Variable rate instruments:		
Financial assets	\$ 382,797	253,078
Financial liabilities	1,486,684	1,419,797

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$2,070 and \$2,188 for the nine months ended September 30, 2022 and 2021, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(v) Fair value

1) The kinds of financial instruments and fair value

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

	September 30, 2022				
	Book value	Fair Value			Total
Level 1		Level 2	Level 3		
<b>Financial assets at fair value through profit or loss</b>					
Non-derivative financial assets mandatorily measured at fair value through profit or loss-					
Beneficiary certificate-Funds	\$ 1,853	1,853	-	-	1,853
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	382,922	-	-	-	-
Trade receivables, net	2,145,239	-	-	-	-
Refundable deposits	16,509	-	-	-	-
	<u>2,544,670</u>				
	<u>\$ 2,546,523</u>				

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**Notes to the Consolidated Financial Statements**

		September 30, 2022				
		Fair Value				
		Book value	Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at amortized cost</b>						
Bank loans	\$	1,486,684	-	-	-	-
Trade payables		2,163,991	-	-	-	-
Lease liabilities		136,800	-	-	-	-
Other payables (including related parties)		264,457	-	-	-	-
Guarantee deposit		25,990	-	-	-	-
		<u>\$ 4,077,922</u>				
		December 31, 2021				
		Fair Value				
		Book value	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents	\$	222,648	-	-	-	-
Trade receivables, net		2,199,511	-	-	-	-
Other financial assets		1,182	-	-	-	-
Refundable deposits		20,463	-	-	-	-
		<u>\$ 2,443,804</u>				
<b>Financial liabilities measured at amortized cost</b>						
Bank loans	\$	2,694,229	-	-	-	-
Trade payables		1,965,398	-	-	-	-
Lease liabilities		9,626	-	-	-	-
Other payables (including related parties)		291,071	-	-	-	-
Guarantee deposits		8,062	-	-	-	-
		<u>\$ 4,968,386</u>				

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	September 30, 2021				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 254,031	-	-	-	-
Trade receivable, net	1,675,585	-	-	-	-
Refundable deposits	<u>29,153</u>	-	-	-	-
	<b><u>\$ 1,958,769</u></b>				
<b>Financial liabilities measured at amortized cost</b>					
Bank loans	\$ 1,419,797	-	-	-	-
Trade payables	1,631,102	-	-	-	-
Lease liabilities	12,329	-	-	-	-
Other payables (including related parties)	276,993	-	-	-	-
Guarantee deposits	<u>7,815</u>	-	-	-	-
	<b><u>\$ 3,348,036</u></b>				

2) 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.

Derivative financial instruments

The Group does not operate any derivative financial instruments.

(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, 2021.

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(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, 2021. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2021. Please refer to note (6)(u) of the consolidated financial statements for the year ended December 31, 2021 for further details.

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

Reconciliation of liabilities arising from financing activities for the nine months ended September 30, 2022 and 2021 were as follows:

	January 1, 2022	Cash flows	Non-cash flows			September 30, 2022
			Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 1,663,458	(286,774)	-	-	-	1,376,684
Short-term loans	1,030,771	(920,771)	-	-	-	110,000
Lease liabilities	9,626	(11,246)	137,192	-	1,228	136,800
Guarantee deposits	<u>8,062</u>	<u>17,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,990</u>
Total liabilities from financing activities	<u>\$ 2,711,917</u>	<u>(1,200,863)</u>	<u>137,192</u>	<u>-</u>	<u>1,228</u>	<u>1,649,474</u>

  

	January 1, 2021	Cash flows	Non-cash flows			September 30, 2021
			Additions	Write-off	Foreign exchange movement	
Long-term loans	\$ 622,000	171,000	-	-	-	793,000
Short-term loans	296,960	329,837	-	-	-	626,797
Lease liabilities	11,745	(9,543)	10,160	-	(33)	12,329
Guarantee deposits	<u>8,054</u>	<u>(239)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,815</u>
Total liabilities from financing activities	<u>\$ 938,759</u>	<u>491,055</u>	<u>10,160</u>	<u>-</u>	<u>(33)</u>	<u>1,439,941</u>

(Continued)

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

**(7) Related-party transactions**

(a) Names and relationships with related parties

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

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

(b) Transaction among other relative parties

(i) Lease

The Group rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them since August 2011. The rental fee is determined based on nearby office rental rates. The rental revenue for the three months and nine months ended September 30, 2022 and 2021 were \$857, \$857, \$2,571 and \$2,571, respectively.

The Group entered into a 10-year lease agreement with Sheng Mei Precision Industrial (KunShan) Co., Ltd. for the right-of-use to a plant amounting to \$125,249, which was determined based on the nearby office rental rates, and the Group was granted a rent-free period as of March 31, 2023. Monthly rental fee is \$1,352 from April 1, 2023 to March 31, 2026.

Regarding the payment term or other conditions on the lease contract between the company and its related parties, they are the same as normal lease contracts.

<u>Account</u>	<u>Relationship</u>	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Lease liabilities (including current and non-current)	The subsidiary of the entity with significant influence over the Group - Sheng Mei (Kunshan) Co., Ltd.	\$ <u>126,410</u>	<u>-</u>	<u>-</u>

(Continued)



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

(ii) Equity trading

On March 17, 2021, the Board of Directors decided to acquire 8% of shares of CHENMING ELECTRONIC (NINGBO) CO., LTD., which amounted to \$48,416 (US\$1,700 thousand) and increased its shares in CHENMING ELECTRONICS (NINGBO) CO., LTD from 92% to 100%. The contracts were signed, and the related transfer procedures had been completed. As of September 30, 2022, December 31, 2021 and September 30, 2021, the remaining unpaid balance of \$22,225, \$33,216 and \$33,420 which was recognized as other payables related parties. Please refer to note (6)(e) for related information.

(iii) Property transaction

In August 2022, the Group purchased machinery equipment amounting to \$34,678 (50% of contract) from Sheng Mei Precision Industrial (KunShan) Co., Ltd., wherein the amount of \$17,339 had been recognized as construction and equipment under acceptance.

(c) Key management personnel compensation

(i) Key management personnel compensation was comprised of:

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Short-term employee benefits	\$ 2,113	2,094	6,893	7,214
Post-employment benefits	74	81	223	243
	<b>\$ 2,187</b>	<b>2,175</b>	<b>7,116</b>	<b>7,457</b>

(ii) Guarantee

Chairman of the company, Mu-Ho Lin, was the guarantor of the syndication contract as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<b>Assets</b>	<b>Subject</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Property, plant and equipment and investment properties	Short-term loans and long-term loans			
— land and right-of-use land		\$ 1,333,526	1,736,752	750,621
— properties	Short-term loans and long-term loans	328,853	337,411	126,770
Other financial assets	Customs deposits			
— non-current		10,679	16,476	20,039
		<b>\$ 1,673,058</b>	<b>2,090,639</b>	<b>897,430</b>

(Continued)

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

**(9) Commitments and contingencies**

The Group's unrecognized contractual commitments were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Acquisition of property, plant and equipment	\$ 131,152	39,772	897,143

**(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 September 30, 2022			Three months ended September 30, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	303,478	62,086	365,564	356,709	52,928	409,637
Labor and health insurance	-	1,816	1,816	-	1,731	1,731
Pension	16,064	3,049	19,113	21,932	3,167	25,099
Others	18,864	4,191	23,055	17,466	4,876	22,342
Depreciation	140,732	3,909	144,641	74,861	3,269	78,130
Amortization	2,564	402	2,966	2,371	250	2,621

By function	Nine months ended September 30, 2022			Nine months ended September 30, 2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	853,845	168,524	1,022,369	983,331	149,584	1,132,915
Labor and health insurance	-	6,516	6,516	-	5,082	5,082
Pension	52,407	9,803	62,210	59,326	9,092	68,418
Others	52,365	12,845	65,210	50,164	14,740	64,904
Depreciation	379,700	11,636	391,336	183,060	9,051	192,111
Amortization	7,970	1,163	9,133	4,691	649	5,340

Note: The depreciation expense, which was deducted from the depreciation expense of investment properties, was \$310 and \$928 for the three months and nine months ended September 30, 2021, respectively, which was recognized in the deduction of rent revenue.

(Continued)

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

(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	190,500	190,500	127,000	0.87463%~1.21086%	Short-term financial	-	Operating demand	-	-	-	2,240,879 (note 1)	2,240,879 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	Yes	147,609	58,149	-	4.35%	"	-	"	-	-	-	468,803 (note 2)	468,803 (note 2)
3	Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC (NINGBO) CO., LTD	"	Yes	67,095	67,095	-	4.35%	"	-	"	-	-	-	281,208 (note 3)	281,208 (note 3)

Note 1: The total amount for lending to a subsidiary whose voting shares are 100% owned, directly or indirectly, by TOP CITY INTERNATIONAL LIMITED for funding for a short-term period shall not exceed the net worth of TOP CITY INTERNATIONAL LIMITED, which amounted to \$2,240,879. 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 \$2,240,879.

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 \$468,803 (\$1,172,007\*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 \$468,803 (\$1,172,007\*40%).

Note 3: The total amount for lending to a company for funding for a short-term period shall not exceed forty percent of the net worth of Dongguan Chenming Electronic Co., Ltd, which amounted to \$281,208 (\$703,021\*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 \$281,208 (\$703,021\*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										
1	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	100% owned subsidiary	1,196,732 (note 1)	53,676	53,676	-	-	1.79 %	2,392,745 (note 1)	Yes	No	Yes
2	The Company	Dongguan Chenming Electronic Co., Ltd	100% owned subsidiary	1,196,372 (note 1)	420,640	420,640	51,659	-	14.06 %	2,392,745 (note 1)	Yes	No	Yes
						<u>474,316</u>							

(Continued)

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

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										
3	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Both are subsidiaries of the Company	468,803 (note 2)	174,625	174,625	15,875	-	14.90 %	937,606 (note 2)	No	No	Yes

Note 1: The total amount of endorsement guarantees of the Company and its subsidiaries shall not exceed 80% of the Company's net worth; the amount of endorsement guarantees for an entity shall not exceed 40% of the Company's net worth. The total endorsement guarantees of the Company shall not exceed 40% of the net worth of the Company which amounted to \$1,196,372. (\$2,990,931\*40%). In addition, the total endorsement guarantees of the Company shall be no more than 80% of the Company's net worth, which amounted to \$2,392,745 (\$2,990,931\*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 \$468,803.(\$1,172,007\*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 \$937,606 (\$1,172,007\*80%).

- (iii) Securities held as of September 30, 2022 (excluding investment in subsidiaries, associates, and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Beneficiary certificate: Mega Global Metaverse Tech Fund	-	Current financial assets at fair value through profit or loss	100	851	- %	851	-
The Company	PGIM Global Eco-Friendly ESG Multi-Asset Fund Acc TWD	-	Current financial assets at fair value through profit or loss	100	1,002	- %	1,002	

- (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:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
The Company	Land	2022.03.23	2020.11.09	418,295	477,000	Fully received	37,753	Shin Yau Mei Biomedical Technology Corp.	Non-related parties	Enrich working capital	Note 1	No

Note 1: The Company obtained the appraisal report from Xinyi Real Estate Appraisers Joint Firm and the price was negotiated between the counterparties.

(Continued)

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

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

(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	1,832,519	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 (473,698)	(99)%	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(1,832,519)	(71)%	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 473,698	59 %	"

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

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

(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 473,698	4.54	-	-	116,018	-	Note 2
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	The company's ultimate parent company is the same	Other current financial assets 142,635	-	-	-	88,690	-	Note 1, 2

Note 1: The transactions have been eliminated in the consolidated financial statements.

Note 2: Including interest receivables \$15,635.

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

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	2	Other current financial assets	142,635	Rate 0.87463%~1.21086%	2%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	1,832,519	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	44%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Trade receivables	473,698	"	7%

Note 1: The numbers filled in as follows:

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

(Continued)

## CHENMING ELECTRONIC TECHNOLOGY CORP. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

Note 2: Relationship with the transactions labeled as follows:

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

(b) Information on investees:

The following is the information on investees for the nine months ended September 30, 2022 (excluding information on investees in mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2022			Net income (losses) of the investment	Investment income (losses)	Note
				September 30, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,099,183	2,099,183	63,358	100 %	2,240,879	(26,331)	(26,331)	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USA, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100 %	309	(1,040)	(1,040)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	911,587	(45,058)	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	735,006	21,210	100 %	1,181,461	17,787	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandson company

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

(c) Information on investment in mainland China:

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

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

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2022	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2 and 3)	Carrying amount as of September 30, 2022 (note 3)	Accumulated remittance of earnings as of September 30, 2022
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	2,047,875 (USD64,500)	notes 1 and 6	673,418 (USD21,210)	15,875 (USD500)	-	689,293 (USD21,710)	20,421	100 %	20,421	1,172,007	-
Dongguan Chenming Electronic Co., Ltd	"	920,052 (note 4) (USD28,978)	notes 1 and 7	790,575 (USD24,900)	-	-	790,575 (USD24,900)	(29,046)	100 %	(29,046)	703,021	-
UNEEC ELECTRONIC (KUNSHAN) CO., LTD	"	31,750 (note 5) (USD1,000)	notes 1 and 6	-	30,035 (USD1,000)	-	30,035 (USD1,000)	1,376	100 %	1,376	31,554	-

(Continued)

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

(ii) Limitation on investment in mainland China:

Accumulated Investment in Mainland China as of September 30, 2022	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
1,511,618 (USD47,610)	1,730,693 (USD54,510)	Unlimited (note 8)

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

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

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$31.75 as of September 30, 2022.

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

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

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

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

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

(iii) Significant transactions:

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

(d) Major shareholders:

(Unit: Share)		
Shareholding	Shares	Percentage
Shareholder's Name		
SHANG MEI PRECISION INDUSTRIAL CO., LTD	51,000,000	26.03 %
Lin, Mu-Ho	30,000,230	15.31 %

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

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

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

**(14) Segment information:**

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