

CHENMING ELECTRONIC TECHNOLOGY CORP.**FINANCIAL STATEMENTS**

**With Independent Auditors' Report
For the Years Ended December 31, 2022 and 2021**

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

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安侯建業聯合會計師事務所
KPMG

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

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web kpmg.com/tw

Independent Auditors' Report

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

Opinion

We have audited the financial statements of CHENMING ELECTRONIC TECHNOLOGY CORP. (“the Company”), which comprise the balance sheets as of December 31, 2022 and 2021, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2022 and 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Operating revenue and investments accounted for using equity method - subsidiary's operating income

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

Description of key audit matters:

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

Audit Procedures:

Our principal audit procedure included: testing the related controls surrounding the aforementioned sales and collection cycle, performing test on details of sales revenue, executing confirmation procedures for accounts receivable, and evaluating the accuracy of the timing of the revenue recognition, in order to determine whether the related accounting policies of the Company and its subsidiaries are applied appropriately.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 22, 2023

Notes to Readers

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

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

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

Balance Sheets

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 76,031	1	92,391	2	2100	Short-term loans (note (6)(i))	\$ 40,000	1	799,200	15
1110	Current financial assets at fair value through profit or loss (note (6)(b))	800	-	-	-	2170	Trade payables	9,942	-	7,888	-
1170	Trade receivables, net (notes (6)(c) and (q))	1,314,111	25	1,098,258	20	2180	Trade payables to related parties (note (7))	828,190	15	606,214	11
1310	Inventories, net (note (6)(d))	1,244	-	2,317	-	2230	Current tax liabilities	46,835	1	526	-
1479	Other current assets	<u>3,945</u>	-	<u>5,934</u>	-	2200	Other payables	89,695	2	38,737	1
		<u>1,396,131</u>	<u>26</u>	<u>1,198,900</u>	<u>22</u>	2280	Current lease liabilities (note (6)(k))	1,292	-	3,093	-
						2300	Other current liabilities	<u>452</u>	-	<u>448</u>	-
								<u>1,016,406</u>	<u>19</u>	<u>1,456,106</u>	<u>27</u>
Non-current assets:						Non-Current liabilities:					
1550	Investments accounted for using equity method, net (note (6)(e))	2,294,944	43	2,188,565	41	2540	Long-term loans (note (6)(j))	1,334,900	25	1,640,000	31
1600	Property, plant, and equipment (notes (6)(f) and (8))	1,498,585	28	1,727,973	33	2580	Non-current lease liabilities (note (6)(k))	-	-	1,292	-
1755	Right-of-use assets (note (6)(g))	1,270	-	4,335	-	2645	Guarantee deposits	<u>4,238</u>	-	<u>3,530</u>	-
1760	Investment property, net (notes (6)(h) and (8))	172,832	3	195,162	4			<u>1,339,138</u>	<u>25</u>	<u>1,644,822</u>	<u>31</u>
1840	Deferred income tax assets (note (6)(n))	5,402	-	1,705	-			<u>2,355,544</u>	<u>44</u>	<u>3,100,928</u>	<u>58</u>
1980	Other non-current financial assets	2,194	-	3,044	-		Total liabilities				
1990	Other non-current assets	<u>2,319</u>	-	<u>22,975</u>	-		Equity attributable to owners of parent (note (6)(o)):				
		<u>3,977,546</u>	<u>74</u>	<u>4,143,759</u>	<u>78</u>	3100	Ordinary shares	1,959,350	36	1,559,350	29
						3200	Capital surplus	313,563	6	173,563	3
						3300	Retained earnings	795,688	15	575,472	11
						3410	Exchange differences on translation of foreign financial statements	<u>(50,468)</u>	<u>(1)</u>	<u>(66,654)</u>	<u>(1)</u>
							Total equity	<u>3,018,133</u>	<u>56</u>	<u>2,241,731</u>	<u>42</u>
Total assets		<u>\$ 5,373,677</u>	<u>100</u>	<u>5,342,659</u>	<u>100</u>	Total liabilities and equity		<u>\$ 5,373,677</u>	<u>100</u>	<u>5,342,659</u>	<u>100</u>

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

Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		<u>2022</u>		<u>2021</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Operating revenue (note (6)(q))	\$ 3,200,380	100	2,928,076	100
5000	Operating costs (notes (6)(d) and (7))	<u>3,034,293</u>	<u>95</u>	<u>2,779,555</u>	<u>95</u>
5900	Gross profit from operations	<u>166,087</u>	<u>5</u>	<u>148,521</u>	<u>5</u>
6000	Operating expenses (notes (6)(m), (7) and (12)):				
6100	Selling expenses	33,067	1	29,475	1
6200	Administrative expenses	91,940	3	81,890	3
6300	Research and development expenses	<u>25,971</u>	<u>1</u>	<u>22,639</u>	<u>1</u>
		<u>150,978</u>	<u>5</u>	<u>134,004</u>	<u>5</u>
6900	Net operating income	<u>15,109</u>	<u>-</u>	<u>14,517</u>	<u>-</u>
7000	Non-operating income and expenses:				
7050	Finance costs, net (note (6)(k))	(14,689)	-	(14,680)	-
7100	Interest income	1,210	-	369	-
7110	Rent revenue (notes (6)(l) and (7))	13,797	-	14,464	-
7190	Other income (notes (6)(f), (h) and (7))	113,962	4	4,323	-
7230	Foreign exchange gains (losses), net	111,201	3	(9,628)	-
7590	Other expense and losses	(230)	-	-	-
7070	Share of profit of subsidiaries, associates and joint ventures accounted for using equity method, net	<u>23,336</u>	<u>1</u>	<u>(122,535)</u>	<u>(4)</u>
		<u>248,587</u>	<u>8</u>	<u>(127,687)</u>	<u>(4)</u>
7900	Profit (loss) from continuing operations before tax	263,696	8	(113,170)	(4)
7951	Less: Income tax expenses (note (6)(n))	<u>43,480</u>	<u>1</u>	<u>1,769</u>	<u>-</u>
	Profit (loss)	<u>220,216</u>	<u>7</u>	<u>(114,939)</u>	<u>(4)</u>
8300	Other comprehensive income:				
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	16,186	-	(7,634)	-
8399	Less: Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>16,186</u>	<u>-</u>	<u>(7,634)</u>	<u>-</u>
8300	Other comprehensive income (loss)	<u>16,186</u>	<u>-</u>	<u>(7,634)</u>	<u>-</u>
8500	Comprehensive income (loss)	<u>\$ 236,402</u>	<u>7</u>	<u>(122,573)</u>	<u>(4)</u>
	Earnings per share (expressed in dollars) (note (6)(p)):				
9750	Basic earnings (deficits) per share	<u>\$ 1.17</u>		<u>(0.74)</u>	
9850	Diluted earnings (deficits) per share	<u>\$ 1.17</u>		<u>(0.74)</u>	

See accompanying notes to financial statements.

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

Statements of Changes in Equity

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings	Other components of equity	Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements		
Balance on January 1, 2021	\$ 1,559,350	131,819	297,782	81,209	358,201	737,192	(59,020)	-	2,369,341
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	4,723	-	(4,723)	-	-	-	-
Special reserve reversed	-	-	-	(22,189)	22,189	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(46,781)	(46,781)	-	-	(46,781)
Loss for the year ended December 31, 2021	-	-	-	-	(114,939)	(114,939)	-	-	(114,939)
Other comprehensive income for the year ended December 31, 2021	-	-	-	-	-	-	(7,634)	-	(7,634)
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	(114,939)	(114,939)	(7,634)	-	(122,573)
Other changes in capital surplus:									
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	41,744	-	-	-	-	-	-	41,744
Balance on December 31, 2021	1,559,350	173,563	302,505	59,020	213,947	575,472	(66,654)	-	2,241,731
Appropriation and distribution of retained earnings:									
Special reserve appropriated	-	-	-	7,634	(7,634)	-	-	-	-
Profit for the year ended December 31, 2022	-	-	-	-	220,216	220,216	-	-	220,216
Other comprehensive income for the year ended December 31, 2022	-	-	-	-	-	-	16,186	-	16,186
Total comprehensive income for the year ended December 31, 2022	-	-	-	-	220,216	220,216	16,186	-	236,402
Capital increase by cash	400,000	140,000	-	-	-	-	-	-	540,000
Balance on December 31, 2022	\$ 1,959,350	313,563	302,505	66,654	426,529	795,688	(50,468)	-	3,018,133

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 263,696	(113,170)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	7,952	7,661
Amortization expense	1,489	1,030
Expected credit loss (gain)	(169)	364
Net loss (gain) on financial assets or liabilities at fair value through profit or loss	153	-
Interest expense	14,689	14,680
Interest income	(1,210)	(369)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(23,336)	122,535
Loss from disposal of property, plan and equipment and investment property	(110,151)	-
Total adjustments to reconcile profit (loss)	(110,583)	145,901
Changes in operating assets and liabilities:		
Increase in financial assets at fair value through profit or loss	(3,000)	-
Increase in trade receivables	(215,684)	(409,141)
Decrease in inventories	1,073	3,316
Decrease (increase) in other current assets	1,989	(4,693)
Increase in trade payables (including related parties)	224,030	21,865
Increase (decrease) in other payables and other current liabilities	51,599	(5,974)
Other	(117)	9
Total changes in operating assets and liabilities	59,890	(394,618)
Total adjustments	(50,693)	(248,717)
Cash inflow generated from (used in) operations	213,003	(361,887)
Interest received	1,210	369
Income taxes paid	(868)	(4,631)
Net cash flows from (used in) operating activities	213,345	(366,149)
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	2,047	-
Acquisition of investments accounted for using equity method	(66,857)	(38,218)
Acquisition of property, plant and equipment	(163,497)	(1,010,050)
Proceeds from disposal of property, plant and equipment and investment property	550,934	-
Acquisition of intangible assets	(1,777)	(1,523)
Increase in prepayments for equipment and others	3,906	(21,082)
Net cash flows from (used in) investing activities	324,756	(1,070,873)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(759,200)	502,240
Proceeds from long-term loans	804,900	1,500,000
Repayments of long-term loans	(1,110,000)	(482,000)
Payment of lease liabilities	(3,093)	(3,147)
Distribution in cash dividends	-	(46,781)
Proceeds from issuing shares	540,000	-
Interest paid	(27,776)	(13,884)
Increase in guarantee deposits	708	260
Net cash flows from (used in) financing activities	(554,461)	1,456,688
Net increase in cash and cash equivalents	(16,360)	19,666
Cash and cash equivalents at beginning of period	92,391	72,725
Cash and cash equivalents at end of period	\$ 76,031	92,391

See accompanying notes to financial statements.

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

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

(1) Company history

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

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

These financial statements were authorized for issue by the board of directors on March 22, 2023.

(3) New standards, amendments and interpretations adopted:

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

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

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

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

<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”	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. The amendments clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	After reconsidering certain aspects of the 2020 amendments ¹ , 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. 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.	January 1, 2024

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

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

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

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

(b) Basis of preparation

(i) Basis of measurement

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(ii) Foreign operations

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

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

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

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

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

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

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

An entity shall classify a liability as current when:

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(e) Cash and cash equivalents

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

(f) Financial instruments

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

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

2) Impairment of financial assets

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.

Notes to the Financial Statements

- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

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

3) Derecognition of financial assets

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Equity instrument

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

(Continued)

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

3) Treasury shares

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

4) Financial liabilities

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

5) Derecognition of financial liabilities

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

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

6) Offsetting of financial assets and liabilities

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

7) Interest rate benchmark reform

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

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

(g) Inventories

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

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

(h) Investment in subsidiaries

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

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

(i) Investment property

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

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

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

Land is not depreciated.

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

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

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(k) Lease

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

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

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

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

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

(ii) As a lessor

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(l) Intangible assets

(i) Recognition & measurement

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

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

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

(ii) Subsequent expenditure

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

(iii) Amortization

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

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

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

(m) Impairment of non-financial assets

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

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

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

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

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

(n) Revenue

(i) Revenue from contracts with customers

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

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

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

(ii) Financing components

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

(o) Government grants

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Termination benefits

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

(iii) Short-term employee benefits

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

(q) Income taxes

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

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

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

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

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

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

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

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

(r) Earnings per share

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

(s) Operating segments

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

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

The preparation of the financial statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 50	50
Checking accounts and demand deposits	75,981	92,341
	<u>\$ 76,031</u>	<u>92,391</u>

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

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

	December 31, 2022	December 31, 2021
Mandatorily measured at fair value through profit or loss:		
Financial assets at fair value through profit or loss	<u>\$ 800</u>	<u>-</u>

As of December 31, 2022 and 2021, the Company did not pledge any financial assets as collaterals.

(c) Trade receivables

	December 31, 2022	December 31, 2021
Trade receivables – measured at amortized costs	\$ 853,732	1,098,698
Trade receivable – measured at fair value through other comprehensive income	460,650	-
Less: Loss allowance	<u>(271)</u>	<u>(440)</u>
Trade receivables, net	<u>\$ 1,314,111</u>	<u>1,098,258</u>

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

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

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	December 31, 2022		
	Gross carrying amount	Weighted- average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 1,306,230	0.01%	167
1 to 30 days past due	3,788	0.11%	4
31 to 150 days past due	4,364	2.29%	100
	\$ 1,314,382		271
	December 31, 2021		
	Gross carrying amount	Weighted- average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 1,093,187	0.03%	415
1 to 30 days past due	3,355	0.01%	3
31 to 150 days past due	2,156	1%	22
	\$ 1,098,698		440

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

	2022	2021
Balance on January 1	\$ 440	76
Impairment losses recognized (reversed)	(169)	364
Balance on December 31	\$ 271	440

As of December 31, 2022 and 2021, the Company did not pledge any receivable as collateral.

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

As of December 31, 2022, the Company sold its trade receivables without recourse as follows:

December 31, 2022					
Purchaser	Amount Derecognized	Credit Lines	Amount Advanced (Recognized in Short- term loans)	Range of Interest Rate	Guarantee Item
Financial institutions	\$ 245,760 (USD 8,003 thousand dollars)	460,650 (USD 15,000 thousand dollars)	-	-	-

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CHENMING ELECTRONIC TECHNOLOGY CORP.
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(d) Inventories

	December 31, 2022	December 31, 2021
Finished goods and merchandise inventories	\$ 1,244	2,317

The cost of sales amounted to \$3,034,293 and \$2,779,555 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the Company did not pledge any inventories as collateral.

(e) Investments accounted for using equity method

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

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 2,294,944	2,188,565

(i) The Company invested an additional cash of \$66,857 (US\$2,200 thousand) and \$38,218 (US\$1,350 thousand) in TOP CITY INTERNATIONAL LIMITED in 2022 and 2021 to increase its capital for purchasing the shares of subsidiary and setting up new subsidiary Companies, respectively.

(ii) As of December 31, 2022 and 2021, the Company did not provide any investment accounted for using equity method as collateral.

(f) Property, Plant and Equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2022 and 2021 were as follows:

	Land	Properties	Office equipment and others	Under construction and equipment under acceptance	Total
Cost:					
Balance on January 1, 2022	\$ 1,533,558	231,867	2,571	-	1,767,996
Additions	-	-	1,003	175,061	176,064
Disposal	(418,295)	(2,524)	(367)	-	(421,186)
Transferred into (out)	-	-	-	17,888	17,888
Balance on December 31, 2022	\$ 1,115,263	229,343	3,207	192,949	1,540,762
Balance on January 1, 2021	\$ 613,713	131,867	842	-	746,422
Additions	908,321	100,000	1,729	-	1,010,050
Transferred into	11,524	-	-	-	11,524
Balance on December 31, 2021	\$ 1,533,558	231,867	2,571	-	1,767,996

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
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	<u>Land</u>	<u>Properties</u>	<u>Office equipment and others</u>	<u>Under construction and equipment under acceptance</u>	<u>Total</u>
Depreciation:					
Balance on January 1, 2022	\$ -	39,290	733	-	40,023
Depreciation	-	2,573	1,127	-	3,700
Disposal	-	(1,179)	(367)	-	(1,546)
Balance on December 31, 2022	<u>\$ -</u>	<u>40,684</u>	<u>1,493</u>	<u>-</u>	<u>42,177</u>
Balance on January 1, 2021	\$ -	36,704	60	-	36,764
Depreciation	-	2,586	673	-	3,259
Balance on December 31, 2021	<u>\$ -</u>	<u>39,290</u>	<u>733</u>	<u>-</u>	<u>40,023</u>
Book Value:					
Balance on December 31, 2022	<u>\$ 1,115,263</u>	<u>188,659</u>	<u>1,714</u>	<u>192,949</u>	<u>1,498,585</u>
Balance on December 31, 2021	<u>\$ 1,533,558</u>	<u>192,577</u>	<u>1,838</u>	<u>-</u>	<u>1,727,973</u>

The Company 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 Company 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.

The Company 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 (tax included), based on the resolution approved during the Board Meeting held on September 17, 2021. The related transfer procedures were completed on November 16, 2021. As of reporting date, it has not yet reached usable condition.

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

(g) Right-of-use assets

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

	<u>Transportation</u>
Cost:	
Balance on January 1, 2022 (Same balance as December 31, 2022)	<u>\$ 9,495</u>
Balance on January 1, 2021 (Same balance as Balance on December 31, 2021)	<u>\$ 9,495</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

	Transportation
Accumulated depreciation and impairment losses:	
Balance on January 1, 2022	\$ 5,160
Depreciation	3,065
Balance on December 31, 2022	<u>\$ 8,225</u>
Balance on January 1, 2021	\$ 1,995
Depreciation	3,165
Balance on December 31, 2021	<u>\$ 5,160</u>
Book value:	
Balance on December 31, 2022	<u>\$ 1,270</u>
Balance on December 31, 2021	<u>\$ 4,335</u>
Balance on January 1, 2021	<u>\$ 7,500</u>

(h) Investment Property

	Land	Properties	Total
Cost:			
Balance on January 1, 2022	\$ 152,640	63,116	215,756
Disposal	(15,734)	(10,137)	(25,871)
Balance on December 31, 2022	<u>\$ 136,906</u>	<u>52,979</u>	<u>189,885</u>
Balance on January 1, 2021 (Same balance as December 31, 2021)	<u>\$ 152,640</u>	<u>63,116</u>	<u>215,756</u>
Depreciation:			
Balance on January 1, 2022	\$ -	20,594	20,594
Depreciation	-	1,187	1,187
Disposal	-	(4,728)	(4,728)
Balance on December 31, 2022	<u>\$ -</u>	<u>17,053</u>	<u>17,053</u>
Balance on January 1, 2021	\$ -	19,357	19,357
Depreciation	-	1,237	1,237
Balance on December 31, 2021	<u>\$ -</u>	<u>20,594</u>	<u>20,594</u>
Book Value:			
Balance on December 31, 2022	<u>\$ 136,906</u>	<u>35,926</u>	<u>172,832</u>
Balance on December 31, 2021	<u>\$ 152,640</u>	<u>42,522</u>	<u>195,162</u>
Fair Value:			
Balance on December 31, 2022			<u>\$ 480,488</u>
Balance on December 31, 2021			<u>\$ 534,612</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
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The Company's chairman decided to sell certain investment properties of the Company in the first half of 2022. Therefore, the Company entered into a sales agreement with a non-related party on July 22, 2022 for the disposal of the aforementioned investment properties, at the amount of \$94,886 (deducting related transaction cost), resulting in the amount of \$72,398 to be recognized as gain on disposal of property, plant and equipment. The transfer of the title deed had completed in September, 2022.

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

As of December 31, 2022 and 2021, the Company pledge investment properties as collateral. Please refer to note (8) for details.

(i) Short-term loans

The short-term loans were summarized as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Secured Loan	\$ <u>40,000</u>	<u>799,200</u>
Unused credit lines for short-term loans	\$ <u>1,924,944</u>	<u>523,872</u>
Annual interest rates	<u>1.95%</u>	<u>1.0%~1.5%</u>

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

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

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

(j) Long-term loans

The long-term loans were summarized as follows:

	<u>December 31, 2022</u>			
	<u>Currency</u>	<u>Range of interest rates</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	TWD	<u>1.5%~1.85%</u>	2023~2041	\$ <u>1,334,900</u>
Current				\$ -
Non-current				<u>1,334,900</u>
Total				\$ <u>1,334,900</u>
Unused long-term credit lines				\$ <u>681,100</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

December 31, 2021				
	Currency	Range of interest rates	Expiration	Amount
Secured bank loans	TWD	1.0%~1.25%	2023~2041	\$ 1,640,000
Current				\$ -
Non-current				1,640,000
Total				\$ 1,640,000
Unused long-term credit lines				\$ 716,000

- (i) The main management was the guarantor of long-term loan contracts, please refer to note (7).
- (ii) For information on interest rate and liquidity risk, please refer to note (6)(s).
- (iii) As of December 31, 2022 and 2021, the Company provided part of its assets as collateral for long-term loans. Please refer to note (8) for details.

(k) Lease liabilities

	December 31, 2022	December 31, 2021
Current	\$ 1,292	3,093
Non-current	\$ -	1,292

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

The amounts recognized in profit or loss were as follows:

	2022	2021
Interest on lease liabilities	\$ 44	92
Expenses relating to short-term leases	\$ 323	225
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ 97	97

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

	2022	2021
Total cash outflow for leases	\$ 3,557	3,561

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

(l) Operating lease—Leases as lessor

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

As of December 31, 2022 and 2021, a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Less than one year	\$ 13,006	14,937
Between two and five years	<u>28,457</u>	<u>50,932</u>
Total undiscounted lease payment	<u><u>\$ 41,463</u></u>	<u><u>65,869</u></u>

The lease revenue from investment properties were \$13,797 and \$14,464 in 2022 and 2021, respectively.

(m) Employee benefits

(i) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to \$3,935 and \$4,009 for the years ended December 31, 2022 and 2021, respectively.

(n) Income taxes

(i) Income tax expenses

1) The amount of income tax for 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Current tax expense		
Current period	\$ 49,769	557
Adjustment for prior period	<u>(2,592)</u>	<u>(104)</u>
	<u>47,177</u>	<u>453</u>
Deferred tax expense (benefits)		
Origination and reversal of temporary differences	<u>(3,697)</u>	<u>1,316</u>
	<u>(3,697)</u>	<u>1,316</u>
Income tax expense	<u><u>\$ 43,480</u></u>	<u><u>1,769</u></u>

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

- 2) Reconciliation of income tax and profit (loss) before tax for 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Profit (Loss) excluding income tax	\$ 263,696	(113,170)
Income tax using the Company's domestic tax rate	52,739	(22,634)
Over provision in prior periods	(2,592)	(104)
Tax-exempt income	(20,438)	-
House and land transactions income tax	15,218	-
Others	(1,447)	24,507
	<u>\$ 43,480</u>	<u>1,769</u>

- (ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities:

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2022 and 2021. Also, management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	\$ -	<u>10,046</u>

- 2) Unrecognized deferred tax assets
Unrecognized deferred tax assets: None.
- 3) Recognized deferred tax assets

	<u>Unrealized exchange gains and losses and others</u>
Deferred tax assets:	
Balance on January 1, 2022	\$ 1,705
Recognized in profit or (loss)	<u>3,697</u>
Balance on December 31, 2022	<u>\$ 5,402</u>
Balance on January 1, 2021	\$ 3,021
Recognized in profit or (loss)	<u>(1,316)</u>
Balance on December 31, 2021	<u>\$ 1,705</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(iii) The Company's tax returns for the years through 2020 were assessed by the Taipei National Tax Administration.

(o) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, the authorized common stocks were both \$3,000,000 and \$2,472,000, respectively with a par value of 10 New Taiwan dollars per share, and of which both 195,935 and 155,935 thousand shares, were issued, respectively. All issued shares were paid up upon issuance.

(ii) 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.

(iii) Capital surplus

The balances of capital surplus as of 2022, were as follows:

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Additional paid-in capital	\$ 150,551	10,551
Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>163,012</u>	<u>163,012</u>
	<u>\$ 313,563</u>	<u>173,563</u>

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(iv) Retained Earning

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

The 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 per share

For the years ended December 31, 2022 and 2021, the Company's earnings (deficits) per share were calculated as follows:

	<u>2022</u>	<u>2021</u>
Basic earnings (deficits) per share		
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>220,216</u>	<u>(114,939)</u>
Weighted-average number of ordinary shares (share in thousands)	<u>188,045</u>	<u>155,935</u>
	\$ <u>1.17</u>	<u>(0.74)</u>

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

	2022	2021	
Diluted earnings (deficits) per share:			
Profit (loss) attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>220,216</u>	<u>(114,939)</u>	
Weighted-average number of ordinary shares with potential influence of ordinary shares			
Weighted-average number of ordinary shares	188,045	155,935	
Effect of employee stock remuneration (share in thousands)	<u>406</u>	<u>44</u>	
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>188,451</u>	<u>155,979</u>	
	\$ <u>1.17</u>	<u>(0.74)</u>	
 (q) Revenue from contracts with customers			
(i) Disaggregation of revenue			
	2022	2021	
Primary geographical markets			
Taiwan	\$ 505,503	525,591	
Japan	419,953	490,133	
China	156,805	653,066	
USA	2,006,954	1,138,303	
Others	<u>111,165</u>	<u>120,983</u>	
	\$ <u>3,200,380</u>	<u>2,928,076</u>	
Major product			
PC chassis	\$ 2,932,000	2,141,796	
Mobile device components	161,101	720,886	
Mold	<u>107,279</u>	<u>65,394</u>	
	\$ <u>3,200,380</u>	<u>2,928,076</u>	
 (ii) Contract balances			
	December 31, 2022	December 31, 2021	January 1, 2021
Trade receivable	\$ 1,314,382	1,098,698	689,557
Less: Loss allowance	<u>(271)</u>	<u>(440)</u>	<u>(76)</u>
	\$ <u>1,314,111</u>	<u>1,098,258</u>	<u>689,481</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(r) Employee directors' and supervisor's remuneration

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

The Company's remuneration to employees were \$7,000, and the remuneration to directors and supervisors was \$1,500 for the year ended December 31, 2022. These amounts were calculated using the Company's net income before tax without the remunerations to employees and directors for each period, multiplied by the proposed percentage which is stated under the Company's proposed Article of Incorporation. These remunerations were expensed under operating costs or expenses for each period. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year. Shares distributed to employees as employee remuneration were calculated based on the closing price of the Company's shares on the day before the approval from the Board of Directors. For the year ended December 31, 2021, a net loss after tax has occurred, so there is no need to estimate employees and directors remuneration.

(s) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration to credit risk

The customers of the Company are mainly high tech companies, trade receivables have 95% and 82% are composed by five clients in December 31, 2022 and 2021. Thus, the company has concentration to credit risk situation.

(ii) Receivable securities

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

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(iii) Liquidity Risk

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

	<u>Amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2022					
Secured loans	\$ 1,374,900	(1,399,014)	(40,780)	-	(1,358,234)
Notes and trade payables (including related parties)	838,132	(838,132)	(838,132)	-	-
Lease liabilities (including current and non-current)	1,292	(1,300)	(1,300)	-	-
Other payables	89,695	(89,695)	(89,695)	-	-
Guarantee deposits	4,238	(4,238)	-	-	(4,238)
	<u>\$ 2,308,257</u>	<u>(2,332,379)</u>	<u>(969,907)</u>	<u>-</u>	<u>(1,362,472)</u>
December 31, 2021					
Secured loans	\$ 2,439,200	(2,467,875)	(808,245)	(374,462)	(1,285,168)
Notes and trade payables (including related parties)	614,102	(614,102)	(614,102)	-	-
Lease liabilities (including current and non-current)	4,385	(4,437)	(3,137)	(1,300)	-
Other payables	38,737	(38,737)	(38,737)	-	-
Guarantee deposits	3,530	(3,530)	(20)	-	(3,510)
	<u>\$ 3,099,954</u>	<u>(3,128,681)</u>	<u>(1,464,241)</u>	<u>(375,762)</u>	<u>(1,288,678)</u>

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

(iv) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2022</u>			<u>December 31, 2021</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD to NTD	\$ 43,962	30.71	1,350,073	40,972	27.68	1,134,105
Financial liabilities						
Monetary items						
USD to NTD	26,746	30.71	821,370	24,479	27.68	677,579

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
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2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade receivables and trade payables, that are denominated in foreign currency. A weakening or strengthening 5% of each major foreign currency against the Company functional currency as of December 31, 2022 and 2021, would have affected the net profit before tax by \$26,435 and \$22,826, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

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

	2022	2021
	Exchange profit (loss)	Exchange profit (loss)
NTD	\$ 111,201	(9,628)

(v) Interest Rate analysis

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

	Carrying amount	
	December 31, 2022	December 31, 2021
Variable rate instruments:		
Financial assets	\$ 75,931	92,266
Financial liabilities	1,374,900	2,439,200

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$3,247 and \$5,867 for the years ended December 31, 2022 and 2021, respectively, which would have mainly resulted from the bank savings and borrowings with variable interest rates.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
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(vi) Fair value

1) Procedure of valuation

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

2) Fair value hierarchy

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

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

3) The kinds of financial instruments and fair value

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

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

a) Financial assets and financial liabilities measured at amortized cost

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

5) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

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

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

(t) Financial risk management

(i) Briefings

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

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

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Trade receivables and other receivables

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

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

2) Guarantees

As of December 31, 2022 and 2021, the Company do not offer any endorsement and guarantees, except to its subsidiaries, please refer to note (13)(a).

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to note (6)(i) and note (6)(j) for unused short-term and long-term bank facilities as of December 31, 2022 and 2021.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
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(v) Market risk

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

1) Currency risk

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

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

2) Interest rate risk

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

3) Other market value risk

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

(u) Capital management

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

Debt-to-asset ratio in 2022 and 2021 as follow:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 2,355,544	3,100,928
Total assets	5,373,677	5,342,659
Debt-to-asset ratio	44 %	58 %

As of December 31, 2022, the capital management method do not change.

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

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

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2022 and 2021 were as follows:

	January 1, 2022	Cash flows	Non-cash flows		December 31, 2022
			Additions	Write-off	
Long term loans	\$ 1,640,000	(305,100)	-	-	1,334,900
Short term loans	799,200	(759,200)	-	-	40,000
Lease liabilities	4,385	(3,093)	-	-	1,292
Guarantee deposits	3,530	708	-	-	4,238
Total liabilities from financing activities	<u>\$ 2,447,115</u>	<u>(1,066,685)</u>	<u>-</u>	<u>-</u>	<u>1,380,430</u>

	January 1, 2021	Cash flows	Non-cash flows		December 31, 2021
			Additions	Write-off	
Long term loans	\$ 622,000	1,018,000	-	-	1,640,000
Short term loans	296,960	502,240	-	-	799,200
Lease liabilities	7,532	(3,147)	-	-	4,385
Guarantee deposits	3,270	260	-	-	3,530
Total liabilities from financing activities	<u>\$ 929,762</u>	<u>1,517,353</u>	<u>-</u>	<u>-</u>	<u>2,447,115</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Company
Dongguan Chenming Electronic Co., Ltd.	Subsidiary of the Company
CHENMING ELECTRONIC (NINGBO) Co., Ltd.	Subsidiary of the Company
UNEEC Culture and Education Foundation	Same chairman with the Company
Lin, Mu-Ho	Chairman of the Company

(b) Significant transactions with related parties

(i) Purchases

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

	2022	2021
Subsidiary:		
Dongguan Chenming Electronic Co., Ltd.	\$ 3,011,209	2,750,502
CHENMING ELECTRONIC (NINGBO) Co., Ltd.	7,150	5,894
	<u>\$ 3,018,359</u>	<u>2,756,396</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

The Company purchases certain products manufactured by its related parties. The purchase prices for related parties are no general supplier for comparison, and the collection period for related parties is 60 days and payment according to subsidiaries's financial needs.

(ii) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Trade payables	Subsidiary-Dongguan Chenming Electronic Co., Ltd.	\$ 825,955	603,681
Trade payables	Subsidiary-CHENMING ELECTRONIC (NINGBO) Co., Ltd.	<u>2,235</u>	<u>2,533</u>
		<u>\$ 828,190</u>	<u>606,214</u>

(iii) Lease

The Company rents parts of its office and miscellaneous equipment to its chairman and collects monthly rental from them since August 2011. The rental fee is determined based on nearby office rental rates. The rental revenue for the years ended December 31, 2022 and 2021 were both \$3,429.

(iv) Guarantee

- 1) Chairman of the company, Mu-Ho Lin, was the guarantor of the syndication contract as of December 31, 2022 and 2021, respectively.
- 2) The Company had provided a guarantee for loans taken out by subsidiary as follows:

	<u>2022</u>	<u>2021</u>
Chenming Electronic (Ningbo) Co., Ltd.	\$ 52,896	52,128
Dongguan Chenming Electronic Co., Ltd.	<u>301,145</u>	<u>238,920</u>
	<u>\$ 354,041</u>	<u>291,048</u>

(v) Other

The Company dispatched its employees to its subsidiaries for providing management services. As of December 31, 2022 and 2021, the relative revenue amounted to \$3,284 and \$4,209, respectively, which was recognized in other income.

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 5,213	7,068
Post-employment benefits	<u>108</u>	<u>216</u>
	<u>\$ 5,321</u>	<u>7,284</u>

(Continued)

CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Object</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
PPE and investment properties	Short-term loans and long-term		
— land and rights-of-use land	loans	\$ 1,252,170	1,654,968
— properties	"	<u>224,582</u>	<u>228,157</u>
		<u>\$ 1,476,752</u>	<u>1,883,125</u>

(9) Commitments and contingencies:

The Group's unrecognized contractual commitments were as follows:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Acquisition of property, plant and equipment	<u>\$ 89,314</u>	<u>37,992</u>

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

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

By function	2022			2021		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	-	87,748	87,748	-	75,848	75,848
Labor and health insurance	-	8,828	8,828	-	6,809	6,809
Pension	-	3,935	3,935	-	4,009	4,009
Remuneration of directors	-	1,500	1,500	-	-	-
Others	-	4,518	4,518	-	5,446	5,446
Depreciation	-	7,952	7,952	-	7,661	7,661
Amortization	-	1,489	1,489	-	1,030	1,030

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
Number of employees	<u>79</u>	<u>82</u>
Non-employees directors	<u>5</u>	<u>5</u>
Average labor cost	<u>\$ 1,419</u>	<u>1,196</u>
Average salary and bonus	<u>\$ 1,186</u>	<u>985</u>
Percentage change in average salary and bonus	<u>20.4 %</u>	
Remuneration of supervisor	<u>\$ -</u>	<u>-</u>

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

- (a) The salary paid to managers and employees is divided into two types: fixed salary and variable salary. Fixed salary is the monthly salary regardless of profit or loss; while variable salary, including employee remuneration, business development bonus and year end performance bonus, depends on the Company's profit and factors such as performance review, job responsibility, contribution to the Company's operations, economic environment and market condition. The Company sets up related policies to reflect the work performance of its managers and employees.
- (b) The policy takes the current year's earning into consideration since it reflects the Company's operating performance.
- (c) The directors and supervisors of the Company do not have fixed remuneration. When there is earnings in the year, the directors and supervisors will be paid in accordance with the R.O.C. Company Act and the Company's articles. In addition to the Company's previous operating performance, competitors and listed companies are used as the benchmarks for the approval of the remuneration policy and structure. The remuneration to directors and supervisors is also reference to the total remuneration as the results of the directors' performance review, such as comprehensive review of their involvement in the Company's accounting, financial status, audit reports, and Company's business operation, in order to balance the Company's sustainable business and risk control.
- (d) The salary of managers not only refers to competitors and current year operating performance, but is also reference to long term goal indicators, such as proposals and strategies that are helpful to the operation and development of the Company, as well as deployment and operation of the planned target products and markets. Moreover, the managers are not guided to pursue short term rewards and engage in behaviors that surpass the Company's risks in order to balance the Company's sustainable business and risk control.

(13) Other disclosures

- (a) Information on significant transactions:

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

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Notes to Financial Statements

(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	184,260	184,260	122,840	0.87463%~6.05708%	Short-term financial	-	Operating demand	-	-	-	2,294,672 (note 1)	2,294,672 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	Yes	145,464	57,304	-	4.35%	"	-	"	-	-	-	463,948 (note 2)	463,948 (note 2)
3	Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC (NINGBO) CO., LTD	"	Yes	66,120	66,120	-	4.35%	"	-	"	-	-	-	301,322 (note 3)	301,322 (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 \$2,294,672. 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 \$2,294,672.

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 \$463,948 (\$1,159,871*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 \$463,948 (\$1,159,871*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 \$301,322 (\$753,306*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 \$301,322 (\$753,306*40%).

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary / endorsements guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in mainland China
		Name	Relationship with the Company										
1	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	100% owned subsidiary	1,207,253 (note 1)	52,896	52,896	-	-	1.75 %	2,414,506 (note 1)	Yes	No	Yes
2	The Company	Dongguan Chenming Electronic Co., Ltd	100% owned subsidiary	1,207,253 (note 1)	411,345	301,145	-	-	9.98 %	2,414,506 (note 1)	Yes	No	Yes
						354,041							
3	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	Both are subsidiaries of the Company	463,948 (note 2)	168,905	168,905	-	-	14.56 %	927,897 (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 \$1,207,253. (\$3,018,133*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 \$2,414,506 (\$3,018,133*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 \$463,948. (\$1,159,871*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 \$927,897 (\$1,159,871*80%).

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- (iii) Securities held as of December 31, 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	800	- %	800	-

- (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.

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

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/trade receivables (payables)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ trade receivables (payables)	
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	3,011,209	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 (825,955)	(99)%	
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(3,011,209)	(74)%	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 825,955	65 %	"

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

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CHENMING ELECTRONIC TECHNOLOGY CORP.
Notes to 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 825,955	4.21	-	-	602,746	-	Note 2
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	The company's ultimate parent company is the same	Other current financial assets 139,406	-	-	-	-	-	Note 1, 2

Note 1: Balance of March 8, 2023.

Note 2: Including interest receivables \$16,566.

- (ix) Trading in derivative instruments: None.

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 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 December 31, 2022			Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2022	December 31, 2021	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	2,166,745	2,099,183	65,558	100 %	2,294,672	24,419	24,419	Subsidiaries
The Company	CHENMING ELECTRONIC TECHNOLOGY USD, Inc.	U.S.A.	Import and export business of computer case	6,236	6,236	200	100 %	272	(1,083)	(1,083)	Subsidiaries
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	955,589	(4,056)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandson company
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC	Samoa	Investment	802,568	735,006	23,410	100 %	1,190,415	23,698	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.

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(c) Information on investment in mainland China:

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

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

Name of investee	Main businesses and products	Total amount of paid-in capital (note 3)	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2022 (note 3)	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2022	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2 and 3)	Carrying amount as of December 31, 2022 (note 3)	Accumulated remittance of earnings as of December 31, 2022
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,980,795 (USD64,500)	notes 1 and 6	651,359 (USD21,210)	36,852 (USD1,200)	-	688,211 (USD22,410)	26,595	100 %	26,595	1,159,871	-
Dongguan Chenming Electronic Co., Ltd	"	889,914 (note 4) (USD28,978)	notes 1 and 7	764,679 (USD24,900)	-	-	764,679 (USD24,900)	21,239	100 %	21,239	753,306	-
UNEEC ELECTRONIC (KUNSHAN) CO., LTD	"	30,710 (note 5) (USD1,000)	notes 1 and 6	-	30,710 (USD1,000)	-	30,710 (USD1,000)	698	100 %	698	30,422	-

(ii) Limitation on investment in mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 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
The Company	1,483,600 (USD48,310)	1,674,002 (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 \$30.71 as of December 31, 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".

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(d) Major shareholders:

(Unit: Share)

Shareholder's Name	Shareholding	Shares	Percentage
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.

(14) Segment information:

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

CHENMING ELECTRONIC TECHNOLOGY CORP.**Statement of Cash and Cash Equivalents****December 31, 2022****(Expressed in Thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty Cash		\$ 50
Checking accounts and demand deposits	NTD	10,879
	Foreign currency (US\$1,355 thousand ; JPY\$408 thousand ; RMB\$5,308 thousand)	<u>65,102</u>
		<u>\$ 76,031</u>

Note : The exchange rate is 30.71 New Taiwan dollars for 1 U.S. dollar ; 0.2324 New Taiwan dollars for 1 JPY ; 4.408 New Taiwan dollars for 1 RMB.

**Statements of financial assets at at fair value
through profit or loss - current**

<u>Item</u>	<u>Description</u>	<u>Unit (thousand)</u>	<u>Cost</u>	<u>Fair value</u>	
				<u>Unit price</u>	<u>Total</u>
Mega Global Metaverse Tech Fund	Domestic Fund	\$ 100	<u><u>\$ 1,000</u></u>	8.00	<u><u>800</u></u>

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Trade Receivables

December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Trade Receivables:		
Non-Related party:		
E Company	Non-Related party operating income	\$ 974,508
CC Company	"	127,673
EE Company	"	105,812
Other (Note)	"	<u>106,389</u>
Total		1,314,382
Less: Loss allowance		<u>(271)</u>
Trade Receivables, net		<u><u>\$ 1,314,111</u></u>

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

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Changes in Investments Accounted for Using the Equity Method

For the year ended December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

<u>Investee Company</u>	<u>Beginning Balance</u>		<u>Additions (Note1)</u>		<u>Disposals</u>		<u>Investment income</u>	<u>Cumulative translation adjustment</u>	<u>Ending Balance</u>		<u>Market price or net value</u>	<u>Collaterals or Pledged assets</u>	
	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>	<u>Number of shares</u>	<u>Amount</u>			<u>Number of shares</u>	<u>Percentage of Ownership</u>			<u>Amount</u>
TOP CITY INTERNAT IONAL LIMITED	63,358	\$ 2,187,317	2,200	66,857	-	-	24,419	16,079	65,558	100 %	2,294,672	2,294,672	None
CHENMING ELECTROONIC TECHNOLOGY USA, Inc.	200	1,248	-	-	-	-	(1,083)	107	200	100 %	272	272	None
		<u>\$ 2,188,565</u>		<u>66,857</u>			<u>23,336</u>	<u>16,186</u>			<u>2,294,944</u>	<u>2,294,944</u>	

Note1: The Company invested the additional cash of \$66,857 in its subsidiaries.

CHENMING ELECTRONIC TECHNOLOGY CORP.
Statement of Changes in Property, Plant and Equipment
December 31, 2022 and 2021

Please refer to Note 6(f).

Statement of Changes in Investment Property

Please refer to Note 6(f).

Statement of Short-Term Borrowings

December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest Rate</u>	<u>Loan commitments</u>	<u>Collaterals or Pledged assets</u>
Mega International Commercial Bank Co.,Ltd	Secured Loans	<u>\$ 40,000</u>	2023.1.3	Please refer to note (6)(i)	USD25,400	Land, Properties and investment properties

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Long-Term Loans

December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>		<u>Interest Rate</u>	<u>Contract period</u>	<u>Cloaterals or Pledged assets</u>
		<u>Loan within 1 year</u>	<u>Loan more than 1 year</u>			
Mega International Commercial Bank Co.,Ltd	Secured Loans	\$ -	270,000	Please refer to Note 6(j)	2026.1	Land, Properties and investment properties
Hua Nan Commercial Bank	Secured Loans	-	1,064,900	Please refer to Note 6(j)	2041.11	Land, Properties and investment properties
		<u>\$ -</u>	<u>1,334,900</u>			

Statement of Notes and Trade Payables

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Trade payables:		
Dongguan Chenming Electronic Co., Ltd	Related party operating cost	\$ 825,955
Other (Note)	Related party and Non-Related party operating cost	<u>12,177</u>
		<u>\$ 838,132</u>

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

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Operating Revenue

For the year ended December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Number — pieces in thousand</u>	<u>Amount</u>
Sales revenue:		
Computer and server case	894	\$ 2,933,085
Mobile components	15,664	161,295
Less: Sales discount		<u>(1,279)</u>
		3,093,101
Mold revenue		107,598
Less: Sales discount		<u>(319)</u>
Net sales revenue		<u><u>\$ 3,200,380</u></u>

Statement of Operating Costs

<u>Item</u>	<u>Amount</u>
Raw materials, beginning of year	\$ -
Add: Purchase of raw material	14,861
Less: Raw materials, end of year	<u>-</u>
Raw materials used	14,861
Add: Work-in-process, beginning of year	-
Less: Work-in-process, end of year	<u>-</u>
Cost of finished goods	14,861
Finished goods, beginning of year	2,317
Finished goods purchased	3,018,359
Less: Finished goods, end of year	<u>(1,244)</u>
Total	<u><u>\$ 3,034,293</u></u>

CHENMING ELECTRONIC TECHNOLOGY CORP.

Statement of Operating Expenses

For the year ended December 31, 2022

(Expressed in Thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development expenses</u>
Payroll expenses	\$ 22,101	47,257	18,390
Travel expenses	1,740	573	849
Insurance expenses	2,440	4,612	1,776
Depreciation expenses	1,250	6,365	337
Entertainment expenses	2,088	2,272	372
Professional service fees	-	6,620	-
Safety and health expenses	-	5,473	-
Other (Note)	3,448	18,768	4,247
Total	<u>\$ 33,067</u>	<u>91,940</u>	<u>25,971</u>

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