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uneec® **Chenming Mold Ind. Corp.**

CHENMING MOLD IND. CORP.

2017

Annual Report

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One. Letter to Shareholders

Ladies and gentlemen:

We express our deepest gratitude for shareholders' support to the management in the past year. Faced with the rapid changes in the information and communication industry, the Company has been exploring new opportunities by optimizing its product portfolio and bringing innovation into business transformation. While the Company adjusted strategies and diversified business approach, it remained focused on improving product competitiveness through refined procedures and optimized design, workflow and cost structure. These efforts have enabled us to weather through the changing environment.

I. 2017 business results:

(I) Financial performance

1. Business results

The Company delivered a net consolidated revenue of NT\$4.840129 billion in 2017, grew by 13.23% from NT\$4.274785 billion in 2016. Net income was concluded at NT\$212.909 million for 2017, up 7.64% from NT\$197.801 million in 2016. Earnings per share was NT\$1.25 per share.

2. Budget implementation: The Company did not publish any financial forecast for 2017.

3. Incomes, expenses, and profitability analysis

Item	2017	2016	
Return on assets	5.75%	6.88%	
Return on shareholders' equity	9.42%	10.59%	
As a percentage of paid-in capital (%)	Operating profit	18.89%	15.37%
	Pre-tax profit	16.48%	17.56%
Net profit margin	5.08%	6.00%	
EPS	1.25	1.14	

(II) Research and development progress

1. Successfully developed a proprietary POM binder for nitric acid debinding process and applied it in the water atomization and gas atomization metal powder feeding systems. This R&D result will later be published in the international MIM conferences in Asia, Europe and the U.S.A. in 2018.
2. Developed specialty chemical and added it into the self-developed binder feeding system for thermal debinding and nitric acid debinding processes,

capable of filling products with 0.10 mm thin feature under low injection pressure. The specialty chemical that enhances the binder liquidity for injection was filed for patent, and the application is undergoing the review process.

3. Completed the development of high-performance soft magnetic material, Fe-50% Co.
4. Completed the development of CIM(Ceramic Injection Molding) manufacturing process.
5. Completed the development of automated manufacturing equipment with the MIM framework for a series of USB Type-C connector receptacle (Receptacle).

II. Summary of 2018 business plan:

(I) Operational guidelines

1. Manufacturing

The Company will continue to increase the weight of its automated manufacturing and refine manufacturing technology for greater efficiency. Additional investments will be made at appropriate timing to expand current facilities and incorporate new and enhanced processes for higher production yield.

2. Products

The Company will continue to promote its MIM products and actively explore new customers for wearable and handheld device components, and thereby increase revenue contribution of high-margin products. Furthermore, the Company will continue to enhance service to customers of the computer accessory and server chassis category as a means to increase purchase orders.

3. Management

The Company will be adopting a total quality management approach that emphasizes on improving operational performance through enhanced organization and personnel allocation, and maintaining consistent growth in business and profitability through reduced production cost and improved cost structure.

4. Market development

The Company will continue promote the use of existing products to create market demand, while exploring new demands for wearable and handheld device components.

(II) Research and development plans

1. We will continue to develop titanium and titanium alloy MIM manufacturing process.
2. We will continue to develop CIM(Ceramic Injection Molding) surface finish technique.

3. We will conduct a series of basic studies and analysis on 17-4PH stainless steel and build an internal material property database for 17-4PH stainless steel.
4. We will develop the MIM manufacturing technique for non-linear channel inside a metal product.
5. We will develop the applications of plastic micro injection molds and injection technique on MIM products (over molding).

(III) Expected sales volume and basis

The global shipments of smartphones were concluded at 1.43 billion pieces in 2017 according to DIGITIMES Research and is projected to reach 1.5 billion pieces in 2018 with a growth rate of 4.8%. DIGITIMES Research estimated that the year-by-year increase in the shipments will be approximately 60~70 million pieces from 2018 to 2022. Moreover, it also concluded the shipments of servers at 12.66 million units in 2017, grew by 7%. The global server shipments are expected to grow by 8.5% standing at 13.73 million pieces in 2018. The global market demands for servers will ramp up following a rapid development of global data centers and cloud services and bring in a 8.5% growth in the global market in 2018 over 2017. With regards to sales volume forecast, it is meaningless to predict sales volume of metal parts due to the different specifications, materials, and processing methods used. Nevertheless, the Company will still aim to achieve a growth rate above the industry average.

III. Future development strategies

Chenming will continue to place emphasis on cloud server products and introduce Industry 4.0 and intelligent manufacturing. While implementing automated manufacturing and continuously improving quality and cost-effectiveness for competitiveness, we will also reinforce the comprehensive services to customers, to expend our market reach and customer satisfaction. Moreover, we will expand our knowledge in MIM manufacturing (metal powder injection molding) to the components of handheld devices and wearable products. Through the refined manufacturing technology and differentiated services and products, we hope to explore opportunities in existing customers' product lines.

IV. Impacts of the competitive environment, regulatory environment, and the overall business environment

(I) The external competitive environment:

The Company's product portfolio consists mainly of mobile device components, DT accessories, and server chassis. The PC industry has undergone extreme changes in the last few years, many of them were caused by the rise of smartphones and tablet PC. Chenming has been rising to this challenge by creating differentiated competitive advantage through continual innovation, research, development, cost reduction, cost structure

optimization, process enhancement and application of new materials, and expanding customer base by increasing product visibility, exploring new customers and maintaining relationship with existing customers.

(II) The regulatory environment:

The Company has complied with regulatory requirements and will be introducing supporting measures and policies such as: independent director system, corporate social responsibility policy, directors/supervisors liability insurance, on-job training for managers etc. to enhance corporate governance.

(III) The overall business environment:

Product and process innovation are critical to the Company's success. In recent years, Chenming has been exploring new product opportunities by discovering new possibilities in its existing technologies, incorporating environmental protection ideas into product design, and adopting more advanced production technologies to overcome the difficult business environment.

Amidst the harsh business ambiance throughout the world, the entire management teams of our Company cannot afford to any single easy or slack moment. Instead, in the rigorously responsible attitude, we shall strive for optimized cost structure to serve our incumbent clients in secured pace on a reciprocal basis. In added sincerity and momentum, we shall broaden our customer base to safeguard our current competitive edge toward added growth and profits. To ensure the sustainability and consistent growth of Chenming's business, we shall continue improving our management practices to meet shareholders' expectations and customers' satisfaction. With respect to corporate governance, the Company will devote greater efforts to maintaining corporate image, fulfilling corporate social responsibilities, and engaging in public affairs. It is our earnest hope that through our aforementioned endeavors, we may successfully win approval and support from our cherished shareholders.

Lastly, on behalf of all employees, I would like to extend my most sincere gratitude to all our shareholders, and look forward to the outstanding performance from the management team.

Chairman: Lin Mu-Ho

Two. Company Profile

I. Date of establishment: June 17, 1976

II. Company history:

- 1976 Founded in June 1976 with the name “Chenming Industrial Co., Ltd.” and a paid-in capital of NT\$600,000. It specialized in the manufacturing and sale of stamped molds.
- 1983 Relocated to its Xizhi site and made a cash issue totaling NT\$4.4 million in June to purchase more advanced and higher precision machinery. The cash issue increased share capital to NT\$5 million.
- 1985 Purchased production equipment for computer chassis, and officially commenced the production of computer chassis.
- 1987 Made a cash issue totaling NT\$30 million in May to purchase additional equipment and improve financial position. The cash issue increased share capital to NT\$35 million.
- 1991 Relocated to Dawulun Industrial Park in Keelung City, where the Company continued its production of computer chassis and launched service to OEM/ODM customers.
- 1994 Officially became a qualified supplier of computer chassis for IBM.
- 1997 1. Made a cash issue totaling NT\$60 million in November to expand working capital. The cash issue increased share capital to NT\$95 million.
2. Passed ISO9001 certification.
- 1998 1. New shares were issued in November through capitalization of earnings and capital reserve. Share capital was increased to NT\$190 million as a result.
2. Ranked 485th (by China Credit Information Service Ltd) among the top 500 private manufacturers.
3. Officially became a qualified supplier for HP and Acer.
- 1999 1. Acquired office building at Neihu Industrial Park, Taipei, and established Taipei Office as an R&D and operations headquarter.
2. New shares were issued in July through capitalization of earnings and capital reserve totaling NT\$152 million, followed by the initial public offering. Share capital was increased to NT\$342 million as a result.
3. Officially became a qualified supplier of notebook barebone systems for Quanta Computer.
4. Ranked 263rd in CommonWealth Magazine's “Top-1000 Companies in

- Taiwan.”
- 2000
5. Received “Outstanding Contribution Award” from HP, “Outstanding Supplier” from First International Computer, and “Best Business Partner Award” from Acer Inc.
 1. In an attempt to establish strategic alliance and strengthen shareholder support, the Company welcomed Quanta Computer and Quanta Venture Capital as its new corporate shareholders.
 2. Made a cash issue totaling NT\$100 million in July to improve financial position and expand working capital, and capitalized NT\$175 million of earnings. Share capital was increased to NT\$617 million as a result.
 3. Rated by IBM as the No. 1 global server OEM in terms of production output in the third quarter of year 2000.
 4. Ranked 246th in CommonWealth Magazine's “Top-1000 Companies in Taiwan.”
 5. Received “Outstanding Quality Contribution Award” and “Long-term Partner Contribution Award” from HP.
 6. Used “UNEEC” as the new corporate identity.
- 2001
1. Received “Best Supplier Award” from ASUSTeK and Mitac.
 2. Ranked 204th in CommonWealth Magazine's “Top-1000 Companies in Taiwan.”
 3. Founded Ding Du International Co., Ltd. as a holding company for the Company's overseas investments.
 4. New shares were issued against capitalized earnings and capital reserve totaling NT\$253 million. Share capital was increased to NT\$870 million as a result.
- 2002
1. The Company’s name was changed to “Chenming Mold Ind. Corp.” by the resolution of the shareholder meeting in May.
 2. The Company was listed for trading in September. New shares were issued in September against capitalized earnings and capital reserve totaling NT\$270 million that month, which increased share capital to NT\$1.114 billion.
 3. Received “Top-performing Supplier Award” from IBM Japan.
 4. Received “Best Partner Award” from TECO Image Systems.
 5. Founded Chueh Rong International Co., Ltd. through Ding Du International Co., Ltd.
 6. Founded Ding Chih Co., Ltd. through Ding Du International Co., Ltd.
- 2003
1. New shares were issued in July against capitalized earnings and capital reserve totaling NT\$183 million in July. Share capital was increased to NT\$1.323 billion as a result.
 2. Ranked 193rd in CommonWealth Magazine's “Top-1000 Manufacturers in Taiwan.”
 3. Ranked 24th in Wealth Magazine's “Top-100 Entrepreneurs” and 19th in

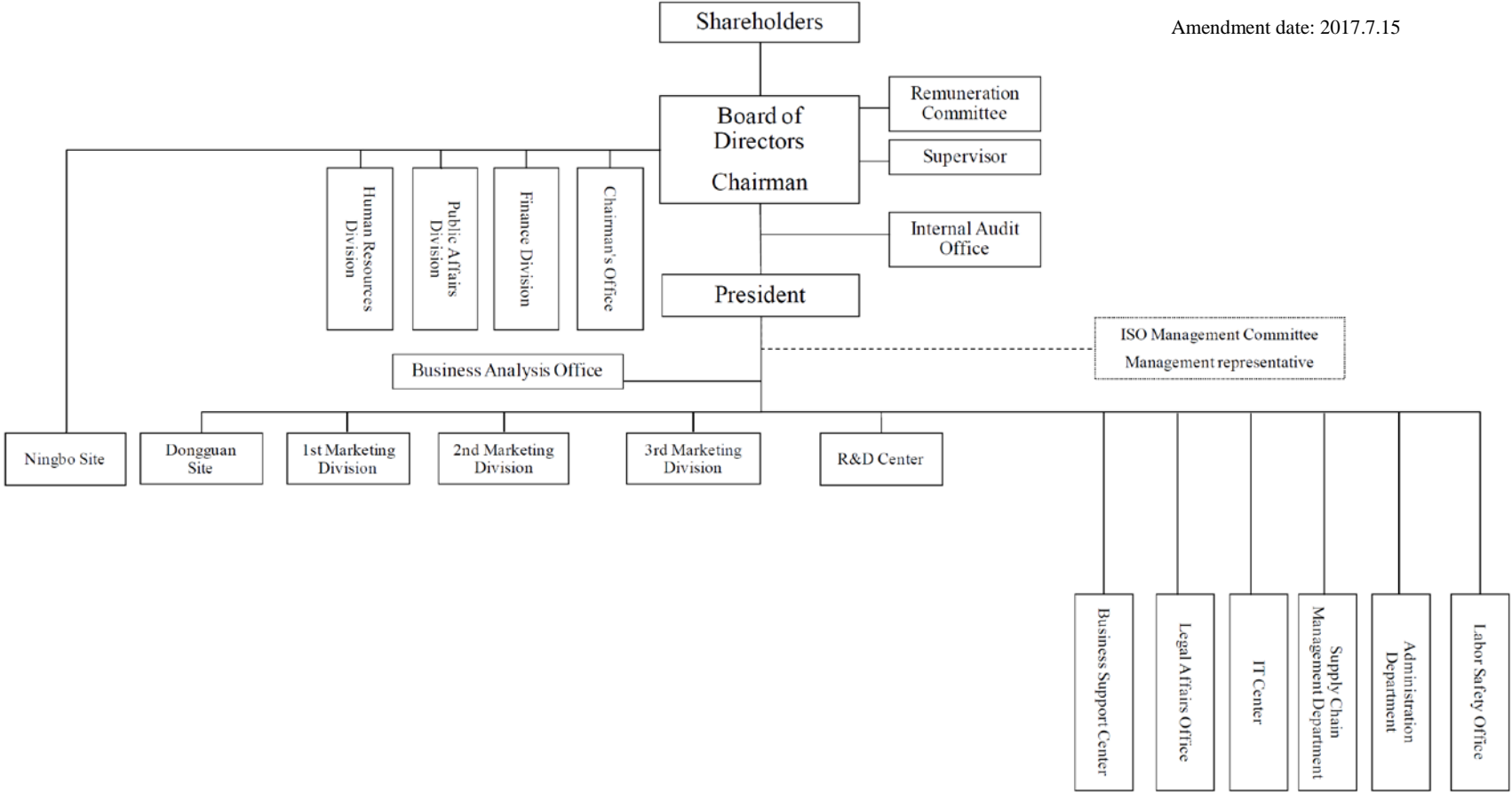
- Wealth Magazine's "Top-20 Electronic Manufacturers."
4. Founded Chenming Electronic (Hangzhou) Co.,Ltd. through Ding Chih Co., Ltd.
- 2004
1. New shares were issued in July against capitalized earnings and capital reserve, which increased share capital to NT\$1,454,214,490.
 2. Chenming Mold won the 5th Industrial Sustainable Excellence Award from Industrial Development Bureau, Ministry of Economic Affairs.
 3. Named "Outstanding Supplier of the Year" by Gigabyte Technology.
 4. Received "Outstanding Supplier Award" from TOSHIBA.
- 2005
1. New shares were issued in July against capitalized earnings and capital reserve, which increased share capital to NT\$1,453,135,820.
 2. As part of a strategic alliance, the Company made an investment in Kenmos, a manufacturer of NB backlighting module and display components, in December. Furthermore, the Company developed a series of proprietary components for clamshell phones.
 3. Began collaboration with Fujitsu in December to develop LCD PCs.
- 2006
1. Taipei headquarters was relocated to UNEEC Building in July.
 2. New shares were issued in August against capitalized earnings and capital reserve, which increased share capital to NT\$1,559,317,870.
 3. Celebrated UNEEC's 30th anniversary and the commissioning of headquarters building in September.
- 2007
1. Received "Best Partner Award" from Gigabyte Technology.
 2. New shares were issued in August against capitalized earnings and capital reserve, which increased share capital to NT\$1,699,488,870.
 3. Hosted the "1st UNEEC Applied Design Award."
- 2008
1. Ranked 510th (by China Credit Information Service Ltd.) in the manufacturing category of "Taiwan Large Corporation TOP 5000."
 2. Ranked 531st in Commonwealth Magazine's "Top-1000 Manufacturers in Taiwan."
 3. Hosted the "2nd UNEEC Applied Design Award."
 4. New shares were issued in August against capitalized earnings and capital reserve, which increased share capital to NT\$2,160,810,180.
- 2009
1. Ranked 443rd (by China Credit Information Service Ltd.) in the manufacturing category of "Taiwan Large Corporation TOP 5000."
 2. Ranked 491st in Commonwealth Magazine's "Top-1000 Manufacturers in Taiwan."
 3. Received "Top-performing Supplier Award" from Fujitsu Japan.
 4. Received "Gold Award for Outstanding Partner" from Gigabyte Technology.

- | | |
|------|--|
| 2010 | <ol style="list-style-type: none"> 3. Hosted the “3rd UNEEC Applied Design Award.” 1. Ranked 510th in Commonwealth Magazine's “Top-1000 Manufacturers in Taiwan.” 2. Hosted the “4th UNEEC Applied Design Award.” 3. Founded Dongguan Chenming Electronics Co., Ltd. through Chueh Rong International Co., Ltd. |
| 2011 | <ol style="list-style-type: none"> 1. Ranked 583rd in Commonwealth Magazine's “Top-1000 Manufacturers in Taiwan.” 2. Hosted the “5th UNEEC Applied Design Award.” |
| 2012 | <ol style="list-style-type: none"> 1. Ranked 732nd in Commonwealth Magazine's “Top-1000 Manufacturers in Taiwan.” 2. Hosted the “6th UNEEC Applied Design Award.” |
| 2013 | <ol style="list-style-type: none"> 1. Ranked 730th in Commonwealth Magazine's “Top-2000 Manufacturers in Taiwan.” 2. Hosted the “7th UNEEC Applied Design Award.” 3. Received “2012 Outstanding Supplier Award” from ASUS. |
| 2014 | <ol style="list-style-type: none"> 1. Ranked 803rd in Commonwealth Magazine's “Top-2000 Manufacturers in Taiwan.” 2. Hosted the “8th UNEEC Applied Design Award.” 3. Received “2013 Outstanding Supplier Award” from Quanta Computer. 4. Received “Best Partner Award” from Gigabyte Technology. 5. Dissolved Chenming Electronic (Hangzhou) Co.,Ltd. through Ding Chih Co., Ltd. |
| 2015 | <ol style="list-style-type: none"> 1. Ranked 762nd in Commonwealth Magazine's “Top-2000 Manufacturers in Taiwan.” 2. Hosted the “9th UNEEC Applied Design Award.” 3. Received “Best Partner Award” from Gigabyte Technology. |
| 2016 | <ol style="list-style-type: none"> 1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 52%. through 2nd-tier subsidiary Ding Chih Co., Ltd. 2. Ranked 686th in Commonwealth Magazine's “Top-2000 Manufacturers in Taiwan.” 3. Hosted the “10th UNEEC Applied Design Award.” |
| 2017 | <ol style="list-style-type: none"> 1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 72%. through 2nd-tier subsidiary Ding Chih Co., Ltd. 2. Ranked 554th in Commonwealth Magazine's “Top-2000 Manufacturers in Taiwan.” 3. Hosted the “11th UNEEC Applied Design Award.” |

Three. Corporate Governance Report

I. Organization

(I) Organization structure



(II) Responsibilities of major departments

Department	Responsibilities
President's Office	1. Implementation of management systems.
	2. Evaluation and analysis of business performance.
	3. Planning of major investment strategies.
Internal Audit Office	1. Annual audit planning, execution, and reporting and following up on audit findings.
	2. Establishment and amendment of internal audit system.
	3. Establishment and amendment of internal control system.
Finance Division	1. Responsible for the Company's finance and accounting tasks.
	2. Sourcing and allocation of working capital.
	3. Budget preparation, tracking and approval.
	4. Payment approval for purchases and payables.
	5. Monitoring sales collection and reporting abnormal findings.
Public Affairs Division	1. Design and application of corporate image and identity.
	2. Maintaining public relations for the Company.
	3. Project design, management and execution.
Human Resources Division	1. Management of human resource in line with organization development.
	2. Planning and execution of human resource policy.
	3. Raising employee loyalty and satisfaction.
Administration Department	1. Management of office equipment.
	2. Management of water, electricity and air-conditioning.
	3. Management of general affairs.
Labor Safety Office	1. Management of workplace health and safety.
	2. Disaster prevention and response.
IT Center	1. Planning for the Company's computer systems.
	2. Maintenance of computer-related software and hardware.
	3. Introduction of new technologies.
	4. Information security.
	5. Software development.
Legal Affairs Office	1. Review, drafting, and amendment of contractual terms.
	2. Assisting in litigations and patent/trademark applications.
	3. Other compliance-related matters.
Supply Chain Management Department	1. Assisting in the management of raw material inventory.
	2. Processing import and export sales.
	3. Monitoring market supply/demand and price movements.
	4. Supply sourcing, quotation and procurement.
	5. Establishment, control and following-up on material procurement plans.
Business Support Center	1. Assisting in the collection of accounts receivable and bookkeeping.
	2. Assisting business units in processing documents and submission of forms required for various procedures.

	3. Assisting in air freight procedures.
R&D Center	1. Assisting business units with quotation works during new project development.
	2. Working with clients in product design analysis and mold review; conducting producibility and feasibility evaluation on potential products.
	3. Preparation, update and approval of engineering schematics, BOM, and acceptance documents.
	4. Controlling progress and solving issues on the new product development stage and assisting to put the product into mass production.
	5. Serving as a project contact window between customers and factory sites.
	6. Assisting factory sites and quality assurance teams in making improvements in response to defects or customers' complaints and enhancing the yield rate.
	7. Assisting factory sites in education, training, and enhancement of engineers' professional capacity.
	8. Developing new materials, agents and manufacturing process for powder injection molding (PIM).
1st Marketing Division	1. Exploring new customers.
	2. Maintaining existing customers.
	3. Project management, monitoring and execution.
	4. Overseas order acceptance, order placement, shipment follow-up, and internal coordination.
2nd Marketing Division	1. Exploring new customers.
	2. Maintaining existing customers.
	3. Project management, monitoring and execution.
	4. Development of exteriors for consumer electronics.
	5. New product planning, analysis and evaluation.
3rd Marketing Division	1. Project management for existing domestic customers and development of new customers.
	2. Resolving issues between domestic customers and factory sites.
	3. Overseas order acceptance, order placement, shipment follow-up, and internal coordination.
	4. Developing standard clone server.
	5. Preliminary development/market information gathering for new technologies.
	6. Feasibility assessment/patent proposal for new technologies.
	7. Product market information gathering and report.
	8. New product planning, analysis and evaluation.

II. Background information of directors, supervisors, President, Vice Presidents, Assistant Vice Presidents, and heads of various departments and branches:

(I) Directors and supervisors

1. Directors' and supervisors' background

April 15, 2018

Title (Note1)	Nationality or place of registration	Name	Gender	Date elected/appointed	Term of office	Date first elected (Note 2)	Shareholding when elected		Current shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 3)	Concurrent position in the Company and in other companies	Spouse or relatives of second degree or closer acting as directors, supervisors, or department heads		
							Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
Chairman	The Republic of China	Lin Mu-Ho	Male	2017/06/16	3 years	1976/06/17	25,000,230	14.71%	25,000,230	14.71%	1,425,809	0.84%	0	0%	Career background: Chenming Mold Ind. Corp. - Chairman Academic background: MBA, Pacific Western University	The Company's person-in-charge Ding Du International Co., Ltd. - Representative Chueh Rong International Co., Ltd. - Representative Dongguan Chenming Electronics Co., Ltd. - Representative Ding Chih Co., Ltd. - Representative Chenming Electronic (Ningbo) Co., Ltd. - Representative	Director Supervisor	Lin Feng-Ran, Lin Pei-Yu	Father and son Father and Daughter
Director	The Republic of China	Lin Feng-Ran	Male	2017/06/16	3 years	2017/06/16	6,612,310	3.89%	6,612,310	3.89%	423,956	0.25%	0	0%	Career background: Chenming Mold Ind. Corp. - Chairman Special Assistant Academic background: Electronic Engineering, National Yunlin University of Science and Technology	Chairman Special Assistant of the Company	Chairman Supervisor	Lin Mu-Ho Lin Pei-Yu	Father and son Brother and sister
Director	The Republic of China	Lo Chih-Chi	Male	2017/06/16	3 years	2017/06/16	573,958	0.34%	573,958	0.34%	208,446	0.12%	0	0%	Career background: Chenming Mold Ind. Corp. - President Academic background: Department of Banking and Finance, Tamkang University	President of the Company	None	None	None
Director	The Republic of China	Chen Hsiao-Chun	Female	2017/06/16	3 years	2000/05/24	259,456	0.15%	259,456	0.15%	0	0%	0	0%	Career background: Central Times Arts Column - Vice President Academic background: Shih Chien University	Xi Zhi Tang Co., Ltd. - Person-in-charge	None	None	None
Director	The Republic of China	Ching Chi-Ben	Male	2017/06/16	3 years	2017/06/16	0	0%	0	0%	0	0%	0	0%	Career background: Leader Construction Co., Ltd. - Chairman Academic background: Ph.D in Civil, Commercial and Economic Law, China University of Political Science and Law	Leader Construction Co., Ltd. - Chairman	None	None	None
Independent Director	The Republic of China	Lin Chiang-Feng	Male	2017/06/16	3 years	2005/06/10	0	0%	0	0%	0	0%	0	0%	Career background: Associate Professor of International Business, Tamkang University; CEO of EMBA Program, Tamkang university; consultant of Taiwan WTO and RTA Center, Chung Hua Institution for Economic Research Academic background: Ph.D of Law, University of Wisconsin-Madison	Associate Professor of International Business, Tamkang University	None	None	None
Independent Director	The Republic of China	Chang Yi-Min	Male	2017/06/16	3 years	2002/05/20	0	0%	0	0%	0	0%	0	0%	Career background: Licensed Accountant at National Taxation Bureau of the Southern Area and Chu Cheng Accounting Firm Academic background: Department of Accounting, Tamkang University	Chu Cheng Accounting Firm - CPA	None	None	None
Supervisor	The Republic of China	Lin Po-Hsiang	Male	2017/06/16	3 years	2005/06/10	0	0%	0	0%	0	0%	0	0%	Career background: Lu Cheng International Law Office Academic background: Central Police University	Lu Cheng International Law Office - Licensed Attorney	None	None	None
Supervisor	The Republic of China	Lin Pei-Yu	Female	2017/06/16	3 years	2000/05/24	4,512,755	2.66%	4,512,755	2.66%	0	0%	0	0%	Career background: Chenming Mold Ind. Corp. - Officer Academic background: Chungyu Institute of Technology	None	Chairman Director	Lin Mu-Ho Lin Feng-Ran	Father and daughter Brother and sister

Note 1: For corporate shareholders, the names and representatives are stated individually (for representatives, the names of the respective corporate shareholders they represent are stated separately), and additional disclosures shall be made in Table 1.

Note 2: Any disruption of duty as a director or supervisor after the date first elected shall be addressed in a separate remark.

Note 3: The career background of anyone above relating to their current roles, e.g. previous employment in the CPAs firm or employment in a related company, shall be disclosed with detailed job titles and responsibilities.

2. Professionalism and independence

April 15, 2018

Criteria Name	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 1)										Number of public companies in which concurrently serves as an independent director
	Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8	9	10	
Lin Mu-Ho	No	No	Yes					√		√		√	√	None
Lin Feng-Ran	No	No	Yes		√			√	√	√	√	√	√	None
Lo Chih-Chi	No	No	Yes		√	√	√	√	√	√	√	√	√	None
Chen Hsiao-Chun	No	No	Yes	√	√	√	√	√	√	√	√	√	√	None
Ching Chi-Ben	No	No	Yes	√	√	√	√	√	√	√	√	√	√	None
Chang Yi-Min	No	Yes	Yes	√	√	√	√	√	√	√	√	√	√	None
Lin Chiang-Feng	Yes	No	Yes	√	√	√	√	√	√	√	√	√	√	None
Lin Pei-Yu	No	No	Yes	√	√			√	√			√	√	None
Lin Po-Hsiang	No	Yes	Yes	√	√	√	√	√	√	√	√	√	√	1

Note 1: A "√" is placed in the box if the director or supervisor met the following conditions during active duty and two years prior to the date elected.

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not a director or supervisor of any of the Company's related companies (this restriction does not apply to independent director positions in the Company, its parent company or subsidiary, which have been appointed in accordance with local laws or laws of the registered country).
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the Company.
- (4) Not a spouse, relative of second degree or closer, or direct blood relative of third degree or closer to any person listed in the three preceding criteria.
- (5) Not a director, supervisor, or employee of any company that has 5% or higher ownership interest in the Company; nor a director, supervisor, or employee of any of the top-5 corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or business relationship with the Company.
- (7) Not a professional who provides commercial, legal, financial, accounting, or consulting services to the Company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. However, this excludes members of the Remuneration Committee who have been appointed to exercise duties in accordance with Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded

Over the Counter.

- (8) Not a spouse or relative of second degree or closer to any other directors.
(9) Does not meet any of the conditions stated in Article 30 of The Company Act.
(10) Not elected as a government or corporate representative, as described in Article 27 of The Company Act.

(II) Background information of the President, Vice Presidents, Assistant Vice Presidents, and heads of departments and branch offices

April 15, 2018

Title (Note 1)	Nationality	Name	Gender	Date onboard	Shareholding		Shares held by spouse and underage children		Shares held by proxy		Main career (academic) background (Note 2)	Concurrent positions in other companies	Spouse or relatives of second degree or closer acting as managers		
					Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage			Title	Name	Relationship
President	The Republic of China	Lo Chih-Chi	Male	2017.07.15	573,958	0.34%	208,446	0.12%	0	0%	Career background: Chenming Mold Ind. Corp. - President Academic background: Department of Banking and Finance, Tamkang University	None	None	None	None
Vice President	The Republic of China	Fan Yu-Hsiang	Male	2015.11.13	21,130	0.01%	9	0%	0	0%	Career background: Manager of Chun Yu Plastics Co., Ltd., and Sunrise Technology Co., Ltd. Academic background: St. Aloysius Technical School	Dongguan Chenming Electronics Co., Ltd. - President	None	None	None
Vice President	The Republic of China	Chung Fu-Chuan	Male	2013.07.16	0	0	20,000	0.01%	0	0%	Career background: Chia Chang Co., Ltd. - President Academic background: Postgraduate Study of Business Administration, Chung Yuan Christian University	Chenming Electronic (Ningbo) Co., Ltd. - President	None	None	None
Vice President (Note 3)	The Republic of China	Shen Tian-Hung	Male	2014.03.03	0	0	0	0%	0	0%	Career background: National Laboratory (USA) - Researcher Academic background: Department of Material Engineering, New York Institute of Technology	None	None	None	None
Assistant Vice President (Note 4)	The Republic of China	Su Zun-Yao	Male	2011.12.01	20,000	0.01%	0	0%	0	0%	Career background: Great Computer Corp. - Assistant Vice President of Research and Development Academic background: Postgraduate study of Mechanical Engineering, National Taiwan University	None	None	None	None
Assistant Vice President	The Republic of China	Wu Ruei-Chuan	Female	1998.06.15	39,494	0.02%	0	0%	0	0%	Career background: Lun Kuang Co., Ltd., IBM Academic background: EMBA, National Taipei University	None	None	None	None
Assistant Vice President	The Republic of China	Chang Chin-Hsing	Female	2012.10.08	64,357	0.04%	24	0.00%	0	0%	Career background: Lead Year Enterprises Co., Ltd. - Sales Representative Academic background: EMBA, Sun Yat-sen University	None	None	None	None
Assistant Vice President	The Republic of China	Hsiao Kuang-Chih	Male	2015.11.13	52,000	0.03%	0	0%	0	0%	Career background: Heshan Jianhao Lighting - Manager of Business Division Academic background: Hsinpu Junior College	None	None	None	None
Assistant Vice President	The Republic of China	Huang Shih-Chieh	Male	2017.07.15	13,000	0.01%	0	0%	0	0%	Career background: Chenming Mold Ind. Corp. - Assistant Vice President of Finance Division Academic background: Business Administration, National Defense University	None	None	None	None
Accounting Manager	The Republic of China	Su Chung-Ching	Male	2017.07.15	67	0.00%	0	0%	0	0%	Career background: Chenming Mold Ind. Corp. - Head of Accounting Department Academic background: Accounting, Overseas Chinese University	None	None	None	None

Note 1: Includes background information of the President, Vice Presidents, Assistant Vice Presidents, heads of various departments and branches, and anyone of equivalent authority to the above, regardless of their job titles.

Note 2: The career background of anyone above relating to their current roles, e.g. previous employment in the CPAs firm or employment in a related company, shall be disclosed with detailed job titles and responsibilities.

Note 3: Shen Tian-Hung departed on April 30, 2017.

Note 4: Su Zun-Yao departed on April 1, 2017.

III. Remuneration paid to directors, supervisors, the President, and Vice Presidents in the last year

(I) Remuneration paid to directors, supervisors, the President, and Vice Presidents in the last year

1. Directors' remuneration (including independent directors)

Unit: NTD

Title	Name	Director's remuneration								The sum of A, B, C and D as a percentage of net income		Compensation as company employee								The sum of A, B, C, D, E, F, and G as a percentage of net income		Compensation from investments other than subsidiaries							
		Compensation (A)		Pension (B)		Director remuneration (C)		Fees for services rendered (D)				Salaries, bonuses, special allowances etc (E)		Pension (F)		Employee remuneration (G)							Total shares exercisable through employee stock options (H)		Number of new restricted shares acquired as an employee (I)				
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements			
																Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares										
Chairman	Lin Mu-Ho	0	0	0	0	1,000,000	1,000,000	114,593	114,593	0.52%	0.52%	5,247,793	5,247,793	180,533	108,533	300,000	0	300,000	0	0	0	0	0	0	0	0	3.21%	3.11%	None
Director	Lin Feng-Ran																												
Director and President	Lo Chih-Chi																												
Director	Chen Hsiao-Chun																												
Director	Ching Chi-Ben																												
Director	Chang Yi-Min																												
Director	Lin Chiang-Feng																												

*Compensation received by director for service rendered to any company included in the financial statements (e.g. Non-employee consultancy service) in the last year, except those disclosed in the above table: None.

1-1. Remuneration bracket table

Range of remuneration paid to directors	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statements I	The Company	All companies included in the financial statements J
Below NT\$ 2,000,000	Lin Mu-Ho, Lin Feng-Ran, Ching Chi-Ben, Chen Hsiao-Chun, Chang Yi-Min, Lin Chiang-Feng	Same as described on the left.	Lin Mu-Ho, Lin Feng-Ran, Ching Chi-Ben, Chen Hsiao-Chun, Chang Yi-Min, Lin Chiang-Feng	Same as described on the left.
NT\$2,000,000 (inclusive) ~ NT\$5,000,000 (non-inclusive)	Lo Chih-Chi	Same as described on the left.	Lo Chih-Chi	Same as described on the left.
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (non-inclusive)				
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (non-inclusive)				
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (non-inclusive)				
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (non-inclusive)				
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (non-inclusive)				
NT\$ 100,000,000 and above				
Total	7	7	7	7

2. Supervisors' remuneration

Unit: NTD

Title	Name	Supervisor's remuneration						The sum of A, B and C as a percentage of net income		Compensation from investments other than subsidiaries
		Compensation (A)		Remuneration (B)		Fees for services rendered (C)		The Company	All companies included in the financial statements	
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements			
Supervisor	Lin Pei-Yu	-	-	500,000	500,000	56,277	56,277	0.26%	0.26%	None
Supervisor	Lin Po-Hsiang	-	-	500,000	500,000	56,277	56,277	0.26%	0.26%	None

2-1. Remuneration brackets table

Supervisor's remuneration bracket	Name of supervisor	
	Sum of the first 3 items (A+B+C)	
	The Company	All companies included in the financial statements D
Below NT\$ 2,000,000	Lin Pei-Yu, Lin Po-Hsiang	
NT\$2,000,000 (inclusive) ~ NT\$5,000,000 (non-inclusive)		
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (non-inclusive)		
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (non-inclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (non-inclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (non-inclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	2	2

3. Remuneration to the President and Vice Presidents

Unit: NTD

Title	Name	Salary (A)		Pension (B)		Bonus and special allowances (C)		<u>Employee remuneration (D)</u>				Sum of A, B, C and D as a percentage of net income (%)		Employee stock options received		Number of new restricted shares acquired as an employee		Compensation from investments other than subsidiaries
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	
								Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares							
President	Lo Chih-Chi	3,859,365	8,210,506	286,333	546,317	1,044,000	2,310,000	200,000	0	400,000	0	2.53%	5.39%	0	0	0	0	None
Vice President (discharged on 2017.04.30)	Shen Tian-Hung																	
Vice President	Fan Yu-Hsiang																	
Vice President	Chung Fu-Chuan																	

3-1. Remuneration brackets table

Range of remuneration to the President and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies included in the financial statements E
Below NT\$ 2,000,000	Shen Tian-Hung	Shen Tian-Hung
NT\$2,000,000 (inclusive) ~ NT\$5,000,000 (non-inclusive)	Lo Chih-Chi	Lo Chih-Chi, Fan Yu-Hsiang, Chung Fu-Chuan
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (non-inclusive)		
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (non-inclusive)		
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (non-inclusive)		
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (non-inclusive)		
NT\$50,000,000 (inclusive) ~ NT\$100,000,000 (non-inclusive)		
NT\$ 100,000,000 and above		
Total	2	4

4. Names of managers who received employee remuneration and amount paid

April 15, 2018

	Title (Note 1)	Name (Note 1)	Amount paid in shares	Amount paid in cash	Total	Total as a percentage of net income (%)
Managers	President	Lo Chih-Chi	-	1,152,000	1,152,000	0.58%
	Vice President	Chung Fu-Chuan				
	Vice President <small>(Discharged on 2017.04.30)</small>	Shen Tian-Hung				
	Vice President	Fan Yu-Hsiang				
	Assistant Vice President <small>(Discharged on 2017.04.01)</small>	Su Zun-Yao				
	Assistant Vice President	Chang Chin-Hsing				
	Assistant Vice President	Wu Ruei-Chuan				
	Assistant Vice President	Hsiao Kuang-Chih				
	Assistant Vice President	Huang Shih-Chieh				
	Senior Manager	Su Chung-Ching				

Note 1: Names and titles shall be disclosed separately, whereas the amount of earnings appropriation can be disclosed in aggregate.

Note 2: Refers to the amount of employee remuneration provided for managers (in cash or in shares), which the board of directors has proposed as part of the most recent earnings appropriation (where the amount could not be estimated, a calculation was made based on last year's payout ratio). Net income refers to that in the most recent year. If IFRSs have been adopted, net income shall refer to the amount of after-tax profit shown in the latest financial reports of the consolidated/standalone entity.

Note 3: Pursuant to FSC Letter No. Tai-Cai-Zheng-3-0920001301 dated March 27, 2003, the role of manager covers the following positions:

- (1) President or other position of equivalent grade
- (2) Vice President or other position of equivalent grade
- (3) Assistant Vice President or other position of equivalent grade
- (4) Head of Finance Department
- (5) Head of Accounting Department
- (6) Any other signatories involved in the Company's administrative affairs

Note 4: For directors, President and Vice Presidents who receive employee remuneration (in cash or in shares), details shall be disclosed in this table in addition to Table 1-2.

(II) Amount of remuneration paid in the last 2 years by the company and all companies included in the consolidated financial statements to the company's directors, supervisors, President, and Vice Presidents, and their respective proportions to standalone and consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks.

Year		2016			2017		
Title		Director	Supervisor	President and Vice Presidents	Director	Supervisor	President and Vice Presidents
The Company	As a percentage of net income	1.61%	0.27%	2.74%	3.21%	0.26%	2.53%
All companies included in the consolidated statements	As a percentage of net income	1.61%	0.27%	5.49%	3.21%	0.26%	5.39%

Note 1: The remuneration paid as a percentage of net income in 2017 increased in comparison to that in 2016 due to increase of profit in 2017.

2. Pursuant to Article 19 of the Articles of Incorporation, with the Company's profit before tax of a year after deduction of the remuneration to employees and remuneration to directors and supervisors as well as the sum to make up previous loss, if any, a sum 2% minimum shall be appropriated with the balance as the remuneration to employees and a sum 2% maximum shall be appropriated with the balance as the remuneration to directors and supervisors.
3. Directors' and supervisors' remuneration include travel allowance and compensation from earnings distribution. President's and Vice Presidents' remuneration include salary, bonus, and share of profit as employees; salaries were paid according to the Company's grade-based compensation principles, whereas bonus and employee profit sharing were allocated based on current year's performance. The calculation of remuneration has taken into account of the Company's overall business performance, future operational risk and development trend in the industry, personal performance and contribution to the Company, and thereby a reasonable compensation would be determined. The appraisal and salary was reviewed by the Remuneration Committee and the board of directors for their reasonableness and adjusted based on actual practice and relevant laws as a mean to maintain the balance between sustainable operation and risk management.

IV. Corporate governance

(I) Functionality of board of directors

1. A total of 11 board of directors meetings (A) were held in the current and most recent year; below are directors' and supervisors' attendance records:

Title	Name	Actual attendance (B)	Attendance by proxy	Actual attendance rate (B/A)	Remarks
Chairman	Lin Mu-Ho	11	0	100%	Re-elected on June 16, 2017
Director	Lin Feng-Ran	6	0	75%	Elected on June 16, 2017
Director	Ching Chi-Ben	6	0	75%	Elected on June 16, 2017
Director	Lo Chih-Chi	8	0	100%	Elected on June 16, 2017
Director	Hu Pao-Sheng	0	0	0%	Discharged on June 16, 2017
Director	Hsiao Kuang-Chih	0	3	0%	Discharged on June 16, 2017
Corporate Director	Tsai Chin Investment Representative: Ching Chi-Ben	3	0	100%	Discharged on June 16, 2017
Director	Chen Hsiao-Chun	0	1	0%	Re-elected on June 16, 2017
Independent Director	Chang Yi-Min	10	1	91%	Re-elected on June 16, 2017
Independent Director	Lin Chiang-Feng	11	0	100%	Re-elected on June 16, 2017
Supervisor	Lin Pei-Yu	0	0	0%	Re-elected on June 16, 2017
Supervisor	Lin Po-Hsiang	7	0	64%	Re-elected on June 16, 2017

2. Other information

- (1) Disclosures required by Article 14-3 of the Securities and Exchange Act and any documented opposition or qualified opinions made by Independent Directors against Board of Directors' resolutions; state the date and the meeting session, the details of agenda, the Independent Directors' opinions and how the Company has responded:

Board of Directors	Details of agenda	Conditions described in Article 14-3 of the Securities and Exchange Act	Objections or qualified opinions from independent directors
Agenda II on June 27, 2017	Agenda: Proposal to have 2nd-tier subsidiary Ding Chih Co., Ltd. to acquire additional 20% shares of Chenming Electronic (Ningbo) Co., Ltd and increase existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 72%.	V	None
Agenda I on August 14, 2017	Agenda: Proposal to have Chenming Electronic (Ningbo) Co., Ltd. lend capital to Dongguan Chenming Electronics Co., Ltd.	V	None

Independent directors' opinions: None.

Company's response to independent directors' opinions: None.

Resolution: This agenda was passed unanimously without objection from attending directors.

- (2) Disclosure regarding avoidance of interest-conflicting agendas, including the names of directors concerned, the agendas, the nature of conflicting interests, and the voting process:

Board of Directors	Details of agenda	Name of director	The nature of conflicting interests and voting process
Agenda II on June 27, 2017	Agenda: Proposal to have 2nd-tier subsidiary Ding Chih Co., Ltd. to acquire additional 20% shares of Chenming Electronic (Ningbo) Co., Ltd and increase existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 72%.	Chairman Lin Mu-Ho	With the exception of disassociated director due to conflicting interests, the proposal was unanimously passed by the remaining attending directors.

- (3) Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc), and the progress of such enhancements:

1. The operation of the Company's Board is in line with the Company's "Board of Directors Conference Rules" and relevant laws and regulations. The finance and accounting manager and audit manager would attend the board meetings

and issue relevant reports for directors' reference. The information of directors' attendance and continuing education is submitted to the Market Observation Post System on a regular basis.

2. The elections for directors and supervisors (including independent directors) were held on June 16, 2017 and the five elected directors are: Lin Mu-Ho, Lin Feng-Ran, Chen Hsiao-Chun, Lo Chih-Chi and Ching Chi-Ben. The two independent directors are: Lin Chiang-Feng and Chang Yi-Min. Lin Mu-Ho was elected as Chairman in the board meeting held on the same date. Three members of Remuneration Committee were elected in the board meeting held on June 27, 2017: Independent Director Lin Chiang-Feng, Independent Director Chang Yi-Min and Chen Hung-Chang. Lin Chiang-Feng was elected as the convener of the Remuneration Committee which is responsible for examining directors' and managers' performance, as well as the policy, system, standard and structure of remuneration.

(II) Supervisors' involvements in board of directors meetings:

1. A total of 11 (A) board of directors meetings were held in current year

Title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Supervisor	Lin Pei-Yu	0	0%	
Supervisor	Lin Po-Hsiang	7	64%	

and last year; the attendance was recorded below:

2. Other information
 - (1) Constitution and obligations of supervisors:
 - (i) Supervisors' communication with employees and shareholders (e.g. communication channels and methods):
The Company's supervisors attend annual shareholder meetings to communicate with shareholders face-to-face. They communicate with employees each month to discuss about the Company's policies and benefits, and are in regular contact with the Chief Internal Auditor via telephone and email to discuss execution of internal control system.
 - (ii) Communication between supervisors and internal/external auditors; state the matters discussed (e.g. the Company's financial and business positions, the methods and outcome of communication):

The Chief Internal Auditor presents audit reports to supervisors on a monthly basis, which provides supervisors with greater understanding over the Company's internal control. Meetings between CPAs and supervisors are arranged at least once a year to communicate the result of financial statement audit, as well as any recommendations to the Company's internal control and compliance practices.

- (2) Opinions expressed by supervisors in board meetings; state the date and term of the meeting held, the agenda, the board's resolution, and how the Company has responded to supervisors' opinions:

There was no opinions expressed by attending supervisors in the board meetings held in 2017.

(III) Deviation and causes of deviation from Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		The Company has established the "Corporate Governance Code of Conduct" by the resolution of the board of directors on December 24, 2014 and disclosed on the Company's website.	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
II. Shareholding structure and shareholders' interests				Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
(I) Has the Company implemented a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	V		(I) The Company has a spokesperson system and a legal department in place to handle the above issues.	
(II) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	V		(II) Such information is being provided by the share administration agency.	
(III) Has the Company established and implemented risk management practices and	V		(III) The Company has established and implemented relevant procedures as required by law; an internal audit unit exists to perform unscheduled	

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
firewalls for companies it is affiliated with? (IV) Has the Company established internal policies that prevent insiders from trading securities against non-public information?	V		audits in this regard. (IV) The Company has internal policies in place to prohibit insiders from trading securities against non-public information. These policies provide the basis for the Company's practices on material information handling and disclosure, and are reviewed and revised from time to time to ensure conformity with current regulations and practical needs. These policies may be found at the Company's website.	

<u>Assessment criteria</u>	<u>Compliance (Note 1)</u>			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																																																																
	<u>Yes</u>	<u>No</u>	<u>Summary</u>																																																																	
III. Assembly and obligations of the board of directors (I) Has the board devised and implemented policies to ensure diversity of its members?	V		(I) The Company has established a diversification policy for the composition of its Board of Directors in the “Corporate Governance Code of Conduct”, and its members of the board possess the professional knowledge and skills related to industrial knowledge, finance and accounting, operation management, leadership, global perspectives and laws. Implementation of diversification policy for the composition of the board by each individual director. <table border="1"> <thead> <tr> <th>Item Name of director</th> <th>Gender</th> <th>Industrial knowledge</th> <th>Finance and Accounting</th> <th>Operation Management</th> <th>Leadership</th> <th>Global perspectives</th> <th>Laws</th> </tr> </thead> <tbody> <tr> <td>Lin Mu-Ho</td> <td>Male</td> <td>V</td> <td></td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Lin Feng-Ran</td> <td>Male</td> <td>V</td> <td></td> <td>V</td> <td></td> <td>V</td> <td></td> </tr> <tr> <td>Chen Hsiao-Chun</td> <td>Female</td> <td>V</td> <td></td> <td>V</td> <td></td> <td>V</td> <td></td> </tr> <tr> <td>Lo Chih-Chi</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td>V</td> <td></td> </tr> <tr> <td>Ching Chi-Ben</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Lin Chiang-Feng</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td>V</td> </tr> <tr> <td>Chang Yi-Min</td> <td>Male</td> <td>V</td> <td>V</td> <td>V</td> <td></td> <td>V</td> <td></td> </tr> </tbody> </table>	Item Name of director	Gender	Industrial knowledge	Finance and Accounting	Operation Management	Leadership	Global perspectives	Laws	Lin Mu-Ho	Male	V		V	V	V		Lin Feng-Ran	Male	V		V		V		Chen Hsiao-Chun	Female	V		V		V		Lo Chih-Chi	Male	V	V	V	V	V		Ching Chi-Ben	Male	V	V	V		V	V	Lin Chiang-Feng	Male	V	V	V		V	V	Chang Yi-Min	Male	V	V	V		V		Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
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Chang Yi-Min	Male	V	V	V		V																																																														
(II) Apart from the Remuneration Committee and Audit Committee, has the Company	V		(II) The Company is planning to establish it by taking into consideration of relevant laws, regulations and industry practices in the future.																																																																	

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
<p>assembled other functional committees at its own discretion?</p> <p>(III) Has the Company established a set of policies and assessment tools to evaluate the board's performance? Is performance evaluated regularly at least on an annual basis?</p> <p>(IV) Are external auditors' independence assessed on a regular basis?</p>		V	<p>(III) The Company has not established the “Methodology and Procedures for Evaluating the Performance of the Board of Directors” and is planning to establish it by taking into consideration of relevant laws and regulation, and industry practices in the future. Meanwhile, the Company’s Remuneration Committee will evaluation the performance of each director by taking into account of his/her level of involvement in the operation of the Company.</p> <p>(IV) Independence of financial statement auditors is evaluated on a yearly basis. Financial statement auditors are required to issue a "Declaration of Independence" and undergo a series of checks to determine whether they are directors, shareholders, paid employees or stakeholders of the Company. Financial statement auditors have been instructed to disassociate themselves from tasks that pose direct or indirect conflicts with their own interests. Rotation of auditors within the accounting firm is also subject to comply with certain rules.</p> <p>Evaluation of the External Auditor’s Independence:</p>	

<u>Assessment criteria</u>	<u>Compliance (Note 1)</u>			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																											
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<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
IV. Where the Company is a TWSE/TPEX listed company, has the Company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes etc)?	V		<p>The Company has a spokesperson system in place to serve as communication channel with shareholders.</p> <p>The Company has a stakeholders section created on its website to serve as a communication channel.</p> <p>The Company has finance, human resource, and administration departments available to oversee execution of corporate governance affairs and compliance with relevant laws. Their responsibilities include:</p> <ol style="list-style-type: none"> 1. Establishment of a suitable corporate governance framework that promotes board independence, information transparency, compliance, and internal audit/control. 2. Consulting directors and outlining meeting proceedings prior to board meetings, issuing meeting advice to all directors at least 7 days in advance, and providing them with adequate information about the agendas being discussed. Where the agenda concerns the personal interest of a particular director, the concerned party will be reminded to avoid involvement in advance. 3. Setting the date for annual shareholder meetings in accordance with law; preparing meeting advice, conference manual and minutes before the statutory due date; and making proper registrations after director/supervisor election or after amendments are made to the Articles of Incorporation. 	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

<u>Assessment criteria</u>	<u>Compliance (Note 1)</u>			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
V. Has the company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	V		A stakeholders section has been created on the Company's website. Shareholders, employees, customers, suppliers and anyone in need to discuss corporate responsibility issues may have their queries addressed in a proper manner by the spokesperson, human resource department, business unit, or procurement unit.	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
VI. Does the Company engage a share administration agency to handle shareholder meeting affairs?	V		The Company has commissioned Chinatrust Bank as the share administration agency, which is responsible for handling shareholder meeting affairs.	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
VII. Information disclosure (I) Has the Company established a website that discloses financial, business, and corporate	V		(I) The Company has created a website to disclose financial, business and corporate governance-related information.	Consistent with Corporate Governance

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
governance-related information? (II) Has the Company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the Company website)?	V		(II) The Company has a spokesperson system in place; documents and recordings of every investor seminar are uploaded onto the website.	Best-Practice Principles for TWSE/TPEX Listed Companies
VIII.Does the Company have other information that enables a better understanding of the Company’s corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders’ interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of company directors and	V		<p>1. Employee rights and care: The Company has a retirement policy and a profit-sharing system designed for employees. Employees who provide service over a certain number of years, or reach a certain age, or reach a state no longer deemed capable for the tasks assigned may apply for (or be notified for) retirement. Earnings concluded from year-end closing are partially allocated to employees as bonus according to the Company Act and the Articles of Incorporation.</p> <p>2. Investor relations: The Company has a spokesperson system in place; investors may obtain information for whatever queries they may have through the</p>	Consistent with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																					
	<u>Yes</u>	<u>No</u>	<u>Summary</u>																						
supervisors)?			<p>spokesperson.</p> <p>3. Supplier relations: The Company's suppliers are evaluated on a regular basis. They are assessed based on product delivery, quality and price, and the best supplier is chosen through elimination. As for payments, which is an issue of great concern to suppliers, the Company has measures in place to ensure that payments are made in strict accordance with the agreed terms.</p> <p>4. Stakeholders' interests: The Company's directors are highly disciplined, and refrain from voting on any agenda that concern their own interests.</p> <p>5. Directors' and supervisors' continuing education: The Company actively encourages all directors and supervisors engaging with continuing education. Information regarding their continuing education has been uploaded to the Market Observation Post System.</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Course date</th> <th>Organizer</th> <th>Course name</th> <th>Training hours</th> </tr> </thead> <tbody> <tr> <td>Independent Director</td> <td>Lin Chiang-Feng</td> <td>2017/05/26</td> <td>Department of International Business, Tamkang University</td> <td>2017 Cross-strait Corporate and Commercial Conference</td> <td>8.0</td> </tr> <tr> <td rowspan="2">Independent Director</td> <td rowspan="2">Chang Yi-Min</td> <td>2017/07/04</td> <td rowspan="2">Taiwan CPA Association, R.O.C</td> <td>How to react to revision of the Money Laundering Control Act.</td> <td>3.0</td> </tr> <tr> <td>2017/10/12</td> <td>How to react to the Money Laundering Control Act.</td> <td>3.0</td> </tr> </tbody> </table>	Title	Name	Course date	Organizer	Course name	Training hours	Independent Director	Lin Chiang-Feng	2017/05/26	Department of International Business, Tamkang University	2017 Cross-strait Corporate and Commercial Conference	8.0	Independent Director	Chang Yi-Min	2017/07/04	Taiwan CPA Association, R.O.C	How to react to revision of the Money Laundering Control Act.	3.0	2017/10/12	How to react to the Money Laundering Control Act.	3.0	
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<u>Assessment criteria</u>	<u>Compliance (Note 1)</u>						Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies	
	<u>Yes</u>	<u>No</u>	<u>Summary</u>					
					2017/12/21		Discussion on the conflicts arising from the tax withholding of an inter-country transaction and the most appropriate filing methodology.	3.0
			Director	Lo Chih-Chi	2017/08/01	Taiwan Institute of Directors	Training course for directors and supervisors - tax management in the era of anti-avoidance	3.0
			Director	Ching Chi-Ben	2017/12/19	Securities & Futures Institute	Corporate operation and discussion on relevant tax regimes.	3.0
					2017/12/20		Discussion on the effects of new Money Laundering Control Act on a corporate.	3.0
			Supervisor	Lin Pei-Yu	2017/04/07	Securities & Futures Institute	2017 Insider Trading and Corporate Social Responsibilities Conference	3.0
					2017/08/01		Compliance Seminar on Share Transfers by Insiders of Public-listed Companies	3.0
			Supervisor	Lin Po-Hsiang	2017/04/24	Taiwan Academy of Banking and Finance	Corporate Governance Forum-Family Business Inheritance	3.0
					2017/11/29	Taiwan Institute of Directors	Corporate Governance Forum-Family Business Inheritance and Analysis of Recent Tax Risk Management.	3.0
			<p>6. Risk management policies and risk assessment standards: The Company has internal control systems in place for various activities, and an internal audit unit that conducts strict audits on a monthly basis. Any defects found during audit will be followed up closely for</p>					

<u>Assessment criteria</u>	<u>Compliance (Note 1)</u>			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies												
	<u>Yes</u>	<u>No</u>	<u>Summary</u>													
			<p>improvement. Both the procurement and business functions choose their suppliers and customers in a stringent manner, and carry out the Company's business activities in the utmost integrity and fairness.</p> <p>7. Customer policy: The Company grants its customers more favorable credit terms as relationship progresses. Accounts receivables are monitored regularly, while collection experience is shared with peers to obtain up-to-date information on customers' financial position.</p> <table border="1"> <thead> <tr> <th>Insured parties</th> <th>Insurance company</th> <th>Sum assured (NTD: \$)</th> <th>Period of coverage (start/end)</th> <th>Status of coverage</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>All directors and supervisors</td> <td>Fubon Insurance Co., Ltd.</td> <td>595,200,000</td> <td>Start: June 10, 2017 End: June 10, 2018</td> <td>Renewal coverage</td> <td>Exchange rate: 29.76</td> </tr> </tbody> </table>	Insured parties	Insurance company	Sum assured (NTD: \$)	Period of coverage (start/end)	Status of coverage	Remarks	All directors and supervisors	Fubon Insurance Co., Ltd.	595,200,000	Start: June 10, 2017 End: June 10, 2018	Renewal coverage	Exchange rate: 29.76	
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All directors and supervisors	Fubon Insurance Co., Ltd.	595,200,000	Start: June 10, 2017 End: June 10, 2018	Renewal coverage	Exchange rate: 29.76											

IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: The Company has reviewed the items that did not meet the standards and conducted feasibility test on such items as a reference for improvement. It has closely monitored each indicator of the evaluation and done its best to meet the requirements. The improvements made are listed below:

- We have prepared the 2017 annual report, meeting notice, meeting handbook, meeting minutes and financial statements in English and uploaded to the Company's website. The material information in English has also been uploaded to the Market Observation Post System, to well inform the foreign institutions and enhance information transparency and global reputation of the Company.

(IV) Disclose the composition, responsibilities, and functioning of remuneration committee, if available.

1. Remuneration Committee members

Identity (Note 1)	Criteria Name	Having more than 5 years work experience and professional qualifications listed below			Compliance of independence (Note 2)								Number of positions as Remuneration Committee member in other public companies	Remarks (Note 3)
		Lecturer (or above) of commerce, law, finance, accounting, or any subjects relevant to the Company's operations in a public or private tertiary institution	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the Company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	1	2	3	4	5	6	7	8		
Independent Director	Lin Chiang-Feng	Yes	No	Yes	✓		✓	✓	✓	✓	✓	✓	None	Yes
Independent Director	Chang Yi-Min	No	Yes	Yes	✓		✓	✓	✓	✓	✓	✓	None	Yes
Others	Chen Hung-Chang	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	None	No

Note 1: Identify shall be specified as director, independent director, or others.

Note 2: Members who meet the following conditions at any time during active duty and two years prior to the date of appointment will have a “✓” placed in the corresponding boxes.

- (1) Not employed by the Company or any of its affiliated companies.
- (2) Not a director or supervisor of the Company or any of its affiliates. This restriction does not apply to independent director positions in the Company, its parent company or subsidiary, which have been appointed in accordance with local laws or laws of the registered country.
- (3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural- person shareholder of the Company.
- (4) Not a spouse, a family member of second degree or closer, or a direct blood relative of third degree or closer to anyone listed in the three preceding clauses.
- (5) Not a director, supervisor, or employee of any company that has 5% or higher ownership interest in the Company; nor a director, supervisor, or employee of any of the top-5 corporate shareholders.
- (6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any company or institution that has financial or

business relationship with the Company.

- (7) Not a professional who provides commercial, legal, financial, accounting, or consulting services to the company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates.
- (8) Does not meet any of the conditions stated in Article 30 of The Company Act.

Note 3: For members who have been identified as directors, please state whether they are subject to Paragraph 5, Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter."

2. Responsibilities of the Remuneration Committee are to inspire and retain talents, as well as establish, evaluate and review directors'/supervisors'/managers' performance appraisal and compensation systems.

3. Functionality of the Remuneration Committee

(1) The Company's Remuneration Committee consists of 3 members.

(2) Term of office for the Committee members: from June 27, 2017 to June 15, 2020. The Remuneration Committee held 6 meetings (A) last year; details of members' eligibility and attendance are as follows:

Title	Name	Actual attendance (B)	Attendance by proxy	Percentage of actual attendance (%) (B/A)(Note)	Remarks
Convener	Lin Chiang-Feng	6	0	100%	
Committee member	Chang Yi-Min	5	1	83%	
Committee member	Chen Hung-Chang	6	0	100%	
Other remarks:					
<p>I. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the agenda, the board's resolution, and how the Company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None.</p> <p>II. Should any committee member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the agenda, the entire members' opinions, and how their opinions were addressed: None.</p>					

Note: (1) Date of resignation is shown for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.

(2) If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the current Remuneration Committee will be listed; in which case, the remarks column will specify whether the committee member was elected in the previous board, the new board, or both. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.

(V) Fulfillment of social responsibilities:

<u>Assessment</u> criteria	Compliance (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description</u> (Note 2)	
<p>I. Sound corporate governance</p> <p>(I) Does the Company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?</p>	V		<p>(I) The Company has implemented the Corporate Social Responsibility Code of Conduct to guide its efforts with regards to social responsibilities. The key policies and principles adopted by the Company are listed below :</p> <ol style="list-style-type: none"> 1. The Company commits to comply with national employment regulations, world-recognized employment standards, and any other industry standards and international conventions applicable to its business activities. The Company also undertakes the duty to make ongoing improvements to its work condition and employee welfare. 2. Social responsibilities/EICC management are an important part of the Company's daily operations. A social responsibility task force consisting of personnel from different departments has been assembled to ensure that the Company not only generates profits and 	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

<u>Assessment criteria</u>	<u>Compliance (Note 1)</u>			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description (Note 2)</u>	
(II) Does the Company organize social responsibility training on a regular basis?	V		<p>creates value for shareholders, but at the same time fulfills its duties to workers, consumers, the environment and the community. With regards to the protection of workers' A social responsibility task force consisting of personnel from different departments has been assembled to ensure that the Company not only generates profits and creates value for shareholders, but at the same time fulfills its duties to workers, consumers, the environment and the community. With regards to the protection of workers' rights, the Company has implemented extensive rules to address issues such as non-discrimination, prohibition of child labor, prohibition of forced labor, workplace safety and health etc.</p> <p>(II) In light of its human resource principle of growing with its employees, the Company implements the policy of combining trainings with jobs and develops a complete training system that contains a series of training courses from pre-job training to on-the-job</p>	

<u>Assessment</u> criteria	Compliance (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description</u> (Note 2)	
			<p>professional skill training. In this year, the Company has organized the external training courses with the total training time of 269 hours at its headquarters and 8644 hours at Dongguan site, and a total of 2161 persons attended the training courses with an average of 12 training hours per person. On the other hand, the Company has also developed the training system to fulfill the needs of development for different career levels and professionals.</p> <p>In the training system for management, a five-year learning path is developed tailoring to different competencies for various levels of management in the interest of self-improvement for managers. In terms of professional knowledge, heads of each departments propose and submit the annual development plan for professional knowledge and skill set required by employees' daily jobs. At the factory sites, all new employees are provided a series of training courses on board. In addition to general knowledge about the Company, we also communicate important propaganda to all new</p>	

<u>Assessment</u> criteria	Compliance (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description</u> (Note 2)	
(III) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	V		<p>employees through the online courses that allow a more flexible schedule and shorten the adaptation period for all new employees. In this year, the Company has organized 1271 times of EHS courses in the topics of occupational health and safety, fire safety, chemical use, safety appliance use etc., with 23683 persons attended in total. These courses have found a solid support for the Company's sustainable, safe and friendly growth. The Company also hosts the fire drills on a regular basis annually to enhance employees' disaster prevention consciousness and improve their skills in evacuation and rescue.</p> <p>(III) The Company has established the cross-department Corporate Social Responsibility Team convened by Group President and divided into 4 sub-teams: labor and human rights, health and safety, environmental protection, and professional ethics. With regard to the aspects of human rights, environmental protection, ethics, public welfare, employee health and safety, audits and reports on the CSR initiatives of each department are made</p>	

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description (Note 2)</u>	
(IV) Has the Company implemented a reasonable remuneration system that associates employees' performance appraisals with CSR? Is the remuneration system supported by an effective reward/discipline system?	V		<p>monthly. The CSR sub-teams would then summarize and submit the CSR policies, management guidelines and initiatives to the board of directors on a regular basis annually.</p> <p>(IV) Pursuant to Article 19 of the Articles of Incorporation, with the Company's profit before tax of a year after deduction of the remuneration to employees and remuneration to directors and supervisors as well as the sum to make up previous loss, if any, a sum 2% minimum shall be appropriated with the balance as the remuneration to employees and a sum 2% maximum shall be appropriated with the balance as the remuneration to directors and supervisors.</p> <p>The Company has adopted reasonable salary and remuneration policy that incorporate corporate social responsibility policy with employees' appraisal. The salary is weighted on positions, skills, academic background, work experiences and professionalism, rather than gender, race, religion, political affiliation, or marriage status. The starting</p>	

<u>Assessment</u> criteria	Compliance (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description</u> (Note 2)	
			salary offered by the Company in Taiwan is above the basic salary level set by the Labor Standards Act. The Company conducts salary investigation of the industry every year to ensure a competitive salary level within the industry. Besides, the Company provides salary adjustment and differentiated bonuses based on its business performance, employee's performance and contribution to reward employee's efforts, and attract, retain and motivate outstanding employees.	
<p>II. Fostering a sustainable environment</p> <p>(I) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?</p> <p>(II) Has the Company developed an appropriate environmental management system, given its distinctive characteristics?</p>	V		<p>(I) The Company is dedicated to solving problems at the source. It has progressively improved resource efficiency, reduced raw material input and waste output, and minimized its impact on the environment.</p> <p>(II) The group's operating systems and procedures have passed multiple international certifications such as ISO 9001, ISO 14001, ISO 13485, TS-16949, OHSAS 18001 etc. In recent years, the Company has been adopting Electronics Industry Code of Conduct</p>	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description (Note 2)</u>	
(III) Is the Company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?	V		<p>(EICC) to regulate workers' rights, workers' safety, and environmental protection. It has made extensive efforts to establish relationship between the management and employees, and between the management and customers.</p> <p>(III) The Company has energy conservation and resource management procedures in place. It constantly encourages employees to adopt vegetarian diet, use of staircase instead of elevator, save water, and turn off lights where appropriate. All lighting equipment has been replaced with LED.</p> <p>The Company calculates CO2 emission using the guidelines provided on the environmental protection website of the industrial park. In 2016, the Company emitted 319,916.94kg of CO2 from energy consumption, 157,769kg from transportation, 244,030.65kg from the workplace, 92.60kg from entertainment, 3,203.37kg from appliances, and 157,785.19kg from other categories. Total CO2 emission in 2016 was calculated at 882,798.54kg. In 2017, the Company emitted 302,270.31kg of CO2</p>	

<u>Assessment</u> criteria	Compliance (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description</u> (Note 2)	
			<p>from energy consumption, 117,862.81kg from transportation, 240,796.47kg from the workplace, 88.39kg from entertainment, 3,190.45kg from appliances, and 157,129.12kg from other categories. Total CO2 emission in 2017 was calculated at 821,337.54kg.</p> <p>In 2018, the Company plans to reduce carbon emission by 1% on a per-production-unit basis.</p>	
<p>III. Enforcement of public welfare</p> <p>(I) Has the Company developed its policies and procedures in accordance with laws and International Bill of Human Rights?</p>	V		<p>(I) The Company has complied with the local labor laws and international frameworks, and followed the principles guided by the International Bills of Human Rights, such as “UN Universal Declaration of Human Rights”, “UN International Labour Organization” and “UN Guiding Principles on Business and Human Rights”. It also respects the basic human rights recognized globally, including diversity, equal opportunity, reasonable working hours, healthy and safe working environment, freedom of association, collective bargaining, and privacy protection. In order to protect employees’</p>	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies

<u>Assessment criteria</u>	<u>Compliance (Note 1)</u>			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description (Note 2)</u>	
(II) Does the Company have means through which employees may raise complaints? Are employee complaints being handled properly?	V		important rights, we have also developed the employee code of conduct in the Work Rules to make every employee understand, acknowledge and commit to the Rules since their first day in the Company. (II) In order to protect the Company's and employees' legal rights, discover and handle issues in time, ensure the communication between employees and management, and improve activeness of employees, so as to build a harmonious labor relationship and enhance corporate cohesion and employee satisfaction, the Company has set the employee comment box in place. For current year, 40 employee complaints were filed, and the closing rate was 100%.	
(III) Does the Company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		(III) The Company's Labor Safety Office is dedicated to occupational safety affairs, provides annual employee health checkup and conducts fire drills to educate employees with good health knowledge and how to react in any accidents. Meanwhile, the Company also offers health educational information	

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description (Note 2)</u>	
(IV) Does the Company have means to communicate with employees on a regular basis, and inform them of operational changes that may be of significant impact?	V		<p>on its website and in various forms of trainings. The Company has access control at all entrances that are guarded by securities for employee safety for 24 hours a day. The Company's electromechanical or firefighting equipment is maintained or repaired annually, quarterly or monthly as required to ensure its best performance at all time. The Company has also purchased the public liability insurance for additional protection for its employees.</p> <p>(IV) The Company has promoted its corporate culture to employees when they first joint the Company by providing training courses and telling philosophy stories leading employees to understand corporate culture. In recent years, the Company has conducted the face-to-face on-the-job and exit interviews, and employee satisfaction survey. The interview with personnel who voluntarily designed was also introduced in order to discover any issues in a timely manner. In an interview, any small clues play a crucial part in the comprehensive understanding of current culture building status of the Company,</p>	

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description (Note 2)</u>	
(V) Has the Company implemented an effective training program that helps employees develop skills over their career?	V		<p>including current status of corporate culture and recognition of corporate culture by each level of employees. Meanwhile, through the interviews, we have perceived employees expectation and description of corporate culture and communicate the concept of corporate culture with interviewees. The Company has set up the billboards for timely announcement of company information and initiatives to build a good information publishing system as well as understand employees' comments and suggestions.</p> <p>(V) In light of its human resource principle of growing with its employees, the Company implements the policy of combining trainings with jobs and develops a complete training system that contains a series of training courses from pre-job training to on-the-job professional skill training. Employees in position that requires special skills are sent to professional institutions for professional skill training and certification. In addition, at the end of each year, each department shall submit the list of desired</p>	

<u>Assessment</u> criteria	Compliance (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description</u> (Note 2)	
(VI) Has the Company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	V		training courses for the following year. Through all forms of training, we wish to improve employees' theoretical and practical knowledge, provide help and instruction for our employees and make them utilize such knowledge in their jobs and lives. The Company arranges reasonable number of management trainees depending on the growth objectives every year. Through the open, fair, competitive and selective internal promotion mechanism, the Company creates the environment and conditions for outstanding young managers and selects the trainees via multiple channels.	
(VII) Has the Company complied with laws and international standards with regards to the marketing and labeling of products and services?	V		(VI) All internal departments have coordinated with the Legal Affairs Department and implemented complaint procedures and operating rules for the protection of consumers' rights. (VII) In order to reduce the environmental impacts of the Company's products in order to fulfill its corporate responsibility and meet the international green product standards as demanded by customers, it has strengthened the green	

<u>Assessment criteria</u>	<u>Compliance (Note 1)</u>			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description (Note 2)</u>	
(VIII) Does the Company evaluate suppliers' environmental and social conducts before commencing business relationships?	V		<p>competitiveness of its products. Based on its Green Procurement Guidelines, the Company has required its suppliers to comply with EU REACH RoHS, hazardous-substances management regulations of the HF, and sign the environmental protection declaration for consistent compliance. New suppliers shall sign or publish its declaration for green commitment.</p> <p>(VIII) The Company demands its suppliers to obtain certification for ISO 14001 - Environmental Management System and EICC, and offers guidance to help them achieve so. The Company requires all goods and service suppliers to sign a "Social Responsibility Commitment" before placing purchase orders to them. When conducting annual or new supplier evaluation, all departments are required to include the Company's standards on labor rights, business ethics, environmental protection, and occupational safety and health as part of the evaluation.</p>	
(IX) Is the Company entitled to terminate supply	V		(IX) The Company has a unit that specializes in social	

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description (Note 2)</u>	
agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or society?			responsibility/EICC management. The scope of management extends to suppliers and contractors, meaning that any violation of corporate social responsibilities by a supplier or contractor that causes significant impact to the environment or society would result in the termination of service contract.	
IV. Enhancing information disclosure (I) Has the Company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	V		(I) The Company has disclosed its implementation status of corporate social responsibility on its annual report, official website and Market Observation Post System on a regular basis annually.	Consistent with Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
V. If the Company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established Chenming Mold Ind. Corp. Corporate Social Responsibility Code of Conduct based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies." The Code of Conduct includes principles on corporate governance, sustainable environment, public welfare, and disclosure of corporate social responsibility information; these principles have been duly enforced and hence there is no deviation from the best practice principles.				
VI. Other information useful to the understanding of corporate social responsibilities: The Company joined the CSR Alliance in 2017 and has been sponsoring the reforestation program to plant the seeds of hope. It also continues to promote green economy and green innovation, and implement corporate social responsibility and environmental sustainability.				

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary description (Note 2)</u>	
VII. Describe the criteria undertaken by any institution to to certify the Company's CSR report: The Company prepared its own corporate social responsibility report, but has not sought any third party for certification.				

(VI) Integrity policies and practices:

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
I. Establishment of integrity policies and solutions				
(I) Has the Company stated in its Memorandum or external correspondence about the polices and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	V		(I) The Company has established the integrity code of conduct, corporate governance code of conduct, policies for handling illegal and unethical conducts, and guidelines for professional ethics to fulfill its commitment in ethical operation, and these guidelines have been published on the Company's website.	(I) None.
(II) Does the Company have any measures against dishonest conducts? Are these measures supported by	V		(II) The Company has established the recusal system for directors in its "Board of Directors Conference	(II) None.

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
listed in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies" or business conducts that are prone to integrity risks?	V		<p>(III) In order to protect the core value of corporate culture, the Company conducts its business activities in good faith and follow the utmost ethical requirements.</p> <p>It has also established relevant policies and regulation for employee compliance, including integrity code of conduct and policy for handling illegal and unethical conducts. Moreover, it has published its business and financial information in accordance with applicable laws and regulations, complied with anti-corruption laws (e.g. FCPA) in conducting any transactions, respected intellectual property rights, executed fair trade advertisement and competition standard, followed anonymous complaint procedure to protect the informant, held responsibility in the procurement of minerals, protected personal information of all counter-parties, protected and complied with laws related to privation and information security, and adopted protection procedures to stop any revenge.</p>	(III) None.

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
<p>II. Enforcing ethical management</p> <p>(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?</p> <p>(II) Does the Company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?</p>	V		<p>(I) The Company evaluates the integrity history of all parties it has business dealings with. It has been stated in the integrity code of conduct that the Company may terminate or cancel its contract at anytime with any business partner that violates the integrity code of conduct.</p> <p>(II) The Chairman's Office is responsible for the establishment, supervision and execution of the integrity policy. Progress is reported to the board of directors on a yearly basis. For prevention of conflicting interests and provision of complaint channel, the Company has established the integrity code of conduct, policy for handling illegal and unethical conducts, and guidelines for professional ethics to fulfill its commitment in ethical operation. Furthermore, in light of the issues such as food security, legal security, information security, financial and accounting system, and internal controls covered by the integrity operation, the</p>	<p>(I) None.</p> <p>(II) None.</p>

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		Company has organized internal and external training courses totaling 19075 persons attended with a total of 30631 man-hours. (III) The board of directors conference rules have outlined requirements for directors to avoid discussion and voting on any agendas that present a conflict of interest between them and the Company.	(III) None.
(IV) Has the Company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	V		(IV) The Company has established effective accounting policies and internal control system. Internal auditors are assigned to conduct regular audits to ensure compliance with the abovementioned policies/systems.	(IV) None.
(V) Does the Company organize internal or external training on a regular basis to maintain business integrity?	V		(V) For the employees' better understanding of the most recent regulation changes and trend, the Company has relevant educational training and promotional materials available on its Intranet. In light of the issues such as food security, legal security, information security, financial and accounting system, and internal controls covered by the integrity operation, the Company has organized internal and	(V) None.

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
			external training courses totaling 19075 persons attended with a total of 30631 man-hours to make laws, regulations and key points for compliance known to all employees.	
<p>III. Whistle-blowing system</p> <p>(I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?</p> <p>(II) Has the Company implemented any standard procedures or confidentiality measures for handling reported misconducts?</p>	V		<p>(I) The Company has policies in place to handle illegal and unethical conducts. Misconducts can be reported via mail or telephone, and all reported misconducts are investigated upon by internal audit units.</p> <p>(II) The Company has operating procedures in place to maintain the confidentiality of informants. The misconducts shall be processed by a dedicated unit and passed to an independent unit (audit unit) for further investigation. When it is necessary, inclusion of legal affairs department or other relevant departments shall be considered. In the event of violation of laws or company policies, given the severity of the violation, it shall be passed to juridical authorities or handled accordingly with the</p>	<p>(I) None.</p> <p>(II) None.</p>

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
(III) Has the Company provided proper whistleblower protection?	V		<p>Company's regulations. If the violation is significant or may cause material damage to the Company, it shall be reported to the board of directors in writing. On the other hand, if no evident is found, the case will be closed.</p> <p>(III) If the informant is a company employee, it is prohibited to publish identity of the informant. In the event of any consequent gain or loss or discrimination on the job, the informant may request the processing unit for identity and pay protection in advance, and the Company will ensure the informant's personal security. Any threat, intimidation or other such actions shall be reported to competent authorities.</p>	(III) None.
IV. Enhancing information disclosure (I) Has the Company disclosed its integrity principles and progress onto its website and MOPS?	V		The Company has established business integrity code of conduct and disclosed it on website. Business and financial information is also disclosed regularly on the Company's website.	None.
V. If the Company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for				

<u>Assessment</u> criteria	Compliance <u>(Note 1)</u>			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies
	<u>Yes</u>	<u>No</u>	<u>Summary</u>	
<p>TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: The Company has established integrity code of conduct and related policies; details can be found in the Corporate Governance section of the Company's website (http://www.uneec.com/tw).</p>				
<p>VI. Other information relevant to understanding the Company's business integrity (e.g. reviews over business integrity principles):</p> <ul style="list-style-type: none"> • In order to reduce the environmental impacts of the Company's products as its corporate responsibility and meet the international green product standards as required by customers, it has strengthened the green competitiveness of its products. Based on its Green Procurement Guidelines, the Company has required its suppliers to comply with EU REACH , RoHS, hazardous-substances management regulations of the HF, and sign the environmental protection declaration for consistent compliance. In 2017, there were 18 new suppliers signed or published its declaration for green commitment. • The Company regulates its suppliers to follow RBA, ISO 14001 Environmental Management, OHSAS 18001 Occupational Health and Safety and local laws and regulations. It requests it suppliers to show respect for the human rights of each and every employee, provide a healthy and safe working environment, be responsible for protecting environment, and comply with the utmost ethical standards and anti-corruption laws. Via on-site evaluation and signing of operational documents, the Company can ensure a supplier's understanding of regulations regarding social responsibility and demand for continuous improvement. • Significant matters such as major operational policies, investments, acquisition and disposal of assets, loans to others, guarantees and endorsements were discussed and analyzed in conformity with relevant regulations, resolved by authorized personnel and published according to relevant laws and regulations. 				

- (VII) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

The material information related to the Company's operation is disclosed in accordance with relevant laws and regulations on the Company's website for the inquiry of investors and shareholders, please refer to the Company's website(<http://www.uneec.com/>)

About Chenming- major corporate regulations under the corporate governance section, and the regulations include: the Articles of Incorporation, Integrity Code of Conduct, Corporate Governance Code of Conduct, Procedures for Preventing Insider Trading, Policy for Handling Illegal and Unethical Conducts, Guidelines for Professional Ethics, and Corporate Social Responsibility Code of Conduct. These regulations are collected, maintained, disclosed and updated by the dedicated personnel for investors' inquiries of information regarding financial and business performance, and investor conference.

- (VIII) Other important information material to the understanding of corporate governance within the Company:

The Company has handled the material inside information in accordance with its "Procedures for Preventing Insider Trading". In order to prevent insider trading, any person who has access to the Company's material inside information shall make any security transaction in conformity with Article 157-1 of the Securities and Exchange Act. The Company also has the internal control mechanism in place, provides proper education and makes the policy known to employees, managers, and directors in prevention of any violation of laws and insider trading.

(IX) Internal control

1. Declaration of Internal Control System

Chenming Mold Ind. Corp.
Declaration of Internal Control System

Date: March 16, 2018

The following declaration had been made based on the 2017 self-assessment of the Company's internal control system:

- I. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the board and managers, and that such a system has been implemented within the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc), reliable, timely and transparent financial reporting, and regulatory compliance.
- II. There are inherent limitations to even the most well-designed internal control system. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, the internal control system of the Company features a self-monitoring mechanism that rectifies any deficiencies immediately upon discovery.
- III. The Company evaluates the design and execution of its internal control system based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "The Governing Principles") to determine whether the existing system continues to be effective. Criteria introduced by "The Governing Principles" consisted of five major elements, each representing a different stage of internal control: 1. Control environment; 2. Risk evaluation and response; 3. Procedural control; 4. Information and communication; and 5. Supervision. Each element further encompasses several sub-elements. Please refer to "The Governing Principles" for more details.
- IV. The Company has adopted the abovementioned criteria to validate the effectiveness of its internal control system design and execution.
- V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2017. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
- VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or concealment in the public statement above are subject to the legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
- VII. This declaration was passed unanimously without objection by all 6 Directors present at the board meeting dated March 16, 2018.

Chenming Mold Ind. Corp.
Chairman: Lin Mu-Ho
President: Lo Chih-Chi

2. If the internal control policy was reviewed by an external CPA, the result of such review must be disclosed: Not applicable.

(X) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control policy in the most recent year up till the publication date of this annual report; describe areas of weakness and any corrective actions taken: None.

(XI) Major resolutions passed in shareholder meetings and board of directors meetings held in the last year up till the publication date of this annual report:

Shareholder/board of directors meeting	Date	Major resolutions
Board of Directors	2017/01/13	<ol style="list-style-type: none"> 1. Discussion of Remuneration Committee's resolution. 2. Proposal to renew the credit limit granted by Chinatrust Commercial Bank Limited upon expiry.
Board of Directors	2017/03/17	<ol style="list-style-type: none"> 1. Discussion of Remuneration Committee's resolution regarding the amount and method of payment for the 2016 employee/director/supervisor remuneration. 2. Discussion of Remuneration Committee's resolution to change existing managers. 3. Presentation of the Company's 2016 standalone and consolidated financial statements. 4. Preparation of the 2016 "Declaration of Internal Control System" in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies." 5. Proposal to convene the Company's 2017 annual general meeting. 6. Proposal to re-elect directors and supervisors. 7. Acceptance of independent director nominees to be elected during the Company's 2017 annual general meeting. 8. Proposal to remove restrictions against directors' competing business involvements. 9. Partial amendments to the Company's "Asset Acquisition and Disposal Procedures."
Board of Directors	2017/04/28	<ol style="list-style-type: none"> 1. Review of 2016 business report. 2. Appropriation of the Company's 2016 earnings. 3. Review of independent director nominees.
Annual general meeting	2017/06/16	<ol style="list-style-type: none"> 1. Acknowledgment of 2016 business report and financial statements. Current progress: the proposal was passed unanimously and serves as the basis of 2016 earnings distribution. 2. Acknowledgment of 2016 earnings appropriation. Current progress: The proposal was passed unanimously, and the ex-dividend date and payment date were set on August 10, 2017 and August 31, 2017, respectively, by the resolution of the board meeting dated July 14, 2017.(Cash dividend of NT\$0.5 per share) 3. Amendment to the Company's "Procedures for the Acquisition or Disposal of Assets". Current progress: The proposal was passed unanimously, and the amended procedures were put in place. 4. Reelection of the Company's Directors and Supervisors List of elected directors: Lin Mu-Ho, Lin Feng-Ran, Ching Chi-Ben, Chen Hsiao-Chun and Lo Chih-Chi. Elected independent directors: Lin Chiang-Feng, Chang Yi-Min. Elected supervisors: Lin Po-Hsiang, Lin Pei-Yu Current progress: The list of directors newly elected by the shareholders' meeting was registered with the Ministry of Economic Affairs on July 25, 2017. 5. Proposal to remove restrictions against directors' competing business

		involvements. Current progress: The proposal was passed unanimously and executed as resolved by the shareholders' meeting.
Board of Directors	2017/06/27	<ol style="list-style-type: none"> 1. Assignment of members of the 3rd Remuneration Committee. 2. Proposal to have 2nd-tier subsidiary Ding Chih Co., Ltd. to acquire additional 20% shares of Chenming Electronic (Ningbo) Co., Ltd and increase existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 72%. 3. Proposal to file an application for investing US\$4.2 million into Chenming Electronic (Ningbo) Co., Ltd. in China.
Board of Directors	2017/07/14	<ol style="list-style-type: none"> 1. Proposed by the Remuneration Committee to appoint new President of the Company. 2. Proposed by the Remuneration Committee to promote the new Finance Manager and assign the Accounting Manager of the Company. 3. Set the baseline date for cash dividend distribution.
Board of Directors	2017/08/14	<ol style="list-style-type: none"> 1. Proposal to renew the loans made by Chenming Electronic (Ningbo) Co., Ltd. to Dongguan Chenming Electronics Co., Ltd. 2. Proposal to renew credit limit from Mega International Commercial Bank.
Board of Directors	2017/11/08	<ol style="list-style-type: none"> 1. Proposed by the Remuneration Committee for reallocation of managers and salary adjustment. 2. Establishment of the Company's 2018 Audit Plan. 3. Proposal to renew the credit limit granted by Hua Nan Bank upon expiry.
Board of Directors	2018/01/31	<ol style="list-style-type: none"> 1. Discussion of Remuneration Committee's resolution. 2. Proposal to renew the credit limit granted by Chinatrust Commercial Bank Limited upon expiry.
Board of Directors	2018/03/21	<ol style="list-style-type: none"> 1. Discussion of Remuneration Committee's resolution regarding the amount and method of payment for the 2017 employee/director/supervisor remuneration. 2. Presentation of the Company's 2017 standalone and consolidated financial statements. 3. Appropriation of 2017 earnings. 4. Review of 2017 business report. 5. Preparation of the 2017 "Declaration of Internal Control System" in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies." 6. Amendments to the Company's "Articles of Incorporation" 7. Amendments to the "Board of Directors Conference Rules." 8. Proposal to convene the Company's 2018 annual general meeting.
Board of Directors	2018/05/09	<ol style="list-style-type: none"> 1. Proposal to renew credit limit granted by Mega International Commercial Bank upon expiry.

(XII) Documented opinions or declarations made by directors or supervisors against board resolutions in the most recent year, up till the publication date of this annual report: None.

(XIII) Resignation or dismissal of the Chairman, President, head of accounting, head of finance, chief internal auditor, or head of R&D in the most recent year up till the publication date of this annual report:

Resignation of relevant personnel

March 31, 2018

TITLE	NAME	DATE ONBOARD	DATE DISCHARGED	REASONS FOR RESIGNATION OR DISCHARGE
President (concurrently held by the Chairman)	Lin Mu-Ho	2016/05/01	2017/07/14	DISCHARGED (POSITION REALLOCATION)
Finance Manager	Lo Chih-Chi	1998/01/08	2017/07/14	DISCHARGED (POSITION REALLOCATION)
Accounting Manager	Lo Chih-Chi	1998/01/08	2017/07/14	DISCHARGED (POSITION REALLOCATION)

Note: Relevant personnel shall include Chairman, President, Head of Accounting, Head of Finance, Chief Internal Auditor, Head of R&D etc.

V. Disclosure of auditors' remuneration

Audit remuneration brackets table

Name of accounting firm	Name of CPA		Audit period	Remarks
KPMG Accounting firm	Yen Hsing-Fu	Daisy Kuo	2017/01-2017/12	

Unit: NTD thousands

Fee category	Audit remuneration	Non-audit remuneration	Total
1 Below NT\$ 2,000,000			
2 NT\$2,000,000 (inclusive) ~ NT\$4,000,000	3,970	0	3,970
3 NT\$4,000,000 (inclusive) ~ NT\$6,000,000			
4 NT\$6,000,000 (inclusive) ~ NT\$8,000,000			
5 NT\$8,000,000 (inclusive) ~ NT\$10,000,000			
6 NT\$10,000,000 and above			

- (I) Disclosure of audit remuneration, non-audit remuneration and details of non-audit services, if the sum of non-audit remuneration paid to the auditor, accounting firm and affiliated companies amount to more than one-quarter of total audit remuneration. None.
- (II) Change of accounting firm that resulted in the reduction of audit remuneration from the previous year; disclose audit remuneration before and after the change and the cause of such change: None.
- (III) Any reduction in audit remuneration by more than 15% compared to the previous year; state the amount, the percentage and reason of such variation: None.

VI. Change of auditor

(I) Information relating to the former auditor

Date of reappointment	September 30, 2016		
Reason for reappointment	Internal rotation within KPMG		
Whether the termination of audit service was initiated by the client or by the auditor	Parties involved \ Situation	CPA	Client
	Service terminated by	Wang Michelle	
	Service no longer accepted (continued) by		
An opinion other than unqualified opinion issued in the last two years, and the cause for such an opinion	None		
Any disagreement with the issuer	Yes		Accounting principles or practices
			Disclosure of financial statements
			Audit coverage or procedures
			Others
	None	✓	
	Descriptions		
(Disclosures deemed necessary under Item 1-4 to Item 1-7, Subparagraph VI, Article 10 of the Guidelines)	None		

(II) Information relating to the succeeding auditor

Name of accounting firm	KPMG
Name of CPA	Yen Hsing-Fu, Daisy Kuo
Date of reappointment	September 30, 2016
Inquiries and replies regarding accounting practices or principles on certain transactions, or any audit opinions the auditors were likely to issue on the financial reports prior to reappointment.	None
Written disagreements from the succeeding auditor against opinions of the former auditor	None

Note: The Company's former financial statement auditor - Wang Michelle (CPA) was replaced by Yen Hsing-Fu (CPA) since September 2016 following a job rotation within KPMG.

(III) Former auditor's reply relating to Item 1 and Item 2-3, Subparagraph 6, Article 10 of the Guidelines: None.

- VII. Disclosure of any of the Company's Chairman, President, or managers responsible for financial or accounting affairs being employed by the auditor's firm or any of its affiliated company in the last year, including their names, job titles, and the periods during which they were employed by the auditor's firm or any of its affiliated company. An affiliated company refers to one that the auditor's accounting firms hold more than 50% ownership or more than 50% directorship, or any company or institution that the accounting firm has publicly referred to as being affiliated: None.
- VIII. Details of shares transferred or pledged by directors, supervisors, managers and shareholders with more than 10% ownership interest in the last year, up till the publication date of this annual report

(I) Details of shares transferred or pledged by directors, supervisors, managers, or shareholders with more than 10% ownership interest

Title	Name	2017		Year-to-date as at April 15	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Lin Mu-Ho	571,000	—	—	—
Director	Chen Hsiao-Chun	—	—	—	—
Director	Lin Feng-Ran (On-board on 2017/06/16)	—	—	—	—
Director and President	Lo Chih-Chi	—	—	—	—
Director	Ching Chi-Ben	—	—	—	—
Independent Director	Chang Yi-Min	—	—	—	—
Independent Director	Lin Chiang-Feng	—	—	—	—
Supervisor	Lin Pei-Yu	—	—	—	—
Supervisor	Lin Po-Hsiang	—	—	—	—
Vice President	Chung Fu-Chuan	—	—	—	—
Vice President	Fan Yu-Hsiang	—	—	—	—
Assistant Vice President	Wu Ruei-Chuan	—	—	—	—
Assistant Vice President and Finance Manager	Huang Shih-Chieh (On-board on 2017/07/15)	—	—	—	—
Assistant Vice President	Chang Chin-Hsing	—	—	—	—
Assistant Vice President	Hsiao Kuang-Chih	—	—	—	—
Accounting Manager	Su Chung-Ching (On-board on 2017/07/15)	—	—	—	—
Director	Hu Pao-Sheng (Departed on 2017/06/16)	—	—	—	—
Director	Hsiao Kuang-Chih (Departed on 2017/06/16)	—	—	—	—
Director	Tsai Chin Investment Co., Ltd. (Departed on 2017/06/16)	—	—	—	—
President	Lin Mu-Ho (Departed on 2017/07/15)	571,000	—	—	—
Assistant Vice President	Su Zun-Yao (Departed on 2017/04/01)	—	—	—	—
Finance and Accounting Manager	Lo Chih-Chi (Departed on 2017/07/15)	—	—	—	—
Vice President	Shen Tian-Hung (Departed on 2017/04/30)	—	—	—	—

(II) Disclosure of shares transferred to related parties: None.

(III) Disclosure of shares pledged to related parties:

Name (Note 1)	Reason for change of pledge (Note 2)	Date of change	Counterparty	Counterparty's relationship with the Company, directors, supervisors, and shareholders with more than 10% ownership interest	Shares held	Shareholding percentage	Percentage pledged percentage	Amount pledged (redeemed) Amount
Lin Mu-Ho	Percentage pledged	2013.12.23	Mega International Commercial Bank Co., Ltd. Keelung Branch	None	10,000,000	14.71%	39.99%	—
Lin Feng-Ran	Percentage pledged	2016.05.13	Mega International Commercial Bank Co., Ltd. Keelung Branch	None	6,500,000	3.89%	98.30%	—

Note 1: The names of directors, supervisors, managers and shareholders with more than 10% ownership interest.

Note 2: Specify "pledged" or "redeemed."

IX. Relationships characterized as spouse or second degree relative or closer among top-ten shareholders

Name (Note 1)	Self Shareholding		Shares held by spouse and underage children Shareholding		Shares held in the names of others		Relationship characterized as spouse or relative of second degree or closer among the top-10 shareholders. (Note 3)		Remarks
	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Number of shares	Shareholding percentage	Name	Relationship	
Lin Mu-Ho	25,000,230	14.71%	1,425,809	0.84%	—	—	Lin Mu-Rong Lin Ching-Yuan Lin Feng-Ran Lin Pei-Hsuan Lin Pei-Yu	Brothers Father and son Father and son Father and daughter Father and daughter	None
Hui Chi Investment Co., Ltd.	15,885,758	9.35%	—	—	—	—	-	-	None
Representative: Lin Ching-Yuan	7,173,502	4.22%	221,931	0.13%	—	—	Lin Mu-Ho Lin Mu-Rong Lin Feng-Ran Lin Pei-Hsuan Lin Pei-Yu	Father and son Uncle and nephew/niece Brothers Brother and sister Brother and sister	None
Lin Ching-Yuan	7,173,502	4.22%	221,931	0.13%	—	—	Lin Mu-Ho Lin Mu-Rong Lin Feng-Ran Lin Pei-Hsuan Lin Pei-Yu	Father and son Uncle and nephew/niece Brothers Brother and sister Brother and sister	None
Lin Feng-Ran	6,612,310	3.89%	423,956	0.25%	—	—	Lin Mu-Ho Lin Mu-Rong Lin Ching-Yuan Lin Pei-Hsuan Lin Pei-Yu	Father and son Uncle and nephew/niece Brothers Brother and sister Brother and sister	None
Lin Mu-Rong	5,630,469	3.31%	3,115,369	1.83%	—	—	Lin Mu-Ho Chung Yen-Ru Lin Ching-Yuan Lin Feng-Ran Lin Pei-Hsuan Lin Pei-Yu	Brothers Spouse Uncle and nephew/niece Uncle and nephew/niece Uncle and nephew/niece Uncle and nephew/niece	None
Lin Pei-Hsuan	4,591,648	2.70%	—	—	—	—	Lin Mu-Ho Lin Mu-Rong Lin Ching-Yuan Lin Feng-Ran Lin Pei-Yu	Father and daughter Uncle and nephew/niece Brother and sister Brother and sister Sisters	None
Lin Pei-Yu	4,512,755	2.66%	—	—	—	—	Lin Mu-Ho Lin Mu-Rong Lin Ching-Yuan Lin Feng-Ran Lin Pei-Hsuan	Father and daughter Uncle and nephew/niece Brother and sister Brother and sister Sisters	None
Chung Yen-Ru	3,115,369	1.83%	5,630,469	3.31%	—	—	Lin Mu-Rong	Spouse	None
Lun Chun-Hung	1,745,000	1.03%	—	—	—	—	Lin Mu-Ho Lin Mu-Rong Chung Yen-Ru Lin Ching-Yuan Lin Feng-Ran Lin Pei-Hsuan Lin Pei-Yu	Uncle and nephew/niece Father and son Mother and son Cousins Cousins Cousins	None
Chen Chin-Hsing	1,642,000	0.97%	604,000	0.36%	—	—	—	—	None

Note 1: All top-10 shareholders have been listed. For corporate shareholders, the name of the corporate entity and the name of the representative are shown separately.

Note 2: The percentages of shares held under own name, spouse's name, underage children's names, or in the names of others are calculated separately.

Note 3: Relations among the abovementioned shareholders (including corporate and natural-person shareholders) have been disclosed in accordance with the relationships defined in Regulations Governing the Preparation of Financial Reports by Securities Issuers.

X. Investments jointly held by the Company, the Company's directors, supervisors, managers, and enterprises directly or indirectly controlled by the Company; disclose shareholding in aggregate of the above parties

Unit: thousand shares/thousands

Invested business (Note 1)	Invested by the Company		Held by directors, supervisors, managers, and directly or indirectly controlled enterprises		Aggregate investment	
	Shares / units	Shareholding percentage	Shares / units	Shareholding percentage	Shares / units	Shareholding percentage
Ding Du International	57,048	100.00%	0	0%	57,048	100.00%
Chueh Rong International	45,988	100.00%	0	0%	45,988	100.00%
Ding Chih Co., Ltd.	14,900	100.00%	0	0%	14,900	100.00%
Dongguan Chenming	Note 2	100.00%	0	0%	Note 2	100.00%
Chenming Electronic (Ningbo)	Note 2	72.00%	0	0%	Note 2	72.00%

Note 1: The above long-term investments were accounted using the equity method.

Note 2: Limited liability company.

Four. Funding Status

I. Capital and shares (in the last year and up till the publication date of this annual report)

(I) Source of capital

April 15, 2018

Year / month	Issue price	Authorized capital		Paid-up capital		Source of capital	Remarks		
		Number of shares	Amount	Number of shares	Amount		Capital contributed in properties other than cash	Others	Approval reference
1999.07	10	34,200,000	342,000,000	34,200,000	342,000,000	Capitalized earnings NT\$85.5 million and capital reserves NT\$66.5 million	0	—	Jing-(088)-Shang-129976 dated 1999.08.16
2000.07	$\frac{50}{10}$	79,000,000	790,000,000	61,700,000	617,000,000	Cash issue NT\$100 million, employee bonus NT\$4 million Capitalized earnings NT\$171 million	0	—	Jing-(089)-Shang-133304 dated 2000.09.14
2001.07	10	110,000,000	1,100,000,000	87,000,000	870,000,000	Capitalized earnings NT\$185.1 million, employee bonus NT\$6.2 million Capitalized capital reserves NT\$61.7 million	0	—	Jing-(090)-Shang-09001293930 dated 2001.08.03
2002.09	10	120,000,000	1,200,000,000	114,000,000	1,140,000,000	Capitalized earnings NT\$174 million, employee bonus NT\$9 million Capitalized capital reserves NT\$87 million	0	—	Shang-09101404120 dated 2002.10.03
2003.07	10	247,200,000	2,472,000,000	132,300,000	1,323,000,000	Capitalized earnings NT\$57 million, employee bonus NT\$12 million Capitalized capital reserves NT\$114 million	0	—	Shang-09201248100 dated 2003.08.19
2004.01	10	247,200,000	2,472,000,000	133,476,470	1,334,764,700	NT\$ 11,764,700 (conversion from corporate bonds)	0	—	Shang-09301009900 dated 2004.01.19
2004.04	10	247,200,000	2,472,000,000	137,929,391	1,379,293,910	NT\$ 44,529,210 (conversion from corporate bonds)	0	—	Shang-09301074800 dated 2004.04.29
2004.07	10	247,200,000	2,472,000,000	137,947,038	1,379,470,380	NT\$ 176,470 (conversion from corporate bonds)	0	—	Shang-09301130400 dated 2004.07.29
2004.09	10	247,200,000	2,472,000,000	145,421,449	1,454,214,490	Capitalized earnings NT\$25.8976 million, employee bonus NT\$10 million Capitalized capital reserves NT\$38.8464 million	0	—	Shang-09301157100 dated 2004.09.06
2004.10	10	247,200,000	2,472,000,000	137,421,449	1,374,214,490	NT\$ -80,000,000 (retirement of treasury stock)	0	—	Shang-09301188300 dated 2004.10.12
2005.01	10	247,200,000	2,472,000,000	128,921,449	1,289,214,490	NT\$ -85,000,000 (retirement of treasury stock)	0	—	Shang-09401017480 dated 2005.01.28
2005.08	10	247,200,000	2,472,000,000	142,313,593	1,423,135,930	Capitalized earnings NT\$43.3725 million, employee bonus NT\$10 million, Capitalized capital reserves NT\$80.5489 million	0	—	Shang-09401160120 dated 2005.08.22
2005.10	10	247,200,000	2,472,000,000	145,313,582	1,453,135,820	NT\$ 29,999,890 (conversion from corporate bonds)	0	—	Shang-09401206880 dated 2005.10.20
2006.07	10	247,200,000	2,472,000,000	140,313,582	1,403,135,820	NT\$ -50,000,000 (retirement of treasury stock)	0	—	Shang-09501134950 dated 2006.07.05

2006.08	10	247,200,000	2,472,000,000	155,931,787	1,559,317,870	Capitalized earnings NT\$28.0627 million, employee bonus NT\$5.6 million, Capitalized capital reserves NT\$42.094 million; NT\$ 80,425,250 (conversion from corporate bonds)	0	—	Shang-09501185100 dated 2006.08.24
2007.01	10	247,200,000	2,472,000,000	156,163,928	1,561,639,280	NT\$ 2,321,410 (conversion from corporate bonds)	0	—	Shang-09601008170 dated 2007.01.12
2007.04	10	247,200,000	2,472,000,000	158,887,131	1,588,871,310	NT\$ 27,232,030 (conversion from corporate bonds)	0	—	Shang-09601087320 dated 2007.04.25
2007.07	10	247,200,000	2,472,000,000	160,940,691	1,609,406,910	NT\$ 20,535,600 (conversion from corporate bonds)	0	—	Shang-09601160770 dated 2007.07.12
2007.08	10	247,200,000	2,472,000,000	169,948,887	1,699,488,870	Capitalized earnings NT\$62.4655 million, employee bonus NT\$12 million Capitalized capital reserves NT\$15.6163 million	0	—	Shang-09601210270 dated 2007.08.31
2007.10	10	247,200,000	2,472,000,000	174,561,410	1,745,614,100	NT\$ 46,125,230 (conversion from corporate bonds)	0	—	Shang-09601249620 dated 2007.10.12
2008.01	10	247,200,000	2,472,000,000	174,948,198	1,749,481,980	NT\$ 3,867,880 (conversion from corporate bonds)	0	—	Shang-09701005760 dated 2008.01.11
2008.04	10	247,200,000	2,472,000,000	205,819,156	2,058,191,560	NT\$ 308,709,580 (conversion from corporate bonds)	0	—	Shang-09701088600 dated 2008.04.11
2008.08	10	247,200,000	2,472,000,000	216,081,018	2,160,810,180	Capitalized earnings NT\$51.4547 million, employee bonus NT\$10 million Capitalized capital reserves NT\$41.1638 million	0	—	Shang-09701215160 dated 2008.08.26
2008.10	10	247,200,000	2,472,000,000	198,081,018	1,980,810,180	-180,000,000(retirement of treasury stock)	0	—	Shang-09701270770 dated 2008.10.24
2009.12	10	247,200,000	2,472,000,000	188,081,018	1,880,810,180	-100,000,000(retirement of treasury stock)	0	—	Shang-09801293510 dated 2009.12.22
2012.03	10	247,200,000	2,472,000,000	185,171,018	1,851,710,180	-29,100,000(retirement of treasury stock)	0	—	Shang-10101049820 dated 2012.03.23
2013.05	10	247,200,000	2,472,000,000	182,171,018	1,821,710,180	-30,000,000(retirement of treasury stock)	0	—	Shang-10201095570 dated 2013.05.22
2014.10	10	247,200,000	2,472,000,000	180,000,018	1,800,000,180	-21,710,000(retirement of treasury stock)	0	—	Shang-10301221430 dated 2014.10.28
2015.08	10	247,200,000	2,472,000,000	177,935,018	1,779,350,180	-20,650,000(retirement of treasury stock)	0	—	Shang-10401171260 dated 2015.08.13
2016.08	10	247,200,000	2,472,000,000	169,935,018	1,699,350,180	-80,000,000(retirement of treasury stock)	0	—	Shang-10501202410 dated 2016.08.16

Share category	Authorized capital				Remarks
	Outstanding shares (public listed)	Treasury stock	Unissued shares	Total	
Registered ordinary shares	169,935,018	0	77,264,982	247,200,000	—

(II) Shareholders structure:

April 15, 2018

Shareholders	Government institutions	Financial institutions	Other corporate entities	Foreign institutions and foreigners	Natural persons	Treasury stock	Total
Head count	1	0	18	32	9,385	0	9,436
Number of shares held	98	0	16,527,294	4,279,646	149,127,980	0	169,935,018
Shareholding percentage (%)	0.00%	0.00%	9.73%	2.52%	87.75%	0.00%	100.00%

(III) Ownership diversity:

April 15, 2018

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage (%)
1-999	1,538	232,048	0.14%
1,000-5,000	5,427	12,470,127	7.34%
5,001-10,000	1,183	9,927,565	5.84%
10,001-15,000	325	4,318,936	2.54%
15,001-20,000	275	5,270,943	3.10%
20,001-30,000	230	6,074,075	3.57%
30,001-40,000	88	3,208,786	1.89%
40,001-50,000	79	3,763,850	2.21%
50,001-100,000	155	11,195,937	6.59%
100,001-200,000	68	9,527,096	5.61%
200,001-400,000	28	7,397,075	4.35%
400,001-600,000	16	7,656,440	4.51%
600,001-800,000	5	3,332,437	1.96%
800,001-1,000,000	5	4,424,883	2.60%
1,000,001 and above	14	81,134,820	47.75%
Total	9,436	169,935,018	100.00%

(IV) List of major shareholders:

April 15, 2018

Serial number	Account number	Name of major shareholder	Number of shares held	Shareholding percentage (%)
1	1	Lin Mu-Ho	25,000,230	14.71%
2	13	Hui Chi Investment Co., Ltd.	15,885,758	9.35%
3	10	Lin Ching-Yuan	7,173,502	4.22%
4	115	Lin Feng-Ran	6,612,310	3.89%
5	2	Lin Mu-Rong	5,630,469	3.31%
6	8	Lin Pei-Hsuan	4,591,648	2.70%
7	9	Lin Pei-Yu	4,512,755	2.66%
8	6	Chung Yen-Ru	3,115,369	1.83%
9	320	Lun Chun-Hung	1,745,000	1.03%
10	51930	Chen Chin-Hsing	1,642,000	0.97%

(V) Information relating to market price, net worth, earnings, and dividends per share for the last 2 years:

Item	Year		2016	2017	Year-to-date as at March 31
Market price per share	High		21.40	26.15	22.65
	Low		11.40	17.00	17.55
	Average		15.91	19.69	20.17
Net worth per share	Before dividend		12.76	14.02	13.89
	After dividend		12.76	14.02	13.89
EPS	Weighted average outstanding shares (in thousands)		173,858	169,935	169,935
	EPS		1.14	1.25	(0.2)
Dividends per share	Cash dividends		0.5	0.5	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends		0	0	-
Analysis of investment returns	P/E ratio		13.96	15.75	-
	Price to dividends ratio		31.82	39.38	-
	Cash dividend yield		3.14%	2.54%	-

(VI) Dividend policy and execution:

1. Dividend policy

Dividends are proposed by the board of directors after taking into consideration a number of factors including the Company's business performance, capital requirements, capital budget, changes in the domestic/foreign environment, and shareholders' interests. Dividends should not exceed 75% of current year net income except under special circumstances. The Company is currently in the growth stage of its life cycle and is still in need of capital for expansion and investment. Cash dividends shall not amount to less than 10% of total dividends distributed each year.

2. Dividend distribution proposed for the next annual general meeting:

The proposal for 2017 dividend distribution was submitted for the resolution of 2018 annual general meeting with the proposed cash dividends of NT\$0.5 per share as stipulated by the Articles of Incorporation.

3. Expected change in dividend policy: None.

(VII) Impacts of proposed stock dividends on the company's business

performance and earnings per share: Not applicable.

(VIII) Employees'/directors'/supervisors' remuneration

1. Percentage and range of employees'/directors'/supervisors' remuneration stated in the Articles of Incorporation:

According to Article 19 of the Company's Articles of Incorporation, any earnings concluded from year-end closing are first subject to taxation and reimbursement of previous losses, followed by a 10% provision for statutory reserves and provision (or reversal) of special reserves as required by regulation. Any surplus remaining from the above shall be distributed at board of directors' proposal, subject to acknowledgment in a shareholder meeting. This distribution shall include employee remuneration of no lesser than 2%, and director/supervisor remuneration of no higher than 2%.

2. Basis of calculation for employee/director/supervisor remuneration and share-based compensations; and accounting treatments for any discrepancies between the amounts estimated and the amounts paid.

- (1) Amounts are estimated based on percentages specified in the Articles of Incorporation, which includes employee remuneration of no lesser than 2% of pre-tax profit and director/supervisor remuneration of no higher than 2% of pre-tax profit.
- (2) Not applicable as no proposal was made to pay employees' remuneration in shares.
- (3) If a different amount is resolved on a later date, the difference shall be treated as a change in accounting estimates and recognized as gains or losses in the year the resolution is made.

3. Remuneration passed by the board of directors

- (1) Amount of employees', directors' and supervisors' remuneration paid in cash or shares: It is proposed to appropriate employees' remuneration totaling NT\$8 million and directors'/supervisors' remuneration totaling NT\$1.5 million, and all will be paid in cash.
- (2) Amount and percentage of employee remuneration paid in shares, relative to current net income and total employee remuneration: Not applicable as no proposal had been made to pay employee remuneration in shares during the current shareholder meeting.

4. Employees'/directors'/supervisors' remuneration paid in the previous year:

The Company paid NT\$8,000,000 of remuneration to employees

and NT\$1,500,000 of remuneration to directors/supervisors in the previous year (2016). The amount actually paid was indifferent from the amount previously recognized.

(IX) Shares repurchased by the company: None.

II. Corporate bonds (including offshore corporate bonds), preferred shares, overseas depository receipts, employee stock options, restricted employee shares, and merger/acquisition/divestment through exchange of shares

(I) Corporate bonds

The Company has no corporate bond that is currently outstanding or pending to be issued.

(II) Preferred shares, overseas depository receipts, employee stock options, restricted employee shares, or merger/acquisition/divestment through exchange of shares: None

III. Progress on planned use of fund: None.

Five. Business Overview

I. Operations:

(I) Scope of business

1. Principal business activities

- (1) Manufacturing, importing, exporting, and trading of metal stamping beds, steel molds, and electromechanical parts (for production of computer chassis and accessories, and molds).
- (2) CC01030 Electric Appliance and Audiovisual Electric Products Manufacturing.
- (3) CC01060 Wired Communication Equipment and Apparatus Manufacturing.
- (4) CC01050 Data Storage Media Units Manufacturing.
- (5) CC01070 Telecommunication Equipment and Apparatus Manufacturing.
- (6) CC01080 Electronic Parts and Components Manufacturing.
- (7) E605010 Computing Equipment Installation Construction.
- (8) F113070 Wholesale of Telecom Instruments.
- (9) F213060 Retail Sale of Telecom Instruments.
- (10) F601010 Intellectual Property.
- (11) I301010 Software Design Services.
- (12) I301020 Data Processing Services.
- (13) I301030 Digital Information Supply Services.
- (14) I501010 Product Designing.
- (15) IE01010 Telecommunications Number Agencies.
- (16) ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Principal business activities and weight

Unit: NTD thousand

Product	2017 Sales amount	as a percentage of annual sales
PC and server chassis	3,380,603	70%
Mobile device components	1,225,054	25%
Mold	234,472	5%
Total	4,840,129	100%

3. The Company's current products (services)

PC and server chassis; design, manufacturing and sale of handheld devices.

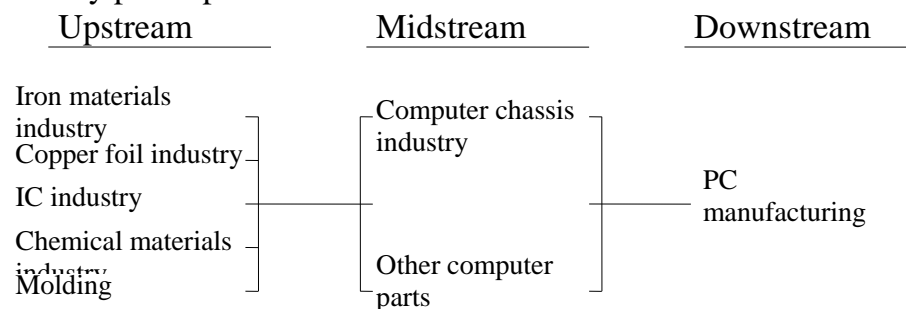
4. New products (services) planned for the future
 - (1) Continue to develop titanium and titanium alloy MIM manufacturing process.
 - (2) Continue to develop CIM(Ceramic Injection Molding) surface finish technique.
 - (3) Conduct a series of basic studies and analysis on 17-4PH stainless steel and build an internal material property database for 17-4PH stainless steel.
 - (4) Develop the MIM manufacturing technique for non-linear channel inside a metal product.
 - (5) Develop the develop the applications of plastic micro injection molds and injection technique on MIM products (over molding).

(II) Industry overview

1. Current and future industry prospects

Chassis is an accessory of personal computers, and falls in the hardware category of the IT industry. Due to the introduction of low-price computers, the selling price and gross profit of computer chassis have fallen consistently. The uprise of smartphones and tablet PCs presents even a greater blow to the PC industry, which is why the Company has been searching for new breakthroughs in terms of production and technology in recent years, and expanding product lines to cloud server chassis and racks for broader customer reach.

2. Association between upstream, midstream, and downstream industry participants



3. Product trend and competition

The PC industry has undergone extreme changes in the last few years, much of it was caused by the uprise of smartphones and tablet PC. Given the declining margin of computer chassis, industry participants are starting to expand into other product lines for growth opportunity. Smartphones and cloud servers are two IT products that are still exhibiting growing demands for chassis, which is why the Company remains optimistic and will aim to compete in this field by introducing differentiated

procedures and new technologies.

(III) Technological research and development

1. Annual R&D expenses for the last 5 years

Unit: NTD thousand

	2013	2014	2015	2016	2017	Year-to-date March 31, 2018
R&D expenses	45,475	44,032	41,037	40,737	34,036	8,687
Operating revenue	2,671,160	3,017,695	3,241,910	4,274,910	4,840,129	1,085,766
R&D expenses as a percentage of net operating revenues	1.70%	1.46%	1.27%	1.27%	0.70%	0.80%

2. Technologies or products successfully developed

- (1) Successfully developed a proprietary POM binder for nitric acid debinding process and applied it in the water atomization and gas atomization metal powder feeding systems. This R&D result will later be published in the international MIM conferences in Asia, Europe and the U.S. in 2018.
- (2) Developed specialty chemical and added it into the self-developed binder feeding system for terminal debinding and nitric acid debinding processes, capable of filling products with 0.10 mm thin feature under low injection pressure. The specialty chemical that enhances the binder liquidity for injection was filed for patent, and the application is undergoing the review process.
- (3) Completed the development of high-performance soft magnetic material, Fe-50%Co.
- (4) Completed the development of CIM (Ceramic Injection Molding) manufacturing process.
- (5) Completed the development of automated manufacturing equipment with the MIM framework for a series of USB Type-C connector receptacle (Receptacle).

(IV) Long and short-term business plans

1. Short-term business plans

- (1) In addition to increasing product orders from existing customers, the Company will actively explore new customers to secure the growth of its revenues.
- (2) Increase the percentage of high value-adding products sold

- and achieve growth in terms of revenues and profitability.
- (3) Expand Asian and emerging markets.
- (4) Coordinate marketing, production and logistic resources throughout the group for maximum efficiency.

2. Long-term business plans

- (1) Recruit top talents, enhance marketing, R&D and global logistics capacity to maintain the Company's overall competitiveness.
- (2) Invest into the research and development of key components for PC and communication devices, and convert into growth momentum.
- (3) Take initiative in exploring EMS opportunities for handheld devices.

II. Market and sales overview

(I) Market analysis

1. Locations where products are primarily sold, and market share information

Computer chassis and cellphone components are the main products of the Company. The Company exports most of the products it produces. It manufactured approximately 13.67 million pieces of computer chassis and 330.47 million pieces of cellphone components during the year.

Unit: NTD thousand; %

Year		2015		2016		2017	
		Sales amount	Sales percentage	Sales amount	Sales percentage	Sales amount	Sales percentage
Domestic sale		139,458	4.30	37,446	0.88	17,448	0.36
Export sale	America	159,316	4.91	291,927	6.83	345,152	7.13
	Europe	118,450	3.65	265,526	6.21	201,712	4.17
	Asia	2,824,686	87.13	3,679,886	86.08	4,275,817	88.34
Total		3,241,910	100.00	4,274,785	100.00	4,840,129	100.00

2. Future market supply, demand and growth

- (1) Future market supply and demand

Desktop PCs exhibit very small growth potential due to their tendency to be replaced by notebook and tablet PCs in the future. However, due to the rise of cloud computing applications, much of the computing action is no longer performed by terminal devices, but at the server end instead. This shift of computing activity is driving the growth of servers, data centers, as well as demands for more computing, storage and network capacity. Overall, demands for server

chassis and smartphone components will continue to grow at the expense of desktop PC growth.

(2) Future market growth

Chassis manufacturing is closely tied to the IT industry. Although demands for desktop PCs have declined, new applications such as multimedia, networking, smart homes, cloud computing and smartphone have more than made up the loss, which is why the Company remains optimistic about its future growth.

3. Competitive advantage

(1) Superior R&D and design capability

(2) Comprehensive production procedures and product lines

(3) Possession of key technology in mold design and development

(4) Fast and reliable product delivery

Furthermore, the Company's strong financial position combined with fast, reliable production capabilities are the advantages that distinguish ourselves from competitors.

4. Opportunities, threats and responsive measures

(1) Opportunities

A. Consumers are paying more attention to the pattern and material of the chassis they use. These products are less substitutable and highly standardized to assure a relatively long life cycle.

B. The Company works with world-renowned IT brands and is constantly developing new products.

C. The Company maintains long-term relationship with suppliers to secure the source of its materials, and competitiveness of its products.

D. The percentage of handheld device components manufactured using the MIM process continues to increase.

(2) Threats and responsive measures

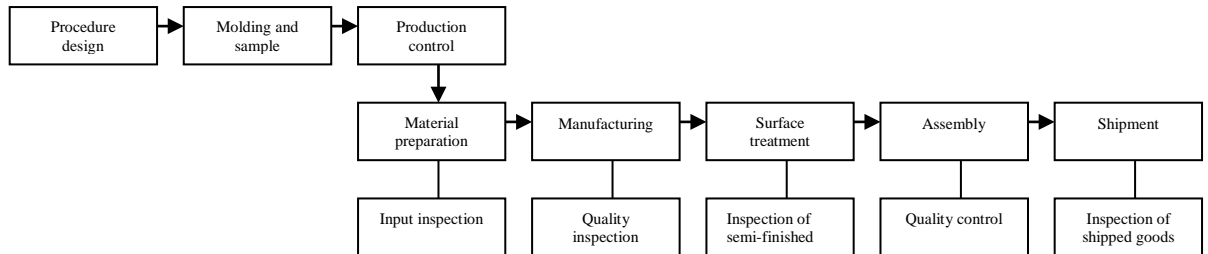
According to a research conducted by Market Intelligence & Consulting Institute, demands for desktop PCs will be gradually replaced by notebook and tablet PCs. In addition, factors such as intensive competition, customers' price cuts, rising cost of materials and labor etc all make desktop PC a difficult business to profit. In response to this trend, the Company will be actively transforming its business and developing products of high added value to stay ahead of the competition.

(II) Main product applications and production processes:

1. Main product applications

The Company's main business activities are the production and sale of computer chassis, mobile device components, server chassis and related components. Its products are used for the assembly and for protection of desktop PC, handheld devices, and servers.

2. Production process



(III) Supply of key materials:

Product	Main materials	Supplier origin	Supply
PC chassis	Galvanized steel	Taiwan and China	Good
	Plastic grain	Taiwan and China	Good
	Power supply unit	Taiwan and China	Good
	Other electronic	Taiwan and China	Good
Mobile device	Metal powder	Taiwan and China	Good

(IV) Name of trade partner representing more than 10% of total purchases (sales) in any of the previous two years, and the amount and percentage of purchase (sale); describe the cause of any variation:

1. Suppliers representing more than 10% of net purchase in the last two years

No supplier represented more than 10 of net purchase in the last two years.

2. Customers representing more than 10% of net sales in the last two years

Item	2016				2017				Up till first quarter of 2018			
	Name	Amount	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	As a percentage of annual net sales (%)	Relationship with the issuer	Name	Amount	As a percentage of current year net sales up till the previous quarter (%)	Relationship with the issuer
1	Company A	1,159,734	27%	None	Company A	1,266,653	26%	None	Company A	196,884	18%	None
2	Company B	708,799	17%	None	Company B	992,296	21%	None	Company B	281,437	26%	None
3	Company C	976,347	23%	None	Company C	848,097	18%	None	Company C	176,572	16%	None
4	Company D	459,346	11%	None	Company D	486,070	10%	None	Company D	112,050	11%	None
	Others	970,559	23%	None	Others	1,247,013	25%	None	Others	318,823	29%	None
	Net sales	4,274,785	100%		Net sales	4,840,129	100%		Net sales	1,085,766	100%	

Note 1: List the names of suppliers that represent more than 10% of purchases made in the last two years, and individual amount and percentage of total purchase; use alias if the contract does not permit disclosure of supplier's name or if the counterparty is an unrelated natural person.

Note 2: TWSE/TPEX listed companies are required to disclose audited or auditor-reviewed financial information available before the publication date of annual report.

3. Change and cause of change in customers' activities in the last two years:

Item	Name	Amount in 2016	Amount in 2017	Difference between the two periods	Cause of variation
1	Company A	1,159,734	1,266,653	106,919	Increase in customer's demand
2	Company B	708,799	992,296	283,497	Increase in customer's demand
3	Company C	976,347	848,097	-128,250	Decrease in customer's demand
4	Company D	459,346	486,070	26,724	Increase in customer's demand
	Others	970,559	1,247,013	276,454	
	Net sales	4,274,785	4,840,129	565,344	

(V) Production volume and value in the last two years

Unit: thousand pieces/NTD thousand

Year/Production volume or value	2016			2017		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
PC chassis	12,877	12,200	2,920,243	14,585	13,891	3,417,186
Mobile device components	230,011	303,473	1,120,201	343,996	333,980	1,222,367
Mold (Note)	-	-	259,533	-	-	255,282
Total	242,888	315,673	4,299,977	358,581	347,871	4,894,835

(Note) Molds have different patterns and sizes and are sold in sets, which makes production capacity and volume difficult to calculate.

(VI) Sales volume and value in the last two years

Unit: thousand pieces/NTD thousands

Year	2016				2017			
	Domestic sale		Export sale		Domestic sale		Export sale	
Sales volume/value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
PC chassis	22	11,836	11,997	2,891,330	19	10,472	13,667	3,370,131
Mobile device components	205	5,546	300,468	1,109,110	208	5,638	330,465	1,219,416
Mold (Note)	-	20,064	-	236,899	-	1,338	-	233,134
Total	227	37,446	312,465	4,237,339	227	17,448	344,132	4,822,681

(Note) Molds have different patterns and sizes and are sold in sets, which makes sales volume difficult to calculate.

III. Employee size, average years of service, average age, and academic background in the last 2 years up till the publication date of this annual report:

March 31, 2018

Year		2016	2017	Year-to-date March 31, 2017
Employee count	Indirect employees	1,242	1,233	1,307
	Direct employees	3,475	3,505	3,578
	Total	4,717	4,738	4,885
Average age		31.11	31.55	31.38
Average years of service		2.34	2.19	2.51
Distribution of academic background (%)	Doctoral Degree	0.08%	0.08%	0.08%
	Masters Degree	0.38%	0.42%	0.43%
	Bachelors Degree	7.93%	8.26%	8.81%
	Senior High School	12.74%	11.87%	12.46%
	Below high school	78.86%	79.08%	81.68%

IV. Contribution to environmental protection

- (I) Losses (including damage compensations) and fines incurred due to pollution of environment in the year of report up till the publication date of this annual report, and expenses likely to be incurred on future responsive strategies (including improvement measures): None.
- (II) Describe the current pollution situation and how improving the situation may affect the company's earnings, competitiveness, and capital expenditure; estimate major capital expenditures on environmental protection in the next 3 years: None.

V. Labor-management relations

- (I) Availability and execution of employee welfare, education, training and retirement policies; elaborate on the agreements between employers and employees, and protection of employees' rights:

1. Welfare

The Company has established an Employee Welfare Committee in accordance with the Employees' Welfare Funds Act to oversee all matters relating to employees' welfare. Contributions are made to the welfare fund on a monthly basis.

All employees are covered by Labor Insurance and National Health Insurance as required by the Labor Insurance Act and the National Health Insurance Act, which entitles them to various benefits under the Labor Insurance Scheme. The Company's offers the following benefits to employees: birthday gift, wedding/funeral subsidy, festive gift, employee trip, festive bonus, magazine subscription, year-end party lucky draw, Labor and National Health Insurance, group insurance, and yearly health checkups.

2. Training and continuing education

The Company organizes internal and external training based on employees' needs and helps them develop the professional skills needed to improve work efficiency.

Item No.	Department	Course name	Trainer	Course date	Total hours	Course expense
1	IT Center	Forum for Windows 10 compatibility and technology trend	Microsoft	January 17, 2017	7.0	-
2	Human Resources Division	New ecosystem for enterprise cloud computing service seminar - build an outperforming human resource management system	Council For Industrial And Commercial Development	February 23, 2017	4.0	-
3	Legal Affairs Office	Updates regarding PTAB in US and Patent amendment in Taiwan	Lee and Li Attorneys-at-Law	February 22, 2017	5.0	-
4	IT Center	Taiwan Cyber Security Summit 2017	Taiwan Cyber Security Summit team	March 14~15, 2017	16.0	-
5	Legal Affairs Office	Seminar and case study for legal liability and compensation of defective products in the U.S.	Perkins Coie LLP	March 14, 2017	5.0	-
6	Human Resources Division	Impact of "one fixed and one flexible day off" on small and medium enterprises	Small and Medium Enterprises Service Center of Keelung City	March 16 and March 30, 2017	6.0	-
7	Legal Affairs	U.S. IP and related issues: Practical guidance for	Orrick, Herrington & Sutcliffe LLP, National Chiao	April 19, 2017	8.0	-

	Office	Taiwanese companies	Tung University			
8	Legal Affairs Office	Seminar for invalid determination of patent rights and practical guide to litigation in China, and measures to be taken by the Taiwanese companies	Chinese National Federation of Industries IP Committee	May 4, 2017	8.0	-
9	R&D Center	Coaching skill for a successful manager (Management competences: leadership)	China Productivity Center	May 19, 2017	7.0	3,500
10	IT Center	2017 TOP Solution Day	Top Information Technologies Co., Ltd.	June 6, 2017	5.0	-
11	Internal Audit Office	Discussion on cycle- fraud risk	Securities & Futures Institute	June 22, 2017	6.0	3,500
12	IT Center	2017 Docutek Information Security Day	Docutek Solutions, Inc.	June 8, 2017	6.0	-
13	Legal Affairs Office	Seminar for practical guide to IP litigation in Europe	Taiwan Technology Industry Legal Officers Association	June 23, 2017	8.0	-
14	IT Center	2017 Sysage Solution Day	SYSAGE Technology Co., Ltd.	July 12, 2017	7.0	-
15	Legal Affairs Office	Seminar for the most recent IP litigation case study for Taiwanese companies, 2017 mid-year review	Techknowledge Law Group LLP. U.S.	July 17, 2017	5.0	-
16	Advanced Procedures R&D Department	Project planning and management skills	China Productivity Center	August 3, 2017	6.0	3,240
17	Internal Audit Office	Key amendments to labor laws and practical guide to internal audit of payroll cycle	Accounting Research and Development Foundation	August 23, 2017	6.0	3,000
18	PIM R&D Engineering Department	Core management skills and transformation training for new managers -Taipei	Data Systems Consulting Co., Ltd.	August 3, 2017	7.0	3,800
19	IT Center	F5 ANTICIPATE TaiWAN 2017	F5	August 10, 2017	7.0	-
20	Advanced Procedures R&D Department	Creo Parametric	Jetsoft Technology Co., Ltd.	August 28 and 30, 2017	14.0	-
21	IT Center	VeecamON Forum 2017 Taipei	Veecam	September 1, 2017	7.0	-
22	Internal Audit Office	How to execute audit on legal compliance for internal auditors	The Institute of Internal Auditors, R.O.C	September 1, 2017	6.0	3,000
23	Internal Audit Office	Discussion on internal control management from the aspect of new ISO system operation	The Institute of Internal Auditors, R.O.C	August 8, 2017	6.0	3,000
24	Administration Department	Fire fighting management personnel - Entry level training	Fire Fighter Educational Foundation	September 13 and 14, 2017	12.0	3,600
25	Finance Division	Analysis of difference between International Financial Reporting Standards (IFRS) and Enterprise Accounting Standard, and Practices of Initial Public Offering (IPO)	Accounting Research and Development Foundation	September 19, 2017	6.0	3,000
26	Finance Division	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Accounting Research and Development Foundation	October 26 and 27, 2017	12.0	8,000
27	Administration Department	First-aid personnel - entry level training	China Safety & Health Management Society R.O.C	September 30, October 2 and 3, 2017	18.0	4,500
28	Legal Affairs Office	2017 Design IP application strategy and practical guide to the application review	Intellectual Property Office, Ministry of Economic Affairs	September 27, 2017	2.0	-
29	IT Center	The future for informational security	Acer SoftDepot	October 20 and 21, 2017	6.0	-
30	Legal Affairs Office	Master the Patent Infringement Litigation strategy by Patent Life Cycle (Taipei)	Intellectual Property Office, Ministry of Economic Affairs	October 19, 2017	8.0	-
31	Legal Affairs Office	Seminar for manufacturing laws	Chinese National Federation of Industries	October 31, 2017	5.0	-
32	Advanced Procedures R&D Department	First-aid personnel - retraining	Industrial Safety and Health Association of the R.O.C.	November 22, 2017	3.0	800
33	Administration Department	First-aid personnel - retraining	Industrial Safety and Health Association of the R.O.C.	November 22, 2017	3.0	800
34	Human Resources Division	How can a corporate take care of employee's health	Fubon Life Insurance Co., Ltd..	November 24, 2017	3.0	-
35	Finance Division	Comprehensive Analysis of Consolidated Financial Statements	Accounting Research and Development Foundation	December 27, 2017	6.0	3,500
36	Finance Division	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	Accounting Research and Development Foundation	December 11 and 12, 2017	12.0	8,000
37	R&D Center	Project planning and management skills	China Productivity Center	December 6, 2017	7.0	3,500
38	Human Resources Division	Global talents cultivation and expatriate talents management	104 Job Bank (HR Managers Institution)	December 12, 2017	3.5	-

3. Pension system

The Company complies with regulations and has been

contributing a sum totaling 6% of employees' monthly salaries into their personal accounts held under the Bureau of Labor Insurance for all employees who came onboard after July 1, 2005 and for existing employees who opted for the new pension scheme introduced by the Labor Pension Fund Act. Meanwhile, the Company continues to make appropriate contributions to the pension fund account held with Bank of Taiwan according to its pension policy for existing employees who opted for the old pension scheme and for existing employees who opted for the new scheme (based on the years of service completed under the old scheme). Employees who are assigned from one related company to another may have years of service carried forward. It is the Company's intention to provide employees with as much protection as possible to facilitate circulation of talents within the group. Overseas subsidiaries adopt the defined contribution pension plan, in which they make monthly contributions to the pension, healthcare and social security systems as required by local governments.

4. Enforcement of labor agreements and employee rights

Any amendment to employment terms are fully negotiated and communicated between the management and the employees before execution. As a result, no employment dispute has occurred to this day.

- (II) Losses arising as a result of employment disputes in the last year up till the publication date of this annual report. Please quantify the estimated losses and state any responsive actions, and state the reasons if losses can not be reasonably estimated: The Company encountered no employment dispute in the last year up till the publication date of this annual report that resulted in losses. Furthermore, given the harmonic labor-management relations the Company has maintained to date, it is extremely unlikely to suffer losses from employment dispute in the future.

VI. Major contracts: None.

Six. Financial Summary

I. Summary balance sheet and statement of comprehensive income for the last 5 years

(I) Summary balance sheet and statement of comprehensive income

1. Summary balance sheet - consolidated

Unit: NTD thousand

Year Item		Financial information for the latest 5 years (Notes 1 and 2)					Year-to-date March 31, 2017
		2013	2014	2015	2016	2017	Financial information (Note 2)
Current assets		1,606,275	1,692,321	1,787,706	2,458,237	2,876,139	2,694,471
Property, plant, and equipment		1,276,719	1,127,442	1,043,626	1,180,980	1,128,528	1,089,229
Intangible assets		4,505	4,101	2,116	3,555	3,617	3,055
Other assets		699,517	610,527	609,741	526,723	532,098	587,085
Total assets		3,587,016	3,434,391	3,443,189	4,169,495	4,540,382	4,373,840
Current liabilities	Before dividend	1,005,250	972,377	911,008	1,316,145	1,696,528	1,564,304
	After dividend	1,005,250	972,377	964,389	1,401,113	Note 3	Note 3
Non-current liabilities		552,780	258,148	295,425	254,769	220,226	214,528
Total liabilities	Before dividend	1,558,030	1,230,525	1,206,433	1,570,914	1,916,754	1,778,832
	After dividend	1,558,030	1,230,525	1,259,814	1,655,882	Note 3	Note 3
Equity attributable to parent company shareholders		2,028,986	2,203,866	2,236,756	2,598,581	2,623,628	2,595,008
Share capital		1,821,710	1,800,000	1,779,350	1,699,350	1,699,350	1,699,350
Capital reserve		15,782	15,594	15,415	14,722	52,485	52,485
Retained earnings	Before dividend	280,330	383,015	431,080	534,525	662,176	628,370
	After dividend	280,330	383,015	377,699	449,557	Note 3	Note 3
Other equity items		(9,730)	5,257	10,911	(29,978)	(31,096)	(20,145)
Treasury stocks		(79,106)	-	-	-	-	-
Non-controlling equity		-	-	-	379,962	240,713	234,948
Total equity	Before dividend	2,028,986	2,203,866	2,236,756	2,598,581	2,623,628	2,595,008
	After dividend	2,028,986	2,203,866	2,183,375	2,513,613	Note 3	Note 3

Note 1: Consolidated financial information for years 2013 to 2017 has been audited by CPA.

Note 2: Based on auditor-reviewed consolidated financial information.

Note 3: Shareholder meeting has yet to be convened.

1-1. Summary balance sheet - standalone

Unit: NTD thousand

Year Item		Financial information for the latest 5 years (Notes 1 and 2)				
		2013	2014	2015	2016	2017
Current assets		855,618	996,367	836,936	1,027,287	960,032
Property, plant, and equipment		432,755	348,842	329,225	321,546	314,933
Intangible assets		-	-	-	-	-
Other assets		1,780,951	1,803,508	1,794,652	1,868,439	2,133,239
Total assets		3,069,324	3,148,717	2,960,813	3,217,272	3,408,204
Current liabilities	Before dividend	492,301	691,705	434,184	749,626	806,985
	After dividend	492,301	691,705	487,565	834,594	Note 3
Non-current liabilities		548,037	253,146	289,873	249,027	218,304
Total liabilities	Before dividend	1,040,338	944,851	724,057	998,653	1,025,289
	After dividend	1,040,338	944,851	777,438	1,083,621	Note 2
Equity attributable to parent company shareholders		2,028,986	2,203,866	2,236,756	2,218,619	2,382,915
Share capital		1,821,710	1,800,000	1,779,350	1,699,350	1,699,350
Capital reserve		15,782	15,594	15,415	14,722	52,485
Retained earnings	Before dividend	280,330	383,015	431,080	534,525	662,176
	After dividend	280,330	383,015	377,699	449,557	Note 2
Other equity items		(9,730)	5,257	10,911	(29,978)	(31,096)
Treasury stocks		(79,106)	-	-	-	-
Non-controlling equity		-	-	-	-	-
Total equity	Before dividend	2,028,986	2,203,866	2,236,756	2,218,619	2,382,915
	After dividend	2,028,986	2,203,866	2,183,375	2,133,651	Note 2

Note 1: Consolidated financial information for years 2013 to 2017 has been audited by CPA.

Note 2: Shareholder meeting has yet to be convened.

2. Summary statement of comprehensive income - consolidated

Unit: NTD thousand

Year Item	Financial information for the last 5 years (Note 1)					Year-to-date
	2013	2014	2015	2016	2017	March 31, 2018
						Financial information (Note 2)
Operating revenue	2,671,160	3,017,695	3,241,910	4,274,785	4,840,129	1,085,766
Gross profit	543,233	251,129	315,775	608,044	661,920	65,603
Operating profit	124,097	(58,485)	38,166	261,216	321,059	(20,910)
Non-operating revenues and expenses	(5,879)	223,882	57,365	37,123	(40,992)	(31,739)
Pre-tax profit	118,218	165,397	95,531	298,339	280,067	(52,649)
Net income from continuing operations	95,649	130,052	69,572	256,053	245,918	(43,803)
Loss of discontinued operations	-	-	-	-	-	-
Net income (loss)	95,649	130,052	69,572	256,053	245,918	(43,803)
Other comprehensive income for the current period (net, after-tax)	(4,749)	14,783	6,116	72,578	(8,139)	15,183
Total comprehensive incomes in the current period	90,900	144,835	75,688	183,475	237,779	(28,620)
Net income attributable to parent company shareholders	95,649	130,052	69,572	197,801	212,909	(33,779)
Net income attributable to non-controlling shareholders	-	-	-	58,252	33,009	(10,024)
Comprehensive income attributable to parent company shareholders	90,900	144,835	75,688	152,895	211,501	(22,855)
Comprehensive income attributable to non-controlling shareholders	-	-	-	30,580	26,278	(5,765)
EPS	0.53	0.72	0.39	1.14	1.25	(0.20)

Note 1: Consolidated financial information for years 2013 to 2017 has been audited by CPA.

Note 2: Based on auditor-reviewed consolidated financial information.

2-2. Summary statement of comprehensive income - standalone

Unit: NTD thousand

Item \ Year	Financial information for the last 5 years (Note 1)				
	2013	2014	2015	2016	2017
Operating revenue	2,302,471	2,453,458	2,496,408	2,740,828	2,808,551
Gross profit	239,109	175,699	212,858	314,671	347,036
Operating profit	80,417	571	41,352	122,535	215,368
Non-operating revenues and expenses	37,699	164,826	54,179	117,552	31,690
Pre-tax profit	118,116	165,397	95,531	240,087	247,058
Net income from continuing operations	95,649	130,052	69,572	197,801	212,909
Loss of discontinued operations	-	-	-	-	-
Net income (loss)	95,649	130,052	69,572	197,801	212,909
Other comprehensive income for the current period (net, after-tax)	(4,749)	14,783	6,116	44,906	(1,408)
Total comprehensive incomes in the current period	90,900	144,835	75,688	152,895	211,501
Net income attributable to parent company shareholders	95,649	130,052	69,572	197,801	212,909
Net income attributable to non-controlling shareholders	-	-	-	-	-
Comprehensive income attributable to parent company shareholders	90,900	144,835	75,688	152,895	211,501
Comprehensive income attributable to non-controlling shareholders	-	-	-	-	-
EPS	0.53	0.72	0.39	1.14	1.25

Note 1: Consolidated financial information for years 2013 to 2017 has been audited by CPA.

(II) Names of financial statement auditors in the last 5 years and audit opinions:

Year	Accounting firm	Name of CPA	Audit opinion
2013	KPMG	Yen Hsing-Fu, Michelle Wang	Unqualified opinion
2014	KPMG	Daisy Kuo, Michelle Wang	Unqualified opinion
2015	KPMG	Daisy Kuo, Michelle Wang	Unqualified opinion
2016	KPMG	Yen Hsing-Fu, Daisy Kuo	Unqualified opinion
2017	KPMG	Yen Hsing-Fu, Daisy Kuo	Unqualified opinion

II. Financial analysis for the last 5 years:

(I) Financial analysis - consolidated

Analysis (Note 3)		Financial analysis for the last 5 years					Year-to-date March 31, 2017
		2013	2014	2015	2016	2017	(Note 2)
Financial position (%)	Debt to assets ratio	43.44	35.83	35.04	37.68	42.22	40.67
	Long-term capital to property, plants and equipment	200.92	216.67	241.15	240.19	251.09	257.94
Solvency (%)	Current ratio	159.79	174.04	196.23	186.78	169.53	172.25
	Quick ratio	117.45	128.68	133.8	135.06	118.62	109.30
	Interest coverage ratio	7.01	10.81	9.78	43.31	53.89	-32.99
Operating efficiency	Accounts receivable turnover (times)	2.86	3.35	3.62	4.19	3.69	3.13
	Average cash collection days	127.63	108.99	100.81	87.1	98.93	116.79
	Inventory turnover (times)	6.53	7.07	6.49	6.49	5.95	4.84
	Accounts payable turnover (times)	4.38	5.37	5.94	5.6	4.17	3.59
	Average inventory turnover days	55.90	51.63	56.28	56.28	61.36	75.38
	Property, plant and equipment turnover (times)	2.09	2.68	3.11	3.62	4.29	3.68
	Total assets turnover (times)	0.74	0.88	0.94	1.03	1.07	0.97
Profitability	Return on assets (%)	3.03	4.10	2.29	6.88	5.75	-3.82
	Return on equity (%)	4.75	6.14	3.13	10.59	9.42	-6.71
	<u>Pre-tax profit to paid-up capital (%)</u> (Note 7)	6.49	9.19	5.37	17.56	16.48	-12.39
	Net profit margin (%)	3.58	4.31	2.15	6	5.08	-4.03
	Earnings per share (NT\$)	0.53	0.72	0.39	1.14	1.25	-0.20
Cash flow	Cash flow ratio (%)	44.37	13.17	36.23	56.48	22.48	-6.70
	Cash flow adequacy ratio (%)	No IFRS-compliant information was available in the last 5 years	No IFRS-compliant information was available in the last 5 years	No IFRS-compliant information was available in the last 5 years	146.21	165.93	-57.9
	Cash reinvestment ratio (%)	19.30	5.29	13.09	25.02	10.52	-4.17
Degree of leverage	Operating leverage	2.23	-2.51	7.91	2.02	1.65	-1.74
	Financial leverage	1.19	0.78	1.4	1.03	1.02	0.93
Variation of financial ratios in the last 2 years (not required for variations below 20%).							
1. Solvency: Interest coverage ratio increased: Due to higher pre-tax profit.							
2. Operating efficiency: Accounts payable turnover decreased: Due to increase in accounts payable.							
3. Cash flow: Cash flow ratio and cash reinvestment ratio decreased: due to increase in cash flow from operating activities.							

Note 1: Consolidated financial information for years 2013 to 2017 has been audited by CPA.

Note 2: Based on auditor-reviewed consolidated financial information.

Note 3: Formulas of the various analyses are defined below:

(I) Financial analysis - standalone

Analysis (Note 3)		Year (Note 1)	Financial analysis for the last 5 years				
		2013	2014	2015	2016	2017	
Financial position (%)	Debt to assets ratio	34	30.01	24.45	31.04	30.08	
	Long-term capital to property, plants and equipment	593	700.28	764.45	764.00	823.32	
Solvency %	Current ratio	174	144.05	192.76	137.04	118.97	
	Quick ratio	173	142.36	191.48	136.76	118.92	
	Interest coverage ratio	7	11.05	10.59	35.05	48	
Operating efficiency	Accounts receivable turnover (times)	3	3.41	3.67	3.97	3.73	
	Average cash collection days	128	107.04	99.49	91.88	97.83	
	Inventory turnover (times)	373	459.27	474.31	1565.26	3057.78	
	Accounts payable turnover (times)	8	8.83	8.93	6.95	4.57	
	Average inventory turnover days	1	0.79	0.77	0.23	0.12	
	Property, plant and equipment turnover (times)	5	7.03	7.58	8.52	8.92	
	Total assets turnover (times)	1	0.78	0.84	0.85	0.82	
Profitability	Return on assets (%)	3	4.62	2.55	6.59	6.56	
	Return on equity (%)	5	6.14	3.13	8.88	9.25	
	<u>Pre-tax profit to paid-up capital (%) (Note 7)</u>	6	9.19	5.37	14.13	14.54	
	Net profit margin (%)	4	5.3	2.79	7.22	7.58	
	Earnings per share (NT\$)	0.53	0.72	0.39	1.14	1.25	
Cash flow	Cash flow ratio (%)	49	30.38	18.46	51.02	22.52	
	Cash flow adequacy ratio (%)	No IFRS-compliant information was available in the last 5 years	No IFRS-compliant information was available in the last 5 years	No IFRS-compliant information was available in the last 5 years	1744.56	715.89	
	Cash reinvestment ratio (%)	10	9.08	3.47	14.53	4.04	
Degree of leverage	Operating leverage	1	35.37	1.41	1.09	0.66	
	Financial leverage	1	-0.04	1.32	1.06	1.03	

Variation of financial ratios in the last 2 years (not required for variations below 20%).

- Solvency: Interest coverage ratio increased: Due to higher pre-tax profit.
- Operating efficiency: Inventory turnover increased due to reduction of inventory balance.
Accounts payable turnover decreased: Due to increase in accounts payable.
Average inventory turnover days: Due to decrease in inventory balance.
- Cash flow: Cash flow ratio and cash flow adequacy ratio decreased: due to increase in cash flow from operating activities.
- Degree of leverage: Operating leverage declined due to increase in operating income and loss.

Note 1: Consolidated financial information for years 2013 to 2017 has been audited by CPA.

Note 2: Based on auditor-reviewed consolidated financial information.

Note 3: Formulas of the various analyses are defined below:

1. Financial position
 - (1) Debt to asset ratio = total liabilities/ total assets.
 - (2) Long-term capital to property, plants and equipment = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
 - (1) Current ratio = current assets / current liabilities.
 - (2) Quick ratio = (current assets - inventory - prepayments) / current liabilities.
 - (3) Interest coverage ratio = net profit before interest and tax / interest expenses for the current period.
3. Operating efficiency
 - (1) Receivables turnover (including accounts receivable and notes receivable from business activities) = net sales / average receivables balance (including accounts receivable and notes receivable from business activities).
 - (2) Average cash collection days = 365 / receivables turnover.
 - (3) Inventory turnover = cost of sales/average inventory balance.
 - (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of sales / average payables balance (including accounts payable and notes payable for business activities).
 - (5) Average inventory turnover days = 365 / inventory turnover.
 - (6) Property, plant and equipment turnover = net sales / average net property, plant and equipment balance.
 - (7) Total asset turnover = net sales/average total assets.
4. Profitability
 - (1) Return on assets = (net income + interest expenses x (1- tax rate)) / average asset balance.
 - (2) Return on equity = net income / average shareholders' equity.
 - (3) Net profit margin = net income / net sales.
 - (4) Earnings per share = (net income attributable to parent company shareholders - preferred share dividends) / weighted average outstanding shares. (Note 4)
5. Cash flow
 - (1) Cash flow ratio = net cash flow from operating activities / current liabilities
 - (2) Cash flow adequacy ratio = net cash flow from operating activities for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 years.
 - (3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)
6. Degree of leverage:
 - (1) Degree of operating leverage = (net operating revenues - variable operating costs and expenses) / operating profit (Note 6).
 - (2) Degree of financial leverage = operating profit / (operating profit - interest expense).

Note 4: Calculation of earnings per share has taken the following factors into account:

1. Weighted average outstanding common shares are used, instead of year-end outstanding shares.
2. Effects of cash issues or treasury stocks, weighed by the number of outstanding shares and calculated for the length of time they were in circulation.
3. Where any additional shares were issued against capitalized earnings or reserves, the full year or half-year earnings per share are adjusted retrospectively, regardless of when the additional shares were issued.
4. Where preferred shares were cumulative and non-convertible in nature, all current year dividends (whether distributed or not) are deducted from net income, or added to net loss. If preferred shares were non-cumulative, then the preferred share dividends are deducted from net income, but no adjustment is required for net loss.

Note 5: Cash flow analyses have taken the following factors into account:

1. Net cash flow from operating activities is taken from net cash inflow from operating activities presented in the cash flow statement.
2. Capital expenditure refers to the amount of annual cash outflow spent on capital investments.
3. Increase in inventory is used only if closing balance exceeds opening balance. The value will be substituted with zero if closing inventory balance is lesser than the opening balance.
4. Cash dividends include both common and preference share cash dividends.
5. Gross property, plant and equipment refers to the amount before deducting accumulated depreciation.

Note 6: The Company, as a securities issuer, is required to classify operating costs and expenses between fixed and variable portions; any estimate or subjective judgment used in the classification needs to be reasonable and consistent.

Note 7: For companies that issue shares without face value or at any face value other than NT\$10 per share, all above percentages that involve paid-up capital in the denominator shall be substituted with equity attributable to parent company shareholders instead.

III. Supervisor's review of the latest financial reports

Chenming Mold Ind. Corp. Supervisors' Review Report

This is to certify that

The 2017 financial statements presented by the Board of Directors have been audited by CPA Daisy Kuo and CPA Michelle Wang of KPMG. These financial statements were submitted for review by us, the Supervisors, along with the Company's business report and earnings appropriation plan. We found the abovementioned reports to be compliant with the Company Act and relevant regulations, and hereby issue this declaration in accordance with Article 219 of the Company Act.

To:

2018 Annual General Meeting

Supervisors: Lin Po-Hsiang

Lin Pei-Yu

March 16, 2018

IV. Latest financial statements and independent auditor's report

Independent Auditors' Report

To the Board of Directors of CHENMING MOLD IND. CORP:

Opinion

We have audited the financial statements of CHENMING MOLD IND. CORP("the Company"), which comprise the statement of financial position as of December 31, 2017 and 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the year ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

1. The share of profit (loss) of associates and joint ventures accounted for using equity method - Subsidiary's Inventory valuation

Please refer to Note (4)(h) the share of profit (loss) of associates and joint ventures accounted for using equity method - subsidiary's inventory valuation, Note (5) for subsidiary's inventories and accounting estimate of inventory valuation, and Note (6)(e) for information regarding the share of profit (loss) of associates and joint ventures accounted for using equity method - subsidiary's inventory valuation.

Description of key audit matters:

Due to the impact of product life cycle and customized design in electronics industry, the price variability for the inventories of the Company are expected to change. Therefore, the test of the share of profit (loss) of associates and joint ventures accounted for using equity method - subsidiary's inventory valuation is one of the significant evaluation in our audit procedures.

Audit Procedure:

Our principal audit procedure included: testing the related controls of subsidiary's production cycle and assessing the allowance for loss due to price decline, as well as obsolete and slow moving inventories, to determine whether they are in compliance with the Company's accounting policies; inspecting the inventory aging statement; analyzing the subsequent sales status, and assessing the adopted net realizable value basis for obsolete inventories to verify the rationality of assessment on allowance estimated by the management authority of the Company.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of 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 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 Hsin-Fu Yen and Kuan-Ying Kuo.

KPMG
Taipei, Taiwan (Republic of China)
March 16, 2018

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its 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 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 auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

CHENMING MOLD IND. CORP

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

	2017		2016	
	Amount	%	Amount	%
4000 Operating revenue (notes (6)(o) and (7))	\$ 2,808,551	100	2,740,828	100
5000 Operating costs (notes (6)(d) and (7))	2,461,515	88	2,426,157	89
Gross profit from operations	347,036	12	314,671	11
6000 Operating expenses (note (12)):				
6100 Selling expenses	34,990	1	47,594	2
6200 Administrative expenses	75,213	3	103,805	4
6300 Research and development expenses	21,465	-	40,737	1
	131,668	4	192,136	7
6900 Net operating income	215,368	8	122,535	4
7000 Non-operating income and expenses:				
7050 Finance costs, net	(5,257)	-	(7,052)	-
7100 Interest income	985	-	698	-
7110 Rent income (note (6)(j) and (7))	12,748	-	12,411	1
7190 Other income (note (7))	3,980	-	3,175	-
7230 Foreign exchange gains (losses), net (note (6)(q))	(58,313)	(2)	5,208	-
7590 Other expense and losses	153	-	(495)	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	77,394	3	103,607	4
	31,690	1	117,552	5
7900 Profit before tax	247,058	9	240,087	9
7950 Less: Tax expense (note (6)(l))	34,149	1	42,286	2
Profit	212,909	8	197,801	7
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans (note (6)(k))	(349)	-	(4,210)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss(note (6)(l))	59	-	193	-
	(290)	-	(4,017)	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statement	(1,118)	-	(29,978)	(1)
8380 Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(10,911)	-
8399 Income tax relating to items that will be reclassified(note (6)(l))	-	-	-	-
	(1,118)	-	(40,889)	(1)
8300 Other comprehensive income, net	(1,408)	-	(44,906)	(1)
Total comprehensive income	\$ 211,501	8	152,895	6
Basic net income per share (note (6)(n))	\$	1.25	\$	1.14
Diluted net income per share (note (6)(n))	\$	1.25	\$	1.13

(English Translation of and Report Originally Issued in Chinese)

CHENMING MOLD IND. CORP

Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other components of equity				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Treasury shares	Total equity
Balance at January 1, 2016	\$ 1,779,350	15,415	225,459	-	205,621	431,080	-	10,911	-	2,236,756
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	6,957	-	(6,957)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(53,381)	(53,381)	-	-	-	(53,381)
Profit for the year ended December 31, 2016	-	-	-	-	197,801	197,801	-	-	-	197,801
Other comprehensive income	-	-	-	-	(4,017)	(4,017)	(29,978)	(10,911)	-	(44,906)
Total comprehensive income	-	-	-	-	193,784	193,784	(29,978)	(10,911)	-	152,895
Purchase of treasury share	-	-	-	-	-	-	-	-	(117,651)	(117,651)
Retirement of treasury share	(80,000)	(693)	-	-	(36,958)	(36,958)	-	-	117,651	-
Balance at December 31, 2016	1,699,350	14,722	232,416	-	302,109	534,525	(29,978)	-	-	2,218,619
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	19,780	-	(19,780)	-	-	-	-	-
Special reserve appropriated	-	-	-	29,978	(29,978)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	(84,968)	-	-	-	(84,968)
Profit (loss) for the year ended December 31, 2017	-	-	-	-	212,909	212,909	-	-	-	212,909
Other comprehensive income	-	-	-	-	(290)	(290)	(1,118)	-	-	(1,408)
Total comprehensive income	-	-	-	-	212,619	212,619	(1,118)	-	-	211,501
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	37,763	-	-	-	-	-	-	-	37,763
Balance at December 31, 2017	\$ 1,699,350	52,485	252,196	29,978	380,002	662,176	(31,096)	-	-	2,382,915

Note : Employees' compensation amounting to \$1,500 and directors' compensation amounting to \$8,000, were recognized statements of comprehensive income for the year ended December 31, 2017 and 2016, respectively. ◦

(English Translation of Financial Statements and Report Originally Issued in Chinese)

CHENMING MOLD IND. CORP

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 247,058	240,087
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	8,325	9,798
Amortization expense	1,182	1,652
Interest expense	5,257	7,052
Interest income	(985)	(698)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(77,394)	(103,607)
Provision (reversal of provision) for bad debt expense	172	20,088
Total adjustments to reconcile profit (loss)	<u>(63,443)</u>	<u>(65,715)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(11,977)	(133,942)
Decrease (increase) in inventories	1,610	(120)
Decrease (increase) in other current assets	111	1,168
Changes in financial assets at fair value through profit or loss	-	2,004
Increase (decrease) in notes and accounts payable (including related parties)	33,382	354,855
Increase (decrease) in other payable and other current liabilities	529	23,964
Other	(4)	160
	<u>23,651</u>	<u>248,089</u>
Total adjustments	<u>(39,792)</u>	<u>182,374</u>
Cash flow from (used in) operation	207,266	422,461
Interest received	985	699
Income taxes paid	(26,486)	(40,981)
Net cash flows from (used in) operating activities	<u>181,765</u>	<u>382,179</u>
Cash flows from (used in) investing activities:		
Proceeds from capital reduction of investments accounted for using equity method	(149,117)	(31,760)
Acquisition of property, plant and equipment	(474)	(881)
Acquisition of intangible assets	(1,499)	(865)
Other	250	-
Net cash flows from (used in) investing activities	<u>(150,840)</u>	<u>(33,506)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	10,000	(10,000)
Increase in long-term loans	230,000	50,000
Decrease in long-term loans	(258,000)	(128,000)
Distribution in cash dividend	(84,968)	(53,381)
Payments to acquire treasury shares	-	(117,651)
Interest paid	(5,295)	(7,146)
Net cash flows from (used in) financing activities	<u>(108,263)</u>	<u>(266,178)</u>
Net increase (decrease) in cash and cash equivalents	(77,338)	82,495
Cash and cash equivalents at beginning of period	278,294	195,799
Cash and cash equivalents at end of period	<u>\$ 200,956</u>	<u>278,294</u>

(English Translation of Financial Statements and Report Originally Issued in Chinese)
CHENMING MOLD IND. CORP
Notes to the Financial Statements
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

CHENMING MOLD IND. 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 issuance by the board of directors on March 16, 2018.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

CHENMING MOLD IND. CORP

Notes to the Financial Statements

The Company assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

- 1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument

CHENMING MOLD IND. CORP

Notes to the Financial Statements

as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Company does not believe that the new classification requirement will have a material impact on its accounting for trade receivables.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Company assessed that the initial application of IFRS 9 would not have any material impact on the financial statements.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company’s assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

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Notes to the Financial Statements

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The new hedge accounting requirements should generally be applied prospectively. However, the Company has decided to apply the accounting for the forward element of forward contracts retrospectively.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Company assess that the timing that significant risks and rewards of the ownership transfer to the customers and the timing that control of the goods transfer to the customer are similar, therefore, the Company expect that there is no significant impact for the transactions.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

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Notes to the Financial Statements

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to The Company are set out below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> ·For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. ·A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

CHENMING MOLD IND. CORP

Notes to the Financial Statements

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	<p>·In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.</p> <p>·If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.</p>

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

(4) Summary of significant accounting policies:

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

The financial statements have been translated into English. The translated information is consistent with the Chinese language financial statements from which it is derived.

(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.

CHENMING MOLD IND. CORP

Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
- 2) The defined benefit asset (liability) is recognized as the fair value of plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of each Company entities is determined based on the primary economic environment in which the entities operate. The Company 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 to the respective functional currencies of the entities at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the translation differences of the following, which are recognized in other comprehensive income:

- 1) Available-for-sale financial asset;
- 2) Hedge of a net investment in a foreign operation; and Qualified cash flow hedge.

CHENMING MOLD IND. 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 to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

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 any 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 interest. When the Company disposes of only part of investment in an associate or joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

An entity shall classify an asset as current when:

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds 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.

An entity shall classify all other assets 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 holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an 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.

An entity shall classify all other liabilities as non-current.

CHENMING MOLD IND. 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

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

CHENMING MOLD IND. CORP

Notes to the Financial Statements

3) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. When Available-for sale financial assets occur impairment, the primitive other comprehensive income's accumulate profit and loss will reclassify into income.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

CHENMING MOLD IND. CORP

Notes to the Financial Statements

Impairment losses and recoveries are recognized in profit or loss. Recovery and loss on doubtful debts of account receivables is included in operating expense, others are included in non-operating income and expense.

4) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in profit or loss and it is included in non-operating income and expenses.

The Company separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in non-operating income or expenses.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing. Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income or expenses.

The amount of changes which generated by credit risk should recognized in other comprehensive income except for avoiding inappropriate accounting assignment, if the financial liability is classified in this category.

CHENMING MOLD IND. CORP

Notes to the Financial Statements

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than insignificant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expense.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in non-operating income and expenses.

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(g) Inventories

Inventories' primitive cost are the necessity of costs that make the inventories arrive to the sale or produce-situation. The fix manufacture cost is allocate by the finished good and the work in process, only when the differences between the actual production and the normal capacity of production are small could use actual production to allocate; Variable production overheads allocation is based on the actual production. Inventories are measured at the lower of cost and net realizable value and compare by individual; net realizable value is based on the deduction of estimate selling price and the selling cost.

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Notes to the Financial Statements

(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, for 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. The depreciation is computed along with the depreciable amount. The method, the useful life and the residual amount are the same with those of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Cost also includes foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expense.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from internal use to investment use.

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Notes to the Financial Statements

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings: 11 ~ 51 years
- 2) Machinery: 6 years
- 3) Other equipment: 3 ~11 years
- 4) Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(k) Lease

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

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Notes to the Financial Statements

(l) Intangible assets

(i) Research & Development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- 2) Its intention to complete the intangible asset and use or sell it.
- 3) Its ability to use or sell the intangible asset.
- 4) How the intangible asset will generate probable future economic benefits.
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) 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.

(iv) Amortization

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization 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 of computer software is 1~3 years.

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The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(m) Impairment – non-derivative financial assets

Non-derivative financial assets except for inventories, deferred tax assets and assets arising from employee benefits are assessed at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less, costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

(n) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

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Notes to the Financial Statements

(o) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Rent Revenue

The rent from investment property is recognize by the straight-line method during the lease period, the rent incentive is part of the whole lease revenue and the recognition of the straight-line method is the reduction of rent revenue. The profit from the rent of investment property is recognize on the rent revenue.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of the economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on the settlement of the plan liabilities.

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When the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

The Company recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and the change in the present value of the defined benefit obligation.

(iii) Termination benefits

The benefits from the Company terminate the employees' hiring contract before normal retirement date or encourage employee to accept paid-off. When the Company already commit the formal terminated contract and ensure that plan is impossible to withdraw, termination benefits need to recognize the expense. When termination benefits have to pay after twelve months, it need to be discounted.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans 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) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

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Notes to the Financial Statements

(r) Income taxes

Income tax expenses include both 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 include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

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Notes to the Financial Statements

(s) Earnings (loss) per share

The Company discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on 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. Dilutive potential ordinary shares comprise employee bonuses not yet resolved by the shareholders and approved by the board of directors.

(t) 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 IFRSs 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.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

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

Besides, for those uncertainties due to accounting assumptions and estimations, information about the significant risk of resulting in a material adjustment within the next financial year is stated below:

The share of profit (loss) of associates and joint ventures accounted for using equity method-Subsidiary's Inventory valuation

Inventories are supposed to be measured based on the lower of cost or net realizable value. Due to the impact of product life cycle and customized design in electronics industry, which tends to devalue the inventories, the Company evaluates the costs of inventories using the net realizable value. Inventory valuation is based on the demand of the products during the specific period, therefore, the value of inventories may be variable due to the nature of fast-paced industry. Please refer to Note (6)(e) of the financial statement for the share of profit (loss) of associates and joint ventures accounted for using equity method-Subsidiary's Inventory valuation.

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Notes to the Financial Statements

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	\$ 50	50
Checking accounts and demand deposits	200,906	278,244
	\$ 200,956	278,294

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

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

	December 31, 2017	December 31, 2016
Financial liabilities at fair value through profit and loss		
Derivative instruments not used for hedging (recorded in other payables)	\$ -	153

(i) Derivative instruments not used for hedging

The Company uses derivative instruments to hedge foreign currency risk the Company is exposed to arising from its operating, activities. The Company held the following derivative instruments not designated as hedging instruments presented as held-for-trading financial assets as of December 31, 2016 (foreign currencies were expressed in thousands) :

	December 31, 2016		
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial liabilities			
Forward exchange contract:			
Forward exchange sold	USD600	USD to NTD	2017.1.16~2017.1.26

(ii) As of December 31, 2017 and 2016, the Company did not pledge financial instruments as collateral.

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Notes to the Financial Statements

(c) Notes and accounts receivable and other receivables

	December 31, 2017	December 31, 2016
Accounts receivable	\$ 779,675	767,723
Accounts receivable-related parties	25	-
	779,700	767,723
Less: allowance for uncollectible accounts	(21,028)	(20,855)
	\$ 758,672	746,868
Notes and account receivable, net	\$ 758,672	746,868

(i) The aging analysis of accounts receivable and other receivables which were past due but not impaired were as follows:

	December 31, 2017	December 31, 2016
Past due 0-30days	\$ 14,649	2,434
Past due 31-150 days	1,107	34
	\$ 15,756	2,468

Overseas client have been process the bankruptcy application on November, 2016, the management recorded the allowance in full and recognized \$20,669 thousands for the bad debt losses.

(ii) The changes of allowance for notes and accounts receivable and other receivables were as follow :

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2017	\$ 20,669	186	20,855
Impairment loss recognized	-	173	173
Balance on December 31, 2017	\$ 20,669	359	21,028
	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2016	\$ -	767	767
Impairment loss recognized	20,669	-	20,669
Reversal of impairment loss	-	(581)	(581)
Balance on December 31, 2016	\$ 20,669	186	20,855

Allowance doubtful debts is based on the historical payment behavior and the analysis of customer's credit rating. The Company believes that the doubtful debts past due over 30 Days still receivable. As of December 31, 2017 and 2016, the Company did not pledge account receivable as collateral.

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Notes to the Financial Statements

(d) Inventories

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Finished goods	\$ -	<u>1,610</u>

The Company Composition details of operating cost on December 31, 2017 and 2016 as follow:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cost of good sold	\$ <u>2,461,515</u>	<u>2,426,157</u>

As of December 31, 2017 and 2016, the Company did not provide 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:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Subsidiaries	\$ <u>1,902,981</u>	<u>1,639,825</u>

(i) Considering the future development strategy, in March 2016, the board of directors decided to purchase 42.7% shares of CHENMING ELECTRONIC (NINGBO). The Company increased its shareholding from 9% to 52% and acquired the controlling right of CHENMING ELECTRONIC (NINGBO). The Company invested the additional cash of \$31,760 (US\$1,000 thousand) in CITY INTERNATIONAL LIMITED in September 2016 to increase its capital.

(ii) On June 27, 2017, the board of directors decided to purchase 20% shares of CHEMING ELECTRONIC (NINGBO) amounting to \$127,764 (US\$4,200 Thousand). The Company further increased its shares in CHENMING ELECTRONIC (NINGBO) from 52% to 72%. The Company invested an additional cash of \$149,117 (US\$4,900 Thousand) in CITY INTERTIONAL LIMITED in 2017 to increase its capital.

(iii) As of December 31, 2017 and 2016, the company did not provide any investment accounted for using equity method as collateral.

(f) Property, Plant and Equipment

	<u>Land</u>	<u>Property</u>	<u>Machinery and Equipment</u>	<u>Office equipment and others</u>	<u>Total</u>
Cost					
Balance on January 1, 2017	\$ 210,897	162,976	-	21,618	395,491
Additions	-	-	-	474	474
Disposal	-	(28,147)	-	(2,533)	(30,680)
Balance on December 31, 2017	\$ <u>210,897</u>	<u>134,829</u>	-	<u>19,559</u>	<u>365,285</u>

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Notes to the Financial Statements

	Land	Property	Machinery and Equipment	Office equipment and others	Total
Balance on January 1, 2016	\$ 210,897	174,854	-	23,496	409,247
Additions	-	-	-	881	881
Disposal	-	(11,878)	-	(2,759)	(14,637)
Balance on December 31, 2016	<u>\$ 210,897</u>	<u>162,976</u>	<u>-</u>	<u>21,618</u>	<u>395,491</u>
Depreciation					
Balance on January 1, 2017	\$ -	55,595	-	18,350	73,945
Depreciation of the year	-	4,460	-	2,627	7,087
Disposal	-	(28,147)	-	(2,533)	(30,680)
Balance on December 31, 2017	<u>\$ -</u>	<u>31,908</u>	<u>-</u>	<u>18,444</u>	<u>50,352</u>
Balance on January 1, 2016	\$ -	62,060	-	17,962	80,022
Depreciation of the year	-	5,413	-	3,147	8,560
Disposal	-	(11,878)	-	(2,759)	(14,637)
Balance on December 31, 2016	<u>\$ -</u>	<u>55,595</u>	<u>-</u>	<u>18,350</u>	<u>73,945</u>
Book Value					
Balance on December 31, 2017	<u>\$ 210,897</u>	<u>102,921</u>	<u>-</u>	<u>1,115</u>	<u>314,933</u>
Balance on December 31, 2016	<u>\$ 210,897</u>	<u>107,381</u>	<u>-</u>	<u>3,268</u>	<u>321,546</u>

As of December 31, 2017 and 2016 the Company had provided parts of the property, plant and equipment at collateral for its long-term loans and credit lines. Please refer to notes 8 for details.

(g) Investment Property

	Land	Properties	Total
Cost			
Balance on January 1, 2017	<u>\$ 152,640</u>	<u>63,116</u>	<u>215,756</u>
Balance on January 1, 2016	<u>\$ 152,640</u>	<u>63,116</u>	<u>215,756</u>
Depreciation			
Balance on January 1, 2017	\$ -	14,407	14,407
Depreciation of the year	-	1,238	1,238
Balance on December 31, 2017	<u>\$ -</u>	<u>15,645</u>	<u>15,645</u>
Balance on January 1, 2016	\$ -	13,169	13,169
Depreciation of the year	-	1,238	1,238
Balance on December 31, 2016	<u>\$ -</u>	<u>14,407</u>	<u>14,407</u>
Book Value			
Balance on December 31, 2017	<u>\$ 152,640</u>	<u>47,471</u>	<u>200,111</u>
Balance on December 31, 2016	<u>\$ 152,640</u>	<u>48,709</u>	<u>201,349</u>
Fair Value			
Balance on December 31, 2017		<u>\$ 313,479</u>	
Balance on December 31, 2016		<u>\$ 397,962</u>	

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Notes to the Financial Statements

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

As of December 31, 2017 and 2016, the Company pledge investment properties as collateral.

Please refer to note 8 for details.

(h) Short-term loans

The short-term loans were summarized as follows:

	December 31, 2017	December 31, 2016
Credit Loan	\$ 150,000	140,000
Unused short-term credit lines	\$ 605,440	643,400
Annual interest rates	1.0%~1.4%	1.0%~1.5%

(i) The information of rate, foreign currency and liquidity risk exposure please refer to note 6 (q)

(i) Long-term loans

The long-term loans were summarized as follows:

December 31, 2017				
	Currency	Range of interest rates	Expiration	Amount
Secured bank loans	TWD	1.0%~1.5%	2020~2025	\$ 140,000
Unsecured bank loans	TWD	1.0%~1.5%	2020	70,000
Total				\$ 210,000
Current				\$ -
Non-current				210,000
Total				\$ 210,000
Unused long-term credit lines for long-term loans				\$ 270,000
December 31, 2016				
	Currency	Range of interest rates	Expiration	Amount
Secured bank loans	TWD	1.0%~2.0%	2018~2025	\$ 168,000
Unsecured bank loans		1.0%~1.7%	2017~2018	70,000
Total				\$ 238,000
Current				\$ -
Non-current				238,000
Total				\$ 238,000
Unused for long-term credit lines for long-term loans				\$ 270,000

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Notes to the Financial Statements

- (i) The main management are the guarantor of long-term loan, Please refer to note 7.
- (ii) The information of annual interest rate, and liquidity risk can refer to note 6(q).
- (iii) As of December 31, 2017 and 2016, the Company provided part of its assets as collateral for long-term loans. Please refer to note 8 for details.

(j) Operating lease

The Company as lessor

The Company lease out its investment property through operating lease. (see note 6 (g)). Non-cancellable operating lease rentals that were receivable were as follows:

	December 31, 2017	December 31, 2016
Less than one year	\$ 14,300	13,968
Between two and four years	35,825	50,336
	<u>\$ 50,125</u>	<u>64,304</u>

Rental income from investment properties was \$13,986 and \$13,649 in 2017 and 2016, respectively. Moreover, the related depreciation expense was \$1,238.

(k) Employee benefits

(i) Defined benefit plans

Reconciliation of the defined benefit obligations and the fair value of the plan assets of the Company were as follows:

	December 31, 2017	December 31, 2016
Present value of the defined benefit obligations	\$ 36,082	35,458
Fair value of plan assets	(60,782)	(60,192)
Recognized liabilities(assets) for defined benefit obligations	<u>\$ (24,700)</u>	<u>(24,734)</u>

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

1) Composition of plan assets

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

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Notes to the Financial Statements

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$60,782 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	2017	2016
Defined benefit obligations at January 1	\$ 35,458	31,278
Current service costs and interest	513	668
Remeasurement of net defined benefit liability (assets)	111	3,512
Defined benefit obligations at December 31	\$ 36,082	30,715

3) Movements of defined benefit plan assets

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

	2017	2016
Fair value of plan assets at January 1	\$ (60,192)	(59,769)
Expected return on plan assets	(828)	(1,121)
Remeasurement of net defined benefit liability (assets)	238	698
Fair value of plan assets at December 31	\$ (60,782)	(60,192)
Actual return on plan assets	\$ (590)	(423)

4) Expenses recognized in profit or loss

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

	2017	2016
Service cost	\$ 26	82
Interest cost	487	586
Expected rate of return on plan assets	(828)	(1,121)
	\$ (315)	(437)
Administration expense	\$ (315)	(453)

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

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Notes to the Financial Statements

The Company's remeasurement of net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Cumulative amount at January 1	\$ 5,344	1,134
Recognized during the period	349	4,210
Cumulative amount at December 31	\$ 5,693	5,344

6) Actuarial assumptions

a) The following are the Company's principal actuarial assumptions:

i) Present value of defined benefit obligations

	December 31, 2017	December 31, 2016
Discount rate as of December 31	1.750%	1.375%
Future salary increasing rate	1.00%	1.00%

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

The department of labor from Taipei City Government has approved the Company to suspend the contribution of pension in 2017 and 2016.

The expected allocation payment made by the Company to the defined benefit plans for the one year period after the reporting date was \$0.

The weighted-average duration of the defined benefit obligation is 17.36 years.

7) Sensitivity Analysis

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

	Influences of defined benefit obligation	
	Increased 0.25 %	Decreased 0.25 %
December 31, 2017		
Discount rate	\$ (1,319)	1,386
Future salary increasing rate	1,374	(1,313)
December 31, 2016		
Discount rate	(1,381)	1,450
Future salary increasing rate	1,435	(1,374)

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Notes to the Financial Statements

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for both periods.

(ii) 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 \$3,574 and \$4,100 for the years ended December 31, 2017 and 2016, respectively.

(l) Income taxes

(i) income tax expenses

1) The amount of income tax for 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Current tax expense		
Recognized during the period	\$ 33,367	24,442
10% surtax on unappropriated earnings	5,905	-
Adjustment to the prior period	390	1,588
	<u>39,662</u>	<u>26,030</u>
Deferred tax expense		
Recognition and reversal of temporary differences	(5,513)	14,464
Movement of unrecognized deductible temporary difference	-	1,792
	<u>(5,513)</u>	<u>16,256</u>
Income tax expense	<u>\$ 34,149</u>	<u>42,286</u>

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Notes to the Financial Statements

- 2) The amount of income tax recognized in other comprehensive income for 2017 and 2016 was as follows:

	2017	2016
Items that may not be reclassified subsequently to profit or loss		
Remeasurement of defined benefit plan	<u><u>\$ (59)</u></u>	<u><u>(193)</u></u>

- 3) Reconciliation of income tax and profit before tax for 2017 and 2016 is as follows:

	2017	2016
Profit excluding income tax	<u>\$ 247,058</u>	<u>240,087</u>
Income tax using the Company's domestic tax rate	42,000	40,815
Under (over) provision in prior periods	390	1,588
10% surtax on unappropriated earnings	5,905	-
Other	<u>(14,146)</u>	<u>(117)</u>
	<u><u>\$ 34,149</u></u>	<u><u>42,286</u></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, 2017 and 2016. 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:

	December 31, 2017	December 31, 2016
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	<u><u>\$ 8,562</u></u>	<u><u>(4,595)</u></u>

- 2) Unrecognized deferred tax assets

Details of unrecognized deferred tax assets as follow:

	December 31, 2017	December 31, 2016
Unrecognized temporary differences	<u><u>\$ -</u></u>	<u><u>1,792</u></u>

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

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Notes to the Financial Statements

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 were as follows:

	Defined benefit Plans	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2017	\$ 4,500	2,717	7,217
Recognized in (profit) or loss	113	(2,777)	(2,664)
Recognized in other comprehensive income	(59)	-	(59)
Balance on December 31, 2017	<u>\$ 4,554</u>	<u>(60)</u>	<u>4,494</u>
Balance on January 1, 2016	\$ 4,423	1,640	6,063
Recognized in (profit) or loss	270	1,077	1,347
Recognized in other comprehensive income	(193)	-	(193)
Balance on December 31, 2016	<u>\$ 4,500</u>	<u>2,717</u>	<u>7,217</u>
	Exchange differences on translation of foreign financial statements	Others	Total
Deferred tax assets:			
Balance on January 1, 2017	\$ -	1,248	1,248
Recognized in profit or (loss)	-	2,849	2,849
Balance on December 31, 2017	<u>\$ -</u>	<u>4,097</u>	<u>4,097</u>
Balance on January 1, 2016	\$ -	16,157	16,157
Recognized in profit or (loss)	-	(14,909)	(14,909)
Balance on December 31, 2016	<u>\$ -</u>	<u>1,248</u>	<u>1,248</u>

(iii) The Company's tax returns for the years through 2015 were examined and approved by the Taipei National Tax Administration.

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Notes to the Financial Statements

- (iv) Information related to the unappropriated earnings and tax deduction ratio was summarized below:

	December 31, 2017	December 31, 2016
Unappropriated earnings of 1998 and thereafter	Note	<u><u>\$ 302,109</u></u>
Balance of deductible tax account	Note	<u><u>\$ 67,497</u></u>
Creditable ratio for earnings distribution to ROC residents	Note	<u><u>2017 (estimated) 2016 (actual) 25.28%</u></u>

The above stated information was prepared in accordance with the information letter No.10204562810 announced by the Ministry of Finance of R.O.C. on October 17, 2013.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(m) Capital and other equities

(i) Ordinary shares

The Company's board of director decided to retire its treasury stock of 8,000 thousand shares on August 10, 2016. The effective date was August 11, 2016, and the registration process was completed.

As of December 31, 2017 and 2016, the authorized common stocks were \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which \$169,935 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2017 and 2016, were as follows:

	December 31, 2017	December 31, 2016
Additional paid-in capital	\$ 14,722	14,722
Difference between consideration and carrying amount of subsidiaries acquired or disposed	37,763	-
	<u><u>\$ 52,485</u></u>	<u><u>14,722</u></u>

The Company retire its treasury stock and reduced the capital surplus \$693 in 2016.

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Notes to the Financial Statements

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

(iii) Retained Earning

Based on the Company's articles of incorporation in June 17, 2016, 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 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.

The Company's industry is currently in a gentle growth phase. Consider long-term financial planning and funding demand, the company use balance and stable dividend strategy; After preserve enough accommodation fund, the remain earnings will be distributed by cans dividend. The amount of cash dividends should not be lower than 10% of the total 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

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

3) Earnings distribution

The appropriation of earnings for 2016 approved in the shareholders' meeting on June 16, 2017 was \$84,968 by cash dividends.

The appropriation of earnings for 2015 approved in the shareholders' meeting on June 17, 2016 was \$53,381 by cash dividends.

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Notes to the Financial Statements

(iv) Treasury stock

Pursuant to Article 28-2 of securities and Exchange Act, in order to maintain the Company's credit and stock owners equity, the Company purchased treasury stock.

Change in treasury share in 2016.

	2016	
	Share (thousands)	Amount
Balance on January 1	-	-
Additional	80,000	117,651
Retire treasury stock	(80,000)	(117,651)
Balance on December 31	-	-

Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. The shares that the company bought for transferring to employees should be transferred within three years, if not, the shares would become non-public shares and be written down. Furthermore, treasury shares can't be pledge as collateral and do not have the obligation of stock holders.

(n) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2017 and 2016 were calculated as follows:

	2017	2016
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ 212,909	197,801
Weighted-average number of ordinary shares (Shares in thousands)	169,935	173,858
Diluted earnings per share:		
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	\$ 212,909	197,801
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	169,935	173,858
Effect of employee stock remuneration	448	549
Weighted-average number of ordinary shares(after adjusted the influence of potential ordinary shares)	170,383	174,407

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Notes to the Financial Statements

(o) Revenue

	<u>2017</u>	<u>2016</u>
Computer and server case	\$ 1,536,068	1,478,032
Mobile components	1,225,055	1,114,656
Mold revenue	47,428	148,140
	<u>\$ 2,808,551</u>	<u>2,740,828</u>

(p) Employee bonuses, directors' and supervisor's remuneration

The Company's articles of incorporation, which were authorized by the board of directors but has yet to be determined by the stockholders, 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 Company who meet certain specific requirements.

For the year ended December 31, 2017 and 2016, the Company estimated its employee remuneration amounting to both \$8,000, and directors' and supervisors' remuneration amounting to both \$1,500 respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2017 and 2016. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex-dividend effect) on the day preceding the board of directors' meeting. The amounts, as stated in the financial statements, are identical to those of the actual distributions in 2017 and 2016.

(q) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration to credit risk

The major customers of the Company are centralized in the high-tech computer industry. As of December 31, 2017 and 2016, 48% and 49%, respectively, of account receivable were five major customers. Thus, credit risk is significantly centralized.

(ii) Liquidity Risk

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

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Notes to the Financial Statements

	<u>Amount</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2017				
Secured loans	\$ 140,000	-	72,000	68,000
Unsecured loans	220,000	150,000	70,000	-
Notes and accounts payable (including related parties)	564,636	564,636	-	-
Other payables	7,785	7,785	-	-
Guarantee deposits	3,810	3,810	-	-
	\$ 936,231	726,231	142,000	68,000
December 31, 2016				
Secured loans	\$ 168,000	-	72,000	96,000
Unsecured loans	210,000	140,000	70,000	-
Notes and accounts payable (including related parties)	531,254	531,254	-	-
Other payables	5,661	5,661	-	-
Guarantee deposits	3,810	3,810	-	-
Derivative financial liabilities				
Other forward exchange :	153			
Outflow	-	(19,350)	-	-
Inflow	-	19,181	-	-
	\$ 918,878	680,556	142,000	96,000

The Company is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2017</u>			<u>December 31, 2016</u>		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD to TWD	\$ 31,499	29.760	937,410	31,521	32.250	1,016,552
Financial liabilities						
Monetary items						
USD to TWD	99	29.760	2,946	132	32.250	4,257

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Notes to the Financial Statements

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, account receivable, and accounts payable, that are denominated in foreign currency.

A weakening (strengthening) 5% of appreciation (depreciation) of each major foreign currency against Company entities' functional currency as of December 31, 2017 and 2016 would have increased (decreased) the net profit after tax by \$46,723 and \$50,615, 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) as follow:

	2017		2016	
	Exchange profit(loss)	Average rate	Exchange profit(loss)	Average rate
TWD	\$ (58,313)	-	5,208	-

(iv) Interest Rate analysis

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

	Carrying amount	
	December 31, 2017	December 31, 2016
Variable rate instruments:		
Financial assets	\$ 200,906	278,244
Financial liabilities	360,000	378,000

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decrease by \$398 and \$249 for the years ended December 31, 2017 and 2016, respectively, which would be mainly resulted from the bank savings and loans with variable interest rates.

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Notes to the Financial Statements

(v) 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 for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required.

	December 31, 2017				
	Book value	Fair Value			Total
	Level 1	Level 2	Level 3		
Loans and receivables					
Cash and cash equivalents	\$ 200,956	-	-	-	-
Note and accounts receivable (including related parties)	758,672	-	-	-	-
Refundable deposits	<u>270</u>	-	-	-	-
	<u>\$ 959,898</u>				

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Notes to the Financial Statements

		December 31, 2017			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Financial liabilities at amortized cost through profit or loss					
Bank loans	\$ 360,000	-	-	-	-
Notes and account payables (including related parties)	564,636	-	-	-	-
Other payables	7,785	-	-	-	-
Guarantee deposits	3,810	-	-	-	-
	<u>\$ 936,231</u>				
		December 31, 2016			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	\$ 278,294	-	-	-	-
Note and accounts receivable (including related parties)	746,868	-	-	-	-
Refundable deposits	520	-	-	-	-
	<u>\$ 1,025,682</u>				
Financial liabilities at fair value through profit or loss:					
Derivative financial liabilities	\$ 153	-	153	-	153
Financial liabilities at amortized cost through profit or loss					
Bank loans	378,000	-	-	-	-
Notes and accounts payable (including related parties)	531,254	-	-	-	-
Other deposits payables	5,661	-	-	-	-
Refundable deposits	3,810	-	-	-	-
Total	<u>\$ 918,878</u>				

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

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

a) Held-to-maturity Financial Assets

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

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Notes to the Financial Statements

5) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade 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.

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

6) There were no transfers from one level to another in 2017 and 2016.

(r) Financial risk management

(i) Overview

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

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

The following likewise discusses the Company's objectives, policies and process for measuring and managing the above mentioned risk. For more disclosures about the quantitative effects of these risks exposures, 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.

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Notes to the Financial Statements

1) Accounts receivable 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. If necessary, the company will buy credit guarantee insurance contract.

2) Guarantees

As of December 31, 2017 and 2016, the Company do not offer any endorsement and guarantees.

(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(h) and note 6(i) for unused short-term and long-term bank facilities as of December 31, 2017 and 2016.

(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's entities, primarily the New Taiwan Dollars (TWD).

To avoid the fluctuation from foreign exchange, the Company use short-term loans and derivative (including forward exchange agreement) 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. Thus, the Company is exposed to interest rate risk.

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Notes to the Financial Statements

(s) 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-equity ratio in December 31, 2017 and 2016 as follow:

	December 31, 2017	December 31, 2016
Total liabilities	\$ 1,025,289	998,653
Total asset equity	3,408,204	3,217,272
Debt-to-equity ratio	30%	31%

As of December 31, 2017, the capital management method do not change.

(7) Related-party transactions:

(a) Names and relationship with related parties

Name of related party	Relationship with the Company
TOP CITY INTERNATIONAL LIMITED	Subsidiary of the Company
PEAK SHREWD INC	Subsidiary of the Company
GERSHWIN INTERNATIONAL LIMITED	Subsidiary of the Company
Dongguan Chenming Electronic Co., Ltd.	Subsidiary of the Company
Chenming Electronic (Ningbo) Co., Ltd.	Subsidiary of the Company
Chenming (H.K.) Co., Ltd.	Same chairman with the Company
UNEEC Culture Education Foundation	Same chairman with the Company
Mu-Ho, Lin	Chairman of the Company

(b) Significant transactions with relative parties

(i) Selling products to related parties

	2017	2016
Subsidiaries	\$ 70	93
Other related parties	-	7
	\$ 70	100

There were no significant differences in the collection periods and sale prices between the related parties and other customers, and payment term was 60 days.

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- (ii) The amounts of significant purchases by the Company from related parties were as follows:

	2017	2016
Subsidiary:	\$ 2,445,773	2,412,868
Dongguan Chenming Electronic Co., Ltd.		
Subsidiary:		
Others	328	-
	\$ 2,446,101	2,412,868

The Company purchases certain products manufactured by its related parties. The purchase prices for related parties are similar to those of the third-party vendors, and the collection period for related parties is 60 days and payment according to subsidiaries's financial needs.

- (iii) The receivables from related parties were as follows:

		December 31, 2017	December 31, 2016
<u>Account</u>	<u>Related party categories</u>		
Accounts receivable	Subsidiaries	\$ 25	26

- (iv) The amounts of payable to related parties were as follows:

		December 31, 2017	December 31, 2016
<u>Account</u>	<u>Related party categories</u>		
Accounts payable	Subsidiaries:		
	Dongguan Chenming Electronic Co., Ltd.	\$ 554,040	522,051

- (v) Lease

The Company rented out parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. Rental income for both 2017 and 2016 amounted to \$3,429.

- (vi) Other

The Company dispatched its employees to its subsidiaries for providing management services. As of December 31, 2017 and 2016, the relative revenue amounted to \$3,043 and \$2,981, respectively, which was recognized in other income.

- (c) Key management personnel compensation

- (i) Key management personnel compensation comprised:

	2017	2016
Short-term employee benefits	\$ 5,103	8,593
Post-employment benefits	286	216
	\$ 5,389	8,809

CHENMING MOLD IND. CORP

Notes to the Financial Statements

(ii) Guarantee

The main management are guarantor of the syndication contract, and the amount of syndication are \$210,000 and \$238,000 in December 31, 2017 and 2016.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Object</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
PPE and investment properties- land	Long-term loans	\$ 347,804	347,804
— properties	Long-term loans	142,457	146,032
		<u>\$ 490,261</u>	<u>493,836</u>

(9) Commitments and contingencies:None

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

(a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function By item	2017			2016		
	Cost of sales	Operatin g expenses	Total	Cost of sales	Operatin g expenses	Total
Employee benefits						
Salary	-	73,047	73,047	-	107,714	107,714
Labor and health insurance	-	6,143	6,143	-	6,683	6,683
Pension	-	3,259	3,259	-	3,647	3,647
Others	-	4,108	4,108	-	3,488	3,488
Depreciation	-	7,087	7,087	-	8,560	8,560
Amortization	-	1,182	1,182	-	1,652	1,652

Note: The depreciation expense, which subtract the depreciation expense from investment properties, are both \$1,238 in 2017 and 2016, and recognized in the subtraction of rent revenue.

(b) The Company had 73 and 90 employees as of December 31, 2017 and 2016, respectively.

CHENMING MOLD IND. CORP

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 1)
													Item	Value		
1	CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Accounts receivable due from related parties	Yes	178,560	178,560	119,040	1.63417% 2.01778%	Demand for funding	-	Depending on demand for funding	-	-	-	1,902,981 (note 1)	1,902,981 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	"	68,475	68,475	-	4.1%	"	-	"	-	-	-	85,969 (note 2)	85,969 (note 2)

Note 1 : The total amount of the guarantee provided by the Lender Company shall not exceed hundred percent (100%) of the Lender Company's net worth
 Note2: The total amount of the guarantee provided by the Lender Company shall not exceed ten percent (10%) of the Lender Company's net worth

- (ii) Guarantees and endorsements for other parties:None
- (iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 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/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	2,445,773	99 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(554,040)	(98) %	
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,445,773)	74 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	554,040	99 %	

CHENMING MOLD IND. CORP

Notes to the Financial Statements

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 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	554,040	4.55	-		526,518	-	

Note 1: The recovered amount were as of March 1, 2018.

- (ix) Trading in derivative instruments: None

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2017 (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, 2017			Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	1,883,713	1,696,833	57,048	100%	1,902,981	77,394	77,394	Subsidiaries
	TOP CITY GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100%	1,207,977	21,822	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	Subsidiaries
"	PEAK SHREWD INC	Samoa	Investment	519,536	332,655	14,900	100%	570,091	53,598	"	"

- (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 New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investment	Percentage of ownership	Investment income (losses)	Carrying amount as of December 31, 2017 (note 3)	Accumulated remittance of earnings as of December 31, 2016
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,919,520 (USD64,500)	note 1 and 7	297,600 (USD10,000)	145,824 (USD4,900) (note 6)	-	443,424 (USD4,900)	75,951	72%	42,941	618,975	-
Dongguan Chenming Electronic Co., Ltd	"	862,385 (note 4) (USD28,978) (note 5)	note 1 and 8	741,024 (USD24,900)	-	-	741,024 (USD24,900)	53,624	100%	53,624	854,421	-

CHENMING MOLD IND. CORP

Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	1,321,344 (USD 37,900)	1,321,344 (USD 40,200)	-

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 audited and certified by the Company's independent external auditors.

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$29.76 as of December 31, 2017; gains and losses were translated into New Taiwan Dollars at the average exchange rate of \$30.4315 for the year.

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

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

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

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

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

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

(iii) Significant transactions:

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

(14) Segment information:

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

CHENMING MOLD IND. CORP
STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2017 and 2016

(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	21,773
	Foreign currency (US\$5,473 ; JPY\$832 ; RMB\$3,509)	<u>179,133</u>
		<u>\$ 200,956</u>

Note : The exchange rate is 29.76 New Taiwan dollars for 1 U.S. dollar ; 0.2642 New Taiwan dollars for 1 JPY ; 4.565 New Taiwan dollars for 1 RMB.

**STATEMENTS OF ACCOUNTS
RECEIVABLES**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accounts Receivable :		
Related party :		
Other (Note)	Related party operating income	\$ 25
Non-Related party :		
A Company	Non-Related party operating income	55,962
B Company	"	90,855
C Company	"	43,007
D Company	"	77,176
E Company	"	81,350
F Company	"	42,204
G Company	"	40,796
H Company	"	71,235
J Company	"	49,559
Other (Note)	"	<u>227,531</u>
Total		779,675
Less : Allowance for Bad Debts		<u>(21,028)</u>
Accounts Receivable, net		<u>\$ 758,672</u>

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

CHENMING MOLD IND. CORP
STATEMENTS OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

December 31, 2017 and 2016

(Expressed in thousands of New Taiwan Dollars)

Investe Company	Beginning Balance		Additions (Note1)		Disposals (Note2)		Investment income	Cumulative translation adjustmant	Number of shares	Ending Balance		Market price or net value	Clooaterals or Pledged assets
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount				Percentage of Ownership	Amount		
TOP CITY INTERNAT IONAL LIMITED	52,148	<u>\$ 1,639,825</u>	4,900	<u>186,880</u>	-	<u>-</u>	<u>77,394</u>	<u>(1,118)</u>	57,048	100%	<u>1,902,981</u>	<u>1,902,981</u>	None

Note1: The Company invested the additional cash of \$149,117 thousands in subsidiaries and the difference between consideration and carrying amount of subsidiaries acquired or disposed amounted to \$37,763 thousands.

CHENMING MOLD IND. CORP
STATEMENTS OF PROPERTY, PLANT AND EQUIPMENT
December 31, 2017 and 2016
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(f) ◦

**STATEMENTS OF INVESTI
PROPERTY**

Please refer to Note 6(g) ◦

STATEMENTS OF SHORT-TERM LOANS
December 31, 2017 and 2016
(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>Cloaterals or Pledged assets</u>
Mega International Commercial Bank Co.,Ltd	Credit Loans	\$ 80,000	2017.8.18 ~2018.8.17	Please refer to Note 6(h)	USD13,000	None
Hua Nan Commercial Bank	Credit Loans	<u>70,000</u>	2017.12.8 ~ 2018.12.8	Please refer to Note 6(h)	NTD70,000	None
		<u>\$ 150,000</u>				

CHENMING MOLD IND. CORP

STATEMENTS OF LONG-TERM LOANS

December 31, 2017 and 2016

(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	\$ -	80,000	Please refer to Note 6(i)	2005.11~ 2020.11	Land 、PPE and investment properties
Hua Nan Commercial Bank	Secured loans	-	60,000	Please refer to Note 6(i)	2005.11~ 2025.11	Land 、PPE and investment properties
Hua Nan Commercial Bank	Credit Loans	-	70,000	Please refer to Note 6(i)	2017.12~ 2020.5	None
		<u>\$ -</u>	<u>210,000</u>			

STATEMENTS OF ACCOUNTS PAYABLE

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Notes and Accounts payable :		
Dongguan Chenming Electronic Co., Ltd	Related party operating income	\$ 554,040
Other (Note)	Non-Related party operating income	<u>10,596</u>
		<u>\$ 564,636</u>

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

CHENMING MOLD IND. CORP
STATEMENTS OF OPERATING REVENUES
For the year ended December 31, 2017
(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	1,301	\$ 1,539,182
Mobile components	292,050	1,248,252
Less : Sales discount		<u>(26,311)</u>
		2,761,123
Mold revenue		<u>47,428</u>
Net sales revenue		<u>\$ 2,808,551</u>

STATEMENTS OF OPERATING COSTS

<u>Item</u>	<u>Amount</u>
Raw materials, Balance, beginning of year	\$ -
Gains : Raw material purchased	14,132
Less : Raw materials, end of year	<u>-</u>
Raw materials used	14,132
Gains : Work-in-Process, beginning of year	-
Less : Work-in-Process, end of year	<u>-</u>
Cost of finished goods	14,132
Gains : Finished goods, beginning of year	1,610
Finished goods purchased	2,445,773
Income from Sale of Scrap	<u>-</u>
Total	<u>\$ 2,461,515</u>

CHENMING MOLD IND. CORP

STATEMENTS OF OPERATING INCOME

For the year ended December 31, 2017

(Expressed in thousands of New Taiwan Dollars)

Item	Marketing expenses	Management expenses	Research development expenses
Payroll expense	\$ 20,691	38,837	13,519
Travel expenses	4,413	999	2,007
Insurance expenses	2,561	4,183	1,360
Depreciation expenses	1,551	4,070	1,466
Entertainment expense	1,841	1,577	17
Professional service fees	-	7,722	-
Safety and health expenses	-	4,101	-
Other (Note)	3,933	13,724	3,096
Total	\$ 34,990	75,213	21,465

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

V. Latest audited standalone financial statements

Independent Auditors' Report

To the Board of Directors of CHENMING MOLD IND. CORP:

Opinion

We have audited the consolidated financial statements of CHENMING MOLD IND. CORP (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017 and 2016 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Inventory valuation

Please refer to Note (4)(h) for inventories, Note (5) for accounting estimate of inventory valuation, and Note (6)(d) for information regarding the inventory and related expenses of the consolidated financial statements.

Description of key audit matters:

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

Our principal audit procedure included: testing the related controls of production cycle and assessing the allowance for loss due to price decline, as well as obsolete and slow moving inventories to determine whether they are in compliance with the Company's accounting policies; inspecting the inventory aging statement; analyzing the subsequent sales status, and assessing the adopted net realizable value basis for obsolete inventories to verify the rationality of assessment on allowance estimated by the management authority of the Group.

Other Matter

CHENMING MOLD IND. CORP. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit.

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

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 16, 2018

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in, New Taiwan Dollars)

		December 31, 2017		December 31, 2016				December 31, 2017		December 31, 2016	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$ 533,887	12	604,885	15	2100	Short-term loans (note (6)(h))	\$ 150,000	3	140,000	4
1170	Notes and Accounts receivable, net (note (6)(c))	1,464,769	32	1,159,060	28	2170	Notes and Accounts payable	1,196,776	26	809,110	19
1310	Inventories, net (note (6)(d))	774,879	17	629,934	15	2200	Other payables (notes (6)(b) and (7))	259,078	6	266,086	7
1476	Other current financial assets (notes 6(c))	13,709	-	13,693	-	2220	Other payables-related parties (note (6)(e))	47,616	1	74,175	2
1479	Other current assets	88,895	2	50,665	1	2230	Current tax liabilities (note (6)(l))	26,939	1	13,763	-
		<u>2,876,139</u>	<u>63</u>	<u>2,458,237</u>	<u>59</u>	2300	Other current liabilities	16,119	-	13,011	-
								<u>1,696,528</u>	<u>37</u>	<u>1,316,145</u>	<u>32</u>
Non-current assets:						Non-Current liabilities:					
1600	Property, plant and equipment (notes 6(f) and (8))	1,128,528	25	1,180,980	28	2540	Long-term loans (note (6)(i))	210,000	5	238,000	6
1760	Investment property, net (notes 6(g) and (8))	200,111	5	201,349	5	2570	Deferred tax liabilities (note (6)(l))	4,494	-	7,217	-
1780	Intangible assets	3,617	-	3,555	-	2645	Guarantee deposits	5,732	-	9,552	-
1840	Deferred tax assets (note (6)(l))	4,097	-	1,248	-			<u>220,226</u>	<u>5</u>	<u>254,769</u>	<u>6</u>
1980	Other non-current financial assets (note (8))	18,652	-	15,455	-		Total liabilities	<u>1,916,754</u>	<u>42</u>	<u>1,570,914</u>	<u>38</u>
1985	Long-term prepaid rents (note (6)(j))	258,973	6	270,009	7		Equity attributable to owners of parent:				
1990	Other non-current assets (note (6)(k))	50,265	1	38,662	1	3100	Ordinary shares (note (6)(m))	1,699,350	37	1,699,350	41
		<u>1,664,243</u>	<u>37</u>	<u>1,711,258</u>	<u>41</u>	3200	Capital surplus (note (6)(m))	52,485	1	14,722	-
						3300	Retained earnings (note (6)(m))	662,176	15	534,525	13
						3410	Exchange differences on translation of foreign financial statements	(31,096)	-	(29,978)	(1)
							Total equity attributable to owners of parent:	<u>2,382,915</u>	<u>53</u>	<u>2,218,619</u>	<u>53</u>
						36XX	Non-controlling interests	240,713	5	379,962	9
							Total equity	<u>2,623,628</u>	<u>58</u>	<u>2,598,581</u>	<u>62</u>
Total assets		<u>\$ 4,540,382</u>	<u>100</u>	<u>4,169,495</u>	<u>100</u>		Total liabilities and equity	<u>\$ 4,540,382</u>	<u>100</u>	<u>4,169,495</u>	<u>100</u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2017		2016	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(o) and (7))	\$ 4,840,129	100	4,274,785	100
5000 Operating costs (notes (6)(d), (7), and (12))	4,178,209	86	3,666,741	86
5900 Gross profit from operations	661,920	14	608,044	14
6000 Operating expenses (note (12)):				
6100 Selling expenses	118,210	2	117,575	3
6200 Administrative expenses	188,615	4	188,516	4
6300 Research and development expenses	34,036	1	40,737	1
	340,861	7	346,828	8
6900 Net operating income	321,059	7	261,216	6
7000 Non-operating income and expenses:				
7050 Finance costs, net	(5,295)	-	(7,052)	-
7100 Interest income	1,763	-	1,305	-
7110 Rent revenue (note (6)(j),(7))	14,116	-	12,865	-
7190 Other income	19,977	-	9,339	-
7230 Foreign exchange gains (losses), net (note (6)(q))	(67,540)	(1)	32,677	1
7590 Other expense and losses	(4,013)	-	(12,011)	-
	(40,992)	(1)	37,123	1
7900 Profit before tax	280,067	6	298,339	7
7950 Less: Income tax expenses (note (6)(l))	34,149	1	42,286	1
	245,918	5	256,053	6
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans (note (6)(k))	(349)	-	(4,210)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(l))	59	-	193	-
	(290)	-	(4,017)	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statement	(7,849)	-	(57,650)	(1)
8362 Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(10,911)	-
8399 Income tax relating to items that will be reclassified	-	-	-	-
	(7,849)	-	(68,561)	(1)
8300 Other comprehensive income	(8,139)	-	(72,578)	(1)
Comprehensive income	\$ 237,779	5	183,475	5
Profit belongs to :				
Parent entity	\$ 212,909	4	197,801	5
Non-controlling interests	33,009	1	58,252	1
	\$ 245,918	5	256,053	6
Other comprehensive income belongs to:				
Parent entity	\$ 211,501	4	152,895	4
Non-controlling interests	26,278	1	30,580	1
	\$ 237,779	5	183,475	5
Basic net income per share (note (6)(n))	\$ 1.25		1.14	
Diluted net income per share (note (6)(n))	\$ 1.25		1.13	

(English Translation of Consolidated and Report Originally Issued in Chinese)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent					Other components of equity			Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Retained earnings					Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total equity				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings							
Balance at January 1, 2016	\$ 1,779,350	15,415	225,459	-	205,621	431,080	-	10,911	-	2,236,756	-	2,236,756
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	6,957	-	(6,957)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(53,381)	(53,381)	-	-	-	(53,381)	-	(53,381)
Profit for the year ended December 31, 2016	-	-	-	-	197,801	197,801	-	-	-	197,801	58,252	256,053
Other comprehensive income	-	-	-	-	(4,017)	(4,017)	(29,978)	(10,911)	-	(44,906)	(27,672)	(72,578)
Total comprehensive income	-	-	-	-	193,784	193,784	(29,978)	(10,911)	-	152,895	30,580	183,475
Purchase of treasury share	-	-	-	-	-	-	-	-	(117,651)	(117,651)	-	(117,651)
Retirement of treasury share	(80,000)	(693)	-	-	(36,958)	(36,958)	-	-	117,651	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	349,382	349,382
Balance at December 31, 2016	1,699,350	14,722	232,416	-	302,109	534,525	(29,978)	-	-	2,218,619	379,962	2,598,581
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	19,780	-	(19,780)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	29,978	(29,978)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	(84,968)	-	-	-	(84,968)	-	(84,968)
Profit for the year ended December 31, 2017	-	-	-	-	212,909	212,909	-	-	-	212,909	33,009	245,918
Other comprehensive income	-	-	-	-	(290)	(290)	(1,118)	-	-	(1,408)	(6,731)	(8,139)
Total comprehensive income	-	-	-	-	212,619	212,619	(1,118)	-	-	211,501	26,278	237,779
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	37,763	-	-	-	-	-	-	-	37,763	-	37,763
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(165,527)	(165,527)
Balance at December 31, 2017	\$ 1,699,350	52,485	252,196	29,978	380,002	662,176	(31,096)	-	-	2,382,915	240,713	2,623,628

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 280,067	298,339
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	206,639	265,020
Amortization expense	2,438	2,389
Provision (reversal of provision) for bad debt expense	(3,738)	696
Interest expense	5,295	7,052
Interest income	(1,763)	(1,305)
Loss on disposal property, plan and equipment, net	4,028	5,240
Other	10,880	11,402
	<u>223,779</u>	<u>290,494</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or losses	-	1,889
Decrease (increase) in notes and accounts receivable	(301,864)	84,954
Decrease (increase) in inventories	(144,945)	(45,792)
Decrease (increase) in other current assets	(38,230)	33,734
Decrease (increase) in other current financial assets	(16)	(10,068)
Increase (decrease) in notes and accounts payable (including related parties)	387,666	137,458
Increase (decrease) in other payable other current liabilities	(411)	(18,666)
	<u>(97,800)</u>	<u>183,509</u>
Total adjustments	<u>125,979</u>	<u>474,003</u>
Cash flows from (used in) operation	406,046	772,342
Interest received	1,763	1,317
Income taxes paid	(26,486)	(40,981)
Net cash flows from (used in) operating activities	<u>381,323</u>	<u>732,678</u>
Cash flows from (used in) investing activities:		
Acquisition of subsidiary (reduce acquired cash)	(74,175)	35,762
Acquisition of property, plant and equipment	(149,176)	(177,584)
Proceeds from disposal of property, plant and equipment	-	3,632
Acquisition of intangible assets	(2,503)	(3,828)
Decrease (increase) in prepayments for business facilities	(25,678)	(13,927)
Decrease (increase) in refundable deposit	(3,197)	(9,316)
Net cash flows from (used in) investing activities	<u>(254,729)</u>	<u>(165,261)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	10,000	(10,000)
Increase in long-term loans	230,000	50,000
Decrease in long-term loans	(258,000)	(128,000)
Distribution in cash dividend	(84,968)	(53,381)
Acquisition of non-controlling interests	(80,148)	-
Payments to acquire treasury shares	-	(117,651)
Interest paid	(5,333)	(7,146)
Increase (decrease) in guarantee deposit	(3,820)	190
Net cash flows from (used in) financing activities	<u>(192,269)</u>	<u>(265,988)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(5,323)</u>	<u>(29,822)</u>
Net increase (decrease) in cash and cash equivalents	(70,998)	271,607
Cash and cash equivalents at beginning of period	604,885	333,278
Cash and cash equivalents at end of period	<u>\$ 533,887</u>	<u>604,885</u>

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

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

(1) Company history

CHENMING MOLD IND. CORP (the “Company”) was incorporated on June 1976. The business activities of the “Company are the production of computer case, the manufacture and the development of mobile devices.

The consolidated financial statements of the Company as of and for the years ended December 31, 2017 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). Please refer to note (4) (c) ii. for related information of the Group primarily business activities.

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

These consolidated financial statements were authorized for issuance by the board of directors on March 16, 2018.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " Presentation of Financial Statements-Disclosure Initiative	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

- (i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group assessed that the initial application of IFRS 9 would not have any material impact on the consolidated financial statements.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

·The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.

·The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group assess that the timing that significant risks and rewards of the ownership transfer to the customers and the timing that the control of the goods transfer to the customers are similar, therefore, the Group expect that there is no significant impact for the transactions.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

Those which may be relevant to The Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> ·For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. ·A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	<ul style="list-style-type: none"> ·In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. ·If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(4) Summary of significant accounting policies:

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

The financial statements have been translated into English. The translated information is consistent with the Chinese language financial statements from which it is derived.

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and IFRSs endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss (including derivative financial instruments);
- 2) The defined benefit asset (liability) is recognized as the fair value of plan assets less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2017	December 31, 2016	
The Company	TOP CITY INTERNATIONAL LIMITED	Investment	100%	100%	
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC.	Investment	100%	100%	
"	GERSHWIN INTERNATIONAL LIMITED	Investment	100%	100%	
GERSHWIN INTERNATIONAL LIMITED	Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	100%	100%	
PEAK SHREWD INC.	CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	72%	52%	Note

Note: Since the Company acquired 52% interests of CHENMING (Ningbo) in April 2016, the related information is required to be disclosed in its consolidated financial statements commencing on the date of its acquisition. Another 20% interests was acquired in July 2017, and the ratio of the shareholding increased from 52% to 72%.

- (d) Foreign currencies

- (i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the translation differences of the following, which are recognized in other comprehensive income:

- 1) Available-for-sale financial asset;
- 2) Hedge of a net investment in a foreign operation; and Qualified cash flow hedge.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

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

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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

An entity shall classify an asset as current when:

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds 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.

An entity shall classify all other assets 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 holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It 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.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

An entity shall classify all other liabilities as non-current.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(g) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

(i) Financial assets

The Group classifies financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held-for-trading or is designated as such on initial recognition. Financial assets are classified as held-for-trading if they are acquired principally for the purpose of selling in the short term.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and are included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and investment in debt security with no active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

Interest income is recognized in profit or loss, and it is included in non-operating income and expenses.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

The objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. When Available-for sale financial assets occur impairment, the primitive other comprehensive income's accumulate profit and loss will reclassify into income.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount, except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

Impairment losses and recoveries are recognized in profit or loss. Recovery and loss on doubtful debts of account receivables is included in operating expense, others are included in non-operating income and expense.

4) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in profit or loss and it is included in non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in non-operating income or expenses.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less, the direct cost of issuing. Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses. On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income or expenses.

The amount of changes which generated by credit risk should recognized in other comprehensive income except for avoiding inappropriate accounting assignment, if the financial liability is classified in this category.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method other than insignificant interest on short-term loans and payables. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in non-operating income or expense.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or expires. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in non-operating income and expenses.

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(h) Inventories

Inventories' primitive cost are the necessity of costs that make the inventories arrive to the sale or produce-situation. The fix manufacture cost is allocate by the finished good and the work in process, only when the differences between the actual production and the normal capacity of production are small could use actual production to allocate; Variable production overheads allocation is based on the actual production. Inventories are measured at the lower of cost and net realizable value and compare by individual; net realizable value is based on the deduction of estimate selling price and the selling cost.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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, for 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. The depreciation is computed along with the depreciable amount. The method, the useful life and the residual amount are the same with those of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of a property changes such that it is reclassified as property, plant and equipment, the carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less, accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. Cost also includes foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other profit and losses.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from internal use to investment use.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and it shall be allocated on a systematic basis over its useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings: 4 ~ 51 years
- 2) Machinery: 1 ~6 years
- 3) Other equipment: 1 ~11 years
- 4) Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

(k) Lease

(i) The Group as lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) The Group as lessee

Operating leases are not recognized in the Group's balance sheet.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Long-term prepaid rents of land leasehold rights (accounted for under other non-current assets) are recognized periodically as rent expenses based on the shorter of the lease term and the statutory period on a straight-line basis.

(l) Intangible assets

(i) Research & Development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

- 1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- 2) Its intention to complete the intangible asset and use or sell it.
- 3) Its ability to use or sell the intangible asset.
- 4) How the intangible asset will generate probable future economic benefits.
- 5) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- 6) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) 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.

(iv) Amortization

The amortizable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

Amortization 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 of computer software is 1~3 years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(m) Impairment – non-derivative financial assets

Non-derivative financial assets except for inventories, deferred tax assets and assets arising from employee benefits are assessed at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value, less, costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. That increase is a reversal of an impairment loss.

(n) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on its repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under Capital Reserve – Treasury Shares Transactions; Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average different types of repurchase.

During the cancellation of treasury shares, Capital Reserve – Share Premiums and Share Capital should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; Losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(o) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement.

(ii) Rent Revenue

The rent from investment property is recognize by the straight-line method during the lease period, the rent incentive is part of the whole lease revenue and the recognition of the straight-line method is the reduction of rent revenue. The profit from the rent of investment property is recognize on the rent revenue.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of the economic benefits available in the form of any future refunds from the plan or reductions in the future contributions to the plan. In order to calculate the present value of the economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on the settlement of the plan liabilities.

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When the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings or other equity. If the amounts recognized in other comprehensive income are transferred to other equity, they shall not be reclassified to profit or loss or recognized in retained earnings in a subsequent period.

Net interest expense and other expenses related to the defined benefit plans are recognized in retained earnings.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets and the change in the present value of the defined benefit obligation.

(iii) Termination benefits

The benefits from the Group terminate the employees' hiring contract before normal retirement date or encourage employee to accept paid-off. When the Group already commit the formal terminated contract and ensure that plan is impossible to withdraw, termination benefits need to recognize the expense. When termination benefits have to pay after twelve months, it need to be discounted.

(iv) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(q) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between expected and actual outcomes.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(r) Income taxes

Income tax expenses include both 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 include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

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) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) levied by the same taxing authority; or
 - 2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be 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 profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

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Notes to the Consolidated Financial Statements

(s) Business combination

Goodwill is measured at the consideration transferred less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Group reassesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the excess.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Group shall measure any non controlling interests in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's identifiable net assets if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

(t) Earnings (loss) per share

The Group discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on 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. Dilutive potential ordinary shares comprise employee bonuses not yet resolved by the board of directors.

(u) Operating segments

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

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

The preparation of the consolidated financial statements in conformity with IFRSs 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.

Management continued to monitor the accounting assumptions, estimates and judgments. Management recognized the changes in the accounting estimates during the period and the impact of the changes in the accounting estimates in the next period.

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

Also, there are no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

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Besides, for those uncertainties due to accounting assumptions and estimations, information about the significant risk of resulting in a material adjustment within the next financial year is stated below:

Inventory valuation

Inventories are supposed to be measured based on the lower of cost or net realizable value. Due to the impact of product life cycle and customized design in electronics industry, which tends to devalue the inventories, the Group evaluates the costs of inventories using the net realizable value. Inventory valuation is based on the demand of the products during the specific period, therefore, the value of inventories may be variable due to the nature of fast-paced industry. Please refer to Note (6)(d) of the consolidated financial statement for inventory valuation.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash on hand	\$ 737	1,009
Checking accounts and demand deposits	533,150	603,876
	\$ 533,887	604,885

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

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

(i)

	December 31, 2017	December 31, 2016
Financial liabilities as at fair value through profit and loss		
Derivative instruments not used for hedging(recorded in other payables)	\$ -	153

(ii) Derivative instruments not used for hedging

The Company uses derivative instruments to hedge foreign currency risk the Company is exposed to arising from its operating, activities. The Company held the following derivative instruments not designated as hedging instruments presented as held-for-trading financial assets as of December 31, 2016 (foreign currencies were expressed in thousands) :

	December 31, 2016		
	Contract amount (in thousands)	Currency	Maturity date
Derivative financial liabilities			
Forward exchange contract:			
Forward exchange sold	USD600	USD to TWD	2017.1.16~2017.1.26

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Notes to the Consolidated Financial Statements

(c) Notes and accounts receivable and other receivables

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Accounts receivable	1,486,447	1,184,583
Other receivables	13,709	13,693
	1,500,156	1,198,276
Less: allowance for uncollectible accounts	<u>(21,678)</u>	<u>(25,523)</u>
	<u>\$ 1,478,478</u>	<u>1,172,753</u>
Notes and account receivable, net	<u>\$ 1,464,769</u>	<u>1,159,060</u>
Other receivables – current	<u>\$ 13,709</u>	<u>13,693</u>

- (i) The aging analysis of accounts receivable and other receivables which were past due but not impaired were as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Past due 0-30days	\$ 20,536	4,964
Past due 31-150 days	1,532	953
Past over 150 days	2	313
	<u>\$ 22,070</u>	<u>6,230</u>

Overseas client have been process the bankruptcy application on November, 2016, the management recorded the allowance in full and recognized \$20,669 thousands for the bad debt losses.

- (ii) The changes of allowance for notes and accounts receivable and other receivables were as follow :

	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance on January 1, 2017	\$ 20,669	4,854	25,523
Reversal of impairment loss	-	(3,738)	(3,738)
Influence from foreign exchange	-	(107)	(107)
Balance on December 31, 2017	<u>\$ 20,669</u>	<u>1,009</u>	<u>21,678</u>
Balance on January 1, 2016	\$ 3,591	767	4,358
Acquired from the merge	-	20,469	20,469
Impairment loss recognized	17,078	-	17,078
Reversal of impairment loss	-	(15,641)	(15,641)
Influence from foreign exchange	-	(741)	(741)
Balance on December 31, 2016	<u>\$ 20,669</u>	<u>4,854</u>	<u>25,523</u>

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Allowance doubtful debts is based on the historical payment behavior and the analysis of customer's credit rating. The group believes that the doubtful debts past due over 30 Days still receivable.

Due to December 31, 2017 and 2016, the group do not pledge account receivable as collateral.

(d) Inventories

	December 31, 2017	December 31, 2016
Raw materials	\$ 340,148	291,120
Work in progress	173,958	132,692
Finished goods	260,773	206,122
	\$ 774,879	629,934

The Group Composition details of operating cost on December 31, 2017 and 2016 as follow:

	December 31, 2017	December 31, 2016
Cost of good sold	\$ 4,071,154	3,565,434
Revenue from sale of scraps	(30,889)	(22,987)
Inventory valuation and obsolescence losses	(2,101)	(35,466)
Loss on scrapping of inventory	140,019	159,760
Loss on shortage of inventory	26	-
	\$ 4,178,209	3,666,741

In 2017 and 2016, the Group reversed its allowance for inventory valuation loss amounting to \$2,101 and \$ 35,466 due to sales or obsolescence, respectively.

As of December 31, 2017 and 2016, the Group do not pledge inventory as collateral.

(e) Investment accounted for using equity method

CHENMING ELECTRONIC (NINGBO)

Considering the future development strategy, on March 23, 2016, the board of directors decided to purchase 42.7% shares of CHENMING ELECTRONIC (NINGBO) amounting to \$203,175 (US\$6,300 thousand), in which the contract was signed on March 27, 2016. The Group increased its shareholding from 9.3% to 52% and acquired its controlling right in April 2016. The Group has already paid off its payment. Recognized assets and liabilities were as follow:

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Cash and cash equivalents	\$	164,762
Notes receivable and account receivable, net		363,587
Inventories		83,261
Other financial assets-current		1,098
Other current assets		19,463
Property, Plant and Equipment		252,979
Long-term prepayment rent		118,032
Notes and account payable		(170,787)
Other payables		(104,517)
Identifiable fair value of net assets	<u>\$</u>	<u>727,878</u>
Bargain purchase profit from recognized acquisition		
Transfer pricing	\$	203,175
Add: non-controlling interest		349,381
Add: fair value of acquired company		175,215
Less: Recognized fair value of net assets		<u>727,878</u>
Bargain purchase profit	<u>\$</u>	<u>(107)</u>

CHENMING ELECTRONIC (NINGBO) contributed the operating revenue and after-tax profit to the Group amounting to \$558,151 and \$121,360, respectively, since the acquisition date, which was on April 1, 2016. However, if the management assumed that the acquisition occur on January 1, 2016, it would have estimated the net operating revenue and net after-taxed profit to be \$983,757 and \$27,203 in 2016 Q1, respectively, wherein the fair value would have been the same to that of April, 1, 2016.

On June 27, 2017, the board of directors decided to purchase 20% shares of CHENMING ELECTRONIC (NINGBO) amounting to \$127,764 (US\$4,200 Thousand) in which the contract was signed on June 28, 2017; and the related transfer procedures had been completed in July 2017. The Group further increased its shares in CHENMING ELECTRONIC (NINGBO) from 52% to 72%. As of December 31, 2017, the Group still has a remaining balance of \$47,616(US\$1,600 Thousand), which was recognized as other payable-related parties.

(f) Property, Plant and Equipment

		<u>Land</u>	<u>Property</u>	<u>Machinery and Equipment</u>	<u>Office equipment and others</u>	<u>Total</u>
Cost						
Balance on January 1, 2017	\$	210,897	835,623	400,333	129,468	1,576,321
Additions		-	8,745	114,870	22,111	145,726
Disposal		-	(56,943)	(71,661)	(17,962)	(146,566)
Reclassifications		-	-	10,705	3,252	13,957
Effect of changes in exchange rates		-	(2,024)	(396)	(54)	(2,474)
Balance on December 31, 2017	<u>\$</u>	<u>210,897</u>	<u>785,401</u>	<u>453,851</u>	<u>136,815</u>	<u>1,586,964</u>

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	Land	Property	Machinery and Equipment	Office equipment and others	Total
Balance on January 1, 2016	\$ 210,897	681,287	592,696	119,139	1,604,019
Acquired from merge	-	203,230	42,475	7,274	252,979
Additions	-	-	135,796	31,734	167,530
Disposal	-	(33,778)	(374,443)	(31,118)	(439,339)
Reclassifications	-	-	8,455	2,975	11,430
Effect of changes in exchange rates	-	(15,116)	(4,646)	(536)	(20,298)
Balance on December 31, 2016	\$ 210,897	835,623	400,333	129,468	1,576,321
Depreciation					
Balance on January 1, 2017	\$ -	212,852	132,830	49,659	395,341
Depreciation of the year	-	34,959	134,954	35,488	205,401
Disposal	-	(56,943)	(68,857)	(16,738)	(142,538)
Effect of changes in exchange rates	-	42	184	6	232
Balance on December 31, 2017	\$ -	190,910	199,111	68,415	458,436
Balance on January 1, 2016	\$ -	210,693	309,316	40,384	560,393
Depreciation of the year	-	36,389	190,658	36,735	263,782
Disposal	-	(33,705)	(366,698)	(27,399)	(427,802)
Effect of changes in exchange rates	-	(525)	(446)	(61)	(1,032)
Balance on December 31, 2016	\$ -	212,852	132,830	49,659	395,341
Book Value					
Balance on December 31, 2017	\$ 210,897	594,491	254,740	68,400	1,128,528
Balance on December 31, 2016	\$ 210,897	622,771	267,503	79,809	1,180,980

The Group bought land leasehold right and buildings from its related parties in July 2007. Since there was only a part of the contract that had yet to be realized, the related parties agreed that the Group need not have to pay for the remaining amount. As of December 31, 2017, the transferring of the deed has not yet been completed. However, the land leasehold and buildings mentioned above were already deemed as properties of the Group according to the contract.

As of December 31, 2017 and 2016, the Group had provided parts of the property, plant and equipment at collateral for its long-term loans and credit lines. Please refer to notes 8 for details.

(g) Investment Property

	Land	Properties	Total
Cost			
Balance on January 1, 2017	\$ 152,640	63,116	215,756
Balance on January 1, 2016	\$ 152,640	63,116	215,756
Depreciation			
Balance on January 1, 2017	\$ -	14,407	14,407
Depreciation of the year	-	1,238	1,238
Balance on December 31, 2017	\$ -	15,645	15,645

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	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Balance on January 1, 2016	\$ -	13,169	13,169
Depreciation of the year	-	1,238	1,238
Balance on December 31, 2016	<u>\$ -</u>	<u>14,407</u>	<u>14,407</u>
Book Value			
Balance on December 31, 2017	<u>\$ 152,640</u>	<u>47,471</u>	<u>200,111</u>
Balance on December 31, 2016	<u>\$ 152,640</u>	<u>48,709</u>	<u>201,349</u>
Fair Value			
Balance on December 31, 2017			<u>\$ 313,479</u>
Balance on December 31, 2016			<u>\$ 397,962</u>

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

As of December 31, 2017 and 2016, the Group pledge investment properties as collateral. Please refer to note 8 for details.

(h) Short-term borrowings

The short-term loans were summarized as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Credit Loan	<u>\$ 150,000</u>	<u>140,000</u>
Unused credit line for short-term loans	<u>\$ 605,440</u>	<u>643,400</u>
Annual interest rates	<u>1.0%~1.4%</u>	<u>1.0%~1.5%</u>

(i) The information of rate, foreign currency and liquidity risk exposure, please refer to note 6 (q).

(i) Long-term borrowings

The long-term loans were summarized as follows:

	<u>December 31, 2017</u>			
	<u>Currency</u>	<u>Range of interest rates</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	TWD	<u>1.0%~1.5%</u>	2020~2025	\$ 140,000
Unsecured bank loans	TWD	<u>1.0%~1.5%</u>	2020	70,000
Total				<u>\$ 210,000</u>
Current				\$ -
Non-current				210,000
Total				<u>\$ 210,000</u>
Unused credit lines for long-term loans				<u>\$ 270,000</u>

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	<u>December 31, 2016</u>			<u>Amount</u>
	<u>Currency</u>	<u>Range of interest rates</u>	<u>Expiration</u>	
Secured bank loans	TWD	<u>1.0%~2.0%</u>	2018~2025	\$ 168,000
Unsecured bank loans	TWD	<u>1.0%~1.7%</u>	2017~2018	70,000
Total				<u>\$ 238,000</u>
Current				\$ -
Non-current				238,000
Total				<u>\$ 238,000</u>
Unused credit lines for long-term loans				<u>\$ 270,000</u>

- (i) The main management are the guarantor of long-term loan, Please refer to note 7.
- (ii) The information of annual interest rate and liquidity risk can refer to note 6(q).
- (iii) As of December 31, 2017 and 2016, the Group provided part of its assets as collateral for long-term loans. Please refer to note 8 for details.

(j) Operating lease

- (i) The Group as lessee

The book value of land leasehold right, case-processing factory located at NO.442 ZhenAN Middle Road Chang AN Town DongGuan City Guangdong, China, were as fellows.

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Lease period</u>
Acquired in July, 2001	\$ 130,844	135,876	2001.07~2046.0 7
Acquired in October, 2007	26,757	27,786	2007.10~2046.0 7
	<u>\$ 157,601</u>	<u>163,662</u>	

Due to the business combination, the Group acquired the land leasehold rights, case-processing factory located at Ningbo City, China. The land leasehold rights recorded as long-term prepaid rents. The details were as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>Lease period</u>
Acquired from merge in March, 2016	<u>\$ 101,372</u>	<u>106,347</u>	2001.12~2044.5

The operating lease expense were \$9,870 and \$7,392 in 2017 and 2016.

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Notes to the Consolidated Financial Statements

(ii) The Group as lessor

The Group rents its investment property through operating lease, which refer to note 6 (g). Non-cancellable operating lease rentals that were receivable were as follows:

	December 31, 2017	December 31, 2016
Less than one year	\$ 14,492	14,092
Between two and five years	35,825	50,336
	\$ 50,317	64,428

The lease revenue from investment property are \$15,354 and \$14,103 in 2017 and 2016, respectively. Moreover, the relative depreciation expense are both \$1,238, respectively.

(k) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value of the plan assets of the Company were as follows:

	December 31, 2017	December 31, 2016
Present value of defined benefit obligations	\$ 36,082	35,458
Fair value of plan assets	(60,782)	(60,192)
Recognized liabilities(assets) for defined benefit obligations	\$ (24,700)	(24,734)

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$60,782 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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Notes to the Consolidated Financial Statements

2) Movements in present value of the defined benefit obligations

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

	<u>2017</u>	<u>2016</u>
Defined benefit obligation at January 1	\$ 35,458	31,278
Current service costs and interest	513	668
Remeasurement in net defined benefit liability(assets)	<u>111</u>	<u>3,512</u>
Defined benefit obligation at December 31	<u><u>\$ 36,082</u></u>	<u><u>35,458</u></u>

3) Movements of defined benefit plan assets

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

	<u>2017</u>	<u>2016</u>
Fair value of plan assets at January 1	\$ (60,192)	(59,769)
Expected return on plan assets	(828)	(1,121)
Remeasurement in net defined benefit liability(assets)	<u>238</u>	<u>698</u>
Fair value of plan assets at December 31	<u><u>\$ (60,782)</u></u>	<u><u>(60,192)</u></u>
Actual return on plan assets	<u><u>\$ (590)</u></u>	<u><u>(423)</u></u>

4) Expenses recognized in profit or loss

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

	<u>2017</u>	<u>2016</u>
Service cost	\$ 26	82
Interest cost	487	586
Expected rate of return on plan assets	<u>(828)</u>	<u>(1,121)</u>
	<u><u>\$ (315)</u></u>	<u><u>(453)</u></u>
Management expense	<u><u>\$ (315)</u></u>	<u><u>(453)</u></u>

5) Remeasurement in net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement in net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

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	<u>2017</u>	<u>2016</u>
Cumulative amount at January 1	\$ 5,344	1,134
Recognized during the period	349	4,210
Cumulative amount at December 31	<u>\$ 5,693</u>	<u>5,344</u>

6) Actuarial assumptions

a) The following are the Company's principal actuarial assumptions:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Discount rate as of December 31	1.750%	1.375%
Future salary increasing rate	1.00%	1.00%

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

The department of labor from Taipei City Government has approved the Group to suspend the contribution of pension in 2017 and 2016.

The expected allocation payment made by the Group to the defined benefit plans for the one year period after the reporting date was \$0.

The weighted-average duration of the defined benefit obligation is 17.36 years

7) Sensitivity Analysis

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

	<u>Influences of defined benefit obligation</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2017		
Discount rate	(1,319)	1,386
Future salary increasing rate	1,374	(1,313)
December 31, 2016		
Discount rate	(1,381)	1,450
Future salary increasing rate	1,435	(1,374)

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

There is no change in the method and assumptions used in the preparation of sensitivity analysis for both periods.

(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 Group recognized the pension costs under the defined contribution method amounting to \$80,140 and \$62,944 for the years ended December 31, 2017 and 2016, respectively.

(l) Income taxes

(i) Income tax expenses

1) The amount of income tax for 2017 and 2016 was as follows:

	2017	2016
Current tax expense		
Recognized during the period	\$ 33,367	24,442
10% surtax on unappropriated earnings	5,905	-
Adjustment to the prior period	390	1,588
	39,662	26,030
Deferred tax expense		
Recognition and reversal of temporary differences	(3,721)	14,464
Movement of unrecognized deductible temporary difference	(1,792)	1,792
	(5,513)	16,256
Income tax expense	\$ 34,149	42,286

2) The amount of income tax recognized in other comprehensive income for 2017 and 2016 was as follows:

	2017	2016
Items that may not be reclassified subsequently to profit or loss		
Remeasurement in defined benefit plan	\$ (59)	(193)

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- 3) Reconciliation of income tax and profit before tax for 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Profit excluding income tax	\$ 280,067	298,339
Income tax using the Company's domestic tax rate	42,000	40,815
Under (over) provision in prior periods	390	1,588
10% surtax on unappropriated earnings	5,905	-
Others	<u>(14,146)</u>	<u>(117)</u>
	<u>\$ 34,149</u>	<u>42,286</u>

- (ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities:

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2017 and 2016. 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, 2017</u>	<u>December 31, 2016</u>
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	<u>\$ 8,562</u>	<u>(4,595)</u>

- 2) Unrecognized deferred tax assets:

Details of unrecognized deferred tax assets as follow:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unrecognized temporary differences	\$ -	1,792
Unrecognized tax losses	<u>34,725</u>	<u>71,126</u>
	<u>\$ 34,725</u>	<u>72,918</u>

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

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As of December 31, 2017, tax loss from unrecognized deferred tax asset in Dongguan Chenming Electronic Co., Ltd:

Year of loss	Unutilized business loss	Expiration date of the deficit
2014	<u><u>\$ 16,867</u></u>	2019

As of December 31, 2017, tax loss from unrecognized deferred tax asset in CHENMING ELECTRONIC (NINGBO):

Year of loss	Unutilized business loss	Expiration date of the deficit
2013	<u><u>\$ 122,031</u></u>	2018

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 were as follows:

	Defined benefit Plans	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2017	\$ 4,500	2,717	7,217
Recognized in (profit) or loss	113	(2,777)	(2,664)
Recognized in other comprehensive income	(59)	-	(59)
Balance on December 31, 2017	<u><u>\$ 4,554</u></u>	<u><u>(60)</u></u>	<u><u>4,494</u></u>
Balance on January 1, 2016	\$ 4,423	1,640	6,063
Recognized in (profit) or loss	270	1,077	1,347
Recognized in other comprehensive income	(193)	-	(193)
Balance on December 31, 2016	<u><u>\$ 4,500</u></u>	<u><u>2,717</u></u>	<u><u>7,217</u></u>
Deferred tax assets:			
Balance on January 1, 2017	\$ -	1,248	1,248
Recognized in profit or (loss)	-	2,849	2,849
Balance on December 31, 2017	<u><u>\$ -</u></u>	<u><u>4,097</u></u>	<u><u>4,097</u></u>
Balance on January 1, 2016	\$ -	16,157	16,157
Recognized in profit or (loss)	-	(14,909)	(14,909)
Balance on December 31, 2016	<u><u>\$ -</u></u>	<u><u>1,248</u></u>	<u><u>1,248</u></u>

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- (iii) The ROC tax authorities have examined the Company's income tax returns through 2015.
- (iv) Information related to the unappropriated earnings and tax deduction ratio was summarized below:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unappropriated earnings of 1998 and thereafter	Note		<u>\$ 302,109</u>
Balance of deductible tax account	Note		<u>\$ 67,497</u>
		<u>2017 (estimated)</u>	<u>2016 (actual)</u>
Creditable ratio for earnings distribution to ROC residents	Note		<u>25.28%</u>

The above stated information was prepared in accordance with the information letter No.10204562810 announced by the Ministry of Finance of R.O.C. on October 17, 2013.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(m) Capital and other equities

(i) Ordinary shares

The Company's board of director decided to retire its treasury stock of 8,000 thousand shares on August 10, 2016, the effective date was August 11, 2016, and the registration process was completed.

As of December 31, 2017 and 2016, the authorized common stocks were \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which \$169,935 thousand shares, were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2017 and 2016, were as follows:

		<u>December 31, 2017</u>	<u>December 31, 2016</u>
Additional paid-in capital	\$	14,722	14,722
Difference between consideration and carrying amount of subsidiaries acquired or disposed		37,763	-
	\$	52,485	14,722

The company retire its treasury stock and reduced the capital surplus \$693 in 2016.

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

(iii) Retained Earning

Based on the Group's articles of incorporation in June 17, 2016, 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 prior year's un-distribution by board of shareholders. The Group should consider financial, business and operating factors to decide the distribution of earnings; which can be distributed by cash dividends or share dividends. Earning distribution should be cash dividends as priority, and the cash dividends cannot be lower than 10% of the total cash and stock dividends.

The Company's industry is currently in a gentle growth phase. Consider long-term financial planning and funding demand, the company use balance and stable dividend strategy; After preserve enough accommodation fund, the remain earnings will be distributed by cans dividend. The amount of cash dividends should not be lower than 10% of the total 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

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

3) Earnings distribution

The appropriations of earnings for 2016 approved in the shareholders' meeting on June 16, 2017 was \$84,968 by cash dividends.

The appropriations of earnings for 2015 approved in the shareholders' meeting on June 17, 2016 was \$53,381 by cash dividends.

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(iv) Treasury stock

Pursuant to Article 28-2 of the Securities and Exchange Act, in order to maintain the Company's credit and stock owners equity, the Company purchased treasury stock.

Movement of treasury share in 2016

	2016	
	Share (thousands)	Amount
Balance on January 1	-	-
Additional	80,000	117,651
Retire treasury stock	(80,000)	(117,651)
Balance on December 31	<u>-</u>	<u>-</u>

Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus. The shares that the company bought for transferring to employees should be transferred within three years, if not, the shares would become non-public shares and be written down. Furthermore, treasury shares can't be pledge as collateral and do not have the obligation of stock holders.

(n) Earnings per share

The calculation of basic earnings per share were calculated as follows:

	2017	2016
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	<u>\$ 212,909</u>	<u>197,801</u>
Weighted-average number of ordinary shares(shares in thousands)	<u>169,935</u>	<u>173,858</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	<u>\$ 212,909</u>	<u>197,801</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	169,935	173,858
Effect of employee stock remuneration	448	549
Weighted-average number of ordinary shares(after adjusted the influence of potential ordinary shares)	<u>170,383</u>	<u>174,407</u>

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(o) Revenue

	2017	2016
Computer and server case	\$ 3,380,603	2,903,166
Mobile components	1,225,054	1,114,656
Mold revenue	234,472	256,963
	\$ 4,840,129	4,274,785

(p) Employee bonuses, directors' and supervisor's remuneration

The Group's articles of incorporation, which were authorized by the board of directors but has yet to be determined by the stockholders, 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.

For the year ended December 31, 2017 and 2016, the Company estimated its employee remuneration amounting to both \$8,000, and directors' and supervisors' remuneration amounting to both \$1,500. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2017 and 2016. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex-dividend effect) on the day preceding the board of directors' meeting. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2017 and 2016.

(q) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration to credit risk

The customers of the Group are mainly high-tech companies, account receivable have 73% and 55% are composed by five clients in December 31, 2017 and 2016. Thus, the company has concentration to credit risk situation.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Liquidity Risk

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

	<u>Amount</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2017				
Secured loans	\$ 140,000	-	72,000	68,000
Unsecured loans	220,000	150,000	70,000	-
Notes and accounts payable	1,196,776	1,196,776	-	-
Other payables (including related parties)	167,738	167,738	-	-
Guarantee deposits	5,732	-	-	-
	<u>1,730,246</u>	<u>1,514,514</u>	<u>142,000</u>	<u>68,000</u>
December 31, 2016				
Secured loans	\$ 168,000	-	72,000	96,000
Unsecured loans	210,000	140,000	70,000	-
Notes and accounts payable	809,110	809,110	-	-
Other payables (including related parties)	152,373	152,373	-	-
Guarantee deposits	9,552	-	-	-
Derivative financial liabilities				
Other forward exchange outtracts:	153			
Outflow	-	(19,350)	-	-
Inflow	-	19,181	-	-
	<u>\$ 1,349,188</u>	<u>1,101,314</u>	<u>142,000</u>	<u>96,000</u>

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amount.

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2017</u>		<u>December 31, 2016</u>		<u>Exchange rate</u>	<u>TWD</u>	
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>			
Financial assets							
Monetary items							
USD to TWD	\$	32,061	29.760	954,135	31,708	32.25	1,022,583
USD to CNY		17,599	6.534	523,746	12,548	6.937	404,673
CNY to TWD		106,407	4.565	485,748	65,100	4.617	300,567

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Notes to the Consolidated Financial Statements

	<u>December 31, 2017</u>		<u>December 31, 2016</u>			
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial liabilities						
Monetary items						
USD to TWD	5,685	29.760	169,186	4,769	32.250	153,800
USD to CNY	2,431	6.543	72,347	1,803	6.937	58,147
CNY to TWD	153,960	4.565	702,827	112,427	4.617	519,075

2) Sensitivity analysis

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

A weakening (strengthening) 5% of each major foreign currency against Group entities' functional currency as of December 31, 2017 and 2016 would have affected the net profit before tax as followings:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
USD (against the TWD)		
Strengthening 5%	\$ 39,247	43,439
Weakening 5%	(39,247)	(43,439)
USD (against the CNY)		
Strengthening 5%	22,570	17,326
Weakening 5%	(22,570)	(17,326)
CNY (against the TWD)		
Strengthening 5%	(10,854)	(10,925)
Weakening 5%	10,854	10,925

3) Exchange gains and losses of monetary items

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

	<u>2017</u>		<u>2016</u>	
	<u>Exchange profit(loss)</u>	<u>Average rate</u>	<u>Exchange profit(loss)</u>	<u>Average rate</u>
TWD	\$ (42,032)	-	4,377	-
CNY	(5,666)	4.5019	5,918	4.782

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Interest Rate analysis

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

	Carrying amount	
	December 31, 2017	December 31, 2016
Variable rate instruments:		
Financial assets	\$ 533,150	603,876
Financial liabilities	360,000	378,000

The following sensitivity analysis is based on the risk exposure to 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 Group's assessment on the reasonably possible interval of interest rate change.

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decrease by \$433 and \$565 for the years ended December 31, 2017 and 2016, respectively, which would be mainly resulted from the bank savings and loans with variable interest rates.

(v) Fair value

1) Procedure of valuation

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

2) Fair value hierarchy

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

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

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and available for sale financial assets, are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required.

		December 31, 2017			
		Fair Value			
Book value	Level 1	Level 2	Level 3	Total	
Loans and receivables					
Cash and cash equivalents	\$ 533,887	-	-	-	-
Notes and accounts receivable, net	1,464,769	-	-	-	-
Other current financial assets	13,709	-	-	-	-
Refundable deposits	<u>18,652</u>	-	-	-	-
	<u>2,031,017</u>				
	<u>\$ 2,031,017</u>				
Financial liabilities at amortized cost					
Bank loan	\$ 360,000	-	-	-	-
Notes and account payables	1,196,776	-	-	-	-
Other payables (including related parties)	167,738	-	-	-	-
Guarantee deposits	<u>5,732</u>	-	-	-	-
Total	<u>\$ 1,730,246</u>				
		December 31, 2016			
		Fair Value			
Book value	Level 1	Level 2	Level 3	Total	
Loans and receivables					
Cash and cash equivalents	\$ 604,885	-	-	-	-
Notes and accounts receivable, net	1,159,060	-	-	-	-
Other current financial assets	13,693	-	-	-	-
Refundable deposits	<u>15,455</u>	-	-	-	-
	<u>1,793,093</u>				
	<u>\$ 1,793,093</u>				

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

	December 31, 2016				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Bank loan	378,000	-	-	-	-
Notes and account payables	809,110	-	-	-	-
Other payables (including related parties)	152,373	-	-	-	-
Guarantee deposits	9,552	-	-	-	-
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	<u>153</u>	-	153	-	153
Total	<u>\$ 1,349,188</u>				

4) Fair value valuation technique of financial instruments not measured at fair value

The Group estimate instruments that are not measured at fair value, by method and presumption as follows:

a) Financial liability with amortized cost evaluation

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

5) Fair value valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

Financial instruments trade 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 financial instrument's open quotation from 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 do not achieve, we defined that as non-active market value. Generally, the significant difference of bid-ask spread or the trading volume very small are the index of non-active market.

Except from active market, the Group also acquire its financial instrument value from valuation technic or reference to rival's quotation. The fair value through valuation technic and refer to other essentially prerequisite and similar financial instrument with current fair value, discount cash flow and other valuation method.

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

b) Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

- 6) There were no transfers from one level to another in 2016.
- 7) The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	Equity instruments of non-active quotation
Balance on January 1, 2016	\$ 175,215
Total profit recognize in other comprehensive income	(175,215)
Balance on December 31, 2016	<u>\$ -</u>

The above total gains are recognized in unrealized gain (loss) on available-for-sale financial assets.

(r) Financial risk management

(i) Briefings

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

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

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

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

The Group constantly evaluate clients' financial situation, if necessary, the company will buy credit guarantee insurance contract. But the company usually won't ask clients offer collateral.

2) Guarantees

As of December 31, 2017 and 2016, the Group do not offer any endorsement and guarantees.

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to note 6(h) and note 6(i) for unused short-term and long-term bank facilities as of December 31, 2017 and 2016.

(v) Market risk

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

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Currency risk

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

To avoid the fluctuation from foreign exchange, the Group use short-term loan and derivative (including forward exchange agreement) to avoid foreign rate risk. This kind of derivative can help the Group to reduce the influence of foreign currency exchange but can't exclude all the risk.

2) Interest rate risk

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

3) Other market value risk

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

(s) Capital management

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

Debt-to-equity ratio in December 31, 2017 and 2016 as follow:

	December 31, 2017	December 31, 2016
Total liabilities	\$ 1,916,754	1,570,914
Total equity	4,540,382	4,169,495
Debt-to-equity ratio	42%	38%

As of December 31, 2017, the capital management method do not change.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(7) Related-party transactions:

- (a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
CHENMING ELECTRONIC (NINGBO) CO., LTD	Subsidiary of the Company
CHENMING(H.K.) CORPORATION LIMITED	Same chairman with the Company
UNECC Culture and Education Foundation	Same chairman with the Company
Lin, Mu-Ho	Chairman of the Company

- (b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

- (c) Transaction among other relative parties

- (i) Selling products to relative parties

	Sales	
	2017	2016
Other relative parties	\$ -	351

The price and account receivable period are no different between relative parties and general supplier; the open account date is 60 days for relative parties. The account receivable above already have received.

- (ii) Lease

The Group rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. Each rental for both years December 31, 2017 and 2016 amounted to \$3,429.

- (iii) Technical service contact with relative parties

According to the contract, the technical service expense provided by CHEMING (H.K) CORPORATION LIMITED, a related party, to the Group amounted \$17,431, which was recognized as operating cost, for the period from April to September in 2016. The said payments had been fully paid of December 31, 2017.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iv) Equity trading

Considering future industry strategy, on March 27, 2016, the Group entered into an equity trading agreement with CHENMING (H.K.) CORPORATION LIMITED amounting to \$203,175 (USD \$6,300 thousand) and acquired 42.7% interests of CHENMING (NINGBO). As of December 31, 2017, the Group has already paid off its payable.

On June 28, 2017, the Group acquired another 20% interests of CHENMING (NINGBO) from CHENMING (H.K.) CORPORATION LIMITED amounting to \$127,764 (USD\$4,200 thousand). As of December 31, 2017, the Group still has a remaining balance of \$47,616 (USD\$1,600 thousand), which was recognized as other payables-related parties. Please refer to note 6(e) for related information.

(v) Others

The amounts of expenses CHENMING ELECTRONIC (NINGBO) CO., LTD paid through its related parties which was recognized as operating cost was \$3,466 in 2017. As of December 31, 2017, CHENMING ELECTRONIC (NINGBO) CO., LTD has already paid off its payment.

(d) Key management personnel compensation

(i) Key management personnel compensation comprised:

	2017	2016
Short-term employee benefits	\$ 10,921	14,265
Post-employment benefits	546	422
	\$ 11,467	14,687

(ii) Guarantee

The main management are guarantor of the syndication contract, and the amount of syndication are \$210,000 and \$238,000 in December 31, 2017 and 2016.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2017	December 31, 2016
PPE and investment properties	Long-term loans		
— land		\$ 347,804	347,804
— properties	Long-term loans	142,457	146,032
Other financial asset-non current	Customs deposits	15,507	12,359
		\$ 505,768	506,195

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Notes to the Consolidated Financial Statements

(9) Commitments and contingencies:None

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

By function	2017			2016		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,027,947	155,598	1,183,545	906,662	180,931	1,087,593
Labor and health insurance	-	6,143	6,143	-	6,683	6,683
Pension	72,070	7,755	79,825	54,193	8,298	62,491
Others	51,129	22,030	73,159	25,509	14,332	39,841
Depreciation	190,333	15,068	205,401	251,573	12,209	263,782
Amortization	1,256	1,182	2,438	737	1,652	2,389

The depreciation expense, which subtract the depreciation expense from investment properties, are both \$1,238 in 2017 and 2016 which are recognized in the subtraction of rent revenue.

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 1)
													Item	Value		
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Accounts receivable due from related parties	Yes	178,560	178,560	119,040	1.63417% 2.01778%	Demand for funding	-	Depending on demand for funding	-	-	-	1,902,981 (note 1)	1,902,981 (note 1)
2	CHENMING ELECTRONIC (NINGBO)CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	"	68,475	68,475	-	4.1%	"	-	"	-	-	-	85,969 (note 2)	85,969 (note 2)

Note 1 : The total amount of the guarantee provided by the Lender Company shall not exceed hundred percent (100%) of the Lender Company's net worth

Note 2: The total amount of the guarantee provided by the Lender Company shall not exceed ten percent (10%) of the Lender Company's net worth

Note 3: The transactions have been eliminated in the consolidated financial statement.

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

- (ii) Guarantees and endorsements for other parties:None
- (iii) Securities held as of December 31, 2017 (excluding investment in subsidiaries, associates and joint ventures):None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 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/Accounts receivable (payable)		Note	
			Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance		Percentage of total notes/ accounts receivable (payable)
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	2,445,773	99 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(554,040)	(98) %	-
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,445,773)	74 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	554,040	99 %	-

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

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 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 (Note1)	Allowance for bad debts	
					Amount	Action taken			
Dongguan Chenming Electronic Co., Ltd	The Company	Subsidiaries	554,040	4.55	-		526,518	-	The transactions have been eliminated in the consolidated financial statement.

Note1: The recovered amounts were as of March 1, 2018

- (ix) Trading in derivative instruments: None

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Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	2	Other current financial assets	119,040	Rate 1.63417%~2.07118%	3.00%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	2,445,773	The price is based on the fix ratio of final sales price, and the credit period is depending on the demand for funding	51.00%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Accounts receivable	554,040		12.00%

Note 1: The numbers filled in as follows:

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

Note 2: Relationship with the transactions labeled as follows:

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2017 (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, 2017			Highest balance during the year		Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying value	Shares (thousands)	Percentage of ownership			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	1,883,713	1,696,833	57,048	100%	1,902,981	57,048	100%	77,394	77,394	Subsidiaries (note)
	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100%	1,207,977	45,988	100%	21,822	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	Subsidiaries (note)
"	PEAK SHREWD INC	Samoa	Investment	519,536	332,655	14,900	100%	570,091	14,900	100%	53,598	"	"

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

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

(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 New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investment	Percentage of ownership	Highest balance during the year		Investment income (losses) (note 2 and 3)	Carrying amount as of December 31, 2017 (note 3)	Accumulated remittance of earnings as of December 31, 2017
					Outflow	Inflow				Shares (thousands)	Percentage of ownership			
CHENMING ELECTRONIC (NINGBO)CO.,LTD	Computer case and production of relative components	1,919,520 (USD64,500)	note1 and 7	297,600 (USD10,000)	145,824 (USD4,900) (note 6)	-	443,424 (USD14,900)	75,951	72%	-	72%	42,941	618,975	-
Dongguan Chenming Electronic Co., Ltd	"	862,385 (note 4)(USD28,978) (note 5)	note 1 and 8	741,024 (USD24,900)	-	-	741,024 (USD24,900)	53,624	100%	-	100%	53,624	854,421	-

(i) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	1,321,344 (USD 44,000)	1,321,344 (USD 44,000)	None

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 audited and certified by the Company's independent external auditors.

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$29.76 as of December 31, 2017; gains and losses were translated into New Taiwan Dollars at the average exchange rate of \$30.4315 for the year.

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

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

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

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

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

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

(ii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China in 2017, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information:

(a) The Group is single industry department, which produce computer and mobile device component mainly. Operating segment information is constancy with balance sheet report, the profit and loss from segment refer to income statement and segment asset refer to balance sheet.

(b) Overall information of the Group

(i) Product information

Products	2017	2016
Computer and server case	\$ 3,380,603	2,903,166
Mobile component	1,225,054	1,114,656
Mold revenue	234,472	256,963
	\$ 4,840,129	4,274,785

(ii) Geographic information

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

1) Revenue from external customers:

Country	2017	2016
Taiwan	\$ 1,148,884	650,711
Mainland China	2,388,544	2,496,004
Other Country	1,302,701	1,128,070
	\$ 4,840,129	4,274,785

2) Non-current Assets:

Country	2017	2016
Taiwan	\$ 516,123	523,657
Mainland China	1,100,671	1,146,163
	\$ 1,616,794	1,669,820

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

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) Important clients information

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

	<u>2017</u>	<u>2016</u>
H company	\$ 1,266,653	1,159,734
B company	848,097	976,347
D company	498,312	708,799
C company	486,070	459,346

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

VI. Any financial distress experienced by the company or its affiliated enterprise and impacts on the company's financial status in the last year up till the publication date of this annual report: None.

Seven. Review and Analysis of Financial Position and Business Performance, and Risk Management Issues

I. Financial position

Unit: NTD thousand

Item	Year	2016	2017	Variation	
				Amount	%
Current assets		2,458,237	2,876,139	417,902	17.00
Long-term investments		-	-	-	-
Fixed assets		1,180,980	1,128,528	(52,452)	(4.44)
Other assets		530,278	535,715	5,437	1.03
Total assets		4,169,495	4,540,382	370,887	8.90
Current liabilities		1,316,145	1,696,528	380,383	28.90
Long-term liabilities		238,000	210,000	(28,000)	(11.76)
Other liabilities		16,769	10,226	(6,543)	(39.02)
Total liabilities		1,570,914	1,916,754	345,840	22.02
Share capital		1,699,350	1,699,350	0	0.00
Capital reserve		14,722	52,485	37,763	256.51
Retained earnings		534,525	662,176	127,651	23.88
Total shareholders' equity		2,598,581	2,623,628	25,047	0.96
Explanation to major variations:					
1. Increase in current liabilities and total liabilities: Due to increase in operating revenue resulting in increase in purchase of goods.					
2. Increase in capital reserve: Mainly due to difference between the actual amount paid and the book value in the acquisition of subsidiaries' shares.					
3. Increase in retained earnings: Mainly due to increase in current net income.					

Note 1: All above financial information was taken from audited consolidated financial statements.

Note 2: Explanations are provided for variations above 20% and amounting to NT\$10 million or higher.

Note 3: Percentages are calculated on same accounts shown in different financial statements

Note 4: Variation percentage is calculated by designating previous year's value at 100%

II. Business performance

Unit: NTD thousand

Item	Year	2016	2017	Variation	Variation (%)
Operating revenue					
Sales revenue		4,274,785	4,840,129	565,344	13.23
Less: Sales return		-	-	-	-
Sales discount		-	-	-	-
Net operating revenues		4,274,785	4,840,129	565,344	13.23
Operating costs		3,666,741	4,178,209	511,468	13.95
Gross profit		608,044	661,920	53,876	8.86
Operating expenses		346,828	340,861	(5,967)	(1.72)
Operating profit		261,216	321,059	59,843	22.91
Non-operating revenues		56,186	35,856	(20,330)	(36.18)
Non-operating expenses		19,063	76,848	57,785	303.13
Pre-tax profit		298,339	280,067	(18,272)	(6.12)
Income tax expense		42,286	34,149	(8,137)	(19.24)
Net income		256,053	245,918	(10,135)	(3.96)

(I) Explanation to major variations:

1. Increase in operating profit: Mainly due to increase in operating revenue and net income.
2. Decrease in non-operating revenues: Due to fluctuation of foreign currency exchange rate.
3. Increase in non-operating expenses: Due to fluctuation of foreign currency exchange rate.

(II) Expected sales volume and basis of estimate: The Company does not produce financial forecasts, hence not applicable.

(III) Possible financial impacts and responsive plans: The Company does not produce financial forecasts, hence not applicable.

Note 1: All above financial information was taken from audited consolidated financial statements.

Note 2: Explanations are provided for variations above 20% and amounting to NT\$10 million or higher.

Note 3: Percentages are calculated on same accounts shown in different financial statements

Note 4: Variation percentage is calculated by designating previous year's value at 100%

III. Cash flow

(I) Liquidity analysis for the last 2 years

Item	Year	2016	2017	Variation (%)
Cash flow ratio		56	22.48	-60%
Cash flow adequacy ratio		146	165.93	14%
Cash reinvestment ratio		25	10.52	-58%
1. Decrease in cash flow ratio and cash reinvestment ratio: Due to decrease in cash flow from operating activities.				

(II) Improvements for lack of liquidity: The Company's current cash flow adequacy ratio stood at 169.53%, which presents no concern for lack of

liquidity.

(III) Liquidity analysis for the next year				Unit: NTD thousand	
Opening cash balance (1)	Projected net cash flow from operating activities (2)	Expected cash outflow for the year (3)	Expected cash surplus (deficit) (1)+(2)-(3)	Financing of projected cashv deficits	
				Investment plans	Financing plans
533,887	520,113	540,312	513,688	-	-
<p>1. Analysis of cash flow for the year:</p> <p>(1) Operating activities: Mainly due to increasing net income expected in the following year.</p> <p>(2) Investing activities: Mainly due to increasing machinery/equipment investments expected in the following year.</p> <p>(3) Financing activities: Mainly due to decreasing loans expected in the following year.</p> <p>2. Responsive measures and liquidity analysis on expected cash flow deficits: Not applicable.</p>					

IV. Material capital expenditures in the last year and impact on business performance:

- (I) Major capital spendings and source of capital: None.
- (II) Expected benefits: None.

V. Causes of profits or losses incurred on investments in the last year, and any improvements or investments planned for the next year:

The Company operates as an operations center in Taiwan, and establishes production sites overseas. The gains from investments in 2017 were resulted from increased operating revenue of its investees recognized using the equity method. The Company will plan its investments for the next year based on the state of the industry and the Company's growth requirements. Investments will be carefully reviewed and presented to the board of directors for final approval.

VI. Evaluation of risk management issues in the last year up till the publish date of this annual report

- (I) Impact of interest rate, exchange rate, and inflation on the company's earnings, and responsive measures:
1. Change of foreign exchange rate: The Company's business mainly consists of overseas sales denominated in U.S. dollars, and it also pays its supplier in U.S. Dollars. Therefore, most of the holding positions of foreign currency can be offset through normal sale and purchase transactions as nature hedge. The remaining position would then be converted to New Taiwan Dollar depending on the needs of

fund and market condition. Thereby, the overall foreign exchange rate does not constitute material risk to the Company's business performance.

The Company adopts a conservative approach towards managing foreign currency risks and the likely impacts they have on overall profitability. In addition to hedging foreign currency risks through spot and forward transactions, the Company constantly monitors exchange rate movements and adjusts foreign currency positions whenever appropriate to minimize impact of exchange rate volatility on the Company's profits.

2. Change of interest rate: The Company pays close attention to local and foreign interest rates. It monitors borrowing rates on a regular basis and maintains good relationship with banks to make sure that loans are drawn at more favorable rates, and thereby reduce borrowing costs. As of the publication date of this annual report, interest rate variations had not caused any significant impact on the Company's profit and loss.
3. Inflation: The Company pays constant attention to changes in the environment, and adjusts selling price and inventory level to match movement of raw material prices in the market. As of the publication date of this annual report, inflation had not caused any significant impact to the Company.

- (II) Policies on high-risk and highly leveraged investments, loans to third parties, endorsements / guarantees, and trading of derivatives; describe the main causes of any profits or losses incurred and future responsive measures:

The Company adopts a conservative business philosophy and focuses only on its core production activities. The Company was never involved in high-risk or highly leveraged investment. Transactions such as loan to third part, endorsement, guarantee, and derivatives are carried out according to the Company's "Asset Acquisition and Disposal Procedures," "Third Party Lending Procedures," and "Endorsement and Guarantee Procedures."

- (III) Future research and development plans and projected expenses:

The Company continues to invest into research and development with the focus on improving the quality of its R&D personnel, the complexity of its technologies, and the added value of its products. The planned R&D projects are as follows:

1. Continue to develop titanium and titanium alloy MIM manufacturing process.
2. Continue to develop CIM(Ceramic Injection Molding) surface finish technique.
3. Conduct a series of basic studies and analysis on 17-4PH stainless steel and build an internal material property database for 17-4PH stainless steel.

4. Develop the MIM manufacturing technique for non-linear channel inside a metal product.
5. Develop the applications of plastic micro injection molds and injection technique on MIM products (over molding).

R&D expenses are budgeted based on the development progress of new products and new technologies. R&D expenses are raised progressively and flexibly in line with business performance to secure the Company's competitive advantage.

Due to the expectation of business growth in 2018, the Company will continue to invest in new projects and set aside of NT\$40 million as R&D expenses to attain said objectives above.

(IV) Financial impacts and responsive measures in the event of changes in local and foreign regulations:

The Company has always complied and monitored changes in local as well as foreign policies and regulations, so that the management may have the most up-to-date information to review and revise the Company's policies in line with current regulations. Up till the publication date of this annual report, there was no change to local and foreign regulations that may significantly impact the Company's financial and business operation.

(V) Financial impacts and responsive measures in the event of technological or industrial changes:

The Company has maintained good interaction with several world-renowned manufacturers for many years. It pays constant attention to gathering and analyzing new information in order to minimize impact of technological changes. Internally, the Company dedicates itself to innovation, research and development as a means to reduce and optimize cost structure, and develop new accessories and new production procedures. Externally, the Company devotes significant resources to increasing visibility of its products, exploring new customers, and maintaining existing customer relationships. This combination of internal and external practices is what enables the Company to stay competitive in the race and adjust products according to customers' demands, such as the need to comply with environmental regulations in Europe, USA and Japan. As a result, the Company has been able to minimize financial and business impacts whenever it encounters technological or industrial changes. Up till the publication date of this annual report, there was no technological or industrial changes that may significantly impact the Company's financial and business operation.

(VI) Crisis management, impacts, and responsive measures in the event of a change in corporate image:

The Company has maintained good reputation and encountered no significant change in the last year that resulted in corporate crisis. The Company remains committed to its existing business philosophy and encountered no change in corporate culture. Its comprehensive talent

training program combined with a people-oriented management approach have successfully attracted outstanding talents and advanced knowledge into the organization. These advantages have been materialized into actual performance results and returned to shareholders in the form of profits, and to the public in the form of corporate social responsibilities. As of the publication date of this annual report, the Company encountered no change of corporate image that resulted in corporate crisis.

(VII) Expected benefits, risks and responsible measures in relation to mergers and acquisitions:

The Company had no merger or acquisition planned as at the publication date of this annual report.

(VIII) Expected benefits, risks and responsive measures associated with plant expansions:

The Company had no expansion planned as at the publication date of this annual report. It currently focuses on achieving the fullest utilization of existing production capacity, and maximizing benefits from economies of scale. If expansion opportunities arise in the future, the Company will carefully evaluate whether the expansion is likely to bring synergies to the benefit of existing shareholders before proceeding.

(IX) Risks and responsive measures associated with concentrated sales or purchases:

1. Risk of concentrated purchase and responsive measures: The Company chooses to work only with reputable and qualified suppliers. Doing so not only assures flexibility and consistency of its supplies, but also provides the Company with the bargaining power needed to reduce costs. Meanwhile, the Company actively sources new suppliers, explores alternative materials, and manages inventory to minimize risk of supply shortage. Overall, the Company is not prone to the risk of concentrated purchase or supply disruption.
2. Risk of concentrated sales and responsive measures: The Company sells its products mostly to renowned high-tech manufacturers local and abroad. Its customer base is diverse and stable, and exhibits no concentration of sales. In addition to maintaining sound relationship with existing customers, the Company also tries to diversify its customer base by developing new products, markets and customers, and thereby reduce sales concentration risk to the minimum.

(X) Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 10% ownership interest:

There had been no significant transfer of shareholding by directors, supervisors or major shareholders with more than 10% ownership up till the publication date of this annual report.

(XI) Impacts, risks and responsive measures associated with a change of management:

The Company encountered no change of management, hence not applicable.

(XII) Major litigations, non-contentious cases, or administrative litigations involving the company or any director, supervisor, President, person-in-charge or major shareholder with more than 10% ownership interest, whether concluded or pending judgment, that are likely to pose significant impact to shareholders or security prices of the company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report:

Mr. Lin Mu-Ho, the Company's person-in-charge, received an indictment on January 9, 2017 from the Prosecutors Office of Shilin District Court for violation against the Securities and Exchange Act. The case is now undergoing legal procedures.

The Company continues to operate as normal and encounters no significant financial or business impact. The defendant has already engaged a legal representative to defend him and handle litigation affairs on his behalf.

(XIII) Other material risks and responsive measures: None.

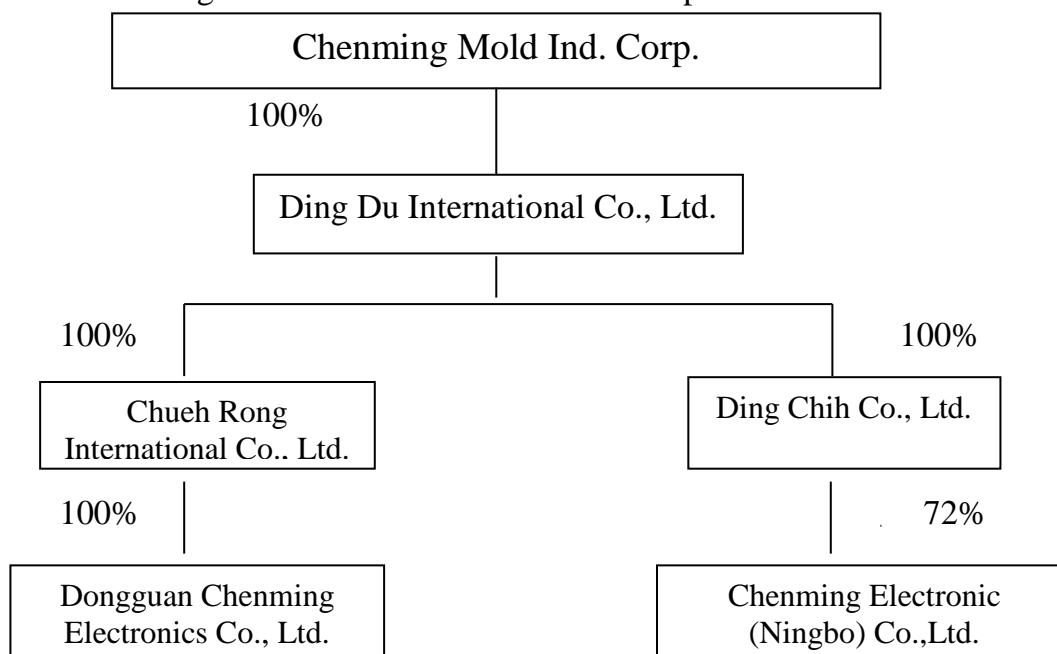
VII. Other important matters: None.

Eight. Special Remarks

I. Information of affiliated companies

(I) Consolidated business report

1. Organizational chart of affiliated companies:



2. Profile of affiliated companies

Unit: NTD

Name	Date of establishment	Address	Paid-in capital	Main business activities or products
Ding Du International Co., Ltd.	September 30, 1999	Offshore Chambers P.O.Box217, Apia, Samoa	57,047,960 (USD)	Investment holding company
Chueh Rong International Co., Ltd.	January 5, 2000	Offshore Chambers P.O.Box217, Apia, Samoa	45,987,960 (USD)	Investment holding company
Dongguan Chenming Electronics Co., Ltd.	February 11, 2010	No. 442, Zhenan Road, Changan Dongguan City, Guangdong Province	28,978,000 (USD)	Manufacturing of computer chassis
Ding Chih Co., Ltd.	April 12, 2012	Offshore Chambers P.O.Box217, Apia, Samoa	14,900,000 (USD)	Investment holding company
Chenming Electronic (Ningbo) Co., Ltd.	August 16, 2000	No. 25, Gangdong Avenue, Beilun District, Ningbo City, Zhejiang Province	64,500,000 (USD)	Manufacturing of computer chassis

3. Common shareholders in controlling and controlled companies:
None.

4. Businesses covered by affiliated companies and separation of duties:
The Company and affiliated companies are involved in:

manufacturing and sale of PC/server chassis and components for notebook PCs and mobile devices.

Overall, the separation of duties among affiliated companies is utilized to attain the maximum synergy through their mutual support in technology, capacity, marketing and service.

5. Directors, supervisors, and President of affiliated companies

Unit: shares; %

Name	Title	Name or name of representative	Shareholding	
			Number of shares	Shareholding percentage
Ding Du International Co., Ltd.	Director	Chenming Mold Ind. Corp. (Representative: Lin Mu-Ho)	57,047,960	100%
Chueh Rong International Co., Ltd.	Director	Ding Du International Co., Ltd. (Representative: Lin Mu-Ho)	45,987,960	100%
Dongguan Chenming Electronics Co., Ltd.	Director	Chueh Rong International Co., Ltd. (Representative: Lin Mu-Ho)	28,978,000	100%
	President	Fan Yu-Hsiang		
Ding Chih Co., Ltd.	Director	Ding Du International Co., Ltd. (Representative: Lin Mu-Ho)	14,900,000	100%
Chenming Electronic (Ningbo) Co., Ltd.	Director	Ding Chih Co., Ltd. (Representative: Lin Mu-Ho)	64,500,000	72%
	President	Chung Fu-Chuan		

6. Performance of affiliated companies

Unit: NTD thousand ; date: December 31, 2017

Name	Share capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current net profit	Earnings per share (\$)
Ding Du International Co., Ltd.	1,883,713	1,902,981	0	1,902,981	0	0	77,394	-
Chueh Rong International Co., Ltd.	1,471,993	1,336,422	138,405	1,198,017	0	23,941	21,822	-
Dongguan Chenming Electronics Co., Ltd.	862,385	1,789,119	934,699	854,420	3,312,956	136,638	53,624	-
Ding Chih Co., Ltd.	519,536	623,948	53,858	570,090	0	0	53,598	-
Chenming Electronic (Ningbo) Co., Ltd.	1,919,520	1,321,730	462,042	859,688	1,164,854	202,187	75,951	-

(II) Consolidated financial statements of affiliated companies

Declaration

Affiliated enterprises subject to the preparation of consolidated business reports under “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” were identical to the affiliated companies subject to the preparation of consolidated financial statements under IFRS10 for fiscal year 2016 (from January 1 to December 31, 2016). All mandatory disclosures of the consolidated business report has been disclosed in the consolidated financial statements, therefore no separate consolidated financial statements were prepared.

Declaration made by the undersigned

Company name: Chenming Mold Ind. Corp.

Chairman: Lin Mu-Ho

Date: March 16, 2018

(III) Affiliation report: None.

II. Private placement of securities in the last year up till the publication date of this annual report
None.

III. Holding or disposal of the Company's shares by subsidiaries in the last financial year, up till the publication date of this annual report
None.

IV. Other supplementary information
None.

Nine. Occurrences Significant to Shareholders' Equity or Securities Price, as Defined in Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act, in the Last Year Up Till the Publication Date of Annual Report.
None.

Chenming Mold Ind. Corp.

Chairman: Lin Mu-Ho