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uneec® **Chenming Mold Ind. Corp.**

CHENMING MOLD IND. CORP.

2018

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 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. 2018 business results:

(I) Financial performance

1. Business results

The Company generated net consolidated revenues totaling NT\$6,186,402,000 in 2018, up 27.81% from the NT\$4,840,129,000 reported in 2017, and concluded net income of NT\$110,051,000 during the year, equivalent to an EPS of NT\$0.65. In the coming year, the Company will continue adhering to its principles of pragmatism and grow businesses amidst intensive competition.

2. Budget accomplishment: The Company did not produce financial forecast for 2018.

3. Incomes, expenses, and profitability analysis

Item		2018	2017
Return on assets		3.14%	5.75%
Return on shareholders' equity		5.52%	9.42%
As a percentage of paid-in capital (%)	Operating profit	5.82%	18.89%
	Pre-tax profit	10.90%	16.48%
Net profit margin		2.34%	5.08%
EPS		0.65	1.25

(II) Research and development progress

1. Completed titanium and titanium alloy (Ti6Al4V) MIM production process, with microstructures and physical properties conforming with industry standards.
2. Completed a series of fundamental research and analysis on 17-4PH steel material, and developed an internal database for physical properties of 17-4PH. This research was published in several international conferences in 2018, including PM China (Shanghai China), Powdermet (Texas, USA), ARBURG (Lossburg, Germany), World PM (Beijing, China) and EuroPM (Bilbao, Spain), and was published in PIM International Vo1.12 No.3 (page 101-111).
3. Completed MIM procedures for in-product, non-linear channels, and applied for patent.
4. Completed development of micro plastic injection molds and overmolding technique on MIM products. This process was successfully applied on Type-C connector projects.

II. Summary of 2019 business plan:

(I) Operational guidelines

1. Manufacturing

The Company will continue to increase the proportion of its automated production and refine manufacturing technology for greater efficiency, and promote intelligent production by adopting the Industry 4.0 concept. 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-gross 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 promoting use of existing products to create market demand, while at the same time explore new demands for wearable and handheld device components.

(II) Research and development plans

1. Develop MIM procedures for high-temperature, high-strength nickel-based superalloy - Inconel 713C.
2. Continual development of CIM (Ceramic Injection Molding) surface treatment.
3. Develop MIM procedures for High Strength Non- Magnetic Austenitic Stainless Steel (X15 CrMnMoN 17-11-3).
4. Develop MIM procedures for corrosion-resistant, wear-resistant, non-magnetic cobalt-based alloy - F75 (Co-28Cr-6Mo).
5. Develop automatic visualizing cosmetic inspection.

(III) Expected sales volume and basis

According to IDC, a market research institution, global shipment of smartphones reached 1.43 billion units in 2018, and is expected to grow by 4.8% to 1.5 billion in 2019. IDC estimates smartphone shipments to grow 2.5% annually worldwide over the next 5 years due to introduction of 5G and new market demand. Meanwhile, statistics by DRAMeXchange has shown a 5% increase in global server shipments to 12.42 million units in 2018. Rapid growth of data centers and cloud computing services around the world will drive demands for servers, and shall contribute to a 2% growth in market size in 2019 over 2018. 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. In addition to the implementation of automated manufacturing and continuous quality and cost-effectiveness improvement for competitiveness, we will also reinforce the comprehensive services to customers, so as to expand our market reach and customer services. Moreover, we will grow our advantage in MIM

manufacturing (metal powder injection molding) and target the components of handheld devices and wearable products. Through the advance of manufacturing technology and differentiated services and products, we hope to expand applications in 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 and 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, while at the same time promote intelligent production by adopting the Industry 4.0 concept. Apart from automation and making ongoing improvements to quality, cost and efficiency, the Company has also been active in 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. In an effort to assure Chenming Mold Ind. Corp. in sustainable development with sound growth in every year, we spare no effort to enhance our business performance so as to live up to utmost satisfaction by shareholders and customers. In the aspect of corporate governance, we shall endeavor toward enhanced Corporate Identity System (CIS), Corporate Social Responsibility (CSR) with concrete hands-on practice in public issues. 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."
 5. Received "Outstanding Contribution Award" from HP, "Outstanding Supplier" from First International Computer, and "Best Business Partner Award" from Acer Inc.
- 2000
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, capital reserve. 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 Top City International Limited 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 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 Jung International Co., Ltd. through Top City International

Limited

6. Founded Ding Chih Co., Ltd. through Top City International Limited
- 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-NB, a manufacturer of 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."

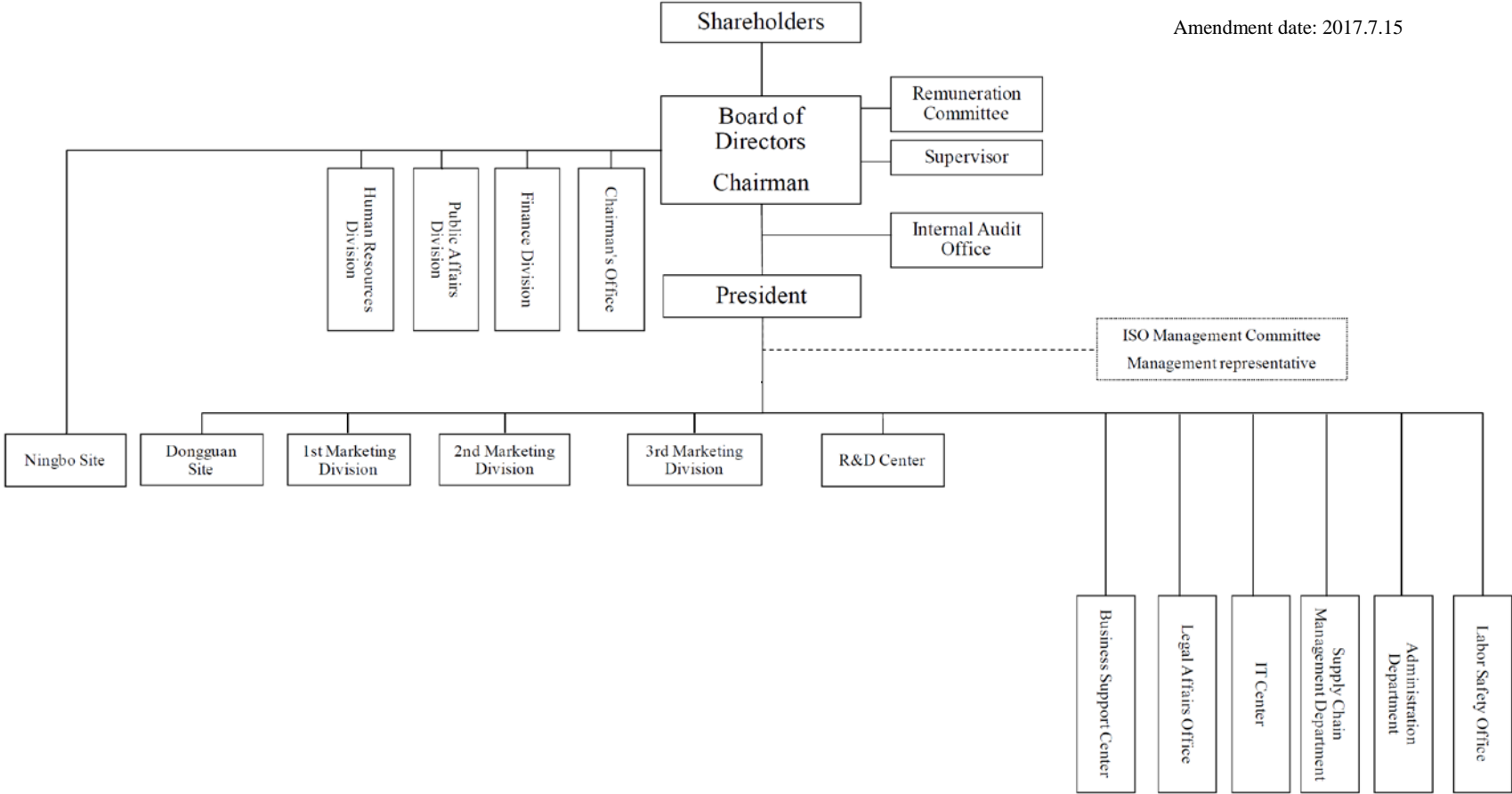
2. Ranked 531st in Commonwealth Magazine's "Top-1000 Manufacturers in Taiwan."
 3. Hosted the "2nd UNEEC Applied Design Award."
 4. New shares were issued in August against capitalized earnings and capital reserve, which increased share capital to NT\$2,160,810,180.
- 2009
1. Ranked 443rd (by China Credit 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.
 5. Hosted the "3rd UNEEC Applied Design Award."
- 2010
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
1. Ranked 583rd in Commonwealth Magazine's "Top-1000 Manufacturers in Taiwan."
 2. Hosted the "5th UNEEC Applied Design Award."
- 2012
1. Ranked 732nd in Commonwealth Magazine's "Top-1000 Manufacturers in Taiwan."
 2. Hosted the "6th UNEEC Applied Design Award."
- 2013
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
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
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
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
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.”
- 2018
1. Ranked 532nd in Commonwealth Magazine’s “Top-2000 Manufacturers in Taiwan.”
 2. Hosted the “12th UNEEC Applied Design Award.”
- 2019
1. Increased existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 82%. through 2nd-tier subsidiary Ding Chih Co., Ltd.

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 16, 2019

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	15.34%	1,425,809	0.88%	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	4.06%	423,956	0.26%	0	0%	Career background: Chenming Mold Ind. Corp. - Vice Chairman Academic background: Electronic Engineering, National Yunlin University of Science and Technology	Vice Chairman 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	0.35%	208,446	0.13%	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	0.16%	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	2.77%	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 16, 2019

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 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 16, 2019

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	0.35%	208,446	0.13%	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	0.00%	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
Assistant Vice President	The Republic of China	Wu Chien-Sheng	Male	2018.09.28	8,649	0.01%	0	0%	0	0%	Career: Suzhou Fulfil Electronics - Plant Manager Education: Southern Taiwan University of Science and Technology	Chenming Electronic (Ningbo) Co., Ltd. - Vice President	None	None	None
Assistant Vice President	The Republic of China	Chueh Chung-Huei	Male	2018.8.08	1,798	0.00%	0	0%	0	0%	Career: Chenming Mold Industry - Senior Manager Education: Ph.D, Tatung 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	Dongguan Chenming Electronics Co., Ltd. - Vice President	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%	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.

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			
												Amount paid in cash	Amount paid in shares	Amount paid in cash	Amount paid in shares												
Chairman	Lin Mu-Ho																										
Director and President	Lo Chih-Chi																										
Director	Chen Hsiao-Chun	0	0	0	0	1,000,000	1,000,000	68,101	68,101	0.97%	0.97%	5,838,200	5,838,200	108,000	108,000	200,000	0	200,000	0	0	0	0	0	0	6.56%	6.56%	None
Director	Ching Chi-Ben																										
Director	Chang Yi-Min																										
Director	Lin Chiang-Feng																										
Director/Vice Chairman	Lin Feng-Ran	0	0	0	0	0	0	0	0	0%	0%	1,570,220	1,570,220	87,048	87,048	100,000	0	100,000	0	0	0	0	0	0	1.60%	1.60%	None

*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, Lo Chih-Chi	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)		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	20,550	20,550	0.47%	0.47%	None
Supervisor	Lin Po-Hsiang	-	-	500,000	500,000	20,550	20,550	0.47%	0.47%	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)		Employee remuneration (D)				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	3,588,200	8,116,888	108,000	324,000	2,250,000	3,320,817	200,000	0	400,000	0	5.58%	11.05%	0	0	0	0	None
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		
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	1	3

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

April 16, 2019

	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	-	1,478,000	1,478,000	1.34%
	Vice President	Chung Fu-Chuan				
	Vice President	Fan Yu-Hsiang				
	Assistant Vice President	Wu Chien-Sheng				
	Assistant Vice President	Chueh Chung-Huei				
	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		2017			2018		
Title		Director	Supervisor	President and Vice Presidents	Director	Supervisor	President and Vice Presidents
The Company	As a percentage of net income	3.21%	0.26%	2.53%	8.15%	0.47%	5.58%
All companies included in the consolidated statements	As a percentage of net income	3.21%	0.26%	5.39%	8.15%	0.47%	11.05%

Note 1: The remuneration paid as a percentage of net income in 2018 increased in comparison to that in 2017 due to decrease of profit in 2018.

- 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.
- 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 9 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	9	0	100%	
Director	Lin Feng-Ran	8	0	89%	
Director	Ching Chi-Ben	7	0	78%	
Director	Lo Chih-Chi	9	0	100%	
Director	Chen Hsiao-Chun	0	4	0%	
Independent Director	Chang Yi-Min	9	0	100%	
Independent Director	Lin Chiang-Feng	9	0	100%	
Supervisor	Lin Pei-Yu	0	0	0%	
Supervisor	Lin Po-Hsiang	5	0	56%	

2. Other information

- (1) For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the company has responded to such opinions:

- (i) Conditions described in Article 14-3 of the Securities and Exchange Act:

Board of Directors	Details of agenda	All independent directors' opinions and how the company has responded to such opinions
2018/08/08 - Motion #3	Summary: Proposal to provide endorsement/guarantee for Chinese subsidiary - Chenming Electronic (Ningbo) Co., Ltd. in the Company's capacity.	None
2018/12/26 - Motion #2	Summary: Lending of capital by Dongguan Chenming Electronics Co., Ltd. to Chenming Electronic (Ningbo) Co., Ltd.	None
2018/12/26	Summary: Lending of capital by Chenming Electronic (Ningbo) Co., Ltd. to Dongguan	None

- Motion #3	Chenming Electronics Co., Ltd.	
2019/03/18 - Motion #8	Summary: Partial amendments to the Company's "Asset Acquisition and Disposal Procedures."	None
2019/03/18 - Motion #9	Summary: Partial amendments to the Company's "External Party Lending Procedures."	None
2019/03/18 - Motion #10	Summary: Partial amendments to the Company's "Endorsement and Guarantee Procedures."	None
2019/03/18 - Motion #13	Agenda: Proposal to have 2nd-tier subsidiary Ding Chih Co., Ltd. to acquire additional 10% shares of Chenming Electronic (Ningbo) Co., Ltd and increase existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 82%.	None

(ii) Any other documented objections or qualified opinions raised by independent director against board resolution:
None.

(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 XIII on March 18, 2019	Agenda: Proposal to have 2nd-tier subsidiary Ding Chih Co., Ltd. to acquire additional 10% shares of Chenming Electronic (Ningbo) Co., Ltd and increase existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 82%.	Chairman Lin Mu-Ho Vice Chairman Lin Feng-Ran	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 9 (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	5	56%	

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, chief internal auditor and CPAs; state the matters discussed (e.g. the company's financial and business positions, the methods and outcome of communication):
 - a. 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.

- b. The chief internal auditor engages independent directors and supervisors in regular discussions at least once a quarter to report on the implementation of internal audit and internal control systems. Meetings may also be called on an ad-hoc basis in the occurrence of major event.

Summary of communication:

Date	Party communicated	Method of communication	Matters communicated and outcome
2018/01/31	Chief internal auditor	Conference	Report on audit tasks performed between October and December 2017.
2018/03/16	CPA	Conference	External CPA's report to independent directors and supervisors on the financial position, profitability, overall operations and audit of internal control system in 2017.
2018/04/23	Chief internal auditor	Conference	Report on audit tasks performed between January and March 2018.
2018/08/08	Chief internal auditor	Conference	Report on audit tasks performed between April and June 2018.
2018/11/07	Chief internal auditor	Conference	Report on audit tasks performed between July and September 2018.

- (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:

- (i) Board of directors meeting dated 2019/03/18

Summary of Motion #13: Proposal to acquire 10% share ownership in Chenming Electronic (Ningbo) Co., Ltd. through 2nd-tier subsidiary Ding Chih Co., Ltd. for a cumulative shareholding of 82% in Chenming Electronic (Ningbo).

Supervisor Lin Po-Hsiang: Is the per-share acquisition price the same as the acquisition made in 2016?

Company's response to supervisor's opinions:

Reply from Huang, Assistant Vice President of Finance: Yes, it is the same. Amounts for both acquisitions were calculated based on the 2016 valuation, and therefore the per-share acquisition prices were the same.

Director Lo Chih-Chi: Shareholders' equity of Chenming Electronic (Ningbo) has been increasing over the years and is reflected in subsequent valuations. However, the parent company still calculated the acquisition price as a percentage of the 2016 valuation, and therefore the two prices are the same.

Resolution: This motion was unanimously passed as proposed without objection from attending directors.

(III) Deviation and causes of deviation from 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>	
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) The Company has engaged a professional share administration agency to cater for matters concerning shareholders’ rights. This arrangement enables timely and complete understanding of major shareholders.	
(III) Has the Company established and implemented risk management practices and	V		(III) The Company has established and implemented relevant procedures as	

<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		required by law; an internal audit unit exists to perform unscheduled 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.	
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) According to Paragraph 2, Article 20 of the Company's "Corporate Governance Code of Conduct," members of the board are required to possess the knowledge, skills and characters needed to execute their duties. For ideal corporate governance, the board of directors shall possess the following capacities overall: I. Ability to make operational judgments. II. Accounting and financial analysis. III. Business administration. IV. Crisis management. V. Industry knowledge.	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>	
		V	<p>VI. Vision of the global market. VII. Leadership. VIII. Decision making.</p> <p>For the enhancement of corporate governance, board composition and organization, composition of board members should take into account the Company's operating framework, business prospect, future trends and other requirements, and should be diversified on several aspects. The Company's board of directors currently comprise 7 members, including: Directors Lin Feng-Ran, Chang Yi-Min and Chen Hsiao-Chun who possess expert knowledge on industry, finance and accounting affairs; Directors Lin Mu-Ho and Lo Chih-Chi with strong business administration, leadership and decision-making skills; and Directors Lin Chiang-Feng and Ching Chi-Ben who contribute valuable opinions on international markets and legal affairs.</p> <p>29% of board members concurrently held positions as employee, whereas 29% of board members were independent directors. The Company also places great emphasis on gender equality, with female directors making up 14% of the board. 2 of the independent directors have had more than 9 years of service on board, whereas 3 directors had 3 years or fewer service on board. One of the directors aged 70 and above, whereas 4 directors aged</p>	
	V			

Assessment criteria	Compliance (Note 1)			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies																																																																
	Yes	No	Summary																																																																	
<p>(II) Apart from the Remuneration Committee and Audit Committee, has the Company 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</p>			<p>50-59 and 2 directors aged below 50. Implementation of diversification policy for the composition of the board by each individual director.</p> <table border="1"> <thead> <tr> <th>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> <p>(II) The Company currently has a Remuneration Committee in place, and plans to assemble an Audit Committee in 2020. Other functional committees will be assembled in the future according to relevant regulations and industry practices as deemed appropriate.</p> <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</p>	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		
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	<u>Yes</u>	<u>No</u>	<u>Summary</u>													
basis? (IV) Are external auditors' independence assessed on a regular basis?			<p>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> <table border="1"> <thead> <tr> <th>Assessment criteria</th> <th>Assessment result</th> <th>Compliance of independence</th> </tr> </thead> <tbody> <tr> <td>1. Whether the external auditor has a direct or material indirect financial interest in the Company.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>2. Whether the external auditor has provided or received loans or guarantee to or from the Company or the Company's directors.</td> <td>No</td> <td>Yes</td> </tr> <tr> <td>3. Whether the external auditor has a close business relationship or entered into a potential employment negotiations with the Company.</td> <td>No</td> <td>Yes</td> </tr> </tbody> </table>	Assessment criteria	Assessment result	Compliance of independence	1. Whether the external auditor has a direct or material indirect financial interest in the Company.	No	Yes	2. Whether the external auditor has provided or received loans or guarantee to or from the Company or the Company's directors.	No	Yes	3. Whether the external auditor has a close business relationship or entered into a potential employment negotiations with the Company.	No	Yes	
Assessment criteria	Assessment result	Compliance of independence														
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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>			
			4. Whether the external auditor or a member of the assurance team is or has been a director or a manager of the Company, or employed by the Company in a position to exert significant influence over the subject matter of the engagement within the last two years.	No	Yes	
			5. Whether the external auditor has provided the Company the non-assurance service that would affects directly a material item of the assurance engagement.	No	Yes	
			6. Whether the external auditor has promoted or brokered the Company's shares or other securities issued by the Company.	No	Yes	
			7. Whether the external auditor has acted as a coordinator or an advocate on behalf of the Company in litigation or disputes with third parties.	No	Yes	
			8. Whether the external auditor has a close or immediate family member who is a director or manager of the Company or an employee who is in a position to exert significant influence over the subject matter of the engagement.	No	Yes	

<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</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>	
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		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. 2. Investor relations: The Company has a spokesperson system in place; investors may obtain information for whatever queries they may have through the	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>2018/06/22</td> <td>Department of International Business, Tamkang University</td> <td>2018 Cross-strait Corporate and Commercial Conference</td> <td>4.0</td> </tr> <tr> <td></td> <td></td> <td>2018/10/04</td> <td></td> <td>Banking Administration -- Model Practice and</td> <td>2.0</td> </tr> </tbody> </table>	Title	Name	Course date	Organizer	Course name	Training hours	Independent Director	Lin Chiang-Feng	2018/06/22	Department of International Business, Tamkang University	2018 Cross-strait Corporate and Commercial Conference	4.0			2018/10/04		Banking Administration -- Model Practice and	2.0	
Title	Name	Course date	Organizer	Course name	Training hours																	
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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>					
						Transfer of Expertise		
					2018/10/11	Mobile Payment and Fintech Development	2.0	
			Independent Director	Chang Yi-Min	2018/07/05	CPA Associations of the R.O.C. (Taiwan)	Analysis and Interpretation of New Audit Reports	3.0
					2018/09/12		How to react to the Money Laundering Control Act.	3.0
			Director	Lo Chih-Chi	2018/08/05	KPMG	Conference on Latest Company Act Amendments and Corporate Response	3.0
					2018/10/25		CRS: Conference on New Business Administration Mindset	3.0
					2018/11/20		Conference on Crisis Response for Taiwanese Enterprises Amidst the China-USA Trade War	3.5
			Director	Ching Chi-Ben	2018/10/24	Securities & Futures Institute	Advanced Practical Workshop for Directors and Supervisors - Impact of China-USA Trade Dispute on Domestic Businesses	3.0
					2018/10/24		Securities Fraud - Illegal Conducts in Share and Corporate Bond Offering	3.0

<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>					
			Supervisor	Lin Pei-Yu	2018/04/20 2018/10/26	Securities & Futures Institute	2018 Insider Trading Prevention Seminar	3.0 3.0
			Supervisor	Lin Po-Hsiang	2018/04/25 2018/11/08	Taiwan Academy of Banking and Finance Securities & Futures Institute	Corporate Governance and Sustainable Management Workshop Advanced Practical Workshop for Directors and Supervisors - Focuses of the Latest Company Act Amendment and Practical Implications	3.0 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 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,</p>					

<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>while collection experience is shared with peers to obtain up-to-date information on customers' financial position.</p> <p>8. Insurance against directors' and supervisors' liabilities:</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>597,900,000</td> <td>Start: June 10, 2018 End: June 10, 2019</td> <td>Renewal coverage</td> <td>Exchange rate: 29.895</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.	597,900,000	Start: June 10, 2018 End: June 10, 2019	Renewal coverage	Exchange rate: 29.895	
Insured parties	Insurance company	Sum assured (NTD: \$)	Period of coverage (start/end)	Status of coverage	Remarks											
All directors and supervisors	Fubon Insurance Co., Ltd.	597,900,000	Start: June 10, 2018 End: June 10, 2019	Renewal coverage	Exchange rate: 29.895											
<p>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:</p> <ul style="list-style-type: none"> • The Company has prepared social responsibility report to disclose execution and outcome of CSR projects in 2018. • The Company has established a board member diversity policy and disclosed the implementation outcome in annual report and on the Company's website. • Financial, business and corporate governance information has been disclosed on the Company's website, along with the channels and methods adopted for determining stakeholders' identity and issues of concern. 																

(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	
		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	Note 3
Independent Director	Chang Yi-Min	No	Yes	Yes	✓		✓	✓	✓	✓	✓	✓	None	Note 3
Others	Chen Hung-Chang	No	Yes	Yes	✓	✓	✓	✓	✓	✓	✓	✓	None	Note 3

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: Duties of the Remuneration Committee

- (1) Regular review of Remuneration Committee foundation principles and recommendation of changes.
- (2) Establish and review regularly the annual and long-term performance targets and evaluation standards for the Company's directors, supervisors and managers, and the policies, systems, standards, and structures of their remuneration.
- (3) Evaluate on a regular basis the accomplishment of performance targets by the Company's directors, supervisors and managers, and determine the details and amounts of individual compensation based on outcomes of the evaluation.

2. Responsibilities of the Remuneration Committee are to assist the board of directors in executing the Company's overall remuneration and welfare policies, as well as determining directors' and managers' remuneration. Director remuneration and employee profit-sharing are determined based on current year's business performance in accordance with the percentages stated in the Articles of Incorporation and distribution policies established by the board of directors.

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 3 meetings (A) in 2018; 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	3	0	100%	
Committee member	Chang Yi-Min	3	0	100%	
Committee member	Chen Hung-Chang	3	0	100%	
Other remarks:					
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.					
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.					

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.

- (3) Discussions and resolutions of the Remuneration Committee, and the Company's response to committee members' opinions:
The Remuneration Committee had passed all resolutions presented for discussion in 2018 without other opinion.

Date of Remuneration Committee meeting	Discussed topic	Outcome of resolution	Company's response to Remuneration Committee's opinions
2018/01/31	Review of 2017 year-end bonus allocation principles for managers.	Passed unanimously by committee members	Proposed by the board of directors and passed unanimously by all attending members
2018/03/16	Amount and method of allocation for the 2017 employee/director/supervisor remuneration.	Passed unanimously by committee members	Proposed by the board of directors and passed unanimously by all attending members
2018/08/08	1. Promotion and compensation of newly appointed managers. 2. Compensation of newly appointed managers.	Passed unanimously by committee members	Proposed by the board of directors and passed unanimously by all attending members

(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 corporate social responsibility code of conduct to guide its efforts with regards to social responsibilities. Below are the key responsibilities of the committee:</p> <p>Integrate corporate social responsibility policies and goals, and establish governance strategies that accommodate SDG issues.</p> <p>Communicate and coordinate with internal and external stakeholders, and take steps toward accomplishing the identification, control and prevention of risks.</p> <p>Convene annual management review meetings to discuss CSR performance and goals.</p> <p>Establish management and accountability systems that comply with the local legal system in order to ensure the legitimacy and compliance of all commercial activities.</p> <p>Prepare group-wide annual CSR reports and submit them for approval by the board of directors.</p> <p>Main policies and discussions:</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 	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>	
			<p>applicable to its business activities. The Company also undertakes the duty to make ongoing improvements to its work condition and employee welfare.</p> <p>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 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>	

<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>(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 professional skill training. In this year, the Company has organized the external training courses with the total training time of 328 hours at its headquarters and 24854 hours at Dongguan site, and a total of 17814 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</p>	

<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>	
(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>of training courses on board. In addition to general knowledge about the Company, we also communicate important propaganda to all new 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 2154 times of EHS courses in the topics of occupational health and safety, fire safety, chemical use, safety appliance use etc., with 37632 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</p>	

<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>	
(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>CSR initiatives of each department are made 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 salary offered by the Company in Taiwan is above the basic salary level</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)	
			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 (EICC) to regulate workers' rights, workers' safety, and environmental protection. It has made extensive efforts to establish relationship between the</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>	
(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>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 based on data published by the park administration. In 2017, the Company emitted 302,270.31kg of CO2 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 emitted 313,405.70kg of CO2 from energy consumption, 127,451.41kg from transportation, 240,793.75kg from the workplace, 84.18kg from entertainment, 34,932.66kg from appliances, and 182,131.24kg from other categories. Total CO2 emission in 2018 was calculated at</p>	

<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>	
			898,798.94kg. In 2019, the Company plans to reduce carbon emission by 1% on a per-production-unit basis.	
<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’ 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.</p> <p>Human rights issues and practices:</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>	
			<p>(1) With respect to providing dignified and safe work environment, the Company has taken actions that apply to all employees, and no employee was susceptible to high risk. The scope of practices taken included:</p> <ul style="list-style-type: none"> . Renovation of the office, pantry and conference room to provide a comfortable and spacious work environment, and thereby achieve the goal of “providing dignified and safe work environment.” Furthermore, the Company has provided a concealed and safe nursery space voluntarily before it was made mandatory by government rules, so that employees may return to the workplace after childbirth able to cater for family and work requirements. . The Company arranges annual employee health checkups according to Article 15 of “Worker Health Protection Rules” to track employees’ health conditions. Furthermore, the Company provides health-related information through website and various 	

<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>	
			<p>forms of seminar.</p> <ul style="list-style-type: none"> . The Company encourages employees to participate in sexual harassment prevention seminars, and has “Sexual Harassment Prevention” guidelines established in the “Work Rules” to protect employees, maintain gender-equal opportunities and provide a work environment free of sexual harassment. <p>(2) With respect to eliminating discrimination and ensuring work opportunities, the Company has implemented employment procedures that aimed to eliminate discrimination at as early as the recruitment stage, and no employee was susceptible to high risk in this respect. The scope of practices taken included:</p> <ul style="list-style-type: none"> . Compliance with local employment regulation, international standards and EICC, and enforcement of internal policies. . Implementation and enforcement of internal control procedures, and adding a non-discrimination principle to Article 7, Chapter 2 of the Company’s “Work Rules” 	

<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>	
			<p>that prohibits discrimination against job seekers and employees for their race, social status, language, thoughts, religion, political association, origin, place of birth, gender, sexual preference, age, marital status, appearance, physical/mental disability, or union association.</p> <p>(3) With respect to prohibiting use of child labor, the Company has implemented employment procedures that aimed to eliminate use of child labor at as early as the recruitment stage, and no employee was susceptible to high risk in this respect. The scope of practices taken included:</p> <ul style="list-style-type: none"> . According to Article 58, Chapter 6 of the Company's "Work Rules," use of child labor is prohibited within the organization, and the Company performs checks on all hired employees to ensure that no child labor is recruited. <p>(4) No employee was susceptible to high risk with respect to the prohibition of forced labor. The scope of practices taken in this regard</p>	

<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>	
			<p>included:</p> <ul style="list-style-type: none"> . Enforcement of local employment regulations, international standards and the Company’s “Work Rules.” Prior to hiring, the Company ensures that employees have agreed to the employment terms and are providing service willingly free of coercion. <p>(5) With respect to maintaining employees’ health and work-life balance, the Company has taken actions that apply to all employees, and no employee was susceptible to high risk. The scope of practices taken included:</p> <ul style="list-style-type: none"> . Offering of subsidies that support “maintenance of employees’ health and work-life balance,” such as: festive cash, birthday cash, travel subsidy, year-end banquet and year-end bonus. . For the protection of women’s rights, the Company provides “menstrual leave,” “family care leave,” “maternity leave,” “paternity leave,” “breastfeeding break” and “extended unpaid leave” as a protection for 	

<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		women's rights and to cater for their work, health and family needs. (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 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	

<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>	
(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>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 join 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 resigned 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, 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</p>	

<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>	
(V) Has the Company implemented an effective training program that helps employees develop skills over their career?	V		<p>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 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</p>	

<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>	
(VI) Has the Company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	V		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. (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) Has the Company complied with laws and international standards with regards to the marketing and labeling of products and services?	V		(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 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	

<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		for green commitment. (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.	
(IX) Is the Company entitled to terminate supply 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?	V		(IX) The Company has a unit that specializes in social 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				Consistent with Corporate

<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)	
(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.	Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies
<p>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.</p>				
<p>VI. Other information useful to the understanding of corporate social responsibilities: The Company joined the CSR Alliance in 2018 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. The Company has long devoted attention to caring for the socially disadvantaged and giving back to the society. In 2018, the Company mobilized employee care for community lone elders and donate blood on several occasions.</p>				
<p>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.</p>				

(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.	Consistent with Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
(II) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	V		(II) The Company has established the recusal system for directors in its “Board of Directors Conference Rules”. If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director. In addition, the Company has clearly states in the “Guidelines for Professional Ethics” that stipulate personal conducts and professional ethics. In order to	

<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 taken steps to prevent occurrences 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>implement preceding regulations and eliminate any violations by employees, the Company has also set up the compliant hotline and mailbox. In the event that any violation by employees is concluded in an investigation, the handling personnel shall pass on the case information and relevant documents to human resource department where the case shall be handled accordingly. Given the severity of the violation, the case may be passed to the judicial authorities.</p> <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</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>	
			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>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</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		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 Company has organized internal and external training courses totaling 17,874 persons attended with a total of 25,182 man-hours.	Consistent with Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
(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		(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. (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.	

<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>	
(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 external training courses totaling 17,874 persons attended with a total of 25,182 man-hours to make laws, regulations and key points for compliance known to all employees.	

<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>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 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>	Consistent with Integrity Best-Practice Principles for TWSE/TPEX Listed Companies

<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		(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.	
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.	Consistent with Integrity Best-Practice Principles for TWSE/TPEX Listed Companies
V. If the Company has established business integrity policies in accordance with "Ethical Corporate Management 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 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).				
VI. Other information relevant to understanding the Company's business integrity (e.g. reviews over business integrity principles):				

<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>	
<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 2018, there were 20 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 18, 2019

The following declaration had been made based on the 2018 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, 2018. 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 18, 2019.

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	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	2018/03/16	<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.
Annual general meeting	2018/06/13	<ol style="list-style-type: none"> 1. Acknowledgment of 2017 business report and financial statements. Execution: The motion was passed as proposed, and provided the basis for 2017 earnings appropriation. 2. Acknowledgment of 2017 earnings appropriation. Current progress: The motion was passed as proposed without objection. The distribution baseline date was set at August 31, 2018 whereas the payment date was set at September 21, 2018 (NT\$0.5 per share in cash) during the board of directors meeting held on 2018/08/08. 3. Amendment to the Company's "Articles of Incorporation." Execution: The motion was passed as proposed without objection and executed accordingly. During the board of directors meeting held on 2018/08/08, the attending directors unanimously voted Mr. Lin Feng-Ran as the Vice Chairman of the 14th board.
Board of Directors	2018/08/08	<ol style="list-style-type: none"> 1. Set the baseline date for cash dividend distribution. 2. Election of the Company's Vice Chairman. 3. Proposal to provide endorsement/guarantee for Chinese subsidiary - Chenming Electronic (Ningbo) Co., Ltd. in the Company's capacity. 4. Remuneration Committee's proposal for the promotion and compensation of newly appointed manager Chueh Chung-Huei. 5. Remuneration Committee's proposal for the promotion and compensation of newly appointed manager Wu Chien-Sheng.
Board of Directors	2018/11/07	<ol style="list-style-type: none"> 1. Proposal to make the first buyback of the Company's shares in 2018. 2. Proposal to renew the credit limit granted by Hua Nan Bank upon expiry. 3. Proposal to apply for additional credit limit from Mega International Commercial Bank.

Shareholder/board of directors meeting	Date	Major resolutions
Board of Directors	2018/12/26	<ol style="list-style-type: none"> 1. Establishment of the Company's "2019 Audit Plan." 2. Lending of capital by Dongguan Chenming Electronics Co., Ltd. to Chenming Electronic (Ningbo) Co., Ltd. 3. Lending of capital by Chenming Electronic (Ningbo) Co., Ltd. to Dongguan Chenming Electronics Co., Ltd. 4. Proposal to make the second buyback of the Company's shares in 2018.
Board of Directors	2019/01/23	<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	2019/03/18	<ol style="list-style-type: none"> 1. Discussion of Remuneration Committee's resolution regarding the amount and method of payment for the 2018 employee/director/supervisor remuneration. 2. Presentation of the Company's 2018 standalone and consolidated financial statements. 3. Proposal to convene the Company's 2018 annual general meeting. 4. Appropriation of 2018 earnings. 5. Review of 2017 business report. 6. Preparation of the Company's 2018 "Declaration of Internal Control System" in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies." 7. Amendments to the Company's "Articles of Incorporation" 8. Partial amendments to the Company's "Asset Acquisition and Disposal Procedures." 9. Partial amendments to the Company's "External Party Lending Procedures." 10. Partial amendments to the company's "Endorsement and Guarantee Procedures." 11. Set the baseline date for capital reduction against the Company's 2017 treasury stock buyback. 12. Change of financial statement auditor due to organizational adjustment within the accounting firm. 13. Proposal to have 2nd-tier subsidiary Ding Chih Co., Ltd. to acquire additional 10% shares of Chenming Electronic (Ningbo) Co., Ltd and increase existing holding of Chenming Electronic (Ningbo) Co., Ltd. to 82%. 14. Proposal to file an application for investing US\$2.16 million into Chenming Electronic (Ningbo) Co., Ltd. in China.
Board of Directors	2019/05/13	<ol style="list-style-type: none"> 1. Discussion of Remuneration Committee's resolution to change existing managers. 2. Establishment of "Standard Operating Procedures for Resolving Directors' Requests." 3. Proposal to apply for credit limit from First Commercial Bank.

(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:

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	2018/01-2018/12	

Unit: NTD thousands

Fee category Range	Audit remuneration	Non-audit remuneration	Total
1 Below NT\$ 2,000,000			
2 NT\$2,000,000 (inclusive) ~ NT\$4,000,000	3,920	0	3,920
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	March 31, 2019		
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	Daisy Kuo	
	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, Wang Michelle
Date of reappointment	March 31, 2019
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 - Daisy Kuo (CPA) was replaced by Wang Michelle (CPA) since March 2019 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	2018		Year-to-date as at April 16	
		Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman	Lin Mu-Ho	—	—	—	—
Director	Chen Hsiao-Chun	—	—	—	—
Vice Chairman	Lin Feng-Ran	—	—	—	—
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	Wu Chien-Sheng (On-board on 2018/09/28)	—	—	—	—
Assistant Vice President and Finance Manager	Huang Shih-Chieh	—	—	—	—
Assistant Vice President	Chang Chin-Hsing	—	—	—	—
Assistant Vice President	Hsiao Kuang-Chih	—	—	—	—
Assistant Vice President	Chueh Chung-Huei (On-board on 2018/08/08)	—	—	—	—
Accounting Manager	Su Chung-Ching	—	—	—	—

(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 Feng-Ran	Redemption	2019.04.12	Mega International Commercial Bank Co., Ltd. Keelung Branch	None	500,000	4.06%	30.25%	—
Lin Feng-Ran	Redemption	2019.04.12	Mega International Commercial Bank Co., Ltd. Keelung Branch	None	4,000,000	4.06%	30.25%	—

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	15.34%	1,425,809	0.88%	—	—	Tsai Chiu-Hua Lin Mu-Rong Lin Ching-Yuan Lin Feng-Ran Lin Pei-Hsuan Lin Pei-Yu	Spouse Brothers Father and son Father and son Father and daughter Father and daughter	None
Hui Chi Investment Co., Ltd.	16,098,758	9.88%	—	—	—	—	—	—	None
Representative: Lin Ching-Yuan	7,173,502	4.40%	221,931	0.14%	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Mu-Rong Lin Feng-Ran Lin Pei-Hsuan Lin Pei-Yu	Father and son Mother and son Uncle and nephew/niece Brothers Brother and sister Brother and sister	None
Lin Ching-Yuan	7,173,502	4.40%	221,931	0.14%	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Mu-Rong Lin Feng-Ran Lin Pei-Hsuan Lin Pei-Yu	Father and son Mother and son Uncle and nephew/niece Brothers Brother and sister Brother and sister	None
Lin Feng-Ran	6,612,310	4.06%	423,956	0.26%	—	—	Lin Mu-Ho Tsai	Father and son	

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	
							Chiu-Hua Lin Mu-Rong Lin Ching-Yuan Lin Pei-Hsuan Lin Pei-Yu	Mother and son Uncle and nephew/niece Brothers Brother and sister Brother and sister	None
Lin Mu-Rong	5,630,469	3.46%	1,222,369	0.75%	—	—	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	2.82%	—	—	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Mu-Rong Lin Ching-Yuan Lin Feng-Ran Lin Pei-Yu	Father and daughter Mother and daughter Uncle and nephew/niece Brother and sister Brother and sister Sisters	None
Lin Pei-Yu	4,512,755	2.77%	—	—	—	—	Lin Mu-Ho Tsai Chiu-Hua Lin Mu-Rong Lin Ching-Yuan Lin Feng-Ran Lin Pei-Hsuan	Father and daughter Mother and daughter Uncle and nephew/niece Brother and sister Brother and sister Sisters	None
Chang Ting-Chen	1,442,000	0.89%	500,000	0.31%	—	—	—	—	None
Tsai Chiu-Hua	1,425,809	0.88%	25,000,230	15.34%	—	—	Lin Mu-Ho Lin Feng-Ran Lin Ching-Yuan Lin Pei-Hsuan Lin Pei-Yu	Spouse Mother and son Mother and son Mother and daughter Mother and daughter	None
Lin Chun-Yi	1,257,262	0.77%	—	—	—	—	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 Cousins	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	58,648	100.00%	0	0%	58,648	100.00%
Chueh Rong International	45,988	100.00%	0	0%	45,988	100.00%
Ding Chih Co., Ltd.	16,500	100.00%	0	0%	16,500	100.00%
Dongguan Chenming	Note 2	100.00%	0	0%	Note 2	100.00%
Chenming Electronic (Ningbo)	Note 2	82.00%	0	0%	Note 2	82.00%

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 16, 2019

Year / month	Issue price	Authorized capital		Paid-up capital		Remarks			
		Number of shares	Amount	Number of shares	Amount	Source of capital	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	None	Jing-(088)-Shang-129976 dated 08.16.1999.
2000.07	50	79,000,000	790,000,000	61,700,000	617,000,000	Cash issue NT\$100 million, employee bonus NT\$4 million	0	None	Jing-(089)-Shang-133304 dated 09.14.2000
	10					Capitalized earnings NT\$171 million			
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	0	None	Jing-(090)-Shang-09001293930 dated 08.03.2001
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	0	None	Shang-09101404120 dated 10.03.2002
						Capitalized capital reserves NT\$87 million			
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	0	None	Shang-09201248100 dated 08.19.2003
						Capitalized capital reserves NT\$114 million			
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	None	Shang-09301009900 dated 01.19.2004
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	None	Shang-09301074800 dated 04.29.2004
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	None	Shang-09301130400 dated 07.29.2004
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	0	None	Shang-09301157100 dated 09.06.2004
						Capitalized capital reserves NT\$38.8464 million			
2004.01	10	247,200,000	2,472,000,000	137,421,449	1,374,214,490	NT\$ -80,000,000 (retirement of treasury stock)	0	None	Shang-09301188300 dated 10.12.2004
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	None	Shang-09401017480 dated 01.28.2005
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,	0	None	Shang-09401160120 dated 08.22.2005
						Capitalized capital reserves NT\$80.5489 million			
2005.1	10	247,200,000	2,472,000,000	145,313,582	1,453,135,820	NT\$ 29,999,890 (conversion from corporate bonds)	0	None	Shang-09401206880 dated 10.20.2005

Year / month	Issue price	Authorized capital		Paid-up capital		Remarks			
		Number of shares	Amount	Number of shares	Amount	Source of capital	Capital contributed in properties other than cash	Others	Approval reference
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	None	Shang-09501134950 dated 07.05.2006
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	None	Shang-09501185100 dated 08.24.2006
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	None	Shang-09601008170 dated 01.12.2007
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	None	Shang-09601087320 dated 04.25.2007
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	None	Shang-09601160770 dated 07.12.2007
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	None	Shang-09601210270 dated 08.31.2007
2007.01	10	247,200,000	2,472,000,000	174,561,410	1,745,614,100	NT\$ 46,125,230 (conversion from corporate bonds)	0	None	Shang-09601249620 dated 10.12.2007
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	None	Shang-09701005760 dated 01.11.2008
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	None	Shang-09701088600 dated 04.11.2008
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	None	Shang-09701215160 dated 08.26.2008
2008.01	10	247,200,000	2,472,000,000	198,081,018	1,980,810,180	NT\$ -180,000,000 (retirement of treasury stock)	0	None	Shang-09701270770 dated 10.24.2008
2009.12	10	247,200,000	2,472,000,000	188,081,018	1,880,810,180	NT\$ -100,000,000 (retirement of treasury stock)	0	None	Shang-09801293510 dated 12.22.2009
2012.03	10	247,200,000	2,472,000,000	185,171,018	1,851,710,180	NT\$ -29,100,000 (retirement of treasury stock)	0	None	Shang-10101049820 dated 03.23.2012
2013.05	10	247,200,000	2,472,000,000	182,171,018	1,821,710,180	NT\$ -30,000,000 (retirement of treasury stock)	0	None	Shang-10201095570 dated 05.22.2013
2014.01	10	247,200,000	2,472,000,000	180,000,018	1,800,000,180	NT\$ -21,710,000 (retirement of treasury stock)	0	None	Shang-10301221430 dated 10.28.2014
2015.08	10	247,200,000	2,472,000,000	177,935,018	1,779,350,180	NT\$ -20,650,000 (retirement of treasury stock)	0	None	Shang-10401171260 dated 08.13.2015.
2016.08	10	247,200,000	2,472,000,000	169,935,018	1,699,350,180	NT\$ -80,000,000 (retirement of treasury stock)	0	None	Shang-10501202410 dated 08.16.2016.
108.03	10	247,200,000	2,472,000,000	162,935,018	1,629,350,180	NT\$ -7,000,000 (retirement of treasury stock)	0	None	Shang-10801031730 dated 03.28.2019.

Share category	Authorized capital (shares)				Remarks
	Outstanding shares (public listed)	Treasury stock	Unissued shares	Total	
Registered ordinary shares	162,935,018	0	84,264,982	247,200,000	None

(II) Shareholders structure:

April 16, 2019

Shareholders	Government institutions	Financial institutions	Other corporate entities	Foreign institutions and foreigners	Natural persons	Treasury stock	Total
Head count	1	0	23	31	10,280	0	10,335
Number of shares held	98	0	16,959,294	3,279,468	142,696,158	0	162,935,018
Shareholding percentage (%)	0.00%	0.00%	10.41%	2.01%	87.58%	0.00%	100.00%

(III) Ownership diversity:

April 16, 2019

Shareholding range	Number of shareholders	Number of shares held	Shareholding percentage (%)
1-999	1,504	223,632	0.14%
1,000-5,000	6,219	14,164,299	8.69%
5,001-10,000	1,268	10,670,745	6.55%
10,001-15,000	336	4,452,235	2.73%
15,001-20,000	331	6,330,022	3.88%
20,001-30,000	233	6,190,267	3.80%
30,001-40,000	103	3,768,791	2.31%
40,001-50,000	61	2,915,047	1.79%
50,001-100,000	163	12,003,540	7.37%
100,001-200,000	60	8,394,489	5.15%
200,001-400,000	29	8,097,255	4.97%
400,001-600,000	10	4,676,876	2.87%
600,001-800,000	3	2,122,708	1.30%
800,001-1,000,000	3	2,738,000	1.68%
1,000,001 and above	12	76,187,112	46.77%
Total	10,335	162,935,018	100.00%

(IV) List of major shareholders:

April 16, 2019

Serial number	Account number	Name of major shareholder	Number of shares held	Shareholding percentage (%)
1	1	Lin Mu-Ho	25,000,230	15.34%
2	13	Hui Chi Investment Co., Ltd.	16,098,758	9.88%
3	10	Lin Ching-Yuan	7,173,502	4.40%
4	115	Lin Feng-Ran	6,612,310	4.06%
5	2	Lin Mu-Rong	5,630,469	3.46%
6	8	Lin Pei-Hsuan	4,591,648	2.82%
7	9	Lin Pei-Yu	4,512,755	2.77%
8	42555	Chang Ting-Chen	1,442,000	0.89%
9	5	Tsai Chiu-Hua	1,425,809	0.88%
10	321	Lin Chun-Yi	1,257,262	0.77%

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

Item	Year		2017	2018	Year-to-date March 31
	Market price per share	High		26.15	22.65
Low		17.00	12.20	14.25	
Average		19.69	17.19	15.71	
Net worth per share	Before dividend		14.02	14.06	14.11
	After dividend		14.02	14.06	14.11
EPS	Weighted average outstanding shares (in thousands)		169,935	169,656	164,128
	EPS		1.25	0.65	0.06
Dividends per share	Cash dividends		0.5	0.3	-
	Stock dividends	From earnings	-	-	-
		From capital reserves	-	-	-
	Cumulative unpaid dividends		0	0	-
Analysis of investment returns	P/E ratio		15.75	26.45	-
	Price to dividends ratio		39.38	57.30	-
	Cash dividend yield		2.54%	1.75%	-

(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 current general meeting:

A resolution was passed during the 2019 annual general meeting to distribute cash dividends of NT\$0.3 per share from 2018

earnings. This decision was consistent with 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 legal reserve and provision (or reversal) of special reserve as required by regulation or instructed by the authority. 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 less 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) Employees’/directors’/supervisors’ remuneration, in cash or in shares:

Employee remuneration totaling NT\$5 million and director/supervisor remuneration totaling NT\$1.5 million have been proposed. Both amounts will be paid in cash. There was no difference between the amount of expenses recognized and the amount estimated during the year.

(2) Percentage of employee remuneration paid in shares, relative to current net income and total employee remuneration:

Not applicable as no proposal was 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 (2017). The amount actually paid was indifferent from the amount previously recognized.

(IX) Shares repurchased by the company:

Unit: NT\$

Term of buyback	2018 first buyback	2018 second buyback
Purposes of buyback	In an effort to safeguard the Company’s credit standing and shareholders’ equity	In an effort to safeguard the Company’s credit standing and shareholders’ equity
Buyback period	November 8, 2018 ~ December 18, 2018	December 27, 2018 ~ February 20, 2019
Price range of buyback	NT\$ 11 ~NT\$ 21	NT\$ 11 ~NT\$ 22
The categories and quantities of buyback	3,500,000 common shares	3,500,000 common shares
Amount of buyback	NT\$ 52,026,594	NT\$ 52,512,440
Number of shares having been cancelled and transferred	3,500,000 share	3,500,000 share
Accumulated holding of the Company’s shares	0 share	0 share
Cumulative holding of own shares as a percentage to total issued shares	0%	0%
Date of verification	December 20, 2018	February 23, 2019
File number of verification	Letter Jin-Guan-Zheng-Jiao-Zi 1070347438	Letter Jin-Guan-Zheng-Jiao-Zi 1080305083

Note: The above data was accurate as of the publication date of annual report (May 17).

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 capital: 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 Equipments 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 proportion

Unit: NTD thousand

Product	2018 sales amount	as a percentage of annual sales
PC and server chassis	4,257,152	69%
Mobile device components	1,534,230	25%
Mold	395,020	6%
Total	6,186,402	100%

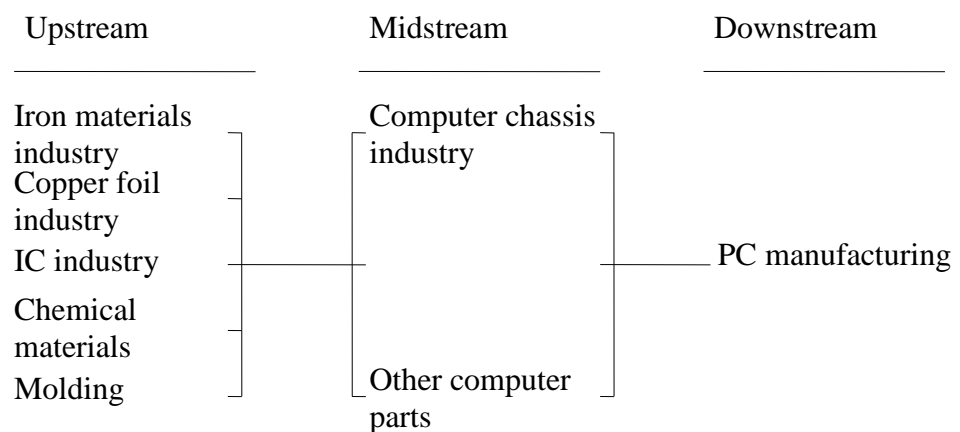
3. The Company's current products (services)
PC and server chassis; design, manufacturing and sale of handheld devices.
4. New products (services) planned for the future
 - (1) Develop MIM procedures for high-temperature, high-strength nickel-based superalloy - Inconel 713C.
 - (2) Continue to develop CIM (Ceramic Injection Molding) surface finish technique.
 - (3) Develop MIM procedures for High Strength Non- Magnetic Austenitic Stainless Steel (X15 CrMnMoN 17-11-3).
 - (4) Develop MIM procedures for corrosion-resistant, wear-resistant, non-magnetic cobalt-based alloy - F75 (Co-28Cr-6Mo).
 - (5) Develop automatic visualizing cosmetic inspection equipment.

(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 margin 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

	2014	2015	2016	2017	2018	Year-to-date as at March 31
R&D expenses	44,032	41,037	40,737	34,036	35,697	11,447
Operating revenue	3,017,695	3,241,910	4,274,910	4,840,129	6,186,402	1,389,457
R&D expenses as a percentage of net operating revenues	1.46%	1.27%	1.27%	0.70%	0.58%	0.82%

2. Technologies or products successfully developed

- (1) Completed titanium and titanium alloy (Ti6Al4V) MIM production process, with microstructures and physical properties conforming with industry standards.
- (2) Completed a series of fundamental research and analysis on 17-4PH steel material, and developed an internal database for physical properties of 17-4PH. This research was published in several international conferences in 2018, including PM China (Shanghai China), Powdermet (Texas, USA), ARBURG (Lossburg, Germany), World PM (Beijing, China) and EuroPM (Bilbao, Spain), and was published in PIM Internation Vo1.12 No.3 (page 101-111).
- (3) Completed MIM procedures for in-product, non-linear channels, and applied for patent.
- (4) Completed development of micro plastic injection molds and overmolding technique on MIM products. This process was successfully applied on Type-C connector projects.

(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 17.25 million pieces of computer chassis and 199.3 million pieces of cellphone components during the year.

Unit: NTD thousand; %

Year Region		2016		2017		2018	
		Sales amount	Sales percentage	Sales amount	Sales percentage	Sales amount	Sales percentage
Domestic sale		37,466	0.88	17,448	0.36	34,298	0.55
Export sale	America	291,927	6.83	345,152	7.13	540,315	8.73
	Europe	265,526	6.21	201,712	4.17	198,719	3.21
	Asia	3,679,886	86.08	4,275,817	88.34	5,413,070	87.51
Total		4,274,785	100.00	4,840,129	100.00	6,186,402	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 uprise 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

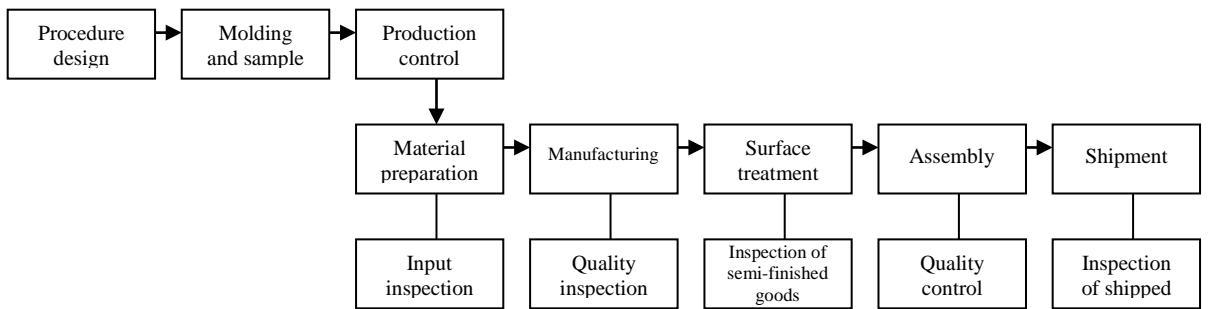
According to a research conducted by Market Intelligence & Consulting Institute, demands for desktop PCs will be gradually replaced by notebook and tablet PCs. In addition, factors such as intensive competition, customers' price cuts, rising cost of materials and labor etc all make desktop PC a difficult 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 is mainly involved in 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	2017				2018				2019 up till the previous quarter			
	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	1,266,653	26%	None	Company A	1,607,063	26%	None	Company A	234,308	17%	None
2	Company B	992,296	21%	None	Company B	1,717,887	28%	None	Company B	440,909	32%	None
3	Company C	848,097	18%	None	Company C	899,106	14%	None	Company C	166,001	12%	None
4	Company D	486,070	10%	None	Company D	604,524	10%	None	Company D	171,292	12%	None
	Others	1,247,013	25%	None	Others	1,357,822	22%	None	Others	376,947	27%	None
	Net sales	4,840,129	100%		Net sales	6,186,402	100%		Net sales	1,389,457	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 2017	Amount in 2018	Difference between the two periods	Cause of variation
1	Company A	1,266,653	1,607,063	340,410	Increase in customer's demand
2	Company B	992,296	1,717,887	725,591	Increase in customer's demand
3	Company C	848,097	899,106	51,009	Increase in customer's demand
4	Company D	486,070	604,524	118,454	Increase in customer's demand
	Others	1,247,013	1,357,822	110,809	
	Net sales	4,840,129	6,186,402	1,346,273	

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

Unit: thousand pieces/NTD thousand

Year/Production volume or value	2017			2018		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
PC chassis	14,585	13,891	3,417,186	18,104	17,742	4,368,873
Mobile device components	343,996	333,980	1,222,367	209,264	205,079	1,610,942
Mold (Note)	-	-	255,282	-	-	383,775
Total	358,581	347,871	4,894,835	227,368	222,821	6,363,589

(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	2017				2018			
	Domestic sale		Export sale		Domestic sale		Export sale	
Sales volume/value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
PC chassis	19	10,472	13,667	3,370,131	4	15,528	17,242	4,241,624
Mobile device components	208	5,638	330,465	1,219,416	-	-	199,299	1,534,230
Mold (Note)	-	1,338	-	233,134	-	18,770	-	376,250
Total	227	17,448	344,132	4,822,681	4	34,298	216,541	6,152,104

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

III. Employee count, 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, 2019

Year		2017	2018	Year-to-date March 31, 2019
Employee count	Indirect employees	1,233	1,353	1,370
	Direct employees	3,505	4,867	3,978
	Total	4,738	6,220	5,348
Average age		31.11	31.14	31.08
Average years of service		2.34	2.00	2.44
Distribution of academic background (%)	Doctoral Degree	0.08%	0.06%	0.08%
	Masters Degree	0.42%	0.46%	0.42%
	Bachelors Degree	8.26%	8.16%	8.62%
	Senior High School	11.87%	12.71%	12.35%
	Below high school	79.08%	78.02%	78.58%

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	Hours	Expenses
1	Advanced Procedures R&D Department	Practical Workshop for Agile Project Management	China Productivity Center	1/11/2018, 1/18/2018	14	11,900
2	IT Center	OFFICE 365 & POWER BI Hands-on LAB by Microsoft Taiwan	Microsoft Taiwan Corporation	1/24/2018	6	-
3	Finance Division	On-job Training for Head of Accounting	Accounting Research and Development Foundation of the R.O.C.	5/24~5/25/2018	12	8,000
4	IT Center	CYBERSEC 2018	CYBERSEC Task Force	3/13~3/15/2018	19	-

Item No.	Department	Course name	Trainer	Course date	Hours	Expenses
5	IT Center	2018 Information Security & Cloud Application Trends	Acer e-Enabling Service Business Inc.	3/15/2018	7	-
6	Legal Affairs Office	Case Study and Prospect of Key Patent Claims in USA and Taiwan	Taiwan Technology Industry Legal Officers Association	3/16/2018	5	-
7	Internal Audit Office	First-time Training for Public Company Internal Auditors	Accounting Research and Development Foundation of the R.O.C.	6/8/2018	6	10,500
8		Common Internal Audit Violations, Legal Responsibilities and Case Studies		6/11/2018	6	
9		Proper "Computer Audit" Practice for Internal Auditors		6/15/2018	6	
10	IT Center	Network Security Conference 2018	Zero One Technology Co., Ltd.	4/17/2018	4	-
11	IT Center	AI, IoT and Network Security - Keys to the Smart Evolution	Aruba Task Force	4/18/2018	6	-
12	IT Center	Infosecurity 2018	CYBERSEC Task Force	4/25~4/27/2018	21	-
13	Legal Affairs Office	2018 Trademark Regulations Seminar	Intellectual Property Office	4/25/2018	3.5	-
14	IT Center	Intelligent Office Hands-On Workshop	Microsoft Taiwan Corporation	5/4/2018	6	-
15	IT Center	Future of AI	Acer e-Enabling Service Business Inc.	5/25~5/26/2018	6	-
16	IT Center	2018 Cloud & Edge Summit	ITHOME Publications Inc.	5/16/2018	7	-
17	IT Center	DevDays Asia 2018 by Microsoft Taiwan	Microsoft Taiwan Corporation	5/29~30/2018	16	-
18	IT Center	DevDays Asia 2018 by Microsoft Taiwan	Microsoft Taiwan Corporation	5/28/2018, 5/30/2018	16	-
19	IT Center	DevDays Asia 2018 by Microsoft Taiwan	Microsoft Taiwan Corporation	5/28/2018	7	-
20	IT Center	DevDays Asia 2018 by Microsoft Taiwan	Microsoft Taiwan Corporation	5/29/2018	7	-
21	Legal Affairs Office	Proper Corporate Responses to GDPR	Microsoft Taiwan Corporation	6/8/2018	5	-
22	Finance Division	Internal Audit and Internal Control Practices under New IFRS16 - Leases	Accounting Research and Development Foundation	6/27/2018	6	3,500
23	Human Resources Division	ATD 2018 ICE Conference	aEnrich Technology Corporation	6/13/2018	4	-
24	Human Resources Division	Talent Training Strategies for Elite Enterprises	104 Corporation	6/20/2018	3	-
25	Human Resources Division	Coaching Leadership - Building an Elite Team	104 Corporation	7/13/2018	3	-
26	IT Center	Dell Technologies/Forum	Dell EMC Team	7/18/2018	6	-
27	IT Center	Kaspersky Road Show	Kaspersky Task Force	7/25/2018	4	-
28	IT Center	F5 Anticipate	BestCom Infotech Corp.	7/26/2018	6	-
29	IT Center	Innovative IT Evolution Strategies Forum	NetAdmin Task Force	7/31/2018	4	-
30	Internal Audit Office	Random Sampling Technique in Auditing	The Institute of Internal Auditors, R.O.C	8/28/2018	6	3,000
31	Internal Audit Office	Self-assessment Practices		9/5/2018	6	3,000
32	Internal Audit Office	Sales and Procurement Cycle Auditing Practice	Securities and Futures Institute	9/10/2018	6	3,500
33	Internal Audit Office	Case Studies of Corporate Fraud	Securities and Futures Institute	9/13/2018	6	3,500
34	IT Center	SYSAGE Solutions Day 2018	SYSAGE Technology Co., Ltd.	9/4/2018	4	-
35	IT Center	Fortinet Information Security Framework and Technology	Top Information Technologies Co., Ltd.	9/7/2018	3	-
36	IT Center	Virtual-Physical Integration and Digital Manufacturing Conference	JetSoft Technology Co., Ltd.	9/19/2018	3	-
37	IT Center	Window Server Summit 2019	Microsoft Taiwan Corporation	9/21/2018	7	-
38	IT Center	Corporate Response to Information Security Threat	General Advanced Technology Inc.	10/3/2018	4	-
39	Finance Division	On-job Training for Head of Accounting	Accounting Research and Development Foundation of the R.O.C.	12/27~12/28/2018	12	8,000
40	IT Center	TWNIC IP Application Seminar	Taiwan Network Information Center	10/30/2018	2	-
41	Legal Affairs Office	RPX Asia Conference - Latest Patent Development and Litigation Trends in USA and China	RPX Corporation	11/13/2018	5	-
42	IT Center	Smart Generation and Innovation Pioneers	JJNET International Co., Ltd.	11/8/2018	4	-

Item No.	Department	Course name	Trainer	Course date	Hours	Expenses
43	IT Center	Fortinet 2018 - Digital X Information Security Forum	ITHOME Publications Inc.	11/15/2018	7	-
44	IT Center	One-day Course on Windows Server 2019	Microsoft Taiwan Corporation	12/12/2018	7	-
45	Legal Affairs Office	Practical Workshop on International Intellectual Property Rights Litigation	Intellectual Property Office, Ministry of Economic Affairs	11/30/2018	8	-
46	Legal Affairs Office	2018 (11th) Cross-strait Patent Forum	Intellectual Property Office, Chinese National Federation of Industries	12/11~12/12/2018	16	-

3. Pension system and its implementation

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 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 have adopted 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 until 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, 2019
		2014	2015	2016	2017	2018	Financial information (Note 2)
Current assets		1,692,321	1,787,706	2,458,237	2,876,139	3,485,627	3,116,390
Property, plant, and equipment		1,127,442	1,043,626	1,180,980	1,128,528	1,137,662	1,087,497
Intangible assets		4,101	2,116	3,555	3,617	2,368	1,973
Other assets		610,527	609,741	526,723	532,098	495,759	515,469
Total assets		3,434,391	3,443,189	4,169,495	4,540,382	5,121,416	4,721,329
Current liabilities	Before dividend	972,377	911,008	1,316,145	1,696,528	2,217,813	1,797,131
	After dividend	972,377	964,389	1,401,113	1,781,496	Note 3	Note 3
Non-current liabilities		258,148	295,425	254,769	220,226	293,451	331,239
Total liabilities	Before dividend	1,230,525	1,206,433	1,570,914	1,916,754	2,511,264	2,128,370
	After dividend	1,230,525	1,259,814	1,624,295	2,001,722	Note 3	Note 3
Equity attributable to parent company shareholders		2,203,866	2,236,756	2,598,581	2,382,915	2,340,477	2,315,155
Share capital		1,800,000	1,779,350	1,699,350	1,699,350	1,699,350	1,629,350
Capital reserve		15,594	15,415	14,722	52,485	52,485	50,323
Retained earnings	Before dividend	383,015	431,080	534,525	662,176	685,887	663,960
	After dividend	383,015	377,699	449,557	577,208	Note 3	Note 3
Other equity items		5,257	10,911	(29,978)	(31,096)	(45,218)	(28,478)
Treasury stocks		-	-	-	-	(52,027)	-
Non-controlling interest		-	-	379,962	240,713	269,675	277,804
Total equity	Before dividend	2,203,866	2,236,756	2,598,581	2,623,628	2,610,152	2,592,959
	After dividend	2,203,866	2,183,375	2,513,613	2,538,660	Note 3	Note 3

Note 1: Consolidated financial information for years 2014 and 2018 has been audited.

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)				
		2014	2015	2016	2017	2018
Current assets		996,367	836,936	1,027,287	960,032	1,105,479
Property, plant, and equipment		348,842	329,225	321,546	314,933	311,662
Intangible assets		-	-	-	-	-
Other assets		1,803,508	1,794,652	1,868,439	2,133,239	2,162,291
Total assets		3,148,717	2,960,813	3,217,272	3,408,204	3,579,432
Current liabilities	Before dividend	691,705	434,184	749,626	806,985	948,083
	After dividend	691,705	487,565	834,594	891,953	Note 3
Non-current liabilities		253,146	289,873	249,027	218,304	290,872
Total liabilities	Before dividend	944,851	724,057	998,653	1,025,289	1,238,955
	After dividend	944,851	777,438	1,083,621	1,110,257	Note 2
Equity attributable to parent company shareholders		2,203,866	2,236,756	2,218,619	2,382,915	2,340,477
Share capital		1,800,000	1,779,350	1,699,350	1,699,350	1,699,350
Capital reserve		15,594	15,415	14,722	52,485	52,485
Retained earnings	Before dividend	383,015	431,080	534,525	662,176	685,887
	After dividend	383,015	377,699	449,557	577,208	Note 2
Other equity items		5,257	10,911	(29,978)	(31,096)	(45,218)
Treasury stocks		-	-	-	-	(52,027)
Non-controlling interest		-	-	-	-	-
Total equity	Before dividend	2,203,866	2,236,756	2,218,619	2,382,915	2,340,477
	After dividend	2,203,866	2,183,375	2,133,651	2,297,947	Note 2
Note 1: Consolidated financial information from 2014 to 2018 has been audited.						
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 March 31, 2019
	2014	2015	2016	2017	2018	Financial information (Note 2)
Operating revenue	3,017,695	3,241,910	4,274,785	4,840,129	6,186,402	1,389,457
Gross profit	251,129	315,775	608,044	661,920	472,143	123,332
Operating profit	(58,485)	38,166	261,216	321,059	98,852	36,315
Non-operating revenues and expenses	223,882	57,365	37,123	(40,992)	86,415	(19,655)
Pre-tax profit	165,397	95,531	298,339	280,067	185,267	16,660
Net income from continuing operations	130,052	69,572	256,053	245,918	144,505	12,068
Current net income						
Loss of discontinued operations	-	-	-	-	-	-
Net income (loss)	130,052	69,572	256,053	245,918	144,505	12,068
Other current comprehensive income (net, after tax)	14,783	6,116	72,578	(8,139)	(20,986)	23,251
Total comprehensive incomes in the current period	144,835	75,688	183,475	237,779	123,519	35,319
Net income attributable to parent company shareholders	130,052	69,572	197,801	212,909	110,051	10,450
Net income attributable to non-controlling interest	-	-	58,252	33,009	34,454	1,618
Comprehensive income attributable to parent company shareholders	144,835	75,688	152,895	211,501	94,557	27,190
Comprehensive income attributable to non-controlling interest	-	-	30,580	26,278	28,962	8,129
EPS	0.72	0.39	1.14	1.25	0.65	0.06

Note 1: Consolidated financial information from 2014 to 2018 has been audited.

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)				
	2014	2015	2016	2017	2018
Operating revenue	2,453,458	2,496,408	2,740,828	2,808,551	3,138,229
Gross profit	175,699	212,858	314,671	347,036	224,277
Operating profit	571	41,352	122,535	215,368	100,455
Non-operating revenues and expenses	164,826	54,179	117,552	31,690	50,358
Pre-tax profit	165,397	95,531	240,087	247,058	150,813
Net income from continuing operations Current net income	130,052	69,572	197,801	212,909	110,051
Loss of discontinued operations	-	-	-	-	-
Net income (loss)	130,052	69,572	197,801	212,909	110,051
Other current comprehensive income (net, after tax)	14,783	6,116	44,906	(1,408)	(15,494)
Total comprehensive incomes in the current period	144,835	75,688	152,895	211,501	94,557
Net income attributable to parent company shareholders	130,052	69,572	197,801	212,909	110,051
Net income attributable to non-controlling interest	-	-	-	-	-
Comprehensive income attributable to: parent company shareholders	144,835	75,688	152,895	211,501	94,557
Comprehensive income attributable to: Non-controlling interest	-	-	-	-	-
EPS	0.72	0.39	1.14	1.25	0.65

Note 1: Consolidated financial information from 2014 to 2018 has been audited.

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

Year	Accounting firm	Name of CPA	Audit 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
2018	KPMG	Yen Hsing-Fu, Daisy Kuo	Unqualified opinion

II. Financial analysis for the last 5 years:

(I) Financial analysis - consolidated

Year (Note 1) Analysis (Note 3)		Financial analysis for the last 5 years					Year-to-date March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Financial position (%)	Debt to assets ratio	35.83	35.04	37.68	42.22	49.03	45.08
	Long-term capital to property, plants and equipment	216.67	241.15	240.19	251.09	254.22	268.89
Solvency (%)	Current ratio	174.04	196.23	186.78	169.53	157.17	173.41
	Quick ratio	128.68	133.8	135.06	118.62	108.69	115.47
	Interest coverage ratio	10.81	9.78	43.31	53.89	22.3	7.17
Operating efficiency	Accounts receivable turnover (times)	3.35	3.62	4.19	3.69	3.60	3.06
	Average cash collection days	108.99	100.81	87.1	98.93	101.42	119.40
	Inventory turnover (times)	7.07	6.49	6.49	5.95	6.42	5.04
	Accounts payable turnover (times)	5.37	5.94	5.6	4.17	4.23	3.76
	Average inventory turnover days	51.63	56.28	56.28	61.36	56.90	72.49
	Property, plant and equipment turnover (times)	2.68	3.11	3.62	4.29	5.44	4.55
	Total assets turnover (times)	0.88	0.94	1.03	1.07	1.21	1.13
Profitability	Return on assets (%)	4.10	2.29	6.88	5.75	3.14	0.18
	Return on equity (%)	6.14	3.13	10.59	9.42	5.52	1.86
	<u>Pre-tax profit to paid-up capital (%) (Note 7)</u>	9.19	5.37	17.56	16.48	10.90	3.92
	Net profit margin (%)	4.31	2.15	6	5.08	2.34	0.87
	EPS (NT\$)	0.72	0.39	1.14	1.25	0.65	0.06
Cash flow	Cash flow ratio (%)	13.17	36.23	56.48	22.48	1.60	3.58
	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	146.21	165.93	95.74	-39.67
	Cash reinvestment ratio (%)	5.29	13.09	25.02	10.52	-1.68	2.43
Degree of leverage	Operating leverage	-2.51	7.91	2.02	1.65	3.53	2.78
	Financial leverage	0.78	1.4	1.03	1.02	1.10	1.08

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

- I. Solvency: Interest coverage ratio decreased due to lower pre-tax profit.
- II. Operating efficiency: Property, plant and equipment turnover increased due to increase in operating revenues.
- III. Profitability decreased due to lower pre-tax profit and net income.
- IV. Cash flow reduced due to lower cash flow from operating activities.
- V. Leverage: Operating leverage increased due to an increase in operating revenues.

Note 1: Consolidated financial information from 2014 to 2018 has been audited.

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

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

(I) Financial analysis - standalone

Year (Note 1) Analysis (Note 3)		Financial analysis for the last 5 years				
		2014	2015	2016	2017	2018
Financial position (%)	Debt to assets ratio	30.01	24.45	31.04	30.08	34.61
	Long-term capital to property, plants and equipment	700.28	764.45	764.00	823.32	841.45
Solvency (%)	Current ratio	144.05	192.76	137.04	118.97	116.6
	Quick ratio	142.36	191.48	136.76	118.92	116.53
	Interest coverage ratio	11.05	10.59	35.05	48	22.9
Operating efficiency	Accounts receivable turnover (times)	3.41	3.67	3.97	3.73	3.71
	Average cash collection days	107.04	99.49	91.88	97.83	98.39
	Inventory turnover (times)	459.27	474.31	1,565.26	3,057.78	92,506.41
	Accounts payable turnover (times)	8.83	8.93	6.95	4.57	5.6
	Average inventory turnover days	0.79	0.77	0.23	0.12	0.00
	Property, plant and equipment turnover (times)	7.03	7.58	8.52	8.92	10.07
	Total assets turnover (times)	0.78	0.84	0.85	0.82	0.88
Profitability	Return on assets (%)	4.62	2.55	6.59	6.56	3.31
	Return on equity (%)	6.14	3.13	8.88	9.25	4.66
	<u>Pre-tax profit to paid-up capital (%) (Note 7)</u>	9.19	5.37	14.13	14.54	8.87
	Net profit margin (%)	5.3	2.79	7.22	7.58	3.51
	EPS (NT\$)	0.72	0.39	1.14	1.25	0.65
Cash flow	Cash flow ratio (%)	30.38	18.46	51.02	22.52	-13.73
	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	1744.56	715.89	305.07
	Cash reinvestment ratio (%)	9.08	3.47	14.53	4.04	-8.85
Degree of leverage	Operating leverage	35.37	1.41	1.09	0.66	1.29
	Financial leverage	-0.04	1.32	1.06	1.03	1.07

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

- I. Solvency: Interest coverage ratio increased due to higher pre-tax profit.
- II. Operating efficiency: Inventory turnover increased due to reduction of inventory balance.
Payables turnover decreased due to an increase in accounts payable.
Average inventory turnover days shortened due to lower inventory balance.
- III. Cash flow: Cash flow ratio, cash flow adequacy ratio and cash reinvestment ratio decreased due to lower cash flow from operating activities.
- IV. Degree of leverage: Degree of operating leverage decreased due to an increase in operating profit.

Note 1: Consolidated financial information from 2014 to 2018 has been audited.

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, plant 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 - prepaid expenses) / 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 goods sold /average inventory balance.
 - (4) Payables turnover (including accounts payable and notes payable for business activities) = cost of goods sold / 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 2018 financial statements presented by the Board of Directors have been audited by CPA Chris Yen and CPA Daisy Kuo of KPMG. These financial statements were submitted for review by us, the Supervisors, along with the Company's business report and earnings appropriation proposal. 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:

2019 Annual General Meeting

Supervisor: Lin Po-Hsiang

Lin Pei-Yu

March 18, 2019

IV. Latest financial statements and independent auditor's report

Representation Letter

The entities that are required to be included in the combined financial statements of Chenming Mold Ind. Corp. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chenming Mold Ind. Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Chenming Mold Ind. Corp.
Chairman: Lin, Mu-Ho
Date: March 18, 2019

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. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

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

Inventory valuation

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

Description of key audit matters:

Due to the impact of product life cycle and customized design, 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 prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

KPMG
Taipei, Taiwan (Republic of China)
March 18, 2019

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

CHENMING MOLD IND. CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings	Other components of equity		Treasury stock	Total equity attributable to owners of parent	Non-controlling interests	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements					
Balance on January 1, 2017	\$ 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	-	-	19,780	-	(19,780)	-	-	-	-	-	-	
Special reserve	-	-	-	29,978	(29,978)	-	-	-	-	-	-	
Cash dividends on ordinary shares	-	-	-	-	(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 for the year ended December 31, 2017	-	-	-	-	(290)	(290)	(1,118)	-	(1,408)	(6,731)	(8,139)	
Comprehensive income for the year ended December 31, 2017	-	-	-	-	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 on 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	
Appropriation and distribution of retained earnings:												
Legal reserve	-	-	21,291	-	(21,291)	-	-	-	-	-	-	
Special reserve	-	-	-	1,118	(1,118)	-	-	-	-	-	-	
Cash dividends on ordinary shares	-	-	-	-	(84,968)	(84,968)	-	-	(84,968)	-	(84,968)	
Profit for the year ended December 31, 2018	-	-	-	-	110,051	110,051	-	-	110,051	34,454	144,505	
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(1,372)	(1,372)	(14,122)	-	(15,494)	(5,492)	(20,986)	
Comprehensive income for the year ended December 31, 2018	-	-	-	-	108,679	108,679	(14,122)	-	94,557	28,962	123,519	
Increase in treasury stock	-	-	-	-	-	-	-	(52,027)	(52,027)	-	(52,027)	
Balance on December 31, 2018	\$ 1,699,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	2,340,477	269,675	2,610,152	

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

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 185,267	280,067
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	247,607	206,639
Amortization expense	2,168	2,438
Expected credit loss / Provision (reversal of provision) for bad debt expense	1,310	(3,738)
Interest expense	8,696	5,295
Interest income	(1,695)	(1,763)
Loss (gain) from disposal of property, plant and equipment, net	(194)	4,028
Other	12,392	10,880
Total adjustments to reconcile profit (loss)	<u>270,284</u>	<u>223,779</u>
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	(509,844)	(301,864)
Decrease (increase) in inventories	(231,770)	(144,945)
Decrease (increase) in other current assets	20,405	(38,230)
Decrease (increase) in other financial assets	(2,433)	(16)
Increase (decrease) in contract liabilities	2,023	-
Increase (decrease) in notes and accounts payable	305,522	387,666
Increase (decrease) in other payable and other current liabilities	32,099	(411)
Total changes in operating assets and liabilities	<u>(383,998)</u>	<u>(97,800)</u>
Total adjustments	<u>(113,714)</u>	<u>125,979</u>
Cash inflow generated from operations	71,553	406,046
Interest received	1,695	1,763
Income taxes paid	(37,747)	(26,486)
Net cash flows from operating activities	<u>35,501</u>	<u>381,323</u>
Cash flows from (used in) investing activities:		
Acquisition of subsidiaries (reduce acquired cash)	-	(74,175)
Acquisition of property, plant and equipment	(229,264)	(149,176)
Proceeds from disposal of property, plant and equipment	3,157	-
Decrease (increase) in prepayment for business facilities	(4,453)	(25,678)
Acquisition of intangible assets	(955)	(2,503)
Decrease (increase) in refundable deposits	(2,368)	(3,197)
Net cash flows (used in) investing activities	<u>(233,883)</u>	<u>(254,729)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	220,000	10,000
Increase in long-term loans	160,000	230,000
Decrease in long-term loans	(88,000)	(258,000)
Increase (decrease) in guarantee deposits	657	(3,820)
Cash dividends paid	(84,968)	(84,968)
Cost of increase in treasury stock	(52,027)	-
Interest paid	(8,558)	(5,333)
Acquisition of non-controlling interests	(47,616)	(80,148)
Net cash flows from (used in) financing activities	<u>99,488</u>	<u>(192,269)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(13,979)</u>	<u>(5,323)</u>
Net increase (decrease) in cash and cash equivalents	<u>(112,873)</u>	<u>(70,998)</u>
Cash and cash equivalents at beginning of period	<u>533,887</u>	<u>604,885</u>
Cash and cash equivalents at end of period	<u>\$ 421,014</u>	<u>533,887</u>

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHENMING MOLD IND. CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2018 and 2017
(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, 2018 comprise the Company and 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 18, 2019.

(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, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

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 Group considers that the related risk and the rewards of ownership transfer is similar to the point of control transfer, therefore the adoption of IFRS 15 does not have any significant impact on its accounting policies on the consolidated financial statement.

(ii) 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.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group’ s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed 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.

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables (Note 1)	533,887	Amortized cost	533,887
Notes and Accounts Receivable (including related parties)	Loans and receivables (Note 1)	1,464,769	Amortized cost	1,464,769
Other Receivable (including current and non current) and Guarantee Deposits	Loans and receivables (Note 1)	32,361	Amortized cost	32,361

Note1: Cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivable and guarantee deposits that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(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 present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(s).

(iv) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

There is no material impact on the cash flows in the said period.

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to 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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
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 19 “Plan Amendment, Curtailment or Settlement”	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

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 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

- 1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to exempt the reassessment of definition of a lease during the transition. This means that it will apply the current lease definition to all contracts entered into before January 1, 2019.

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
 - adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
 - apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
 - exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
 - use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- 3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Group estimated that the right-of-use assets and the lease liabilities to both increase by \$6,601 on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

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, as well as 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, as well as 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.

So far, the Group estimated that there is no significant impact on the application of the amendments of tax liabilities.

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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Group assessed that the above IFRSs may not be relevant to the Group.

(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.

(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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect

CHENMING MOLD IND. CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

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

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 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 consolidated financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. 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.

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.

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2018	December 31, 2017	
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%	72%	Note

Note: Since the Company acquired 52% interests of CHENMING ELECTRONIC (NINGBO) CO., LTD 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 assets and liabilities 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 period, adjusted for the effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

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 on retranslation are recognized in profit or loss, except for those differences relating to the fair value through other comprehensive income (available for sale) equity investment, a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective or qualifying cash flow hedges to the extent that the hedge is effective which are recognized in other comprehensive income.

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(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at the reporting date. The income and expenses of foreign operations 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 of 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 asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

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

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

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

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(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.

(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

(i) Financial assets (applicable from January 1, 2018)

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using settlement date accounting.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using settlement date accounting.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using settlement date accounting.

4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

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- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (applicable before January 1, 2018)

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

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.

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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.

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.

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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.

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.

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(iii) 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.

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.

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(iv) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof 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.

(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.

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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.

(iv) Depreciation

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

Leased assets are depreciated by the straight line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable 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 ~ 4 years
- 3) Other equipment: 1 ~11 years
- 4) Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

The 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.

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(k) Lease

(i) 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) Lessee

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

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.

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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.

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 of non-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.

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(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.

(o) Revenue

(i) Revenue from contracts with customers (applicable from January 1, 2018)

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

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

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

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

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(ii) Revenue (applicable before January 1, 2018)

1) 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.

2) 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.

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(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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(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 per share

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

(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 the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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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

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

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	\$ 1,104	737
Checking accounts and demand deposits	419,910	533,150
	\$ 421,014	533,887

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

(b) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes and accounts receivable	1,975,622	1,486,447
Less: Loss allowance	(2,290)	(21,678)
Total	\$ 1,973,332	1,464,769
Notes and accounts receivable, net	\$ 1,973,332	1,464,769

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-ave rage expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 1,947,758	0.03%	677
1 to 30 days past due	20,140	0.28%	57
31 to 150 days past due	5,573	1.96%	109
150 to 360 days past due	2,151	67.27%	1,447
	\$ 1,975,622		2,290

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As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Past due 0 to 30 days	\$ 20,536
Past due 31 to 150 days	1,532
Past over 150 days	2
	\$ 22,070

The movement in the allowance for notes and accounts receivable was as follows:

	2018	December 31, 2017	
		Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	\$ 21,678	20,669	4,854
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	21,678		
Impairment losses recognized	1,310	-	-
Impairment losses reversed	-	-	(3,738)
Amounts written off	(20,669)	-	-
Foreign exchange gains/(losses)	(29)	-	(107)
Balance on December 31, 2018 and 2017	\$ 2,290	20,669	1,009

As of December 31, 2018 and 2017, the Group did not pledge receivable as collateral.

(c) Inventories

	December 31, 2018	December 31, 2017
Raw materials	\$ 271,178	340,148
Work in progress	320,424	173,958
Finished goods and merchandise inventories	415,047	260,773
	\$ 1,006,649	774,879

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The Group composition details of operating cost for the years ended December 31, 2018 and 2017 as follow:

	2018	2017
Cost of goods sold	\$ 5,578,205	4,071,154
Revenue from sale of scraps	(55,518)	(30,889)
Inventories valuation and obsolescence losses (reversed)	5,199	(2,101)
Loss on scrapping of inventories	186,143	140,019
Loss and shortage of inventories	230	26
	\$ 5,714,259	4,178,209

The Company write-down of the inventories to net realizable value amounted to \$5,199 for the years ended December 31, 2018. The write-downs and reversals are included in cost of sales.

The Company reversed its allowance for inventories valuation loss amounted to \$2,101 due to the net realizable value of inventories bounced back during the year ended December 31, 2017.

As of December 31, 2018 and 2017, the Group did not pledge inventories as collateral.

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

Considering the future development strategy. On June 27, 2017, the Board of Directors decided to purchase 20% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD amounting to \$127,764 (US\$4,200) from CHENMING (H.K.) CORPORATION LIMITED through its subsidiaries "PEAK SHREWD INC." which the share are 100% hold by the Group 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) CO., LTD from 52% to 72%. As of December 31, the Group still has the remaining balances of \$47,616, which were recognized as other payable-related parties. As of December 31, 2018, the transfer procedures have been finished.

(e) Property, Plant and Equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017 were as follows:

	Land	Property	Machinery and Equipment	Office equipment and others	Total
Cost:					
Balance on January 1, 2018	\$ 210,897	785,401	453,851	136,815	1,586,964
Additions	-	-	219,225	19,747	238,972
Disposal	-	2,177	(160,909)	(35,114)	(193,846)
Reclassifications	-	-	25,092	-	25,092
Effect of changes in exchange rates	-	(3,974)	(3,064)	(184)	(7,222)
Balance on December 31, 2018	\$ 210,897	783,604	534,195	121,264	1,649,960

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	Land	Property	Machinery and Equipment	Office equipment and others	Total
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	\$ 210,897	785,401	453,851	136,815	1,586,964
Depreciation:					
Balance on January 1, 2018	\$ -	190,910	199,111	68,415	458,436
Depreciation of the period	-	35,045	173,462	37,862	246,369
Disposal	-	2,178	(158,518)	(34,543)	(190,883)
Effect of changes in exchange rates	-	(697)	(857)	(70)	(1,624)
Balance on December 31, 2018	\$ -	227,436	213,198	71,664	512,298
Balance on January 1, 2017	\$ -	212,852	132,830	49,659	395,341
Depreciation of the period	-	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
Book Value:					
Balance on December 31, 2018	\$ 210,897	556,168	320,997	49,600	1,137,662
Balance on December 31, 2017	\$ 210,897	594,491	254,740	68,400	1,128,528

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 in December, 2013. As of December 31, 2018, 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, 2018 and 2017 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.

(f) Investment Property

	Land	Properties	Total
Cost			
Balance on January 1, 2018 (Same balance as December 31, 2017)	\$ 152,640	63,116	215,756
Balance on January 1, 2017 (Same balance as December 31, 2018)	\$ 152,640	63,116	215,756

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	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Depreciation			
Balance on January 1, 2018	\$ -	15,645	15,645
Depreciation of the year	-	1,238	1,238
Balance on December 31, 2018	<u>\$ -</u>	<u>16,883</u>	<u>16,883</u>
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>
Book Value			
Balance on December 31, 2018	<u>\$ 152,640</u>	<u>46,233</u>	<u>198,873</u>
Balance on December 31, 2017	<u>\$ 152,640</u>	<u>48,709</u>	<u>201,349</u>
Fair Value			
Balance on December 31, 2018			<u>\$ 492,663</u>
Balance on December 31, 2017			<u>\$ 313,479</u>

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

As of December 31, 2018 and 2017, the Group pledge investment properties as collateral. Please refer to note 8 for details.

(g) Short-term loans

The short-term loans were summarized as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Credit Loans	\$ 360,000	150,000
Secured Loans	10,000	-
	<u>\$ 370,000</u>	<u>150,000</u>
Unused credit line for short-term loans	<u>\$ 485,156</u>	<u>605,440</u>
Annual interest rates (Taiwan)	<u>1.0%~1.5%</u>	<u>1.0%~1.4%</u>

(i) The information of interest rate and liquidity risk exposure please refer to note (6)(p).

(ii) As of December 31, 2018 and 2017, the Group provided part of its assets as collateral for short-term loans. Please refer to note (8) for details.

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Notes to the Consolidated Financial Statements

(h) Long-term loans

The long-term loans were summarized as follows:

December 31, 2018			
Currency	Range of interest rates	Expiration	Amount
Secured bank loans	TWD	<u>1.0%~1.5%</u>	2020~2025 \$ 212,000
Unsecured bank loans	TWD	<u>1.0%~1.5%</u>	2020 70,000
Total			<u>\$ 282,000</u>
Current			\$ -
Non-current			282,000
Total			<u>\$ 282,000</u>
Unused long-term credit lines			<u>\$ 170,000</u>
December 31, 2017			
Currency	Range of interest rates	Expiration	Amount
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 long-term credit lines			<u>\$ 270,000</u>

- (i) The main management are the guarantor of long-term loan, please refer to note (7).
- (ii) The information of interest rate and liquidity risk exposure can refer to note (6)(p).
- (iii) As of December 31, 2018 and 2017, the Group provided part of its assets as collateral for long-term loans. Please refer to note (8) for details.

(i) Operating lease

(i) Leases as lessee

- 1) Non-cancellable operating lease rentals payable were as follow:

	December 31, 2018	December 31, 2017
Less than one year	\$ 3,761	3,232
Between one and five years	1,572	3,191
	<u>\$ 5,333</u>	<u>6,423</u>

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The Group leases a number of cars and warehouse under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

- 2) 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.

	December 31, 2018	December 31, 2017	Lease period
Acquired in July, 2001	\$ 125,811	130,844	2001.07~2046.0 7
Acquired in October, 2007	25,728	26,757	2007.10~2046.0 7
	\$ 151,539	157,601	

- 3) 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:

	December 31, 2018	December 31, 2017	Lease period
Acquired from merge in March, 2016	\$ 95,524	101,372	2001.12~2044.5

- 4) The operating lease expense amounted to \$9,910 and \$9,870 for the years ended December 31, 2018 and 2017, respectively.

(ii) Leases as lessor

The Group leases out its investment property. Please refer to note (6)(f). The future lease receivables under non-cancellable lease are as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 14,707	14,492
Between two and five years	21,516	35,825
	\$ 36,223	50,317

The lease revenue from investment property are \$16,316 and \$15,354 in 2018 and 2017, respectively. Moreover, the relative depreciation expense are \$1,238, respectively.

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(j) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	\$ 33,422	36,082
Fair value of plan assets	(56,826)	(60,782)
Recognized liabilities(assets) for defined benefit obligations	<u>\$ (23,404)</u>	<u>(24,700)</u>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$56,826 as of December 31, 2018. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	2018	2017
Defined benefit obligation at January 1	\$ 36,082	35,458
Current service costs and interest costs	631	513
Remeasurements in net defined benefit liability (assets)	3,099	111
Benefits paid	(6,390)	-
Defined benefit obligation at December 31	<u>\$ 33,422</u>	<u>36,082</u>

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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:

	2018	2017
Fair value of plan assets at January 1	\$ (60,782)	(60,192)
Expected return on plan assets	(1,064)	(828)
Remeasurement in net defined benefit liability (assets)	(1,370)	238
Benefits paid	6,390	-
Fair value of plan assets at December 31	<u>\$ (56,826)</u>	<u>(60,782)</u>
Actual return on plan assets	<u>\$ (2,434)</u>	<u>(590)</u>

4) Expenses recognized in profit or loss

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

	2018	2017
Current service costs	\$ -	26
Interest costs	631	487
Expected rate of return on plan assets	(1,064)	(828)
	<u>\$ (433)</u>	<u>(437)</u>
Administrative expense	<u>\$ (433)</u>	<u>(315)</u>

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

The Group's remeasurement of net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Accumulated amount at January 1	\$ 5,693	5,344
Recognized during the period	1,729	349
Accumulated amount at December 31	<u>\$ 7,422</u>	<u>1,691</u>

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6) Actuarial assumptions

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

	December 31, 2018	December 31, 2017
Discount rate	1.375%	1.750%
Future salary increase 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 2018 and 2017.

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

The weighted-average duration of the defined benefit obligation is 16.77 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, 2018		
Discount rate	\$ (1,238)	1,284
Future salary increasing rate	1,270	(1,230)

	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)

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.

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(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 these 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 \$3,561 and \$3,574 for the years ended December 31, 2018 and 2017, respectively.

The basic endowment insurance expenses of other subsidiaries included in the compilation of consolidated financial statements amounted to \$81,604 and \$76,566 for the years ended December 31, 2018 and 2017, respectively.

(k) Income taxes

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, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

(i) The amount of income tax for 2018 and 2017 was as follows:

	2018	2017
Current tax expense		
Current period	\$ 26,641	33,367
Undistributed earnings additional tax	10,524	5,905
Adjustment for prior period	(7)	390
	37,158	39,662
Deferred tax expense (income)		
Origination and reversal of temporary differences	3,500	(3,721)
Change in unrecognized deductible temporary differences	-	(1,792)
Adjustment in tax rate	104	-
	3,604	(5,513)
Income tax expenses	\$ 40,762	34,149

(ii) The amount of income tax recognized in other comprehensive income for 2018 and 2017 was as follows:

	2018	2017
Items that may not be reclassified subsequently to profit or loss		
Remeasurement from defined benefit plan	\$ (357)	(59)

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Notes to the Consolidated Financial Statements

(iii) Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows:

	2018	2017
Profit excluding income tax	\$ 185,267	280,067
Income tax using the Company' s domestic tax rate	30,163	42,000
Adjustment in tax rate	104	-
Under (over) provision in prior periods	(7)	390
Undistributed earnings additional tax	10,524	5,905
Others	(22)	(14,146)
	\$ 40,762	34,149

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2018 and 2017. Also, management considered it probable that the temporary differences will not reverse in the foreseeable future. Hence, such temporary differences are not recognized under deferred tax liabilities. Details were as follows:

	December 31, 2018	December 31, 2017
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	\$ 10,527	8,562

2) Unrecognized deferred tax assets

Details of unrecognized deferred tax assets as follow:

	December 31, 2018	December 31, 2017
Unrecognized tax losses	\$ 16,612	34,725

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

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2018, tax loss from unrecognized deferred tax asset in Dongguan Chamming Electronic Co., Ltd.:

Year of loss	Unused tax loss	Expiration date of the deficit
2014 (Assessed)	\$ 7,551	2019
2018 (Estimated)	58,896	2023
	\$ 66,447	

3) Recognized deferred tax assets and liabilities

	Defined benefit plans	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2018	\$ 4,554	(60)	4,494
Recognized in (profit) or loss	925	-	925
Recognized in other comprehensive income	(357)	-	(357)
Balance on December 31, 2018	\$ 5,122	(60)	5,062
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	\$ 4,554	(60)	4,494
	Defined benefit plans	Others	Total
Deferred tax assets:			
Balance on January 1, 2018	\$ -	4,097	4,097
Recognized in profit or (loss)	-	(2,679)	(2,679)
Balance on December 31, 2018	\$ -	1,418	1,418
Balance on January 1, 2017	\$ -	1,248	1,248
Recognized in profit or (loss)	-	2,849	2,849
Balance on December 31, 2017	\$ -	4,097	4,097

- (v) The Company's tax returns for the years through 2015 were assessed by the Taipei National Tax Administration.

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(l) Capital and other equity

(i) Ordinary shares

As of December 31, 2018 and 2017, 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, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Additional paid-in capital	\$ 14,722	14,722
Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>37,763</u>	<u>37,763</u>
	<u>\$ 52,485</u>	<u>52,485</u>

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

(iii) Retained Earnings

The Company's articles of incorporation stipulate that 10% of annual net income after covering the accumulated deficit, if any, must be set up as a legal reserve. The remaining balance after special reserves that are appropriated in accordance with 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 cash 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.

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 2017 approved in the shareholders' meeting on June 13, 2018 was \$84,968 by cash dividends.

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

(iv) Treasury shares

In 2018, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 3,500 shares as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2018, a total of 3,500 shares were not yet cancelled.

Movement of treasury share in 2018 was as follows:

	For the years ended December 31	
	2018	
	Share (thousands)	Amount
Balance on January 1	-	\$ -
Additional	3,500	52,027
Balance on December 31	3,500	\$ 52,027

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.

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

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(m) Earnings per share

For the years ended December 31, 2018 and 2017, the Company's earnings per share were calculated as follows:

	2018	2017
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	<u>\$ 110,051</u>	<u>212,909</u>
Weighted-average number of ordinary shares (share in thousands)	<u>169,656</u>	<u>169,935</u>
	<u>\$ 0.65</u>	<u>1.25</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	<u>\$ 110,051</u>	<u>212,909</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	169,656	169,935
Effect of employee stock remuneration	431	448
Weighted-average number of ordinary shares(after adjusted the influence of potential ordinary shares)	<u>170,087</u>	<u>170,383</u>
	<u>\$ 0.65</u>	<u>1.25</u>

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018
Primary geographical markets	
Taiwan	\$ 1,317,954
China	3,397,458
Others	<u>1,470,990</u>
	<u>\$ 6,186,402</u>
Major product	
Computer and service case	\$ 4,257,152
Mobile components	1,534,230
Mold revenue	<u>395,020</u>
	<u>\$ 6,186,402</u>

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes and accounts receivable	\$ 1,975,622	1,486,447
Less: Loss allowance	(2,290)	(21,678)
	\$ 1,973,332	1,464,769
Contract liabilities (unearned receipts)	\$ 2,023	831

For details on notes and accounts receivable and allowance for uncollectible accounts, please refer to note (6)(b).

The amount of revenue recognized for the years ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was \$831.

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

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

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

The Group's remuneration to employees was \$5,000 and \$8,000; and the remuneration to directors and supervisors was both \$1,500 for the years ended December 31, 2018 and 2017, respectively. The estimated multiplied by the percentage of the remuneration to employees, directors and supervisors, as specified in the Company' s article. The estimations are recorded under operating expenses and cost. The differences between the estimated amounts in financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as changes in accounting estimates and recognized as profit or loss in following year.

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 2018 and 2017.

Related information would be available at the Market Observation Post System website.

(p) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Concentration to credit risk

The customers of the Group are mainly high-tech companies, account receivable have 74% and 73% are composed by five clients in December 31, 2018 and 2017. Thus, the company has concentration to credit risk situation.

(ii) Receivable securities

The credit risk information of notes and accounts receivable, please refer to note (6)(b).

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

(iii) 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, 2018				
Secured loans	\$ 222,000	10,000	167,000	45,000
Unsecured loans	430,000	360,000	70,000	-
Notes and accounts payable	1,502,298	1,502,298	-	-
Other payables	142,461	142,461	-	-
Guarantee deposits	6,389	2,579	-	3,810
	<u>\$ 2,303,148</u>	<u>2,017,338</u>	<u>237,000</u>	<u>48,810</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	1,922	-	3,810
	<u>\$ 1,730,246</u>	<u>1,516,436</u>	<u>142,000</u>	<u>71,810</u>

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

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Notes to the Consolidated Financial Statements

(iv) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD to TWD	\$ 34,017	30.715	1,044,832	32,061	29.760	954,135
USD to CNY	25,305	6.8632	777,243	17,599	6.5340	523,746
CNY to TWD	119,787	4.472	535,687	106,407	4.565	485,748
Financial liabilities						
Monetary items						
USD to TWD	5,931	30.715	182,171	5,685	29.760	169,186
USD to CNY	3,452	6.8632	106,028	2,431	6.5430	72,347
CNY to TWD	206,723	4.472	924,465	153,960	4.565	702,827

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, 2018 and 2017 would have affected the net profit before tax as followings:

	December 31, 2018	December 31, 2017
USD (against the TWD)		
Strengthening 5%	\$ 43,133	39,247
Weakening 5%	(43,133)	(39,247)
USD (against the CNY)		
Strengthening 5%	33,561	22,570
Weakening 5%	(33,561)	(22,570)
CNY (against the TWD)		
Strengthening 5%	(19,439)	(10,854)
Weakening 5%	19,439	10,854

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Notes to the Consolidated Financial Statements

3) Exchange gains and losses of monetary items

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

	For the years ended December 31,			
	2018		2017	
	Exchange profit(loss)	Average rate	Exchange profit(loss)	Average rate
TWD	\$ 36,717	-	(42,032)	-
CNY	5,971	4.5497	(5,666)	4.5019

(v) Interest Rate analysis

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

	Carrying amount	
	December 31, 2018	December 31, 2017
Variable rate instruments:		
Financial assets	\$ 419,590	533,150
Financial liabilities	652,000	360,000

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 decreased or increased by \$581 and \$433 for the years ended December 31, 2018 and 2017, respectively, which would be mainly resulted from the bank savings and loans with variable interest rates.

(vi) Fair value

1) Procedure of valuation

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

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2) Fair value hierarchy

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

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

3) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and available for sale financial assets, are measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and 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, 2018				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 421,014	-	-	-	-
Notes and accounts receivable, net	1,973,332	-	-	-	-
Other current financial assets	16,142	-	-	-	-
Refundable deposits	21,020	-	-	-	-
	<u>\$ 2,431,508</u>				
Financial liabilities at amortized cost through profit or loss					
Bank loans	\$ 652,000	-	-	-	-
Notes and accounts payables	1,502,298	-	-	-	-
Other accounts payable (including related parties)	142,461	-	-	-	-
Guarantee deposit	6,389	-	-	-	-
Total	<u>\$ 2,303,148</u>				

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Notes to the Consolidated Financial Statements

	December 31, 2017				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Loans and receivables					
Cash and cash equivalents	\$ 533,887	-	-	-	-
Notes and accounts receivable	1,464,769	-	-	-	-
Other current financial assets	13,709	-	-	-	-
Refundable deposits	<u>18,652</u>	-	-	-	-
	<u>\$ 2,031,017</u>				
Amortized financial liabilities at cost					
Bank loans	\$ 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>				

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

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

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) 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.

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.

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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. 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.

(q) Financial risk management

(i) Briefings

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

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) 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

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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, 2018 and 2017, 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(g) and note 6(h) for unused short-term and long-term bank facilities as of December 31, 2018 and 2017.

(v) Market risk

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

1) Currency risk

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

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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.

(r) 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, 2018 and 2017 as follow:

	December 31, 2018	December 31, 2017
Total liabilities	\$ 2,511,264	1,916,754
Total asset equity	5,121,416	4,540,382
Debt-to-equity ratio	49%	42%

As of December 31, 2018, the capital management method do not change.

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

There is no investing activities which affected the current cash flow of the Group in the years ended December 31, 2018.

Reconciliation of liabilities arising from financing activities for the year ended December 31, 2018 were as follows:

	January 1, 2018	Cash flows	December 31, 2018
Long-term loans	\$ 210,000	72,000	282,000
Short-term loans	150,000	220,000	370,000
Guarantee deposits	5,732	657	6,389
Total liabilities from financing activities	\$ 365,732	292,657	658,389

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(7) Related-party transactions

(a) Names and relationship with related parties

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

Name of related parties	Relationship with the Group
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) Transaction among other relative parties

(i) Lease

The Group rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. Each rental for the years December 31, 2018 and 2017 both amounted to \$3,429.

(ii) Equity trading

On June 28, 2017, the Group acquired another 20% interests of CHENMING (NINGBO) CO., LTD from CHENMING (H.K.) CORPORATION LIMITED amounting to \$127,764 (USD\$4,200). As of December 31 and September 30, 2017, the Group still had remaining balances of \$47,616, which were recognized as other payables-related parties. The payable above had been fully paid as of December 31, 2018. Please refer to note 6(d) for related information.

(iii) 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, 2018, CHENMING ELECTRONIC (NINGBO) CO., LTD has already paid off its payment.

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	\$ 14,765	10,921
Post-employment benefits	454	546
	\$ 15,219	11,467

(ii) Guarantee

The main management are guarantor of the syndication contract, and the amount of syndication are \$282,000 and \$210,000 in December 31, 2018 and 2017, respectively.

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(8) Pledged assets

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2018	December 31, 2017
PPE and investment properties	Short-term loans and long-term		
— land	loans	\$ 347,804	347,804
— properties	//	138,882	142,457
Other financial asset — non-current	Customs deposits	20,291	15,507
		<u>\$ 506,977</u>	<u>505,768</u>

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events

On March 7, 2019, the Board of Directors decided to acquire 10% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD. amounting to US\$2,160 indirectly through the existing overseas investment structure. The Group further increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD. from 72% to 82%.

(12) Other

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

By function	2018			2017		
	Cost of sales	Operatin g expenses	Total	Cost of sales	Operatin g expenses	Total
By item						
Employee benefits						
Salary	1,562,358	173,605	1,735,963	1,027,947	155,598	1,183,545
Labor and health insurance	-	5,855	5,855	-	6,143	6,143
Pension	78,495	6,237	84,732	72,070	7,755	79,825
Others	74,245	15,859	90,104	51,129	22,030	73,159
Depreciation	241,330	5,039	246,369	190,333	15,068	205,401
Amortization	894	1,274	2,168	1,256	1,182	2,438

The depreciation expense, which subtract the depreciation expense from investment properties, are both \$1,238 for years ended December 31, 2018 and 2017 which are recognized in the subtraction of rent revenue.

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated 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	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Accounts receivable due from related parties	Yes	184,290	184,290	122,860	2.18738%~3.43613%	Demand for funding	-	Depending on demand for funding	-	-	-	1,937.81 (note 1)	1,937.81 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	"	67,080	67,080	-	4.1%~5.0025%	"	-	"	-	-	-	96.31 (note 2)	96,312 (note 2)
3	Dongguan Chenming Electronic Co., Ltd	CHENMING ELECTRONIC (NINGBO) CO., LTD	"	"	67,080	67,080	-	5.0025%	"	-	"	-	-	-	79.55 (note 2)	79,552 (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.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	72% owned subsidiary	936,190	53,66	53,664	-	-	2.29%	1,872,381	Y	N	Y

Note: The total amount of endorsement guarantees the Company or the Group is permitted to provide shall not exceed 80% of the Company's net worth; the amount of endorsement guarantees for a entity shall not exceed 40% of the Company's net worth.

(iii) Securities held as of December 31, 2018 (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.

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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	2,897,193	99 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(486,788)	(98) %	Not e
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,897,193)	74 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	486,788	57 %	"

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 (Note 1)	Allowance for bad debts	
					Amount	Action taken			
Dongguan Chenming Electronic Co., Ltd	The Company	Subsidiaries	486,788	5.57	-	-	486	-	The transactions have been eliminated in the consolidated financial statement.

Note1: The recovered amounts of October 25, 2018

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	2	Other current financial assets	122,860	Rate 2.18738%~3.43613%	2%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	2,897,193	The price is based on the fix ratio of final sales price, and the credit period is depending on the demand for funding	47%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Accounts receivable	486,788	"	10%

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Note 1: The numbers filled in as follows:

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

Note 2: Relationship with the transactions labeled as follows:

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (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, 2018			The highest funding amount in the period	The highest funding amount in the period	Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value					
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	1,930,397	1,883,713	58,64	100%	1,937,81	58,648	100	2,27	2,271	Subsidiaries (note)
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,98	100%	1,105,64	45,988	100	(92,37	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandson company (note)
"	PEAK SHREWD INC	Samoa	Investment	566,220	519,536	16,50	100%	693,55	16,500	100	90,90	"	"

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

(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 January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investment	Percentage of ownership	The highest funding amount in the period	The highest funding amount in the period	Investment income (losses)	Carrying amount as of December 31, 2018	Accumulated earnings as of December 31, 2018	
					Outflow	Inflow									
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,981,118 (USD64,500)	note 1 and 7	457,654 (USD14,900)	49,144 (USD1,600) (note 6)	-	506,798 (USD16,500)	123,051	72%	-	-	72	88,59	693,450	-
Dongguan Chenming Electronic Co., Ltd	"	890,059 (note 4) (USD28,978) (note 5)	note 1 and 8	764,804 (USD24,900)	-	-	764,804 (USD24,900)	(58,896)	100%	-	-	100	(58,89	795,525	-

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2018	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	1,400,604 (USD 45,600)	1,400,604 (USD 45,600)	Unlimited (note 9)

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 \$30.715 as of December 31, 2018; gains and losses were translated into New Taiwan Dollars at the average exchange rate of \$30.1492 for the period.

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.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(14) Segment information

The Group is single industry department, which produce computer and mobile device component mainly. Operating segment information is consistency with balance sheet report, the profit and loss from segment refer to income statement and segment asset refer to balance sheet.

(a) Overall information of the Group

(i) Product information

<u>Products</u>	<u>2018</u>	<u>2017</u>
Computer and server case	\$ 4,257,152	3,380,603
Mobile component	1,534,230	1,225,054
Mold revenue	<u>395,020</u>	<u>234,472</u>
	<u><u>\$ 6,186,402</u></u>	<u><u>4,840,129</u></u>

(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:

<u>Country</u>	<u>2018</u>	<u>2017</u>
Taiwan	\$ 1,317,954	1,148,884
Mainland China	3,397,458	2,388,544
Other Country	<u>1,470,990</u>	<u>1,302,701</u>
	<u><u>\$ 6,186,402</u></u>	<u><u>4,840,129</u></u>

2) Non-current Assets:

<u>Country</u>	<u>2018</u>	<u>2017</u>
Taiwan	\$ 511,297	516,123
Mainland China	<u>1,078,650</u>	<u>1,100,671</u>
	<u>\$ 1,589,947</u>	<u>1,616,794</u>

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

(iii) Important clients information

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

	<u>2018</u>	<u>2017</u>
H company	\$ 1,607,064	1,266,653
B company	891,529	848,097
D company	690,454	498,312
C company	604,524	486,070

V. Latest audited standalone financial statements

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 balance sheets as of December 31, 2018 and 2017, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, 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, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and 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 (“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 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.

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

Please refer to Note (4)(g) and Note (5) for accounting policy of uncertainty of the valuation of inventory from using equity method - subsidiary. Information of the share of profit (loss) of associates and joint ventures accounted for using equity method - subsidiary's inventory valuation is disclosed in notes (6)(d) of the financial statements.

Description of key audit matters:

Due to the impact of product life cycle and customized design in electronics industry, the price variability for the inventories of the 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 the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 18, 2019

(English Translation of Financial Statements Originally Issued in Chinese)
CHENMING MOLD IND. CORP.
Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	<u>2018</u>		<u>2017</u>	
	Amount	%	Amount	%
4000 Operating revenue(note (6)(n) and (7))	\$ 3,138,229	100	2,808,551	100
5000 Operating costs (note (6)(c) and (7))	2,913,952	93	2,461,515	88
5900 Gross profit from operations	224,277	7	347,036	12
6000 Operating expenses (note (6)(j) and (12)):				
6100 Selling expenses	31,013	1	34,990	1
6200 Administrative expenses	77,056	2	75,213	3
6300 Research and development expenses	15,753	1	21,465	-
	<u>123,822</u>	<u>4</u>	<u>131,668</u>	<u>4</u>
6900 Net operating income	<u>100,455</u>	<u>3</u>	<u>215,368</u>	<u>8</u>
7000 Non-operating income and expenses:				
7050 Finance costs, net	(6,888)	-	(5,257)	-
7100 Interest income	720	-	985	-
7110 Rent income (note (6)(i) and (7))	13,062	-	12,748	-
7190 Other income (note (7))	4,444	-	3,980	-
7230 Foreign exchange gains (losses), net (note (6)(p))	36,749	1	(58,313)	(2)
7590 Other expense and losses	-	-	153	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	2,271	-	77,394	3
	<u>50,358</u>	<u>1</u>	<u>31,690</u>	<u>1</u>
7900 Profit before tax	150,813	4	247,058	9
7950 Less: Tax expense (note (6)(k))	40,762	1	34,149	1
Profit	<u>110,051</u>	<u>3</u>	<u>212,909</u>	<u>8</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(1,729)	-	(349)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	357	-	59	-
Total item that may not be reclassified to profit or loss	<u>(1,372)</u>	<u>-</u>	<u>(290)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statement	(14,122)	-	(1,118)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Total items that may be reclassified subsequently to profit or loss	<u>(14,122)</u>	<u>-</u>	<u>(1,118)</u>	<u>-</u>
8300 Other comprehensive income, net	<u>(15,494)</u>	<u>-</u>	<u>(1,408)</u>	<u>-</u>
8500 Comprehensive income	<u>\$ 94,557</u>	<u>3</u>	<u>211,501</u>	<u>8</u>
Earnings per share (expressed in dollars) (note (6)(m)):				
9750 Basic earnings per share	<u>\$ 0.65</u>		<u>1.25</u>	
9850 Diluted earnings per share	<u>\$ 0.65</u>		<u>1.25</u>	

(English Translation of Financial Statements Originally Issued in Chinese)

CHENMING MOLD IND. CORP.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Ordinary shares	Capital surplus	Retained earnings			Total retained earnings	Other components of equity	Treasury shares	Total equity
			Legal reserve	Special reserve	Unappropriated retained earnings		Exchange differences on translation of foreign financial statements		
Balance at January 1, 2017	\$ 1,699,350	14,722	232,416	-	302,109	534,525	(29,978)	-	2,218,619
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	19,780	-	(19,780)	-	-	-	-
Special reserve	-	-	-	29,978	(29,978)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	(84,968)	-	-	(84,968)
Profit for the year ended December 31, 2017	-	-	-	-	212,909	212,909	-	-	212,909
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(290)	(290)	(1,118)	-	(1,408)
Comprehensive income for the year ended December 31, 2017	-	-	-	-	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
Appropriation and distribution of retained earnings:									
Legal reserve	-	-	21,291	-	(21,291)	-	-	-	-
Special reserve	-	-	-	1,118	(1,118)	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	(84,968)	-	-	(84,968)
Profit for the year ended December 31, 2018	-	-	-	-	110,051	110,051	-	-	110,051
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(1,372)	(1,372)	(14,122)	-	(15,494)
Comprehensive income for the year ended December 31, 2018	-	-	-	-	108,679	108,679	(14,122)	-	94,557
Increase in treasury share	-	-	-	-	-	-	-	(52,027)	(52,027)
Balance at December 31, 2018	\$ 1,699,350	52,485	273,487	31,096	381,304	685,887	(45,218)	(52,027)	2,340,477

(English Translation of Financial Statements Originally Issued in Chinese)

CHENMING MOLD IND. CORP.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 150,813	247,058
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	4,585	8,325
Amortization expense	1,274	1,182
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	412	172
Interest expense	6,888	5,257
Interest income	(720)	(985)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(2,271)	(77,394)
Total adjustments to reconcile profit (loss)	<u>10,168</u>	<u>(63,443)</u>
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	(174,956)	(11,977)
Decrease (increase) in inventories	(63)	1,610
Decrease (increase) in other current assets	(185)	111
Increase (decrease) in notes and accounts payable	(67,256)	33,382
Increase (decrease) in other payable and other current liabilities	(11,870)	529
Other	242	(4)
Total changes in operating assets and liabilities	<u>(254,088)</u>	<u>23,651</u>
Total adjustments	<u>(243,920)</u>	<u>(39,792)</u>
Cash inflow (outflow) generated from operations	(93,107)	207,266
Interest received	720	985
Income taxes paid	(37,747)	(26,486)
Net cash flows from (used in) operating activities	<u>(130,134)</u>	<u>181,765</u>
Cash flows from (used in) investing activities:		
Proceeds from capital reduction of investments accounted for using equity method	(46,684)	(149,117)
Acquisition of property, plant and equipment	(76)	(474)
Acquisition of intangible assets	(956)	(1,499)
Other	250	250
Net cash flows from (used in) investing activities	<u>(47,466)</u>	<u>(150,840)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	220,000	10,000
Increase in long-term loans	160,000	230,000
Decrease in long-term loans	(88,000)	(258,000)
Cash dividends paid	(84,968)	(84,968)
Cost of increase in treasury shares	(52,027)	-
Interest paid	(6,750)	(5,295)
Net cash flows from (used in) financing activities	<u>148,255</u>	<u>(108,263)</u>
Net increase (decrease) in cash and cash equivalents	(29,345)	(77,338)
Cash and cash equivalents at beginning of period	200,956	278,294
Cash and cash equivalents at end of period	<u>\$ 171,611</u>	<u>200,956</u>

(English Translation of Financial Statements Originally Issued in Chinese)

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(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 18, 2019.

(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, 2018.

<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

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Notes to the Financial Statements

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 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

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 Group considers that the related risk and the rewards of ownership transfer is similar to the point of control transfer, therefore the adoption of IFRS 15 does not have any significant impact on its accounting policies on the consolidated financial statement.

(ii) 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.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

·Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

·The following assessments have been made on the basis of the facts and circumstances that existed 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.

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Notes to the Financial Statements

·If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018.

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables (Note 1)	200,956	Amortized cost	200,956
Notes and Accounts Receivable (including related parties)	Loans and receivables (Note 1)	758,672	Amortized cost	758,672
Guarantee Deposits	Loans and receivables (Note 1)	270	Amortized cost	270

Note1: Cash and cash equivalents, notes receivable, accounts receivable (including related parties) and guarantee deposits that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(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 present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(s).

(iv) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

There is no material impact on the cash flows in the said period.

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Notes to 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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
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 19 “Plan Amendment, Curtailment or Settlement”	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

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 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

- 1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to exempt the reassessment of definition of a lease during the transition. This means that it will apply the current lease definition to all contracts entered into before January 1, 2019.

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Notes to the Financial Statements

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its cars. The Company estimated that the right-of-use assets and the lease liabilities to both increase by \$886 on January 1, 2019. No significant impact is expected for the Company's finance leases. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

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Notes to the Financial Statements

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

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, as well as 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, as well as 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.

So far, the Company estimated that there is no significant impact on the application of the amendments of tax liabilities.

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 have been issued by the IASB, but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

The Company assessed that the above IFRSs may not be relevant to the Company.

(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.

(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.

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

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities 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 period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

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 on retranslation are recognized in profit or loss, except for those differences relating to the fair value through other comprehensive income (available for sale) equity investment, a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective or qualifying cash flow hedges to the extent that the hedge is effective which are recognized in other comprehensive income.

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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 functional currency at exchange rates at the reporting date. The income and expenses of foreign operations 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 of 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 asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

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

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

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

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Notes to the Financial Statements

(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.

(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

(i) Financial assets (applicable from January 1, 2018)

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

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

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using settlement date accounting.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

·it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using settlement date accounting.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using settlement date accounting.

4) Impairment of financial assets

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

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

·debt securities that are determined to have low credit risk at the reporting date; and

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·other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

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

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

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

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

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Company in full.

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's

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financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

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

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Company recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (applicable before January 1, 2018)

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

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.

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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.

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.

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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.

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 Company 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.

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Notes to the Financial Statements

(iii) 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.

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.

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Notes to the Financial Statements

(iv) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof 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.

(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.

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Notes to the Financial Statements

(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.

(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

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

Leased assets are depreciated by the straight line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable 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.

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

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

(k) Lease

(i) 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) Lessee

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

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.

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- 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.

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.

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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.

(o) Revenue

(i) Revenue from contracts with customers (applicable from January 1, 2018)

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

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

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

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

(ii) Revenue (applicable before January 1, 2018)

1) 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.

2) 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.

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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.

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.

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(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.

(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.

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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.

(s) Earnings per share

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

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

The management continued to monitor the accounting estimates and assumptions the management recognized the changes in the accounting estimates during the period and the impact of those changes in accounting estimates in the 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. This inventory evaluation is based on the estimated sales price in future, thus, it may be changed due to changes in industry and market. Please refer to Note (6)(d) 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, 2018	December 31, 2017
Cash on hand	\$ 50	50
Checking accounts and demand deposits	171,561	200,906
	\$ 171,611	200,956

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

(b) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	\$ 933,987	779,675
Accounts receivable-related parties	-	25
	933,987	779,700
Less: Loss allowance	(771)	(21,028)
Total	\$ 933,216	758,672
Notes and account receivable, net	\$ 933,216	758,672

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-ave rage expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 919,046	0.02%	213
1 to 30 days past due	11,179	0.12%	13
31 to 150 days past due	2,756	1.45%	40
150 to 360 days past due	1,006	50.20%	505
	\$ 933,987		771

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As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Past due 0 to 30 days	\$ 14,649
Past due 31 to 150 days	1,107
Past over 150 days	-
	\$ 15,756

The movement in the allowance for notes and accounts receivable was as follows:

	2018	December 31, 2017	Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	\$ 21,028	20,669	186	
Adjustment on initial application of IFRS 9	-			
Balance on January 1, 2018 per IFRS 9	21,028			
Impairment losses recognized	412	-		173
Impairment losses reversed	(20,669)	-		-
Balance on December 31, 2018 and 2017	\$ 771	20,669	359	

As of December 31, 2018 and 2017, the Company did not pledge account receivable as collateral.

(c) Inventories

	December 31, 2018	December 31, 2017
Finished goods and merchandise inventories	\$ 63	-

The cost of sales amounted to \$2,913,952 and \$2,461,515 for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the Company did not provide any inventories as collateral.

(d) Investments accounted for using equity method

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

	December 31, 2018	December 31, 2017
Subsidiaries	\$ 1,937,814	1,902,981

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- (i) On June 27, 2017, the board of directors decided to purchase 20% shares of CHEMING ELECTRONIC (NINGBO) amounting to \$127,764 (US\$4,200). 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) in CITY INTERTIONAL LIMITED in 2017 to increase its capital.
- (ii) The Company invested an additional cash of \$46,684 (US\$1,600) in CITY INTERNATIONAL LIMITED in 2018 to increase its capital for purchasing the shares of subsidiary.
- (iii) As of December 31, 2018 and 2017, the company did not provide any investment accounted for using equity method as collateral.
- (e) Property, Plant and Equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017 were as follows:

	Land	Property	Office equipment and others	Total
Cost:				
Balance on January 1, 2018	\$ 210,897	134,829	19,559	365,285
Additions	-	-	76	76
Disposal	-	(2,962)	(17,578)	(20,540)
Balance on December 31, 2018	<u>\$ 210,897</u>	<u>131,867</u>	<u>2,057</u>	<u>344,821</u>
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>
Depreciation:				
Balance on January 1, 2018	\$ -	31,908	18,444	50,352
Depreciation of the period	-	2,586	761	3,347
Disposal	-	(2,962)	(17,578)	(20,540)
Balance on December 31, 2018	<u>\$ -</u>	<u>31,532</u>	<u>1,627</u>	<u>33,159</u>
Balance on January 1, 2017	\$ -	55,595	18,350	73,945
Depreciation of the period	-	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>18,444</u>	<u>50,352</u>
Book Value:				
Balance on December 31, 2018	<u>\$ 210,897</u>	<u>100,335</u>	<u>430</u>	<u>311,662</u>
Balance on December 31, 2017	<u>\$ 210,897</u>	<u>102,921</u>	<u>1,115</u>	<u>314,933</u>

As of December 31, 2018 and 2017 the Company had provided parts of the property, plant and equipment at collateral for its long-term loans and credit lines. Please refer to note (8) for details.

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(f) Investment Property

	Land	Properties	Total
Cost:			
Balance on January 1, 2018 (Same balance as December 31, 2018)	\$ 152,640	63,116	215,756
Balance on January 1, 2017 (Same balance as December 31, 2017)	\$ 152,640	63,116	215,756
Depreciation:			
Balance on January 1, 2018	\$ -	15,645	15,645
Depreciation of the year	-	1,238	1,238
Balance on December 31, 2018	\$ -	16,883	16,883
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
Book Value:			
Balance on December 31, 2018	\$ 152,640	46,233	198,873
Balance on December 31, 2017	\$ 152,640	47,471	200,111
Fair Value:			
Balance on December 31, 2018			\$ 492,663
Balance on December 31, 2017			\$ 313,479

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

As of December 31, 2018 and 2017, the Company pledge investment properties as collateral. Please refer to note (8) for details.

(g) Short-term loans

The short-term loans were summarized as follows:

	December 31, 2018	December 31, 2017
Credit Loan	\$ 360,000	150,000
Secured Loan	10,000	-
	\$ 370,000	150,000
Unused credit lines for short-term loans	\$ 485,156	605,440
Annual interest rates	1.0%~1.5%	1.0%~1.4%

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- (i) The information of rate and liquidity risk exposure please refer to note (6)(p).
- (ii) As of December 31, 2018 and 2017, the Company provided part of its assets as collateral for short term loans. Please refer to note (8) for details.

(h) Long-term loans

The long-term loans were summarized as follows:

December 31, 2018			
Currency	Range of interest rates	Expiration	Amount
Secured bank loans	TWD	<u>1.0%~1.5%</u>	2020~2025
			\$ 212,000
Unsecured bank loans	TWD	<u>1.0%~1.5%</u>	2020
			70,000
Total			<u>\$ 282,000</u>
Current			\$ -
Non-current			282,000
Total			<u>\$ 282,000</u>
Unused long-term credit lines for long-term loans			<u>\$ 170,000</u>

December 31, 2017			
Currency	Range of interest rates	Expiration	Amount
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>

- (i) The main management are the guarantor of long-term loan, please refer to note (7).
- (ii) The information of interest rate and liquidity risk can refer to note (6)(p).
- (iii) As of December 31, 2018 and 2017, the Company provided part of its assets as collateral for long-term loans. Please refer to note (8) for details.

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

(i) Operating lease

(i) Leases as lessee

Non cancellable operating lease rentals payable were as follow:

	December 31, 2018	December 31, 2017
Less than one year	\$ 566	566
Between one and five years	331	897
	-	-
	\$ 897	1,463

The Company leases a number of cars under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

(ii) The Company as lessor

The Company leases out its investment property. Please refer to note (6)(f). The future lease receivables under non-cancellable lease are as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 14,519	14,300
Between two and four years	21,516	35,825
	\$ 36,035	50,125

The lease revenue from investment properties are \$14,300 and \$13,986 in 2018 and 2017, respectively. Moreover, the related depreciation expense are \$1,238, respectively.

(j) 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, 2018	December 31, 2017
Present value of the defined benefit obligations	\$ 33,422	36,082
Fair value of plan assets	(56,826)	(60,782)
Recognized liabilities (assets) for defined benefit obligations	\$ (23,404)	(24,700)

The Company makes defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for its employees upon retirement. 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.

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

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 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 Company's Bank of Taiwan labor pension reserve account balance amounted to \$56,826 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:

	2018	2017
Defined benefit obligations at January 1	\$ 36,082	35,458
Current service costs and interest	631	513
Remeasurement of net defined benefit liability (assets)	3,099	111
Benefits paid	(6,390)	-
Defined benefit obligations at December 31	\$ 33,422	36,082

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:

	2018	2017
Fair value of plan assets at January 1	\$ (60,782)	(60,192)
Expected return on plan assets	(1,064)	(828)
Remeasurement of net defined benefit liability (assets)	(1,370)	238
Benefits paid	6,390	-
Fair value of plan assets at December 31	\$ (56,826)	(60,782)
Actual return on plan assets	\$ (2,434)	(590)

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

4) Expenses recognized in profit or loss

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

	<u>2018</u>	<u>2017</u>
Service cost	\$ -	26
Interest cost	631	487
Expected rate of return on plan assets	(1,064)	(828)
	<u>\$ (433)</u>	<u>(315)</u>
Administration expense	<u>\$ (433)</u>	<u>(315)</u>

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

The Company's remeasurement of net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Accumulated amount at January 1	\$ 5,693	5,344
Recognized during the period	1,729	349
Accumulated amount at December 31	<u>\$ 7,422</u>	<u>5,693</u>

6) Actuarial assumptions

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Discount rate	1.375%	1.750%
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 2018 and 2017.

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

The weighted-average duration of the defined benefit obligation is 16.77 years.

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

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, 2018		
Discount rate	\$ (1,238)	1,284
Future salary increasing rate	1,270	(1,230)
December 31, 2017		
Discount rate	(1,319)	1,386
Future salary increasing rate	1,374	(1,313)

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 \$3,561 and \$3,574 for the years ended December 31, 2018 and 2017, respectively.

(k) Income taxes

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, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018.

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

(i) income tax expenses

1) The amount of income tax for 2018 and 2017 was as follows:

	2018	2017
Current tax expense		
Current period	\$ 26,641	33,367
Undistributed earnings additional tax	10,524	5,905
Adjustment for prior period	(7)	390
	37,158	39,662
Deferred tax expense (income)		
Origination and reversal of temporary differences	3,500	(3,721)
Change in unrecognized deductible temporary difference	-	(1,792)
Adjustment in tax rate	104	-
	3,604	(5,513)
Income tax expense	\$ 40,762	34,149

2) The amount of income tax recognized in other comprehensive income for 2018 and 2017 was as follows:

	2018	2017
Items that may not be reclassified subsequently to profit or loss		
Remeasurement from defined benefit plan	\$ (357)	(59)

3) Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows:

	2018	2017
Profit excluding income tax	\$ 150,813	247,058
Income tax using the Company's domestic tax rate	30,163	42,000
Adjustment in tax rate	104	-
Under (over) provision in prior periods	(7)	390
Undistributed earnings additional tax	10,524	5,905
Other	(22)	(14,146)
	\$ 40,762	34,149

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Notes to the Financial Statements

(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, 2018 and 2017. 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, 2018	December 31, 2017
Unrecognized deferred tax liabilities (asset)		
related to investments in subsidiaries	<u>\$ 10,527</u>	<u>8,562</u>

2) Recognized deferred tax assets and liabilities

	Defined benefit plans	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2018	\$ 4,554	(60)	4,494
Recognized in (profit) or loss	925	-	925
Recognized in other comprehensive income	(357)	-	(357)
Balance on December 31, 2018	<u>\$ 5,122</u>	<u>(60)</u>	<u>5,062</u>
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>

	Defined benefit Plans	Others	Total
Deferred tax assets:			
Balance on January 1, 2018	\$ -	4,097	4,097
Recognized in profit or (loss)	-	(2,679)	(2,679)
Balance on December 31, 2018	<u>\$ -</u>	<u>1,418</u>	<u>1,418</u>
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>

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

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

(l) Capital and other equity

(i) Ordinary shares

As of December 31, 2018 and 2017, 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, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Additional paid-in capital	\$ 14,722	14,722
Difference between consideration and carrying amount of subsidiaries acquired or disposed	37,763	37,763
	<u>\$ 52,485</u>	<u>52,485</u>

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

(iii) Retained Earning

The Company's articles of incorporation stipulated that 10% of annual net income after covering the accumulated deficit, if any, must be set up as a legal reserve. The remaining balance after special reserves that are appropriated in accordance with SFB regulations, if any, shall distribute 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.

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

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 2017 approved in the shareholders' meeting on June 13, 2017 was \$84,968 by cash dividends.

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

(iv) Treasury stock

In 2018, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 3,500 shares as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2018, a total of 3,500 shares were not yet cancelled.

Movement of treasury share in 2018 was as follows:

	2018	
	Share	
	(thousands)	Amount
Balance on January 1	-	\$ -
Additional	3,500	52,027
Balance on December 31	3,500	52,027

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.

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

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

(m) Earnings per share

For the years ended December 31, 2018 and 2017, the Company's earnings per share were calculated as follows:

	2018	2017
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>110,051</u>	212,909
Weighted-average number of ordinary shares (Shares in thousands)	<u>169,656</u>	<u>169,935</u>
	<u>\$ 0.65</u>	<u>1.25</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>110,051</u>	<u>212,909</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	169,656	169,935
Effect of employee stock remuneration	<u>431</u>	<u>448</u>
Weighted-average number of ordinary shares(after adjusted the influence of potential ordinary shares)	<u>170,087</u>	<u>170,383</u>
	<u>\$ 0.65</u>	<u>1.25</u>

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018
Primary geographical markets	
Taiwan	\$ 603,271
China	1,123,028
Others	<u>1,411,930</u>
	<u>\$ 3,138,229</u>
Major product	
Computer and service case	\$ 1,474,272
Mobile components	1,534,231
Mold revenue	<u>129,726</u>
	<u>\$ 3,138,229</u>

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes and accounts receivable	\$ 933,987	779,700
Less: Loss allowance	<u>(771)</u>	<u>(21,028)</u>
	<u>\$ 933,216</u>	<u>758,672</u>

For details on notes and accounts receivable and allowance for uncollectible accounts, please refer to note (6)(b).

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

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

The Company's remuneration to employees was \$5,000 and \$8,000; and the remuneration to directors and supervisors was both \$1,500 for the years ended December 31, 2018 and 2017, respectively. The estimated multiplied by the percentage of the remuneration to employees, directors and supervisors, as specified in the Company's article. The estimations are recorded under operating expenses and cost. The differences between the estimated amounts in financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as changes in accounting estimates and recognized as profit or loss in following year.

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 2018 and 2017.

Related information would be available at the Market Observation Post System website.

(p) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration to credit risk

The customers of the Company are mainly high tech companies, account receivable have 64% and 48% are composed by five clients in December 31, 2018 and 2017. Thus, the company has concentration to credit risk situation.

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

(ii) Receivable securities

The credit risk information of notes and accounts receivable, please refer to note (6)(b).

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

(iii) Liquidity Risk

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

	Amount	Within a year	1 ~ 2 years	Over 2 years
December 31, 2018				
Secured loans	\$ 222,000	10,000	167,000	45,000
Unsecured loans	430,000	360,000	70,000	-
Notes and accounts payable (including related parties)	497,380	497,380	-	-
Other payables	13,344	13,344	-	-
Guarantee deposits	3,810	-	-	3,810
	\$ 1,166,534	880,724	237,000	48,810
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	722,421	142,000	71,810

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

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Notes to the Financial Statements

(iv) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD to TWD	\$ 33,667	30.715	1,034,082	31,499	29.760	937,410
Financial liabilities						
Monetary items						
USD to TWD	90	30.715	2,764	99	29.760	2,946

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 each major foreign currency against the Company functional currency as of December 31, 2018 and 2017 would have affected the net profit after tax by \$51,566 and \$46,723, 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:

	2018		2017	
	Exchange profit (loss)	Average rate	Exchange profit (loss)	Average rate
TWD	\$ 36,749	-	(58,313)	-

(v) Interest Rate analysis

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

	Carrying amount	
	December 31, 2018	December 31, 2017
Variable rate instruments:		
Financial assets	\$ 171,241	200,906
Financial liabilities	652,000	360,000

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Notes to the Financial Statements

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 decreased or increase by \$1,202 and \$398 for the years ended December 31, 2018 and 2017, respectively, which would be mainly resulted from the bank savings and loans with variable interest rates.

(vi) Fair value

1) Procedure of valuation

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

2) Fair value hierarchy

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

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

3) The kinds of financial instruments and fair value

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

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Notes to the Financial Statements

		December 31, 2018				
		Fair Value				
	Book value	Level 1	Level 2	Level 3	Total	
Financial assets measured at amortized cost						
Cash and cash equivalents	\$ 171,611	-	-	-	-	-
Notes and accounts receivable (including related parties)	933,216	-	-	-	-	-
Refundable deposits	20	-	-	-	-	-
	<u>\$ 1,104,847</u>					
Financial liabilities at amortized cost						
Bank loans	\$ 652,000	-	-	-	-	-
Notes and accounts payables (including related parties)	497,380	-	-	-	-	-
Other payables	13,344	-	-	-	-	-
Guarantee deposits	3,810	-	-	-	-	-
	<u>\$ 1,166,534</u>					
		December 31, 2017				
		Fair Value				
	Book value	Level 1	Level 2	Level 3	Total	
Loans and receivables						
Cash and cash equivalents	\$ 200,956	-	-	-	-	-
Notes and accounts receivable (including related parties)	758,672	-	-	-	-	-
Refundable deposits	270	-	-	-	-	-
	<u>\$ 959,898</u>					
Financial liabilities at amortized cost						
Bank loans	\$ 360,000	-	-	-	-	-
Notes and accounts payable (including related parties)	564,636	-	-	-	-	-
Other payables	7,785	-	-	-	-	-
Refundable deposits	3,810	-	-	-	-	-
	<u>\$ 936,231</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:

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

- 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) 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.

If the Company 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 Company 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. 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.

- (q) Financial risk management

- (i) Briefings

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

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

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) 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. But the Company usually won't ask clients offer collateral.

2) Guarantees

As of December 31, 2018 and 2017, 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(g) and note 6(h) for unused short-term and long-term bank facilities as of December 31, 2018 and 2017.

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

(v) Market risk

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

1) Currency risk

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

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

2) Interest rate risk

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

(r) 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, 2018 and 2017 as follow:

	December 31, 2018	December 31, 2017
Total liabilities	\$ 1,238,955	1,025,289
Total asset equity	3,579,432	3,408,204
Debt-to-equity ratio	35%	30%

As of December 31, 2018, the capital management method do not change.

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

There is no investing activities which affected the current cash flow of the Company in the years ended December 31, 2018.

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

Reconciliation of liabilities arising from financing activities for the year ended December 31, 2018 were as follows:

	January 1, 2018	Cash flows	December 31, 2018
Long term loans	\$ 210,000	72,000	282,000
Short term loans	150,000	220,000	370,000
Guarantee deposits	3,810	-	3,810
Total liabilities from financing activities	\$ 363,810	292,000	655,810

(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 related parties

(i) Selling products to related parties

	2018	2017
Subsidiaries	\$ 76	70

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

(ii) Purchases

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

	2018	2017
Subsidiary:		
Dongguan Chenming Electronic Co., Ltd.	\$ 2,897,193	2,445,773
Subsidiary:		
Others	192	328
	\$ 2,897,385	2,446,101

CHENMING MOLD IND. CORP.

Notes to the Financial Statements

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) Receivable from Related Parties

The receivables from related parties were as follows:

Account	Related party categories	December 31, 2018	December 31, 2017
Accounts receivable	Subsidiaries	\$ -	25

(iv) Payables to Related Parties

The payables to related parties were as follows:

Account	Related party categories	December 31, 2018	December 31, 2017
Accounts payable	Subsidiaries:		
	Dongguan Chenming Electronic Co., Ltd.	\$ 486,788	554,040

(v) Lease

The Company rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. Each rental income for the years ended December 31, 2018 and 2017 both amounted to \$3,429.

(vi) Other

The Company dispatched its employees to its subsidiaries for providing management services. As of December 31, 2018 and 2017, the relative revenue amounted to \$4,364 and \$3,043, respectively, which was recognized in other income.

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	2018	2017
Short-term employee benefits	\$ 6,127	5,103
Post-employment benefits	108	286
	\$ 6,235	5,389

(ii) Guarantee

The main management are guarantor of the syndication contract, and the amount of syndication are \$282,000 and \$210,000 in December 31, 2018 and 2017.

CHENMING MOLD IND. CORP.
Notes to the Financial Statements

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Object</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
PPE and investment properties- land	Short-term loans and long-term loans	\$ 347,804	347,804
— properties	Short-term loans and long-term loans	138,882	142,457
		<u>\$ 486,686</u>	<u>490,261</u>

(9) Commitments and contingencies: None

(10) Losses Due to Major Disasters: None

(11) Subsequent Events:

On March 7, 2019, the Board of Directors decided to acquire 10% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD. amounting to US\$2,160 indirectly through the existing overseas investment structure. The Group further increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD. from 72% to 82%.

(12) Other:

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

By function By item	2018			2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	-	61,792	61,792	-	72,047	72,047
Labor and health insurance	-	5,855	5,855	-	6,143	6,143
Pension	-	3,128	3,128	-	3,259	3,259
Remuneration of directors	-	1,000	1,000	-	1,000	1,000
Others	-	4,933	4,933	-	4,108	4,108
Depreciation	-	3,347	3,347	-	7,087	7,087
Amortization	-	1,274	1,274	-	1,182	1,182

Note: The depreciation expense, which subtract the depreciation expense from investment properties, are both \$1,238 for the years ended December 31, 2018 and 2017 which are recognized in the subtraction of rent revenue.

- (b) The Company had 79 and 78 employees as of December 31, 2018 and 2017, respectively.

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CHENMING MOLD IND. CORP.

Notes to Consolidated 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 Company for the year ended December 31, 2018:

(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	184,290	184,290	122,860	2.18738% 3.43613%	Demand for funding	-	Depending on demand for funding	-	-	-	1,937,81 (note 1)	1,937,81 (note 1)
2	CHENMING ELECTRONIC CO., LTD (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	"	67,080	67,080	-	5.0025%	"	-	"	-	-	-	96,312 (note 2)	96,312 (note 2)
3	Dongguan Chenming Electronic Co., Ltd.	CHENMING ELECTRONIC CO., LTD (NINGBO) CO., LTD	"	"	67,080	67,080	-	5.0025%	"	-	"	-	-	-	79,552 (note 2)	79,552 (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

(ii) Guarantees and endorsements for other parties:

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CHENMING ELECTRONIC CO., LTD (NINGBO) CO., LTD	72% Owned subsidiary	936,190	53,664	53,664	-	-	2.29%	1,872,381	Y	N	Y

Note: The total amount of endorsement guarantees the Company or the Group is permitted to provide shall not exceed 80% of the Company's net worth; the amount of endorsement guarantees for a entity shall not exceed 40% of the Company's net worth.

(iii) Securities held as of December 31, 2018 (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.

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CHENMING MOLD IND. CORP.

Notes to Consolidated Financial Statements

- (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	2,897,193	99 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(486,788)	(98) %	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,897,193)	74 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	486,788	57 %	"

- (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	486,788	5.57	-	-	486,788	-	

- (ix) Trading in derivative instruments: None.
- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (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, 2018			Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	1,930,397	1,883,713	58,648	100%	1,937,814	2,271	2,271	Subsidiaries
	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100%	1,105,641	(92,377)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandson company
"	PEAK SHREWD INC	Samoa	Investment	566,220	519,536	16,500	100%	693,557	90,905	"	"

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CHENMING MOLD IND. CORP.

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, 2018	Net income (losses) of the investment	Percentage of ownership	Investment income (losses) (note 2 and 3)	Carrying amount as of December 31, 2018 (note 3)	Accumulated remittance of earnings as of December 31, 2018
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO)CO.,LTD	Computer case and production of relative components	1,981,118 (USD64,500)	note 1 and 7	457,654 (USD14,900)	49,144 (USD1,600) (note 6)	-	506,79 (USD16,500)	123,051	72%	88,597	693,450	-
Dongguan Chenming Electronic Co., Ltd	"	890,059 (note 4) (USD28,978) (note 5)	note 1 and 8	764,804 (USD24,900)	-	-	764,804 (USD24,900)	(58,896)	100%	(58,896)	795,523	-

- (ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2018	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	1,400,604 (USD 45,600)	1,400,604 (USD 45,600)	Unlimited (note 9)

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

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

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$30.715 as of December 31, 2018; gains and losses were translated into New Taiwan Dollars at the average exchange rate of \$30.1492 for the period.

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, 2018
(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	12,285
	Foreign currency (US\$2,778 ; JPY\$301 ; RMB\$16,518)	<u>159,276</u>
		<u>\$ 171,611</u>

Note : The exchange rate is 30.715 New Taiwan dollars for 1 U.S. dollar ; 0.2782 New Taiwan dollars for 1 JPY ; 4.472 New Taiwan dollars for 1 RMB.

**STATEMENTS OF ACCOUNTS
RECEIVABLES**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accounts Receivable:		
Non-Related party:		
B Company	"	\$ 203,510
C Company	"	120,758
D Company	"	108,091
F Company	"	92,954
G Company	"	73,250
H Company	"	56,934
Other (Note)	"	<u>278,490</u>
Total		933,987
Less : Allowance for Bad Debts		<u>(771)</u>
Accounts Receivable, net		<u>\$ 933,216</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

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Investee Company	Beginning Balance		Additions (Note1)		Disposals (Note2)		Investment income	Cumulative translation adjustment	Ending Balance		Market price or net value	Collaterals or Pledged assets	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount			Number of shares	Percentage of Ownership			Amount
TOP CITY INTERNATIONAL LIMITED	57,048	<u>\$ 1,902,981</u>	1,600	<u>46,684</u>	-	-	<u>2,271</u>	<u>(14,122)</u>	58,648	100%	<u>1,937,814</u>	<u>1,937,814</u>	None

Note1: The Company invested the additional cash of \$46,684 thousands in subsidiaries.

Chenming Mold Ind. Corp.
STATEMENTS OF PROPERTY, PLANT AND EQUIPMENT
December 31, 2018 and 2017
(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(e) ◦

**STATEMENTS OF INVESTMENT
PROPERTY**

Please refer to Note 6(f).

STATEMENTS OF SHORT-TERM LOANS

December 31, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest Rate</u>	<u>Loan commitments</u>	<u>Collaterals or Pledged assets</u>
Mega International Commercial Bank Co., Ltd	Credit Loans	\$ 240,000	2017.8.18~ 2018.8.17	Please refer to note (6)(g)	USD18,400	None
Hua Nan Commercial Bank	Credit Loans	120,000	2017.12.8~ 2018.12.8	Please refer to note (6)(g)	NTD170,000	None
Hua Nan Commercial Bank	Secured loans	10,000	107.12.7~1 08.12.7	Please refer to note (6)(g)	NTD -	Land and PPE
CTBC Bank Co., Ltd.	Credit Loans	-			NTD120,000	None
		<u>\$ 370,000</u>				

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>		<u>Interest Rate</u>	<u>Contract period</u>	<u>Collaterals 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	\$ -	164,000	Please refer to Note 6(h)	2005.11~2020.11	Land、PPE and investment properties
Hua Nan Commercial Bank	Secured Loans	-	48,000	Please refer to Note 6(h)	2005.11~2025.11	Land、PPE and investment properties
Hua Nan Commercial Bank	Credit Loans	-	70,000	Please refer to Note 6(h)	2017.12~2020.5	None
		<u>\$ -</u>	<u>282,000</u>			

<u>Item</u>	<u>Amount</u>
Notes and Accounts payable :	
Dongguan Chenming Electronic Co., Ltd	\$ 486,788
Other (Note)	<u>10,592</u>
	<u>\$ 497,380</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, 2018
(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	1,284	\$ 1,476,272
Mobile components	199,277	1,540,872
Less : Sales discount		<u>(8,641)</u>
		3,008,503
Mold revenue		<u>129,726</u>
Net sales revenue		<u><u>\$ 3,138,229</u></u>

STATEMENTS OF OPERATING COSTS

<u>Item</u>	<u>Amount</u>
Raw materials, Balance, beginning of year	\$ -
Gains : Raw material purchased	16,822
Less : Raw materials, end of year	<u>-</u>
Raw materials used	16,822
Gains : Work-in-Process, beginning of year	-
Less : Work-in-Process, end of year	<u>-</u>
Cost of finished goods	16,822
Finished goods purchased	2,897,193
Less : Finished goods, end of year	(63)
Income from Sale of Scrap	<u>-</u>
Total	<u><u>\$ 2,913,952</u></u>

Chenming Mold Ind. Corp.

STATEMENTS OF OPERATING EXPENSE

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Marketing expenses	Management expenses	Research development expenses
Payroll expense	\$ 17,935	37,247	7,610
Travel expenses	4,146	1,698	1,810
Insurance expenses	2,165	4,027	1,602
Entertainment expense	2,284	2,493	13
Professional service fees	-	8,419	-
Safety and health expenses	-	4,410	-
Other (Note)	4,483	18,762	4,718
Total	\$ 31,013	77,056	15,753

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

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 financial performance, and risk management issues

I. Financial position

Unit: NTD thousand

Item \ Year	2017	2018	Variation	
			Amount	%
Current assets	2,876,139	3,485,627	609,488	21.19
Long-term investments	-	-	-	-
Fixed assets	1,128,528	1,137,662	9,134	0.81
Other assets	535,715	498,127	(37,588)	(7.02)
Total assets	4,540,382	5,121,416	581,034	12.80
Current liabilities	1,696,528	2,217,813	521,285	30.73
Long-term liabilities	210,000	282,000	72,000	34.29
Other liabilities	10,226	11,451	1,225	11.98
Total liabilities	1,916,754	2,511,264	594,510	31.02
Share capital	1,699,350	1,699,350	0	0.00
Capital reserve	52,485	52,485	0	0.00
Retained earnings	662,176	685,887	23,711	3.58
Total shareholders' equity	2,623,628	2,610,152	-13,476	-0.51

Explanation to major variations:

1. Current assets increased: Due to increased account receivables and inventory balance associated with an increase in revenues.
2. Current liabilities increased: Due to increased purchases associated with an increase in revenues.
3. Long-term liability increased: Due to additional long-term borrowings undertaken for operational requirements.

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. Financial performance

Unit: NTD thousand

Item \ Year	2017	2018	Variation	Variation (%)
Operating revenue				
Sales revenue	4,840,129	6,186,402	1,346,273	27.81
Less: Sales return	-	-	-	-
Sales discount	-	-	-	-
Net operating revenues	4,840,129	6,186,402	1,346,273	27.81
Operating costs	4,178,209	5,714,259	1,536,050	36.76
Gross profit	661,920	472,143	(189,777)	(28.67)
Operating expenses	340,861	373,291	32,430	9.51
Operating profit	321,059	98,852	-222,207	-69.21
Non-operating revenues	35,856	102,502	66,646	185.87
Non-operating expenses	76,848	16,087	-60,761	-79.07
Pre-tax profit	280,067	185,267	(94,800)	(33.85)
Income tax expense	34,149	40,762	6,613	19.37
Net income	245,918	144,505	(101,413)	(41.24)

(I) Explanation to major variations:

1. Operating revenues increased: Mainly due to increased demand from customers during the year.
2. Operating costs increased: The rise in cost is mainly associated with a rise in revenues during the year.
3. Gross profit reduced: The fall in gross profit is mainly due to a change in sales portfolio.
4. Decrease in non-operating revenues: Due to fluctuation of foreign currency exchange rate.
5. Decrease in non-operating revenues: Due to fluctuation of foreign currency exchange rate.
6. Pre-tax profit reduced: Mainly due to a change of sales portfolio that resulted in a lower gross profit.
7. Net income reduced: Mainly due to a change of sales portfolio that resulted in a lower gross profit.

(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	2017	2018	Variation (%)
Cash flow ratio		22.48	1.6	-93%
Cash flow adequacy ratio		165.93	95.74	-42%
Cash reinvestment ratio		10.52	-1.68	-116%
Cash flow ratio and cash reinvestment ratio reduced: Caused by lower cash flow from operating activities.				

(II) Improvements for lack of liquidity: The Company's current ratio stood at 95.74%, which presents no concern for lack of liquidity .

(III) Liquidity analysis for the next year

Unit: NTD thousand

Opening cash balance (1)	Projected yearly net cash flow from operating activities (2)	Expected cash outflow for the year (3)	Expected cash surplus (deficit) (1)+(2)-(3)	Financing of projected cash deficits	
				Investment plans	Financing plans
421,014	425,224	412,335	433,903	-	-
1. Analysis of cash flow for the year: (1) Operating activities: Mainly due to increasing net income expected in the following year. (2) Investing activities: Mainly due to increasing machinery/equipment investments expected in the following year. (3) Financing activities: Mainly due to decreasing loans expected in the following year. 2. Responsive measures and liquidity analysis on expected cash flow deficits: Not applicable.					

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 Company earned profits on investment in 2018 mainly because of increased revenues and operating profits of its investees, which were 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. Exchange rate variations: The Company exports most of its products. Sales are mainly denominated in USD, while purchases made from suppliers are also mostly denominated in USD. This arrangement enables most recurring foreign currency-denominated sales and purchases to be offset against each other, and thereby achieve natural hedge. Other outstanding positions are converted into NTD depending on capital requirement and market condition. Overall, exchange rate factors do not constitute any significant risk to profitability.

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. Interest rate variation: The Company pays close attention to local and foreign interest rates. All investment projects are subjected to rigorous risk assessment before execution. The Company evaluates borrowing interest rates on a regular basis and maintains good relationship with banks to secure more favorable interest rate and 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 and raise the quality of its R&D personnel as well as the technical barrier and added value of its products. The Company budgets its R&D expenses in pace with new product and technology development, and increases them at a certain rate to secure competitive advantage.

(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. As of the publication date of this annual report, the Company encountered no significant financial or business impact due to changes in technology or industry.

(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. Should 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 businesses, 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 significant risks and response measures

Analysis and assessment of information security risks

1. Information Security Policy

To enhance information security management and minimize risks and losses due to intentional or accidental threat or vandalism from internal and external sources, the Company has assigned the IT Center to the planning, supervision, enforcement and execution of information security measures. The IT Center also reports regularly to the board of directors on issues concerning information security governance.

2. Effective and improving information security management

The Company has established protections and countermeasures against computer virus. Software, hardware and resources are evaluated on a yearly basis to ensure that various IT operations are compliant with legal requirements.

The following information security measures have been adopted to

date:

- (1) Terminal risk: The Company requires individual users to make regular password changes and uses software to detect threat at terminals on an ongoing basis.
 - (2) Network risk: Threats from the Internet are being detected in real-time using a multi-layer structure. Any intrusion threat intercepted from the Internet is notified through mail.
 - (3) Leakage risk: The Company has platforms in place to detect and patch leaks. All known terminal leaks are patched on a regular basis.
3. Information security and network risk assessment
The Company maintains a registry of information assets that is reviewed on a yearly basis. Risk assessments are performed based on internal and external information security issues, incidents, and outcomes of audits performed locally and abroad. For areas identified as high-risk, appropriate resources have been invested to improve and enhance control measures, and thereby reduce or eliminate risks.
4. Impacts and responses to significant information security events
As of the publication date of annual report, the Company did not discover or encounter significant adverse impact from any major online attack or incident. Meanwhile, the Company continues to devote attention to new information security trends and technologies. Defense and management practices are upgraded accordingly to block new security threats and reduce business risks.

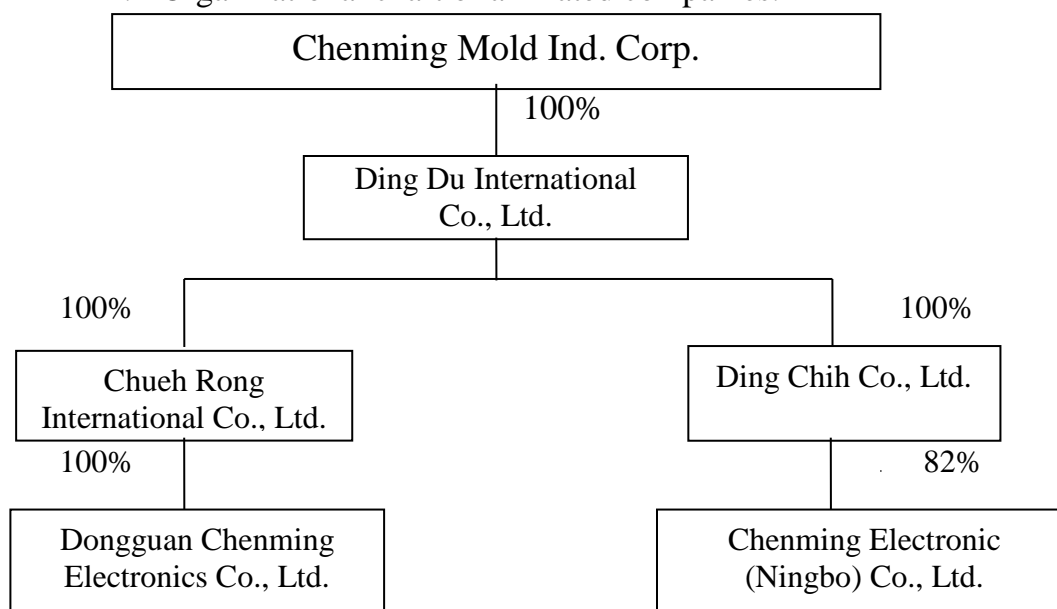
VII. Other important matters: None.

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	58,647,960 (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	16,500,000 (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.

In general, the affiliated companies support each other in terms of
technology, production capacity, marketing and service to maximize
synergy.

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)	58,647,960	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)	16,500,000	100%
Chenming Electronic (Ningbo) Co., Ltd.	Director	Ding Chih Co., Ltd. (Representative: Lin Mu-Ho)	64,500,000	82%
	President	Chung Fu-Chuan		

6. Performance of affiliated companies

Unit: thousand dollars; date: December 31, 2018

Name	Share capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating profit	Current net profit	Earnings per share (\$)
Ding Du International Co., Ltd.	1,930,397	1,937,814	0	1,937,814	0	0	2,271	-
Chueh Rong International Co., Ltd.	1,471,994	1,248,689	143,048	1,105,641	0	(17,972)	(92,377)	-
Dongguan Chenming Electronics Co., Ltd.	890,059	1,980,294	1,184,769	795,525	3,924,399	(59,713)	(58,896)	-
Ding Chih Co., Ltd.	566,220	700,131	6,573	693,558	0	0	90,905	-
Chenming Electronic (Ningbo) Co., Ltd.	1,981,118	1,538,013	574,888	963,125	2,021,530	88,023	123,051	-

(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 financial year 2018 (from January 1 to December 31, 2018). All mandatory disclosures of the consolidated business report have been disclosed in the consolidated financial statements, therefore no separate consolidated business report was prepared.

Declaration made by the undersigned

Company name: Chenming Mold Ind. Corp.

Chairman: Lin Mu-Ho

Date: March 18, 2019

(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