

**CHENMING MOLD IND. CORP
AND SUBSIDIARIES
Consolidated Financial Statements
March 31, 2016 and 2015
(With Independent Auditors' Review Report Thereon)**



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**(English Translation of Financial Report Originally Issued in Chinese)
Independent Auditors' Review Report**

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

We have reviewed the accompanying consolidated balance sheets of CHENMING MOLD INDUSTRIAL CORP (the "Company") and subsidiaries (together as the "Group") as of March 31, 2016, and 2015, and the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the three months ended March 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

We conducted our review in accordance with the guidelines of ROC Statement on Auditing Standards No. 36, "Engagements to Review Financial Statements". Those guidelines require that we plan and perform the review, consisting principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Republic of China, with the objective of expressing an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any modifications that should be made, in any material respects, to the accompanying consolidated financial statements described in the first paragraph for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34, "Interim Financial Reporting" which are endorsed by the Financial Supervisory Commission.

April 27, 2016

The accompanying interim consolidated financial statements are intended only to present the consolidated cash flows in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and IAS 34 Interim Financial Reporting as endorsed by the Financial Supervisory Commissions in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated interim financial statements are those generally accepted and applied in the Republic of China.

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

CHENMING MOLD IND. CORP AND SUBSIDIARIES

Consolidated Balance Sheets (the amounts as of March 31, 2016 and 2015 were unaudited)

March 31, 2016, December 31 and March 31, 2015
(expressed in thousands of New Taiwan dollars)

Assets	March 31, 2016		December 31, 2015		March 31, 2015	
	Amount	%	Amount	%	Amount	%
Current assets:						
Cash and cash equivalents (note 6(a))	\$ 243,661	8	333,278	10	230,120	7
Current financial assets at fair value through profit or loss (note 6(b))	-	-	2,004	-	-	-
Notes and Accounts receivable, net (note 6(c) and 7)	849,906	26	881,123	25	770,032	23
Inventories, net (notes 6(d))	510,254	16	500,881	15	476,418	15
Other current financial assets (notes 6(e), 7 and 8)	48	-	2,539	-	23,139	1
Other current assets	38,054	1	67,881	2	45,828	1
	<u>1,641,923</u>	<u>51</u>	<u>1,787,706</u>	<u>52</u>	<u>1,545,537</u>	<u>47</u>
Non-current assets:						
Non-current available-for-sale financial assets (note 6(b))	175,215	5	175,215	5	169,642	5
Property, plant and equipment (note 6(e) and 8)	977,666	30	1,043,626	30	1,079,201	33
Investment property, net (note 6(f) and 8)	202,277	6	202,587	6	203,515	6
Intangible assets	1,442	-	2,116	-	3,169	-
Deferred tax assets	22,252	1	16,157	1	16,110	-
Other non-current financial assets	6,139	-	6,139	-	1,179	-
Long-term prepaid rents	168,208	5	169,723	5	174,270	6
Other non-current assets	47,497	2	39,920	1	97,822	3
	<u>1,600,696</u>	<u>49</u>	<u>1,655,483</u>	<u>48</u>	<u>1,744,908</u>	<u>53</u>
Total assets	\$ 3,242,619	100	\$ 3,443,189	100	\$ 3,290,445	100
Liabilities and equity						
Current liabilities:						
Short-term borrowings (note 6(g))	\$ 170,000	5	150,000	4	150,000	4
Notes and Accounts payable	390,447	12	500,865	15	392,105	12
Accounts payable to related parties (note 7)	-	-	-	-	3,218	-
Other payables	138,508	4	191,367	6	132,769	4
Current tax liabilities	31,660	1	31,660	1	-	-
Other current liabilities	1,130	-	1,116	-	2,241	-
Long-term borrowings, current portion (note 6(h))	28,000	1	36,000	1	69,946	2
	<u>759,745</u>	<u>23</u>	<u>911,008</u>	<u>27</u>	<u>850,279</u>	<u>26</u>
Non-current liabilities:						
Long-term loans (note 6(h))	261,000	9	280,000	8	229,500	7
Deferred tax liabilities	6,063	-	6,063	-	10,336	-
Guarantee deposits	8,812	-	9,362	-	8,812	-
	<u>275,875</u>	<u>9</u>	<u>295,425</u>	<u>9</u>	<u>248,648</u>	<u>8</u>
Total liabilities	1,035,620	32	1,206,433	35	1,098,927	33
Equity:						
Equity attributable to owners of parent:						
Ordinary shares (note 6(i))	1,779,350	55	1,779,350	52	1,800,000	55
Capital surplus (note 6(i))	15,415	-	15,415	-	15,594	-
Retained earnings (note 6(i))	401,323	13	431,080	13	370,586	12
Unrealized gain or loss on available-for-sale financial assets	10,911	-	10,911	-	5,338	-
Total equity	<u>2,206,999</u>	<u>68</u>	<u>2,236,756</u>	<u>65</u>	<u>2,191,518</u>	<u>67</u>
Significant contingent liabilities and unrecognized contractual commitments (notes 9)						
Total liabilities and equity	\$ 3,242,619	100	\$ 3,443,189	100	\$ 3,290,445	100

CHENMING MOLD IND. CORP AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (unaudited)

For the three months ended March 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	<u>Three months ended</u> <u>March 31, 2016</u>		<u>Three months ended</u> <u>March 31, 2015</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Net sales revenue (notes 6(n))	\$ 729,862	100	710,863	100
Cost of sales (notes 6(d) , 6(j) , 7 and 12)	<u>689,365</u>	<u>93</u>	<u>660,402</u>	<u>93</u>
Gross profit	<u>40,497</u>	<u>7</u>	<u>50,461</u>	<u>7</u>
Operating expenses (notes 6(j) and 12):				
Selling expenses	26,359	4	25,276	4
Administrative expenses	29,078	4	31,026	4
Research and development expenses	<u>8,492</u>	<u>1</u>	<u>10,595</u>	<u>1</u>
	<u>63,929</u>	<u>9</u>	<u>66,897</u>	<u>9</u>
Net operating income	<u>(23,432)</u>	<u>(2)</u>	<u>(16,436)</u>	<u>(2)</u>
Non-operating income and expenses:				
Other income	159	-	162	-
Finance costs	(1,846)	-	(2,633)	-
Interest income	221	-	112	-
Rent revenue (note 7)	3,108	-	3,195	-
Foreign exchange gains , net	-	-	1,856	-
Other expenses and losses	(2,207)	-	(1,231)	-
Foreign exchange losses, net (note 6(p))	<u>(11,855)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
	<u>(12,420)</u>	<u>(2)</u>	<u>1,461</u>	<u>-</u>
Profit before tax	<u>(35,852)</u>	<u>(4)</u>	<u>(14,975)</u>	<u>(2)</u>
Less : Income tax benefit (note 6(k))	<u>(6,095)</u>	<u>(1)</u>	<u>(2,546)</u>	<u>-</u>
Loss	<u>(29,757)</u>	<u>(3)</u>	<u>(12,429)</u>	<u>(2)</u>
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Other comprehensive income, before tax, available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>81</u>	<u>-</u>
Other comprehensive income, net of tax	<u>-</u>	<u>-</u>	<u>81</u>	<u>-</u>
Comprehensive income	<u>\$ (29,757)</u>	<u>(3)</u>	<u>(12,348)</u>	<u>(2)</u>
Basic net income(loss) per share (notes 6(m))	<u>\$ (0.17)</u>		<u>(0.07)</u>	

See accompanying notes to consolidated financial statements.

CHENMING MOLD IND. CORP AND SUBSIDIARIES

**Consolidated statements of changes in equity (unaudited)
For the three months ended March 31, 2016 and 2015
(expressed in thousands of New Taiwan dollars)**

	Equity attributable to owners of parent						Other equity interests		Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	
Balance on January 1, 2015	\$ 1,800,000	15,594	212,454	9,730	160,831	383,015	-	5,257	2,203,866
Loss for the three period months ended March 31, 2015	-	-	-	-	(12,429)	(12,429)	-	-	(12,429)
Other comprehensive income	-	-	-	-	-	-	-	81	81
Comprehensive income	-	-	-	-	(12,429)	(12,429)	-	81	(12,348)
Balance on March 31, 2015	\$ 1,800,000	15,594	212,454	9,730	148,402	370,586	-	5,338	2,191,518
Balance on January 1, 2016	\$ 1,779,350	15,415	225,459	-	205,621	431,080	-	10,911	2,236,756
Loss for the three period months ended March 31, 2016	-	-	-	-	(29,757)	(29,757)	-	-	(29,757)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Comprehensive income	-	-	-	-	(29,757)	(29,757)	-	-	(29,757)
Balance on March 31, 2016	\$ 1,779,350	15,415	225,459	-	175,864	401,323	-	10,911	2,206,999

See accompanying notes to consolidated financial statements.

CHENMING MOLD IND. CORP AND SUBSIDIARIES

Consolidated statements of cash flows (unaudited)

For the three months ended March 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	Three months ended March 31, 2016	Three months ended March 31, 2015
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ (35,852)	(14,975)
Adjustments:		
Depreciation expense	72,445	55,406
Amortization expense	674	932
Provision (reversal of provision) for bad debt expense	1,300	-
Interest expense	1,846	2,633
Interest income	(221)	(112)
Gain on disposal of property, plant and equipment, net and other income	3,722	2,451
	<u>79,766</u>	<u>61,310</u>
Changes in operating assets and liabilities:		
Changes in financial assets at fair value through profit or loss	1,889	-
Decrease (increase) in notes and accounts receivable(including related parties)	29,917	139,889
Decrease (increase) in inventories	(9,373)	(74,943)
Decrease (increase) in other current assets	29,718	4,489
Decrease (increase) in other current financial assets	2,483	2,348
Increase (decrease) in notes and accounts payable (including related parties)	(110,418)	(89,779)
Increase (decrease) in other payable and other current liabilities	(37,354)	(22,462)
	<u>(93,138)</u>	<u>(40,458)</u>
	<u>(13,372)</u>	<u>20,852</u>
Cash flows from (used in) operations	(49,224)	5,877
Interest received	229	214
Income taxes paid	(5)	(16)
Net Cash flows from (used in) operating activities	<u>(49,000)</u>	<u>6,075</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(21,041)	(18,106)
Decrease (increase) in prepayments for business facilities	(10,158)	(51,100)
Net cash flows from (used in) investing activities	<u>(31,199)</u>	<u>(69,206)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	20,000	-
Increase in long-term loans	50,000	-
Decrease in long-term loans	(77,000)	(9,500)
Interest paid	(1,868)	(2,456)
Increase (decrease) guarantee deposits	(550)	-
Net cash flows from (used in) financing activities	<u>(9,418)</u>	<u>(11,956)</u>
Net increase in cash and cash equivalents	<u>(89,617)</u>	<u>(75,087)</u>
Cash and cash equivalents at beginning of period	<u>333,278</u>	<u>305,207</u>
Cash and cash equivalents at end of period	<u>\$ <u>243,661</u></u>	<u><u>230,120</u></u>

See accompanying notes to consolidated financial statements.

CHENMING MOLD IND. CORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2016 and 2015 (Unaudited)

(expressed in thousands of New Taiwan dollars unless otherwise specified)

(1) Company history

CHENMING MOLD IND. CORP (the "Company") was incorporated in 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 three months period ended March 31, 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). Please refer to note 4 (b) 2. for related information of the Group primarily business activities.

(2) Financial statements authorization date and authorization process

These consolidated financial statements were authorized for issuance by the board of directors on April 27, 2016.

(3) Application of new standards and interpretations

(a) Impact of the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") but not yet endorsed by the Financial Supervisory Commissions ("FSC").

The 2013 version of the IFRS issued by the IASB but not yet endorsed by the FSC were as follows:

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
IFRS 9 " <i>Financial Instruments</i> "	January 1, 2018
Amended IFRS 10 and IAS 28 " <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> "	Not yet approved by the IASB
Amended IFRS 10, IFRS 12 and IAS 28 " <i>Investment Entities: Applying the Consolidation Exception</i> "	January 1, 2016
Amended IFRS 11 " <i>Accounting for Acquisition of Interests in Joint Operations</i> "	January 1, 2016
IFRS 14 " <i>Regulatory Deferral Accounts</i> "	January 1, 2016
IFRS 15 " <i>Revenue from Contracts with Customers</i> "	January 1, 2018
IFRS 16 " <i>Leases</i> "	January 1, 2019
Amended IFRS 15 " <i>Clarification of IFRS 15</i> "	January 1, 2018
Amended IAS 1 " <i>Disclosure Initiative</i> "	January 1, 2016
Amended IAS 7 " <i>Disclosure Initiative</i> "	January 1, 2017

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CHEENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
Amended IAS 12 " <i>Recognition of Deferred Tax Assets for Unrealized Losses</i> "	January 1, 2017
Amended IAS 16 and IAS 38 " <i>Clarification of Acceptable Methods of Depreciation and Amortization</i> "	January 1, 2016
Amended IAS 16 and IAS 41 " <i>Agriculture: Bearer Plants</i> "	January 1, 2016
Amended IAS 19 " <i>Defined Benefit Plans: Employee Contributions</i> "	July 1, 2014
Amended IAS 27 " <i>Equity Method in Separate Financial Statements</i> "	January 1, 2016
Amended IAS 36 " <i>Recoverable Amount Disclosures for Non-Financial Assets</i> "	January 1, 2014
Amended IAS 39 " <i>Novation of Derivatives and Continuation of Hedge Accounting</i> "	January 1, 2014
Annual Improvements: 2010-2012 and 2011-2013 cycles	July 1, 2014
Annual Improvements to IFRS: 2012-2014 cycles	January 1, 2016
Amended IFRIC 21 " <i>Levies</i> "	January 1, 2014

As the standards and amendments above have not been endorsed by the FSC, the Group is in the process of assessing the impact on the consolidated financial position and the consolidated results of its operations. Related impact will be disclosed following the completion of its assessments.

(4) Significant Accounting Policies

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers (hereinafter referred to as the Regulations) and the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed by the FSC. These consolidated financial statements do not include all of the information required by the International Financial Reporting standards, the International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC) for annual financial statements.

Except as described below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the annual consolidated financial statement for the year ended December 31, 2015. Please refer to note 4 of the consolidated financial statements for the year ended December 31, 2015 for related information.

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CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Basis of consolidation

1. Except note 3(a), the principles of preparation have been applied consistently with those described in the annual consolidated financial statements for the year ended December 31, 2015. For detailed information, please refer to note 4(c) of the annual consolidated financial statements for the year ended December 31, 2015.
2. The list of subsidiaries in the consolidated interim financial statements are as follows:

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			March 31, 2016	December 31, 2015	March 31, 2015
The Company	TOP CITY INTERNATIONAL LIMITED	Investment	100%	100%	100%
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC.	Investment	100%	100%	100%
"	GERSHWIN INTERNATIONAL LIMITED	Computer case and production of relative components	100%	100%	100%
GERSHWIN INTERNATIONAL LIMITED	Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	100%	100%	100%

(c) Income Taxes

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense for the year is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the effective tax rate at the time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

(d) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of prior financial year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(5) Major sources of significant accounting assumptions, judgments, and estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRSs (in accordance with IAS 34 "Interim Financial Reporting" 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.

In the preparation of this consolidated financial statements, the major sources of accounting assumptions, judgments and estimation uncertainty are consistent with those in note 5 of the annual consolidated financial statements for the year ended December 31, 2015.

(6) Explanation of significant accounts

Except as described below, there were no significant differences between these consolidated interim financial statements and the annual consolidated financial statements for the year ended December 31, 2015. Please refer to note 6 of the consolidated financial statements for the ended December 31, 2015 for related information.

(a) Cash and cash equivalents

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Cash on hand	\$ 734	1,044	953
Checking accounts and demand deposits	162,465	245,176	229,167
Time deposits	<u>80,462</u>	<u>87,058</u>	<u>-</u>
	\$ <u><u>243,661</u></u>	<u><u>333,278</u></u>	<u><u>230,120</u></u>

(b) Financial Asset

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Current financial assets at fair value through profit or loss-mutual fund	\$ -	2,004	-
Non-current available-for-sale financial assets- non listed stock	<u>175,215</u>	<u>175,215</u>	<u>169,642</u>
Total	\$ <u><u>175,215</u></u>	<u><u>177,219</u></u>	<u><u>169,642</u></u>
Current	\$ <u><u>-</u></u>	<u><u>2,004</u></u>	<u><u>-</u></u>
Non-current	\$ <u><u>175,215</u></u>	<u><u>175,215</u></u>	<u><u>169,642</u></u>

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CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of March 31, 2016, December 31,2015 and March 31,2015, the Group did not provide any aforementioned financial assets as collateral for its loans.

1. Information of foreign investment

	<u>March 31, 2016</u>			<u>December 31, 2015</u>			<u>March 31, 2015</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
USD	\$ 5,338	32.825	175,215	5,338	32.825	175,215	5,420	31.3	169,642

(c) Notes and accounts receivable and other receivables

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Notes receivable	\$ -	-	547
Accounts receivable	855,557	885,481	770,050
Accounts receivable-related parties	7	-	-
Other receivables	48	2,539	2,139
	855,612	888,020	772,736
Less: allowance for uncollectible accounts	(5,658)	(4,358)	(565)
Total	\$ <u>849,954</u>	<u>883,662</u>	<u>772,171</u>
Notes and accounts receivable, net	\$ <u>849,906</u>	<u>881,123</u>	<u>770,032</u>
Other receivables-current	\$ <u>48</u>	<u>2,539</u>	<u>2,139</u>

The aging analysis of notes and accounts receivable and other receivables, which were past due but not impaired, were as follows:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Overdue 0-30 days	\$ 3,691	8,333	3,737
Overdue 31-150 days	965	6,019	3,826
Overdue 150 days	1,285	765	-
	\$ <u>5,941</u>	<u>15,117</u>	<u>7,563</u>

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CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The movements in the allowance for impairment loss with respect to notes and accounts receivable and other receivables were as follow:

	<u>Loss from Individual- Estimated</u>	<u>Loss from Group- Estimated</u>	<u>Total</u>
Balance on January 1,2016	\$ 3,591	767	4,358
Impairment loss recognized	<u>-</u>	<u>1,300</u>	<u>1,300</u>
Balance on March 31,2015	\$ <u><u>3,591</u></u>	<u><u>2,067</u></u>	<u><u>5,658</u></u>
	<u>Loss from Individual- Estimated</u>	<u>Loss from Group- Estimated</u>	<u>Total</u>
Balance on January 1,2015	\$ -	846	846
Impairment loss recognized	<u>-</u>	<u>(281)</u>	<u>(281)</u>
Balance on March 31,2015	\$ <u><u>-</u></u>	<u><u>565</u></u>	<u><u>565</u></u>

As of March 31, 2016, December 31 and March 31, 2015, the group did not provide any notes and accounts receivable as collateral for its loans.

(d) Inventories

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Raw materials	\$ 167,763	207,815	235,771
Work in progress	137,229	131,140	104,307
Finished goods	<u>205,262</u>	<u>161,926</u>	<u>136,340</u>
	\$ <u><u>510,254</u></u>	<u><u>500,881</u></u>	<u><u>476,418</u></u>
	<u>Three months ended March 31, 2016</u>	<u>Three months ended March 31, 2015</u>	
Cost of goods sold	\$ 665,485	616,557	
Revenue from sale of scraps	(3,190)	(4,087)	
Inventory valuation and obsolescence losses	1,800	1,722	
Loss on scrapping of inventory	<u>25,820</u>	<u>46,210</u>	
	\$ <u><u>689,915</u></u>	<u><u>660,402</u></u>	

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CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of March 31, 2016, December 31 and March 31, 2015, the Group did not provide any inventory as collateral for its loans.

(e) Property, Plant and Equipment

The movements in the property, plant and equipment of the Group were as follows:

	<u>Land</u>	<u>Property</u>	<u>machinery and Equipment</u>	<u>Office equipment and others</u>	<u>Total</u>
Cost					
Balance on January 1, 2016	\$ 210,897	681,287	592,696	119,139	1,604,019
Additions	-	-	1,858	3,714	5,572
Disposal	-	(12,426)	(19,236)	(13,193)	(44,855)
Reclassifications	-	-	-	2,695	2,695
Balance on March 31, 2016	\$ <u>210,897</u>	<u>668,861</u>	<u>575,318</u>	<u>112,355</u>	<u>1,567,431</u>
Balance on January 1, 2015	\$ 210,897	694,308	670,366	77,380	1,652,951
Additions	-	-	3,579	4,493	8,072
Disposal	-	(170)	(4,670)	(2,786)	(7,626)
Balance on March 31, 2015	\$ <u>210,897</u>	<u>694,138</u>	<u>669,275</u>	<u>79,087</u>	<u>1,653,397</u>
Depreciation					
Balance on January 1, 2016	\$ -	210,693	309,316	40,384	560,393
Depreciation of the period	-	7,024	54,737	10,374	72,135
Disposal	-	(12,407)	(17,488)	(12,868)	(42,763)
Balance on March 31, 2016	\$ <u>-</u>	<u>205,310</u>	<u>346,565</u>	<u>37,890</u>	<u>589,765</u>
Balance on January 1, 2015	\$ -	193,965	293,016	38,528	525,509
Depreciation of the period	-	7,112	42,220	5,765	55,097
Disposal	-	(157)	(4,118)	(2,135)	(6,410)
Balance on March 31, 2015	\$ <u>-</u>	<u>200,920</u>	<u>331,118</u>	<u>42,158</u>	<u>574,196</u>
Book Value					
Balance on January 1, 2016	\$ <u>210,897</u>	<u>470,594</u>	<u>283,380</u>	<u>78,755</u>	<u>1,043,626</u>
Balance on March 31, 2016	\$ <u>210,897</u>	<u>463,551</u>	<u>228,753</u>	<u>74,465</u>	<u>977,666</u>
Balance on January 1, 2015	\$ <u>210,897</u>	<u>500,343</u>	<u>377,350</u>	<u>38,852</u>	<u>1,127,442</u>
Balance on March 31, 2015	\$ <u>210,897</u>	<u>493,218</u>	<u>338,157</u>	<u>36,929</u>	<u>1,079,201</u>

The process of land leasehold right and building right information please refer to notes 6(e) of 2015 consolidate financial statements.

As of March 31, 2016, December 31 and March 31, 2015, 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.

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CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(f) Investment property

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Book value			
Balance on March 31,2016	\$ <u>152,640</u>	<u>49,637</u>	<u>202,277</u>
Balance on December 31,2015	\$ <u>152,640</u>	<u>49,947</u>	<u>202,587</u>
Balance on March 31,2015	\$ <u>152,640</u>	<u>50,875</u>	<u>203,515</u>

There were no material addition, disposal, impairment or reversal situation of investment properties on March 30, 2016 and 2015, and December 30, 2015. Please refer to note 12(a) for details. For other related information, please refer to note 6(f) of the 2015 consolidate financial statements.

There were no significant difference between the fair value of investment properties and that disclosed in the 2015 consolidate financial statements. Please refer to note 8 for information on investment properties pledged as collateral as of Dec 31, 2015, and March 30, 2016 and 2015.

(g) Short-term loan

The short-term loans were summarized as follows:

	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Credit Loan	\$ <u>170,000</u>	<u>150,000</u>	<u>250,000</u>
Unused credit line for short-term loans	\$ <u>631,515</u>	<u>663,675</u>	<u>774,700</u>
Annual interest rates	<u>1.0%~1.5%</u>	<u>1.0%~1.5%</u>	<u>1.0%~1.4%</u>

1. The loans issued by the banks to the Group were \$130,000 in the three months and six months ended in March 31, 2016 and 2015, respectively. As of the expiry dates, which are in May to July in 2016 and April to July in 2015, the Group has to pay the amounts of \$110,000 and \$130,000, respectively, for the repayments.
2. The Group provided part of its assets as collateral for the short-term borrowings. Please refer to note 8 for details.

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CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(h) Long-term loans

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Secured bank loans	\$ 189,000	216,000	272,000
Unsecured bank loans	100,000	100,000	27,500
Less: Issue cost of debt after amortized	-	-	(54)
Less: Current portion	<u>(28,000)</u>	<u>(36,000)</u>	<u>(69,946)</u>
Total	\$ <u>261,000</u>	<u>280,000</u>	<u>229,500</u>
Unused long-term credit line	\$ <u>240,000</u>	<u>270,000</u>	<u>632,500</u>
Range of interest rate	<u>1.5%~2.0%</u>	<u>1.5%~2.2%</u>	<u>1.5%~2.4%</u>

1. The loans issued by the banks to the Group were \$50,000 and \$0 in 2016 and January 1 to September 30, 2015, respectively. As of the expiry dates, which are in January 2018, the Group has to pay the amounts of \$77,000 and \$9,500, respectively, for the repayments. The syndicated loan was expired on May 2015.
2. The main management are the guarantor of long-term loan. Please refer to note 7 for details.
3. The Group provided part of its assets as collateral for long-term loans. Please refer to note 8 for details.

(i) Operating Lease

Except following description, there were no significant differences between the new lease contracts and the long-term prepaid rents of the Group for the three months ended March 31, 2016 and 2015. For related information, please refer to note 6(i) of the 2015 annual consolidated financial statements.

1. The Group as lessor

The Group rents its investment property through operating lease, which refer to 6(f). Non-cancellable operating lease rentals of future limited receivable lease amount were as follow:

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Less than one years	\$ 11,603	6,383	12,968
Between two and five years	43,762	-	3,131
Above 5 years	<u>2,192</u>	<u>-</u>	<u>-</u>
	\$ <u>57,557</u>	<u>6,383</u>	<u>16,099</u>

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CHEENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(j) Employee benefits

1. Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time event in the prior fiscal year, the consolidated financial statements shall be measured and disclosed in accordance with the actuarial report measured on December 31, 2015 and 2014.

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

	<u>Three months ended March 31, 2016</u>	<u>Three months ended March 31, 2015</u>
Operating expense	\$ <u>(114)</u>	<u>(109)</u>

2. Defined contribution plans

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

	<u>Three months ended March 31, 2016</u>	<u>Three months ended March 31, 2015</u>
Cost of sales	\$ 11,584	7,853
Operating expenses	<u>1,505</u>	<u>1,479</u>
	\$ <u><u>13,089</u></u>	<u><u>9,332</u></u>

(k) Income taxes

1. The amount of income tax was as follows:

	<u>Three months ended March 31, 2016</u>	<u>Three months ended March 31, 2015</u>
Current tax profit	\$ <u>(6,095)</u>	<u>(2,546)</u>

2. The ROC tax authorities have examined the Company's income tax returns through 2013.

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CHEENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

3. Information related to the unappropriated earnings and tax deduction ratio was summarized below:

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Unappropriated earnings of 1998 and after	\$ <u>175,864</u>	<u>205,621</u>	<u>148,402</u>
Balance of imputation credit account	\$ <u>40,856</u>	<u>40,856</u>	<u>40,588</u>
	<u>2015 (Estimated)</u>	<u>2014 (Actual)</u>	
Creditable ratio for earnings distribution to ROC residents	<u>29.31%</u>	<u>22.91%</u>	

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

(I) Capital and other equities

Except as described below, there were no significant changes in the capital and other equities of the Group for the three months ended March 31, 2016 and 2015. For related information, please refer to note 6(l) of the consolidated financial statements December 31, 2015.

1. Capital surplus

The balances of capital surplus were as follows:

	<u>March 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>March 31,</u> <u>2015</u>
Additional paid-in capital	\$ <u>15,415</u>	<u>15,415</u>	<u>15,594</u>

2. Retained Earning

Based on the Company's articles of incorporation, 10% of the annual net income after offsetting prior years' deficits is to be set aside as a legal reserve. The remaining, if any, after special reserves are appropriated in accordance with SFB regulations, shall be distributed as follows:

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

- (i) Remuneration to employees including employees of subsidiaries should not be lower than 2%;
- (ii) Remuneration to the directors and supervisors should not be not higher than 2%;
- (iii) Any balance left over shall be allocated according to the resolution of the shareholders' meeting.

The Company's industry is currently in a stable growth phase. Considering the long-term financial plan, the Group proportionately distributes its dividends to its shareholders. The Group's articles of incorporation stipulate that retain earning is mainly be used as financial purposes, the remaining balance of retain earning, if any, can be distributed to shareholders by cash dividends. The amount of cash dividends should not be lower than 10% of the total dividends.

According to the Group Act which was amended in May 2015, remuneration to employees, directors and supervisors are no longer subject to earnings distribution. The Company will make all the necessary amendments to its articles of association before the deadline specified by the authorities.

(i) Earnings distribution

There was no benefits for the Group in the three months ended in March 31, 2015; therefore, there were no employee remuneration estimated for the said year.

According to the shareholders' meeting held on April 27, 2016, the Company shall distribute cash dividends, amounting to \$53,381, to its shareholders. The shareholders' meeting on June 11, 2015, the Group shall compensate for its deficits in 2014; and therefore, there were no remuneration be to employees, directors and supervisors in the said year.

(m) Earnings per share

The Group's basic earnings per share are calculated as follows:

	Three months ended <u>March 31, 2016</u>	Three months ended <u>March 31, 2015</u>
Loss attributable to ordinary shareholders of the Group	\$ <u>(29,757)</u>	<u>(12,429)</u>
Weighted-average number of outstanding ordinary shares	<u>177,935</u>	<u>180,000</u>

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Notes to Consolidated Financial Statements

(n) Revenue

	Three months ended <u>March 31, 2016</u>	Three months ended <u>March 31, 2015</u>
Computer and server case	\$ 497,991	360,002
Mobile components	175,448	257,373
Mold revenue	<u>56,423</u>	<u>93,488</u>
	<u>\$ 729,862</u>	<u>710,863</u>

(o) Remuneration to employees, directors and supervisors

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

Since the Group did not earn profit during January 1 to March 31, 2016, there is no need to allocate remuneration to employees, directors and supervisors.

The remuneration to employees and to directors and supervisors were amounted to \$6,000 and \$1,500, respectively. Please refer to Market Observation Post System for details. 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 2016.

(p) Financial Instruments

Except for following description, the fair value of financial instruments do not material affected by credit risk, liquidity risk and market risk. For related information, please refer to note 6(p) for 2015 annual consolidated financial statements.

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CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Liquidity Risk

The following table shows the contractual maturities of financial liabilities do not including estimated interest payments:

	<u>Contractual cash flows</u>	<u>Within one year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
March 31, 2016				
Secured loans	\$ 189,000	28,000	28,000	133,000
Unsecured loans	270,000	170,000	100,000	-
Notes and account payable (including related parties)	390,447	390,447	-	-
Other payables	59,215	59,215	-	-
Guarantee deposits	8,812	-	-	8,812
	<u>\$ 917,474</u>	<u>647,662</u>	<u>128,000</u>	<u>141,812</u>
	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
December 31, 2015				
Secured loans	\$ 216,000	16,000	28,000	172,000
Unsecured loans	250,000	170,000	70,000	10,000
Notes and account payable (including related parties)	500,865	500,865	-	-
Other payables	93,680	93,680	-	-
Guarantee deposits	9,362	-	-	9,362
	<u>\$ 1,069,907</u>	<u>780,545</u>	<u>98,000</u>	<u>191,362</u>
	<u>Contractual cash flows</u>	<u>Within one year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
March 31, 2015				
Secured loans (including issue cost \$54)	\$ 272,000	70,000	28,000	174,000
Unsecured loans	277,500	250,000	-	27,500
Notes and account payable(including related parties)	395,323	395,323	-	-
Other payables	73,775	73,775	-	-
Guarantee deposits	8,812	-	-	8,812
	<u>\$ 1,027,410</u>	<u>789,098</u>	<u>28,000</u>	<u>210,312</u>

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

2. Currency risk

(ii) Exposure to foreign currency risk

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

	<u>March 31, 2016</u>			<u>December 31, 2015</u>			<u>March 31, 2015</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets									
Monetary items									
USD to TWD	\$ 25,099	32.185	807,811	27,201	32.825	892,873	22,690	31.3	710,197
CNY to TWD	53,913	4.972	268,055	58,872	4.995	294,066	53,600	5.044	270,358
Financial liabilities									
Monetary items									
USD to TWD	\$ 3,915	32.185	126,004	4,593	32.825	150,765	4,065	31.3	127,235
CNY to TWD	63,777	4.972	317,099	86,493	4.995	432,033	71,016	5.044	358,205

The Group's currency risk arises from the currency exchange on cash and cash equivalents, account receivable, other receivables, available-for-sale financial assets, accounts payable, and other payables.

A weakening (strengthening) 5% of each major foreign currency against the Group entities' functional currency as of three month ended March 31, 2016 and 2015 would have affected the net profit before tax as follows:

	<u>March 31, 2016</u>	<u>March 31, 2015</u>
USD (against the TWD)		
Strengthening 5%	\$ 34,090	29,148
Weakening 5%	(34,090)	(29,148)
CNY (against the TWD)		
Strengthening 5%	\$ (2,452)	(4,392)
Weakening 5%	2,452	4,392

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Notes to Consolidated Financial Statements

(iii) Exchange gains and losses of monetary items

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

	<u>Three months ended</u>		<u>Three months ended</u>	
	<u>March 31, 2016</u>		<u>March 31, 2015</u>	
	Exchange profit(loss)	Average rate	Exchange profit(loss)	Average rate
TWD	\$ (11,855)	-	1,856	-

3. Fair value

(i) 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.

(ii) 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:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

(iii) The kinds of financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

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		March 31, 2016				
		Book value	Fair Value			Total
			Level 1	Level 2	Level 3	
Available-for-sale financial assets:						
Non listed stock	\$	175,215	-	-	175,215	175,215
Loans and receivables						
Cash and cash equivalents		243,662	-	-	-	-
Net accounts receivable		849,906	-	-	-	-
Other financial assets		48	-	-	-	-
Refundable deposits		6,139	-	-	-	-
		<u>1,099,755</u>	-	-	-	-
	\$	<u>1,274,970</u>	-	-	-	-
Amortized financial liabilities at cost						
Bank loan	\$	459,000	-	-	-	-
Notes and accounts payable (including related parties)		390,447	-	-	-	-
Other payable		59,215	-	-	-	-
Guarantee deposits		8,812	-	-	-	-
Total	\$	<u>917,474</u>	-	-	-	-
		December 31, 2015				
		Book value	Fair Value			Total
			Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss						
Available-for-sale financial assets:	\$	<u>2,004</u>	2,004	-	-	2,004
Non listed stock	\$	<u>175,215</u>	-	-	175,215	175,215
Loans and receivables						
Cash and cash equivalents		333,278	-	-	-	-
Net accounts receivable		881,123	-	-	-	-
Other financial assets		2,539	-	-	-	-
Refundable deposit		6,139	-	-	-	-
		<u>1,223,079</u>	-	-	-	-
	\$	<u>1,400,298</u>	-	-	-	-
Amortized financial liabilities at cost						
Bank loan	\$	466,000	-	-	-	-
Notes and accounts payable (including related parties)		500,865	-	-	-	-
Other payable		93,680	-	-	-	-
Guarantee deposit		9,362	-	-	-	-
Total	\$	<u>1,069,907</u>	-	-	-	-

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	March 31, 2015				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets:					
Non listed stock	\$ 169,642	-	-	169,942	169,642
Loans and receivables					
Cash and cash equivalents	230,120	-	-	-	-
Net accounts receivable	770,032	-	-	-	-
Other financial assets	23,139	-	-	-	-
Refundable deposits	1,179	-	-	-	-
	<u>1,024,470</u>	-	-	-	-
	\$ <u>1,194,112</u>	-	-	-	-
Financial liabilities at amortized cost through profit or loss					
Bank loan (including due within one year)	\$ 549,446	-	-	-	-
Notes and account payables (including related parties)	395,323	-	-	-	-
Other account payable	73,775	-	-	-	-
Guarantee deposit	8,812	-	-	-	-
Total	\$ <u>1,027,356</u>	-	-	-	-

(iv) Fair value valuation technique of financial instruments not measured at fair value

The Group estimate instruments that not measured at fair by method and presumption as follows:

A. Financial liability with amortized cost evaluation

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

(v) Fair value valuation technique of financial instruments measured at fair value

A. Non-derivative financial instruments

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

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If the Group can frequently acquire financial instrument's open quotation from Stock exchange, Brokers, Underwriters, Industrial trade union or Authorities and the price is equal to that of fair market, then that financial instrument has active market value. On the other hand, if the condition above do not achieve, we defined that as non-active market value. Generally, the significant difference of bid-ask spread or the trading volume very small are the index of non-active market.

Except from active market, the Group also acquire its financial instrument value from valuation technic or reference to rival's quotation. The fair value through valuation technic and refer to other essentially prerequisite and similar financial instrument with current fair value, discount cash flow and other valuation method.

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.

- (vi) There were no transfers from one level to another.
- (vii) The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	Available-for-sale financial assets-unquoted equity instruments
Balance on January 1,2016	\$ 175,215
Total profit recognize in other comprehensive income	<u>-</u>
Balance on March 31,2016	\$ <u>175,215</u>
Balance on January 1,2015	\$ 169,561
Total profit recognize in other comprehensive income	<u>81</u>
Balance on March 31,2015	\$ <u>169,642</u>

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The above total gains are recognized in unrealized gain (loss) on available-for-sale financial assets, and the asset that the Group held as follow:

	<u>2015</u>	<u>2014</u>
Total gain recognized:		
In other comprehensive income (recorded as gain on available-for-sale financial assets)	\$ <u>-</u>	<u>81</u>

- (viii) The quantified information for significant unobservable inputs (Level 3) used in fair value measurement

The Group's financial instruments that use level 3 inputs to measure the fair values include available-for-sale- financial assets- equity securities.

Most of fair value measurements of the Group which are categorized as equity investment instruments into level 3 have several significant unobservable inputs. Significant unobservable inputs of equity instrument without quoted price are independent of each other.

The quantitative information about significant unobservable inputs was as follows:

<u>Items</u>	<u>Valuation technique</u>	<u>Significant input of unobservable</u>	<u>The related between input and fair value</u>
Available-for-sale financial assets-Equity investment with non-active market	Discount cash flow method	<ul style="list-style-type: none"> ● Forecast annual revenue growth rate (10~12% on March 31, 2016) ● Long-term pre-tax income (10.55%~14.35% on March 31, 2016) ● Lack-of-Marketability discount rate (21.5% on March 31, 2016) ● Weighted average cost of capital (13.68% on March 31, 2016) 	<ul style="list-style-type: none"> ● The higher the long-term revenue growth and pre-tax income, the higher the fair value ● The higher the WACC and share discount for liquidity, the lower the fair value

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Notes to Consolidated Financial Statements

(ix) Sensitivity analysis for fair value of financial instruments using level 3 inputs

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impact on other comprehensive income or loss are as follows:

<u>March 31, 2016</u>	<u>Input</u>	<u>Variation</u>	<u>Impacts of fair value change on other comprehensive income</u>	
			<u>Advantageous change</u>	<u>Disvantageous change</u>
Available-for-sale financial assets	Discount rate	1%	\$ <u>18,540</u>	<u>15,279</u>

The favorable and unfavorable changes reflect the movement of the fair value, in which the fair value is calculated by using the different unobservable inputs in the valuation technique. The table above shows the effects of one unobservable input, without considering the inter-relationships with another unobservable input for financial instrument, if there are one or more unobservable inputs.

(q) Financial risk management

There were no significant changes in the financial risk management and policies of the Group with those disclosed in note 6(q) of the consolidated financial statements December 31, 2015.

(r) Capital management

The management believes that the objectives, policies and processes of capital management of the Group have been applied consistently with those described in note 6(r) of consolidated financial statements December 31, 2015. Also, the management believes that there were no significant differences in the capital management information of the Group with those disclosed in the consolidated financial statements December 31, 2015.

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(7) Related-party transactions

(a) Transaction among other related parties

1. The amounts of purchase transactions the Group and its related parties were as follows:

	<u>Purchase</u>		<u>Account payable from related parties</u>		
	<u>Three month ended March 31,2016</u>	<u>Three month ended March 31,2015</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Other related parties	\$ <u> -</u>	<u> 5,993</u>	<u> -</u>	<u> -</u>	<u> 3,218</u>

The Group buys 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.

2. Selling to related parties

	<u>Sales</u>		<u>Account receivable from related parties</u>		
	<u>Three month ended March 31,2016</u>	<u>Three month ended March 31,2015</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
Other related parties	\$ <u> 351</u>	<u> -</u>	<u> 7</u>	<u> -</u>	<u> -</u>

The selling and receivable prices between the Group and the related parties are no difference from those between the Group and the general suppliers; the collection period for related parties is 60 days

3. Lease

The Group rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. The amount of rentals were \$857 in January to March in the year of 2015 and 2016.

4. Others

The Group has to pay the expenses for its related parties in accordance with the business contract. As of March 31 in 2016 and 2015, and December 31, 2015, the related fees amounted to \$0, \$501 and \$1,058, which were recognized as current other financial assets.

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Notes to Consolidated Financial Statements

(b) Key management personnel compensation

1. Key management personnel compensation comprised:

	Three months ended <u>March 31, 2016</u>	Three months ended <u>March 31, 2015</u>
Short-term employee benefits	\$ 3,272	3,215
Post-employment benefits	<u>20</u>	<u>81</u>
	\$ <u>3,292</u>	<u>3,296</u>

2. Guarantee

The main managements are the guarantor of the long-term loans, and the amount of loans were \$289,000, \$316,000 and \$360,000 in March 31, 2016, December 31, 2015 and March 31, 2015.

(8) Pledged Assets

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>March 31, 2016</u>	<u>December 31, 2015</u>	<u>March 31, 2015</u>
PPE and investment properties- land	Long-term loan and loan within 1 year	\$ 347,804	347,804	347,804
-properties	Long-term loan and loan within 1 year	148,713	149,607	152,288
Other financial asset-current	Short-term loan, loan within 1 year and customs deposits	-	-	21,000
		\$ <u>496,517</u>	<u>497,411</u>	<u>521,092</u>

(9) Commitments and contingencies: none

(10) Losses due to major disasters: none

(11) Subsequent events: none

(Continued)

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Notes to Consolidated Financial Statements

(12) Other

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

By item	By function	Three month ended March 31,2016			Three month ended March 31,2015		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		194,311	31,893	226,204	193,001	32,523	225,524
Labor and health insurance		-	1,697	1,697	-	1,711	1,711
Pension		11,584	1,391	12,975	7,853	1,370	9,223
Others		6,838	1,716	8,554	5,065	2,006	7,071
Depreciation		69,875	2,260	72,135	51,774	3,323	55,097
Amortization		174	500	674	200	732	932

The depreciation expense, which subtract the depreciation expense from investment properties, were \$310 and \$309 in three month ended March 31,2016, and 2015, and were recognized at the subtraction of rent revenue.

(b) Seasonal operating

The Group's operating conditions do not affected by seasonal or periodicity factors.

(13) Segment information

The Group mainly engages in the manufacturing of computer and mobile device components. For related information, please refer to the balance sheets and the income statement.