

**CHENMING MOLD IND. CORP
AND SUBSIDIARIES
Interim Consolidated Financial Statements
June 30, 2016 and 2015
(With Independent Auditors' Review Report Thereon)**



安侯建業聯合會計師事務所

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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 June 30, 2016, and 2015, the consolidated statements of comprehensive income for three months and six months ended June 30, 2016 and 2015, and changes in stockholders' equity and cash flows for the six months ended June 30, 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.



August 10, 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 June 31, 2016 and 2015 were unaudited)

June 30, 2016, December 31 and June 30, 2015
(expressed in thousands of New Taiwan dollars)

	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
Cash and cash equivalents (note 6(a))	\$ 325,155	9	333,278	10	323,281	10
Current financial assets at fair value through profit or loss (note 6(b))	-	-	2,004	-	-	-
Notes and Accounts receivable, net (note 6(c))	1,250,951	32	881,123	25	820,446	26
Inventories, net (notes 6(d))	441,591	12	500,881	15	309,919	10
Other current financial assets (notes 6(e), 7 and 8)	2,109	-	2,539	-	637	-
Other current assets (note 7)	47,696	1	67,881	2	20,595	-
	<u>2,067,502</u>	<u>54</u>	<u>1,787,706</u>	<u>52</u>	<u>1,474,878</u>	<u>46</u>
Non-current assets:						
Non-current available-for-sale financial assets (note 6(b))	-	-	175,215	5	169,228	5
Property, plant and equipment (note 6(f) and 8)	1,179,113	31	1,043,626	30	1,097,589	35
Investment property, net (note 6(g) and 8)	201,968	5	202,587	6	203,205	6
Intangible assets	780	-	2,116	-	2,410	-
Deferred tax assets	16,157	1	16,157	1	13,565	-
Other non-current financial assets	18,600	1	6,139	-	1,065	-
Long-term prepaid rents	280,432	7	169,723	5	172,754	6
Other non-current assets	94,330	2	39,920	1	47,500	2
	<u>1,791,380</u>	<u>46</u>	<u>1,655,483</u>	<u>48</u>	<u>1,707,316</u>	<u>54</u>
Total assets	\$ 3,858,882	100	3,443,189	100	3,182,194	100
Liabilities and equity						
Current liabilities:						
Short-term borrowings (note 6(h))	\$ 170,000	4	150,000	4	170,000	5
Notes and Accounts payable	454,070	12	500,865	15	305,552	10
Other payables	249,227	6	191,367	6	148,060	5
Dividend payable (note 6(m))	53,381	1	-	-	-	-
Other payables-related parties (note 6(e), note 7)	138,675	4	-	-	-	-
Current tax liabilities	3,093	-	31,660	1	-	-
Other current liabilities	843	-	1,116	-	1,232	-
Long-term borrowings, current portion (note 6(i))	28,000	1	36,000	1	-	-
	<u>1,097,289</u>	<u>28</u>	<u>911,008</u>	<u>27</u>	<u>674,844</u>	<u>20</u>
Non-current liabilities:						
Long-term loans (note 6(j))	254,000	7	280,000	8	370,000	12
Deferred tax liabilities	6,063	-	6,063	-	10,336	-
Guarantee deposits	9,023	-	9,362	-	8,812	-
	<u>269,086</u>	<u>7</u>	<u>295,425</u>	<u>8</u>	<u>389,148</u>	<u>12</u>
Total liabilities	1,366,375	35	1,206,433	35	1,013,992	32
Equity:						
Equity attributable to owners of parent:						
Ordinary shares (note 6(m))	1,779,350	46	1,779,350	52	1,800,000	57
Capital surplus (note 6(m))	15,415	-	15,415	-	15,594	-
Retained earnings (note 6(m))	392,701	10	431,080	13	383,703	12
Exchange differences on translation of foreign financial statements	(11,381)	-	-	-	-	-
Unrealized gain or loss on available-for-sale financial assets	-	-	10,911	-	4,924	-
Treasury stock (note 6(m))	(60,025)	(1)	-	-	(36,019)	(1)
	<u>2,115,560</u>	<u>55</u>	<u>2,236,756</u>	<u>65</u>	<u>2,168,202</u>	<u>68</u>
Non-controlling interests	376,947	10	-	-	-	-
Total equity	2,492,507	65	2,236,756	65	2,168,202	68
Total liabilities and equity	\$ 3,858,882	100	3,443,189	100	3,182,194	100

CHENMING MOLD IND. CORP AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Unaudited)

For the three months and six months ended June 30, 2016 and 2015
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	Three months ended June 30, 2016		Three months ended June 30, 2015		Six months ended June 30, 2016		Six months ended June 30, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales revenue (notes 6(o))	\$ 1,077,717	100	849,178	100	1,807,579	100	1,560,041	100
Cost of sales (notes 6(d), 6(k), 7 and 12)	<u>929,112</u>	<u>86</u>	<u>753,603</u>	<u>89</u>	<u>1,618,477</u>	<u>90</u>	<u>1,414,005</u>	<u>91</u>
Gross profit	<u>148,605</u>	<u>14</u>	<u>95,575</u>	<u>11</u>	<u>189,102</u>	<u>10</u>	<u>146,036</u>	<u>9</u>
Operating expenses (notes 6(k) and 12):								
Selling expenses	17,307	2	25,495	3	43,666	2	50,771	3
Administrative expenses	47,696	4	28,896	3	76,774	4	59,922	4
Research and development expenses	<u>9,296</u>	<u>1</u>	<u>10,282</u>	<u>1</u>	<u>17,788</u>	<u>1</u>	<u>20,877</u>	<u>1</u>
	<u>74,299</u>	<u>7</u>	<u>64,673</u>	<u>7</u>	<u>138,228</u>	<u>7</u>	<u>131,570</u>	<u>8</u>
Net operating income	<u>74,306</u>	<u>7</u>	<u>30,902</u>	<u>4</u>	<u>50,874</u>	<u>3</u>	<u>14,466</u>	<u>1</u>
Non-operating income and expenses:								
Other income (note 6(e))	7,953	1	127	-	8,112	-	289	-
Finance costs	(1,762)	-	(2,953)	(1)	(3,608)	-	(5,586)	-
Interest income	465	-	523	-	686	-	635	-
Rent revenue (note 7)	3,202	-	3,216	-	6,310	-	6,411	-
Foreign exchange gains(loss), net	15,015	1	(3,408)	-	3,160	-	(1,552)	-
Other expenses and losses	<u>(7,065)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,272)</u>	<u>-</u>	<u>(1,231)</u>	<u>-</u>
	<u>17,808</u>	<u>2</u>	<u>(2,495)</u>	<u>(1)</u>	<u>5,388</u>	<u>-</u>	<u>(1,034)</u>	<u>-</u>
Profit before tax	92,114	9	28,407	3	56,262	3	13,432	1
Less : Income tax expenses (note 6(l))	<u>9,784</u>	<u>1</u>	<u>15,290</u>	<u>2</u>	<u>3,689</u>	<u>-</u>	<u>12,744</u>	<u>1</u>
Profit	<u>82,330</u>	<u>8</u>	<u>13,117</u>	<u>1</u>	<u>52,573</u>	<u>3</u>	<u>688</u>	<u>-</u>
Other comprehensive income:								
Items that may be reclassified subsequently to profit or loss								
Other comprehensive income, before tax, available-for-sale financial assets	(10,911)	(1)	(414)	-	(10,911)	(1)	(333)	-
Exchange difference on translation of foreign financial statement	<u>(21,886)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(21,886)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Other comprehensive income, net of tax	<u>(32,797)</u>	<u>(3)</u>	<u>(414)</u>	<u>-</u>	<u>(32,797)</u>	<u>(2)</u>	<u>(333)</u>	<u>-</u>
Comprehensive income	<u>\$ 49,533</u>	<u>5</u>	<u>12,703</u>	<u>1</u>	<u>19,776</u>	<u>1</u>	<u>355</u>	<u>-</u>
Profit belongs to:								
Parent entity	44,259	4	13,117	1	14,502	1	688	-
Non-controlling interests	<u>38,071</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>38,071</u>	<u>2</u>	<u>-</u>	<u>-</u>
	<u>\$ 82,330</u>	<u>8</u>	<u>13,117</u>	<u>1</u>	<u>52,573</u>	<u>3</u>	<u>688</u>	<u>-</u>
Other comprehensive income belongs to:								
Parent entity	21,967	2	12,703	1	(7,790)	-	355	-
Non-controlling interests	<u>27,566</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>27,566</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<u>\$ 49,533</u>	<u>5</u>	<u>12,703</u>	<u>1</u>	<u>19,776</u>	<u>1</u>	<u>355</u>	<u>-</u>
Basic net income per share (notes 6(n))	\$ <u>0.25</u>		\$ <u>0.07</u>		\$ <u>0.08</u>		\$ <u>-</u>	
Dilution net income per share (notes 6(n))	\$ <u>0.25</u>		\$ <u>-</u>		\$ <u>0.08</u>		\$ <u>-</u>	

See accompanying notes to consolidated financial statements.

CHEENMING MOLD IND. CORP AND SUBSIDIARIES

**Consolidated statements of changes in equity (Unaudited)
For the six months ended June 30, 2016 and 2015
(expressed in thousands of New Taiwan dollars)**

	Equity attributable to owners of parent										Total equity attributable to Owners of parent	Non-controlling Interests	Total equity
	Retained earnings				Other equity interests			Treasury stock	Total equity attributable to Owners of parent	Non-controlling Interests			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements						
Balance on January 1, 2015	\$ 1,800,000	15,594	212,454	9,730	160,831	383,015	-	5,257	-	2,203,866	-	2,203,866	
Earning distribution													
Legal reserve appropriated	-	-	13,005	-	(13,005)	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	(9,730)	9,730	-	-	-	-	-	-	-	
Profit for the six months period ended June 30, 2015	-	-	-	-	688	688	-	-	-	688	-	688	
Other comprehensive income	-	-	-	-	-	-	-	(333)	-	(333)	-	(333)	
Comprehensive income	-	-	-	-	688	688	-	(333)	-	355	-	355	
Purchase of treasury stock	-	-	-	-	-	-	-	-	(36,019)	(36,019)	-	(36,019)	
Balance on June 30, 2015	\$ 1,800,000	15,594	225,459	-	158,244	383,203	-	4,924	(36,019)	2,168,202	-	2,168,202	
Balance on January 1, 2016	\$ 1,779,350	15,415	225,459	-	205,621	431,080	-	10,911	-	2,236,756	-	2,236,756	
Earning distribution													
Legal reserve appropriated	-	-	6,957	-	(6,957)	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(53,381)	(53,381)	-	-	-	(53,381)	-	(53,381)	
Profit for the six months period ended June 30, 2016	-	-	-	-	14,502	14,502	-	-	-	14,502	38,071	52,573	
Other comprehensive income	-	-	-	-	-	-	(11,381)	(10,911)	-	(22,292)	(10,505)	(32,797)	
Comprehensive income	-	-	-	-	14,502	14,502	(11,381)	(10,911)	-	(7,790)	27,566	19,776	
Purchase of treasury stock	-	-	-	-	-	-	-	-	(60,025)	(60,025)	-	(60,025)	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	349,381	349,381	
Balance on June 30, 2016	\$ 1,779,350	15,415	232,416	-	159,785	392,201	(11,381)	-	(60,025)	2,115,560	376,947	2,492,507	

See accompanying notes to consolidated financial statements.

CHENMING MOLD IND. CORP AND SUBSIDIARIES

Consolidated statements of cash flows (Unaudited)

For the six months ended June 30, 2016 and 2015
(expressed in thousands of New Taiwan dollars)

	<u>Six months ended June 30, 2016</u>	<u>Six months ended June 30, 2015</u>
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 56,262	13,432
Adjustments:		
Depreciation expense	146,058	114,845
Amortization expense	1,336	1,826
Provision (reversal of provision) for bad debt expense	(17,989)	(478)
Interest expense	3,608	5,586
Interest income	(655)	(635)
Gain on disposal of property, plant and equipment, net	9,157	1,216
Others	7,331	3,031
	<u>148,846</u>	<u>125,391</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	11,898	89,672
Decrease (increase) in inventories	142,551	91,556
Decrease (increase) in other current assets	39,271	29,660
Decrease (increase) in other current financial assets	1,517	3,805
Increase (decrease) in notes and accounts payable (including related parties)	(217,582)	(179,550)
Increase (decrease) in other payable and other current liabilities	(43,054)	(22,584)
	<u>(63,510)</u>	<u>12,559</u>
	<u>85,336</u>	<u>137,950</u>
Cash flows from (used in) operations	141,598	151,382
Interest received	666	782
Income taxes paid	(32,106)	(64)
Net Cash flows from (used in) operating activities	<u>110,158</u>	<u>152,100</u>
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(56,656)	(93,986)
Proceeds from disposal of property, plant and equipment	339	-
Acquisition of intangible assets	-	(135)
Acquisition of subsidiary (reduce acquired cash)	100,262	-
Decrease (increase) in prepayments for business facilities	(57,158)	(668)
Decrease in other financial assets	-	21,000
Decrease (increase) in refundable deposit	(12,461)	114
Net cash flows from (used in) investing activities	<u>(25,674)</u>	<u>(73,675)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	20,000	(80,000)
Increase in long-term loans	50,000	180,000
Decrease in long-term loans	(84,000)	(119,000)
Payments to acquire treasury stock	(60,025)	(36,019)
Interest paid	(3,654)	(5,332)
Increase (decrease) in guarantee deposits	(339)	-
Net cash flows from (used in) financing activities	<u>(78,018)</u>	<u>(60,351)</u>
Exchange rate impact on cash and cash equivalent	(14,589)	-
Net increase in cash and cash equivalents	(8,123)	18,074
Cash and cash equivalents at beginning of period	333,278	305,207
Cash and cash equivalents at end of period	\$ <u>325,155</u>	<u>323,281</u>

See accompanying notes to consolidated financial statements.

CHENMING MOLD IND. CORP AND SUBSIDIARIES

Notes to Consolidated Financial Statements

June 30, 2016 and 2015 (Unaudited)

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

(1) Company history

CHENMING MOLD IND (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 six months period ended June 30, 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 August 10, 2016.

(3) Application of new standards and interpretations

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 (excluding IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers", and others which have yet to be approved by the FSC in order for them to take effect) in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 “Levies”	January 1, 2014

Adapted above new, revised or Amended Standards and Interpretations will not cause significant impact on the consolidated financial statement.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC as of the end of reporting date is as follows:

<u>New standards and amendments</u>	<u>Effective date per IASB</u>
•IFRS 9 “ Financial Instruments”	January 1, 2018
•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 15 “Revenue from Contracts with Customers”	January 1, 2018
•IFRS 16 “Leases”	January 1, 2019
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendment to IFRS 15 “Clarifications of IFRS 15”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

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CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Group is still currently determining the potential impact of the standards listed below:

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: <ul style="list-style-type: none"> • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge

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CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

The Group consistently evaluate above standards and explain the affectation of financial and operating situation. 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.

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CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated 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.

(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		
			June 30, 2016	December 31, 2015	June 30, 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%
PEAK SHREWD INC.	CHENMING ELECTRONIC (NINGBO)CO.,LTD.	Computer case and production of relative components	52%	9.3%	9.3%

Note: Since the Company acquired 52% interests of CHENMING (Ningbo) in April 2016, the related information is required to be disclosed in its consolidated financial statements commencing on the date of its acquisition.

(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.

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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.

(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

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	\$ 929	1,044	945
Checking accounts and demand deposits	291,951	245,176	276,046
Time deposits	<u>32,275</u>	<u>87,058</u>	<u>46,290</u>
	\$ <u>325,155</u>	<u>333,278</u>	<u>323,281</u>

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(b) Financial Asset

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Current financial asset at fair value through profit or loss-mutual fund	\$ -	2,004	-
Non-current available-for-sale financial assets-non listed stock	<u>-</u>	<u>175,215</u>	<u>169,228</u>
Total	\$ <u>-</u>	<u>177,219</u>	<u>169,228</u>
Current	\$ <u>-</u>	<u>2,004</u>	<u>-</u>
Non-current	\$ <u>-</u>	<u>175,219</u>	<u>169,228</u>

The Group acquired 42.7% of CHENMING ELECTRONIC (NINGBO) interests in Q2, the shareholding ratio increased from 9.3% to 52% and gain the control. Therefore, start from Q2, 2016 CHENMING ELECTRONIC (NINGBO) have to disclosure in consolidated financial statements. Please refer to note 6(e) for details.

As of June 30, 2016, December 31,2015 and June 30,2015, the Group did not provide any aforementioned financial assets as collateral for its loans.

1. Information of foreign investment

	<u>June 30, 2016</u>			<u>December 31, 2015</u>			<u>June 30, 2015</u>			
	<u>Foreign</u> <u>currency</u>	<u>Exchange</u> <u>rate</u>	<u>NTD</u>	<u>Foreign</u> <u>currency</u>	<u>Exchange</u> <u>rate</u>	<u>NTD</u>	<u>Foreign</u> <u>currency</u>	<u>Exchange</u> <u>rate</u>	<u>NTD</u>	
USD	\$	-	32.275	-	5,338	32.825	175,215	5,483	30.86	169,228

(c) Notes and accounts receivable and other receivables

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Accounts receivable	\$ 1,253,541	885,481	820,814
Other receivables	<u>2,109</u>	<u>2,539</u>	<u>637</u>
	1,255,650	888,020	821,451
Less: allowance for uncollectible accounts	<u>(2,590)</u>	<u>(4,358)</u>	<u>(368)</u>
Total	\$ <u>1,253,060</u>	<u>883,662</u>	<u>821,083</u>
Notes and accounts receivable, net	\$ <u>1,250,951</u>	<u>881,123</u>	<u>820,446</u>
Other receivables-current	\$ <u>2,109</u>	<u>2,539</u>	<u>637</u>

(Continued)

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Past due 0-30 days	\$ 36,974	8,333	2,280
Past due 31-150 days	11,357	6,019	720
Past over 150 days	<u>1,519</u>	<u>765</u>	<u>-</u>
	\$ <u><u>49,850</u></u>	<u><u>15,117</u></u>	<u><u>3,000</u></u>

The movements of allowance for accounts receivable and other receivables were as follow:

	<u>Loss from</u> <u>Individual-</u> <u>Estimated</u>	<u>Loss from</u> <u>Group-</u> <u>Estimated</u>	<u>Total</u>
Balance on January 1, 2016	\$ 3,591	767	4,358
Acquired from the merge	-	16,371	16,371
Reversal of impairment loss	(3,591)	(14,398)	(17,989)
Influence from foreign exchange	<u>-</u>	<u>(150)</u>	<u>(150)</u>
Balance on June 30, 2016	\$ <u><u>-</u></u>	<u><u>2,590</u></u>	<u><u>2,590</u></u>
	<u>Loss from</u> <u>Individual-</u> <u>Estimated</u>	<u>Loss from</u> <u>Group-</u> <u>Estimated</u>	<u>Total</u>
Balance on January 1, 2015	\$ -	846	846
Reversal of impairment loss	<u>-</u>	<u>(478)</u>	<u>(478)</u>
Balance on June 30, 2015	\$ <u><u>-</u></u>	<u><u>368</u></u>	<u><u>368</u></u>

As of June 30, 2016, December 31, and June 30, 2015, the group did not provide any notes and accounts receivable as collateral for its loans.

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(d) Inventories

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Raw materials	\$ 172,125	207,815	125,252
Work in progress	102,273	131,140	81,076
Finished goods	<u>167,193</u>	<u>161,926</u>	<u>103,591</u>
	\$ <u>441,591</u>	<u>500,881</u>	<u>309,919</u>

	<u>Three months</u> <u>ended</u> <u>June 30, 2016</u>	<u>Three months</u> <u>ended</u> <u>June 30, 2015</u>	<u>Six months</u> <u>ended</u> <u>June 30, 2016</u>	<u>Six months</u> <u>ended</u> <u>June 30, 2015</u>
Cost of goods sold	\$ 896,893	663,246	1,561,828	1,279,803
Revenue from sale of scraps	(6,773)	(2,785)	(9,963)	(6,872)
Inventory valuation and obsolescence losses	(40,406)	39	(38,606)	1,761
Loss on scrapping of inventory	<u>79,398</u>	<u>93,103</u>	<u>105,218</u>	<u>139,313</u>
Cost of goods sold	\$ <u>929,112</u>	<u>753,603</u>	<u>1,618,477</u>	<u>1,414,005</u>

As of June 30, 2016, December 31 and June 30, 2015, the Group do not pledge inventory as collateral.

(e) CHENMING ELECTRONIC (NINGBO)

Considering the future development strategy, on March 23, 2016, the board of directors decided to purchase 42.7% shares of CHENMING ELECTRONIC (NINGBO) amounting to \$203,175 (US\$6,300), in which the contract was signed on March 27; 2016. The Group increased its shareholding from 9.3% to 52% and acquired the controlling right of CHENMING ELECTRONIC (NINGBO) in April 2016. As of June 30, 2016, the Company still has a remaining balance of \$138,675 (USD \$4,300), which was recognized as other account payable-related parties. According to the share transaction agreement, the remaining balance will have to be paid periodically if CHENMING ELECTRONIC (NINGBO) has reached a specific earning target. Otherwise, the Company has the right to cancel or revise the contract. Recognized assets and liabilities were as follow:

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Cash and cash equivalents	\$ 164,762
Notes receivable and net account receivable	363,587
Inventories	83,261
Other financial assets-current	1,098
Other current assets	19,463
Property, Plant and Equipment	252,979
Long-term prepayment rent	118,032
Notes and account payable	(170,787)
Other account payable	(104,517)
Identifiable fair value of net assets	\$ <u>727,878</u>
Bargain purchase profit from recognized acquisition	
Transfer pricing	\$ 203,175
Add: non-controlling interest	349,381
Add: fair value of acquired company	175,215
Less: Recognized fair value of net assets	<u>727,878</u>
Bargain purchase profit	\$ <u>(107)</u>

CHENMING ELECTRONIC (NINGBO) contributed the operating revenue and after-tax profit to the Group amounting to \$186,093 and \$79,314, respectively, since the acquisition date, which was on April 1, 2016. However, if the management assumed that the acquisition occur on January 1, 2016, it would have estimated the net operating revenue and net after-taxed profit to be \$983,757 and \$27,203 in Q1, respectively, wherein the fair value would have been the same to that of April, 1, 2016.

(f) Property, Plant and Equipment

	<u>Land</u>	<u>Property</u>	<u>Machinery and Equipment</u>	<u>Office equipment and others</u>	<u>Total</u>
Cost					
Balance on January 1, 2016	\$ 210,897	681,287	592,696	119,139	1,604,019
Acquired from merge	-	203,230	42,475	7,274	252,979
Additions	-	-	35,108	6,807	41,915
Disposal	-	(13,572)	(125,247)	(20,200)	(159,019)
Reclassifications	-	-	-	2,975	2,975
Effect of changes in exchange rates	-	(5,699)	(1,784)	(204)	(7,687)
Balance on June 30, 2016	\$ <u>210,897</u>	<u>865,246</u>	<u>543,248</u>	<u>115,791</u>	<u>1,735,182</u>

(Continued)

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

	<u>Land</u>	<u>Property</u>	<u>Machinery and Equipment</u>	<u>Office equipment and others</u>	<u>Total</u>
Balance on January 1, 2015	\$ 210,897	694,308	670,366	77,380	1,652,951
Additions	-	-	77,725	7,864	85,589
Disposal	-	(171)	(2,571)	(5,349)	(8,091)
Balance on June 30, 2015	\$ <u>210,897</u>	<u>694,137</u>	<u>745,520</u>	<u>79,895</u>	<u>1,730,449</u>
Depreciation					
Balance on January 1, 2016	\$ -	210,693	309,316	40,384	560,393
Depreciation of the period	-	17,308	108,857	19,274	145,439
Disposal	-	(13,533)	(118,387)	(17,603)	(149,523)
Effect of changes in exchange rates	-	(145)	(77)	(18)	(240)
Balance on June 30, 2016	\$ <u>-</u>	<u>214,323</u>	<u>299,709</u>	<u>42,037</u>	<u>556,069</u>
Balance on January 1, 2015	\$ -	193,965	293,016	38,528	525,509
Depreciation of the period	-	14,193	87,623	12,410	114,226
Disposal	-	(156)	(2,371)	(4,348)	(6,875)
Balance on June 30, 2015	\$ <u>-</u>	<u>208,002</u>	<u>378,268</u>	<u>46,590</u>	<u>632,860</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 June 30, 2016	\$ <u>210,897</u>	<u>650,923</u>	<u>243,539</u>	<u>73,754</u>	<u>1,179,113</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 June 30, 2015	\$ <u>210,897</u>	<u>486,135</u>	<u>367,252</u>	<u>33,305</u>	<u>1,097,589</u>

The process of land leasehold right and building right information can refer to note 6(e) of consolidate financial statements December 31, 2015.

As of June 30, 2016, December 31 and June 30, 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 note 8 for details.

(g) Investment properties

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Book value			
Balance on June 30, 2016	\$ <u>152,640</u>	<u>49,328</u>	<u>201,968</u>
Balance on December 31, 2015	\$ <u>152,640</u>	<u>49,974</u>	<u>202,587</u>
Balance on June 30, 2015	\$ <u>152,640</u>	<u>50,565</u>	<u>203,205</u>

There were no material addition, disposal, impairment or reversal situation of investment properties on June 30, 2016 and 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.

(Continued)

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated 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 June 30, 2016 and 2015.

(h) Short-term loan

The short-term loans were summarized as follows:

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Credit Loan	<u>170,000</u>	<u>150,000</u>	<u>170,000</u>
Unused credits lines for short-term loans	<u>633,225</u>	<u>663,675</u>	<u>806,340</u>
Annual of 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 \$50,000 and \$180,000, respectively. As of the expiry dates, which are in May 2018 and September 2017 to May 2018, the Group has to pay the amounts of \$84,000 and \$119,000, 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.

(i) Long-term loan

	<u>June 30 , 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Secured bank loans	\$ 182,000	216,000	255,000
Unsecured bank loans	100,000	100,000	115,000
Less: current portion	<u>(28,000)</u>	<u>(36,000)</u>	-
Total	<u>\$ 254,000</u>	<u>280,000</u>	<u>370,000</u>
Unused long-term credit line	<u>\$ 240,000</u>	<u>270,000</u>	<u>190,000</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 \$180,000, respectively. As of the expiry dates, which are in May 2018 and September 2017 to May 2018, the Group has yet to pay the amount of \$84,000 and \$119,000, respectively, for the repayments. The syndicated loans had expired on May 2015.
2. The main management are the guarantor of long-term loan. Please refer to note 7 for details.

(Continued)

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

3. The Group provided part of its assets as collateral for long-term loans. Please refer to note 8 for details.

(j) 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 six months ended June 30, 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 follows:

	<u>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</u> <u>2015</u>
Less than one years	\$ 13,968	6,383	11,785
Between two and five years	56,192	-	1,079
Above 5 years	<u>1,127</u>	<u>-</u>	<u>-</u>
	\$ <u><u>71,287</u></u>	<u><u>6,383</u></u>	<u><u>12,864</u></u>

(k) 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 disclosure 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</u> <u>ended</u> <u>June 30, 2016</u>	<u>Three months</u> <u>ended</u> <u>June 30, 2015</u>	<u>Six months</u> <u>ended</u> <u>June 30, 2016</u>	<u>Six months</u> <u>ended</u> <u>June 30, 2015</u>
Operating expense	\$ <u><u>(113)</u></u>	<u><u>(110)</u></u>	<u><u>(227)</u></u>	<u><u>(219)</u></u>

(Continued)

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Defined contribution plans

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

	Three months ended <u>June 30, 2016</u>	Three months ended <u>June 30, 2015</u>	Six months ended <u>June 30, 2016</u>	Six months ended <u>June 30, 2015</u>
Cost of sales	\$ 12,883	9,468	24,467	17,321
Operating expenses	<u>3,087</u>	<u>1,490</u>	<u>4,592</u>	<u>2,969</u>
	\$ <u><u>15,970</u></u>	<u><u>10,958</u></u>	<u><u>29,059</u></u>	<u><u>20,290</u></u>

(1) Income taxes

1. The amount of income tax was as follows:

	Three months ended <u>June 30, 2016</u>	Three months ended <u>June 30, 2015</u>	Six months ended <u>June 30, 2016</u>	Six months ended <u>June 30, 2015</u>
Current tax expense	\$ <u><u>9,784</u></u>	<u><u>15,290</u></u>	<u><u>3,689</u></u>	<u><u>12,744</u></u>

2. The ROC tax authorities have examined the Company's income tax returns through 2014.

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

	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 2015</u>
Unappropriated earnings of 1998 and after	\$ <u><u>159,785</u></u>	<u><u>205,621</u></u>	<u><u>158,244</u></u>
Balance of imputation credit account	\$ <u><u>73,510</u></u>	<u><u>40,856</u></u>	<u><u>38,567</u></u>
		<u>2015 (Estimated)</u>	<u>2014 (Actual)</u>
Creditable ratio for earnings distribution to ROC residents		<u><u>29.31%</u></u>	<u><u>22.91%</u></u>

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

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(m) 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 June 30, 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>June 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>June 30,</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 reserve is set aside or reversed in accordance with the laws or regulations, shall be distributed by the board of director. The Company should consider financial, business and operating aspects to determine the distribution of earnings; which can be distributed by cash dividends or share dividends. Earning distribution should be distributed by cash as priority, and the amount of cash dividends cannot be lower than 10% of the total cash and stock dividends.

(i) Earnings distribution

According to the shareholders' meeting held on June 17, 2016, the dividend amount of shareholders was \$53,381 by cash.

According to the shareholders' meeting held on June 11, 2015, in order to compensate the loss, the Company did not distribute employee and directors' remuneration. The final meeting result was same with the estimation of financial statement in December 31, 2014.

(Continued)

CHEENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

3. Treasury stock

Pursuant to Article 28-2 of the securities and exchange Act, the Company purchased treasury shares to maintain Group's reputation and shareholders' equities during the period of January 1 to Jun 30 in 2016. The Group's treasury stock were as follow:

	Six months ended June 30, 2016		Six months ended June 30, 2015	
	Shares(thousand)	Amount	Shares(thousands)	Amount
Balance on previous period	-	\$ -	-	\$ -
Add	<u>4,286</u>	<u>60,025</u>	<u>1,736</u>	<u>36,019</u>
Balance on final period	<u><u>4,286</u></u>	<u><u>\$ 60,025</u></u>	<u><u>1,736</u></u>	<u><u>\$ 36,019</u></u>

According to SFB regulation, the proportion of shares that the Group purchased cannot be higher than 10% of the total issued shares; and cannot be higher than the total amount of retain earning, share premium and recognized capital surplus. The Company's shares to be distributed to its employees should be transferred within 3 years. Otherwise, they would be deemed as non-public shares and will be written down. Furthermore, treasury shares cannot be pledged as collateral nor they are deemed as ordinary shares prior to being transferred to employees.

(n) Earning per share

The Group's basic and diluted earnings per share were calculated as follow:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ 44,259	13,117	14,502	688
Weighted-average number of outstanding ordinary shares (thousands)	177,276	179,433	177,604	179,715
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	\$ 44,259	13,117	14,502	688
Weighted-average number of outstanding ordinary shares(with dilutive effect of potential ordinary shares)	177,276	179,433	177,604	179,715
Employee compensation	64	-	64	-
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)	177,340	179,433	177,668	179,715

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(o) Revenue

	Three months ended <u>June 30, 2016</u>	Three months ended <u>June 30, 2015</u>	Six months ended <u>June 30, 2016</u>	Six months ended <u>June 30, 2015</u>
Computer and server case	\$ 725,541	344,420	1,223,532	704,422
Mobile components	267,181	420,302	442,629	677,675
Mold revenue	<u>84,995</u>	<u>84,456</u>	<u>141,418</u>	<u>177,944</u>
	\$ <u>1,077,717</u>	<u>849,178</u>	<u>1,807,579</u>	<u>1,560,041</u>

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

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

The Company estimated its remuneration to employees amounting to \$933; and the remuneration to directors and supervisors were \$280 in April 1 to June 30, 2016 and January 1 to June 30, 2016 respectively. The estimated multiplied by the percentage of the remuneration to employees, directors and supervisors, as specified in the Group's article. The estimations are recorded under operating expenses and cost. There were no remuneration amount both to employee and directors and supervisors for the three months and six months ended in June 30, 2015. 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.

The remuneration to employees and directors and supervisors were \$6,000 and \$1,500, respectively. The actual amount and the estimated amount, which was estimated in financial statement on December 31, 2015, has no difference.

(q) Financial Instruments

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

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Liquidity Risk

The contractual maturities of the Company's financial liabilities, which were not affected by the estimated interest payments, are as follows:

	<u>Contractual cash flows</u>	<u>Within one year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
June 30, 2016				
Secured loans	\$ 182,000	28,000	88,000	66,000
Unsecured loans	270,000	170,000	100,000	
Notes and account payable	454,070	454,070	-	-
Other payables	81,961	81,961	-	-
Guarantee deposits	9,023	-	-	9,023
	<u>\$ 997,054</u>	<u>734,031</u>	<u>188,000</u>	<u>75,023</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>
June 30, 2015				
Guarantee bank loan	\$ 255,000	-	21,000	234,000
Non-guarantee bank loan	285,000	170,000	-	115,000
Notes and account payable	305,552	305,552	-	-
Other payables	68,724	68,724	-	-
Guarantee deposits	8,812	-	-	8,812
	<u>\$ 923,088</u>	<u>544,276</u>	<u>21,000</u>	<u>357,812</u>

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

(Continued)

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Currency risk

(ii) Exposure to foreign currency risk

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

	June 30, 2016			December 31, 2015			June 30, 2015		
	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD	Foreign currency (in thousands)	Exchange rate	TWD
Financial assets									
Monetary items									
USD to TWD	\$ 25,884	32.275	835,406	27,201	32.825	892,873	27,137	30.86	837,448
USD to RMB	13,750	6.6312	443,773	-	-	-	-	-	-
CNY to TWD	51,909	4.845	251,499	58,872	4.995	294,066	56,846	4.973	282,695
Financial liabilities									
Monetary items									
USD to TWD	\$ 3,627	32.275	117,061	4,593	32.825	150,765	3,717	30.86	114,707
USD to RMB	1,390	6.6312	44,862	-	-	-	-	-	-
CNY to TWD	57,579	4.845	278,970	86,493	4.995	432,033	53,231	4.973	264,718

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 Group entities' functional currency as of six month ended June 30, 2016 and 2015 would have affected the net profit before tax as followings:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
USD (against the TWD)		
Strengthening 5%	\$ 35,917	36,137
Weakening 5%	(35,917)	(36,137)
USD (against the CNY)		
Strengthening 5%	\$ 19,946	-
Weakening 5%	(19,946)	-
CNY (against the TWD)		
Strengthening 5%	\$ (1,374)	899
Weakening 5%	1,374	(899)

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(iii) Exchange gains and losses of monetary items

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

	Six months ended		Six months ended	
	June 30, 2016		June 30, 2015	
	Exchange profit(loss)	Average rate	Exchange profit(loss)	Average rate
TWD	\$ (8,788)	-	(1,552)	-
CNY	\$ 2,412	4.953	-	-

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).

(Continued)

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(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.

		June 30, 2016			
		Fair Value			
Book value	Level 1	Level 2	Level 3	Total	
Loans and receivables					
Cash and cash equivalents	\$ 325,125	-	-	-	-
Net accounts receivable	1,250,951	-	-	-	-
Other financial assets	2,109	-	-	-	-
Refundable deposit	<u>18,600</u>	-	-	-	-
	<u>1,596,815</u>	-	-	-	-
	\$ 1,596,815	-	-	-	-
Amortized financial liabilities at cost					
Bank loan (including due within one year)	\$ 452,000	-	-	-	-
Notes and account payables (including related parties)	454,070	-	-	-	-
Other account payable	81,961	-	-	-	-
Guarantee deposit	<u>9,023</u>	-	-	-	-
Total	<u>\$ 997,054</u>	-	-	-	-

		December 31, 2015			
		Fair Value			
Book value	Level 1	Level 2	Level 3	Total	
Financial assets at fair value through profit or loss					
Available-for-sale financial assets:					
Non-public stock	\$ 175,215	-	-	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	<u>6,139</u>	-	-	-	-
	<u>1,223,079</u>	-	-	-	-
	\$ 1,400,298	-	-	-	-

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2015					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	\$ 2,004	2,004			2,004
Amortized financial liabilities at cost					
Bank loan (including due within one year)	\$ 466,000	-	-	-	-
Notes and accounts payables (including related parties)	500,865	-	-	-	-
Other related payable	93,680	-	-	-	-
Guarantee deposits	9,362	-	-	-	-
Total	\$ 1,069,907	-	-	-	-
June 30, 2015					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Available-for-sale financial assets:					
Non-public stock	\$ 169,228	-	-	169,228	169,228
Loans and receivables					
Cash and cash equivalents	323,281	-	-	-	-
Net accounts receivable	820,446	-	-	-	-
Other financial assets	637	-	-	-	-
Refundable deposits	1,065	-	-	-	-
	<u>1,145,429</u>	-	-	-	-
Total	\$ 1,314,657	-	-	-	-
Financial liabilities at amortized cost through profit or loss					
Bank loan (including due within one year)	\$ 540,000	-	-	-	-
Notes and account payables (including related parties)	305,552	-	-	-	-
Other payable	68,724	-	-	-	-
Guarantee deposits	8,812	-	-	-	-
Total	\$ 923,088	-	-	-	-

(Continued)

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

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.

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(vi) There were no transfers from one level to another six months ended in June 30.

(vii) Movement of third level

	Available-for-sale financial assets-unquoted equity instruments
Balance on January 1,2016	\$ 175,215
Recognized disposal	<u>(175,215)</u>
Balance on June 30, 2016	\$ <u>=</u>
Balance on January 1,2015	169,561
Total profit recognize in other comprehensive income	<u>(333)</u>
Balance on June 30,2015	\$ <u>169,228</u>

The above are total gains recognized in unrealized gain (loss) on available-for-sale financial assets, and the asset that the Group held in June 30, 2016 and 2015 as follow:

	Six months ended June 30, 2016	Six months ended June 30, 2015
Total gain recognized:		
In other comprehensive income (recorded as gain on available-for sale financial assets)	\$ <u>-</u>	<u>(333)</u>

(r) 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 2015 annual consolidated financial statements.

(s) 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 the 2015 annual consolidated financial statements. Also, the management believes that there were no significant differences in the capital management information of the Group with those disclosed in the 2015 annual financial statements

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(7) Related-party transactions

(a) Transaction among other relative parties

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

	Purchase				Account payable from relative parties		
	Three months ended	Three months ended	Six months ended	Six months ended	June 30, 2016	December 31, 2015	June 30, 2015
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015			
Other relative parties	\$ -	-	-	5,993	-	-	-

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 relative parties

	Sales				Account receivable from relative parties		
	Three months ended	Three months ended	Six months ended	Six months ended	June 30, 2016	December 31, 2015	June 30, 2015
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015			
Other relative parties	\$ -	-	351	-	-	-	-

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 both were \$857 and \$1,714 for three months and nine months ended in June 30 for in the year of 2015 and 2016.

4. Technical service agreement with relative parties

The technical service expense provided to the Group by its related parties amounted to \$6,871, which was recognized as operating cost. As of June 30, 2016, the prepayment of the Group amounted to \$4,209, which was recognized as other current assets.

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Equity trading

Considering future industry strategy, on March 27, 2016, the Group entered into an equity trading agreement with its related parties amounting to \$203,175(USD \$6,300). As of June 30, 2016, the Group has yet to pay the contract amount of \$138,675, which was recognized as other account payment- relative parties. Please refer to note 6(e) for related information.

6. Others

The Group has to pay the expenses for its related parties in accordance with the business contract. .As of June 30, 2016, December 31, and June 30 2015, the relative fees amounted to \$42, \$556 and \$0, which were recognized as current other financial assets.

(b) Key management personnel compensation

1. Key management personnel compensation comprised:

	Three months ended <u>June 30, 2016</u>	Three months ended <u>June 30, 2015</u>	Six months ended <u>June 30, 2016</u>	Six months ended <u>June 30, 2015</u>
Short-term employee benefits	\$ 3,238	2,940	6,510	6,155
Post-employment benefits	<u>187</u>	<u>81</u>	<u>207</u>	<u>162</u>
	\$ <u><u>3,425</u></u>	<u><u>3,021</u></u>	<u><u>6,717</u></u>	<u><u>6,317</u></u>

2. Guarantee

The main management are guarantor of the long-term loans, and the amount of loans were \$282,000, \$316,000 and \$400,000 in June 30, 2016, December 31, 2015 and June 30, 2015.

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(8) Pledged Assets

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>	<u>June 30, 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	<u>147,819</u>	<u>149,607</u>	<u>151,394</u>
		<u>\$ 495,623</u>	<u>497,411</u>	<u>499,198</u>

(9) Commitments and contingencies: none

(10) Losses due to major disasters: none

(11) Subsequent events: none

(12) Other

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

By item	By function	Three months ended June 30,2016			Three months ended June 30,2015		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		196,188	42,401	238,589	174,265	32,760	207,025
Labor and health insurance		-	1,665	1,665	-	2,268	2,268
Pension		12,883	2,974	15,857	9,468	1,380	10,848
Others		5,587	2,776	8,363	4,092	489	4,581
Depreciation		68,199	5,105	73,304	55,738	3,391	59,129
Amortization		173	489	662	151	743	894

(Continued)

CHENMING MOLD IND.CORP.AND SUBSIDIARIES

Notes to Consolidated Financial Statements

By item	By function	Six months ended June 30,2016			Six months ended June 30,2016		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		390,499	74,294	464,793	367,266	65,283	432,549
Labor and health insurance		-	3,362	3,362	-	3,979	3,979
Pension		24,467	4,365	28,832	17,321	2,750	20,071
Others		12,425	4,492	16,917	9,157	2,495	11,652
Depreciation		138,074	7,365	145,439	107,512	6,714	114,226
Amortization		347	989	1,336	351	1,475	1,826

The depreciation expense, which subtract the depreciation expense from investment properties, are \$309, \$310, \$619 and \$619 in three months ended June 30,2016, and 2015, and six months ended in June 30, 2016 and 2015, which are recognized in the subtraction of rent revenue.

(b) Seasonal operating

The Group's operating 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.