

**CHENMING MOLD IND. CORP  
AND SUBSIDIARIES  
Consolidated Financial Statements  
September 30, 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 September 30, 2016, and 2015, and the consolidated statements of comprehensive income for three months and nine months ended September 30, 2016 and 2015, changes in stockholders' equity and cash flows for the nine months ended September 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.

November 7, 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.

**CHEENING MOLD IND. CORP AND SUBSIDIARIES**

**Consolidated Balance Sheets (the amounts as of September 30, 2016 and 2015 were unaudited)**

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

	September 30, 2016		December 31, 2015		September 30, 2015	
	Amount	%	Amount	%	Amount	%
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents (note 6(a))	\$ 452,044	11	333,278	10	516,207	15
Current financial assets at fair value through profit or loss (note 6(b))	-	-	2,004	-	-	-
Notes and Accounts receivable, net (note 6(c))	1,209,622	30	881,123	25	758,840	22
Inventories, net (notes 6(d))	516,774	13	500,881	15	417,103	12
Other current financial assets (notes 6(e), 7 and 8)	8,359	-	2,539	-	3,570	-
Other current assets (note 7)	61,100	2	67,881	2	62,418	2
	<u>2,247,899</u>	<u>56</u>	<u>1,787,706</u>	<u>52</u>	<u>1,758,138</u>	<u>51</u>
<b>Non-current assets:</b>						
Non-current available-for-sale financial assets (note 6(b))	-	-	175,215	5	171,582	5
Property, plant and equipment (note 6(f) and 8)	1,190,831	30	1,043,626	30	1,031,864	30
Investment property, net (note 6(e) and 8)	201,658	5	202,587	6	202,896	6
Intangible assets	661	-	2,116	-	2,472	-
Deferred tax assets	16,157	-	16,157	1	13,565	1
Other non-current financial assets	18,012	1	6,139	-	1,065	-
Long-term prepaid rents	275,759	7	169,723	5	171,239	5
Other non-current assets	46,718	1	39,920	1	63,275	2
	<u>1,749,796</u>	<u>44</u>	<u>1,653,483</u>	<u>48</u>	<u>1,657,958</u>	<u>49</u>
<b>Total assets</b>	<b>\$ 3,997,695</b>	<b>100</b>	<b>\$ 3,443,189</b>	<b>100</b>	<b>\$ 3,416,096</b>	<b>100</b>
<b>Liabilities and equity</b>						
<b>Current liabilities:</b>						
Short-term borrowings (note 6(h))	\$ 180,000	5	150,000	4	140,000	4
Notes and Accounts payable	682,617	17	500,865	15	447,537	13
Accounts payable-related parties	-	-	-	-	2,887	-
Other payables	282,429	7	191,367	6	163,381	5
Other payables-related parties (note 6(e), note 7)	73,025	2	-	-	-	-
Current tax liabilities	6,447	-	31,660	1	25,314	1
Other current liabilities	2,239	-	1,116	-	2,684	-
Long-term borrowings, current portion (note 6(i))	-	-	36,000	1	-	-
	<u>1,226,757</u>	<u>31</u>	<u>911,008</u>	<u>27</u>	<u>781,803</u>	<u>23</u>
<b>Non-current liabilities:</b>						
Long-term loans (note 6(j))	265,000	7	280,000	8	380,500	11
Deferred tax liabilities	6,063	-	6,063	-	10,336	-
Guarantee deposits	8,872	-	9,362	-	8,812	-
	<u>279,935</u>	<u>7</u>	<u>295,425</u>	<u>8</u>	<u>399,648</u>	<u>11</u>
<b>Total liabilities</b>	<b>1,506,692</b>	<b>38</b>	<b>1,206,433</b>	<b>35</b>	<b>1,181,451</b>	<b>34</b>
<b>Equity:</b>						
Equity attributable to owners of parent:						
Ordinary shares (note 6(m))	1,699,350	43	1,779,350	52	1,779,350	52
Capital surplus (note 6(m))	14,722	-	15,415	-	15,415	1
Retained earnings (note 6(n))	431,704	11	431,080	13	432,602	13
Exchange difference on translation of foreign financial statements	(73,483)	(1)	-	-	-	-
Unrealized gain or loss on available-for-sale financial assets	-	-	10,911	-	7,278	-
	<u>2,122,293</u>	<u>53</u>	<u>2,236,756</u>	<u>65</u>	<u>2,234,645</u>	<u>66</u>
<b>Non-controlling interests</b>	<b>368,710</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>2,491,003</b>	<b>62</b>	<b>2,236,756</b>	<b>65</b>	<b>2,234,645</b>	<b>66</b>
<b>Total liabilities and equity</b>	<b>\$ 3,997,695</b>	<b>100</b>	<b>\$ 3,443,189</b>	<b>100</b>	<b>\$ 3,416,096</b>	<b>100</b>

## CHENMING MOLD IND. CORP AND SUBSIDIARIES

### Consolidated Statements of Comprehensive Income (unaudited)

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

	Three months ended September, 2016		Three months ended September, 2015		Nine months ended September 30, 2016		Nine months ended September 30, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales revenue (notes 6(o))	\$ 1,197,349	100	809,214	100	3,004,928	100	2,369,255	100
Cost of sales (notes 6(d) , 6(k) , 7 and 12)	<u>1,002,200</u>	<u>84</u>	<u>686,656</u>	<u>85</u>	<u>2,620,677</u>	<u>87</u>	<u>2,100,661</u>	<u>89</u>
Gross profit	<u>195,149</u>	<u>16</u>	<u>122,558</u>	<u>15</u>	<u>384,251</u>	<u>13</u>	<u>268,594</u>	<u>11</u>
Operating expenses (notes 6(k) and 12):								
Selling expenses	42,300	4	30,019	4	85,966	3	80,790	4
Administrative expenses	41,608	3	44,411	5	118,382	4	104,333	4
Research and development expenses	<u>10,113</u>	<u>1</u>	<u>11,945</u>	<u>1</u>	<u>27,901</u>	<u>1</u>	<u>32,822</u>	<u>1</u>
	<u>94,021</u>	<u>8</u>	<u>86,375</u>	<u>10</u>	<u>232,249</u>	<u>8</u>	<u>217,945</u>	<u>9</u>
Net operating income	<u>101,128</u>	<u>8</u>	<u>36,183</u>	<u>5</u>	<u>152,002</u>	<u>5</u>	<u>50,649</u>	<u>2</u>
Non-operating income and expenses:								
Other income (note 6(e))	5,579	-	495	-	13,691	-	784	-
Finance costs	(2,131)	-	(3,064)	-	(5,739)	-	(8,650)	-
Interest income	468	-	103	-	1,154	-	738	-
Rent revenue (note 7)	3,279	-	3,122	-	9,589	-	9,533	-
Foreign currency exchange gains(loss), net (note 6(q))	(12,079)	-	54,407	7	(8,919)	-	52,855	2
Other expenses and losses	<u>(1,888)</u>	<u>-</u>	<u>(5,863)</u>	<u>(1)</u>	<u>(11,160)</u>	<u>-</u>	<u>(7,094)</u>	<u>-</u>
	<u>(6,772)</u>	<u>-</u>	<u>49,200</u>	<u>(6)</u>	<u>(1,384)</u>	<u>-</u>	<u>48,166</u>	<u>2</u>
Profit before tax	94,356	8	85,383	11	150,618	5	98,815	4
Less: Income tax expenses (note 6(l))	<u>14,961</u>	<u>1</u>	<u>14,515</u>	<u>2</u>	<u>18,650</u>	<u>1</u>	<u>27,259</u>	<u>1</u>
Profit	<u>79,395</u>	<u>7</u>	<u>70,868</u>	<u>9</u>	<u>131,968</u>	<u>4</u>	<u>71,556</u>	<u>3</u>
Other comprehensive income:								
Items that may be reclassified subsequently to profit or loss								
Other comprehensive income, before tax, available-for-sale financial assets	-	-	2,354	-	(10,911)	-	2,021	-
Exchange difference on translation of foreign financial statement	<u>(23,274)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(45,159)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
Other comprehensive income, net of tax	<u>(23,274)</u>	<u>(2)</u>	<u>2,354</u>	<u>-</u>	<u>(56,070)</u>	<u>(1)</u>	<u>2,021</u>	<u>-</u>
Comprehensive income	\$ <u>56,121</u>	<u>5</u>	\$ <u>73,222</u>	<u>9</u>	\$ <u>75,898</u>	<u>3</u>	\$ <u>73,577</u>	<u>3</u>
Profit belongs to:								
Parent entity	\$ 76,461	7	70,868	9	90,963	3	71,556	3
Non-controlling interests	<u>2,934</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,005</u>	<u>1</u>	<u>-</u>	<u>-</u>
	\$ <u>79,395</u>	<u>7</u>	\$ <u>70,868</u>	<u>9</u>	\$ <u>131,968</u>	<u>4</u>	\$ <u>71,556</u>	<u>3</u>
Other comprehensive income belongs to:								
Parent entity	\$ 64,359	6	73,222	9	56,569	2	73,577	3
Non-controlling interests	<u>(8,238)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>19,329</u>	<u>1</u>	<u>-</u>	<u>-</u>
	\$ <u>56,121</u>	<u>5</u>	\$ <u>73,222</u>	<u>9</u>	\$ <u>75,898</u>	<u>3</u>	\$ <u>73,577</u>	<u>3</u>
Basic net income per share (notes 6(n))	\$ <u>0.45</u>		\$ <u>0.40</u>		\$ <u>0.52</u>		\$ <u>0.40</u>	
Dilution net income per share (notes 6(n))	\$ <u>0.45</u>		\$ <u>0.40</u>		\$ <u>0.52</u>		\$ <u>0.40</u>	

See accompanying notes to consolidated financial statements.

**CHENMING MOLD IND. CORP AND SUBSIDIARIES**

**Consolidated statements of changes in equity (unaudited)  
 Nine months ended September 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 share	Total equity attributable to Owners of parent	Non-controlling Interests	Total equity			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings							
<b>Balance on January 1, 2015</b>	\$ 1,800,000	1,594	212,454	9,730	160,831	383,015	-	5,257	-	2,203,866	-	2,203,866	
<b>Earning distribution</b>													
Legal reserve appropriated	-	-	13,005	-	(13,005)	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	(9,730)	9,730	-	-	-	-	-	-	-	
Profit for the nine months period ended September 30, 2015	-	-	-	-	71,556	71,556	-	-	-	71,556	-	71,556	
Other comprehensive income	-	-	-	-	-	-	-	2,021	-	2,021	-	2,021	
Comprehensive income	-	-	-	-	71,556	71,556	-	2,021	-	73,577	-	73,577	
Purchase of treasury stock	(20,650)	(179)	-	-	(21,969)	(21,969)	-	-	(42,798)	(42,798)	-	(42,798)	
Retirement of treasury stock	\$ 1,779,350	15,415	225,459	-	207,143	432,602	-	7,278	(42,798)	2,234,645	-	2,234,645	
<b>Balance on September 30, 2015</b>	\$ 1,779,350	15,415	225,459	-	205,621	431,080	-	10,911	-	2,236,756	-	2,236,756	
<b>Earning distribution</b>													
Legal reserve appropriated	-	-	6,957	-	(6,957)	-	-	-	-	-	-	-	
Cash dividends of ordinary share	-	-	-	-	(53,381)	(53,381)	-	-	-	(53,381)	-	(53,381)	
Profit for the nine months period ended September 30, 2016	-	-	-	-	90,963	90,963	-	-	-	90,963	41,005	131,968	
Other comprehensive income	-	-	-	-	-	-	(23,483)	(10,911)	-	(34,394)	(21,676)	(56,070)	
Comprehensive income	-	-	-	-	90,963	90,963	(23,483)	(10,911)	-	56,569	19,329	75,898	
Purchase of treasury stock	(80,000)	(693)	-	-	(36,958)	(36,958)	-	-	(117,651)	(117,651)	-	(117,651)	
Retirement of treasury stock	-	-	-	-	-	-	-	-	(117,651)	-	-	-	
Changes in non-controlling interests	-	-	-	-	-	-	(23,483)	-	-	-	349,381	349,381	
<b>Balance on September 30, 2016</b>	\$ 1,699,350	14,722	232,416	-	199,288	431,704	(23,483)	-	-	2,122,293	368,710	2,491,003	

See accompanying notes to consolidated financial statements.

**CHENMING MOLD IND. CORP AND SUBSIDIARIES**

**Consolidated statements of cash flows (unaudited)**

**For the nine months ended September 30, 2016 and 2015**

(expressed in thousands of New Taiwan dollars)

	Nine months ended <u>September 30, 2016</u>	Nine months ended <u>September 30, 2015</u>
<b>Cash flows from (used in) operating activities:</b>		
Profit (loss) before tax	\$ 150,618	98,815
Adjustments:		
Depreciation expense	212,429	192,170
Amortization expense	1,924	2,628
Provision (reversal of provision) for bad debt expense	(17,658)	11,200
Interest expense	5,739	8,650
Interest income	(1,154)	(738)
Gain on disposal of property, plant and equipment, net	7,535	7,000
Others	12,004	4,277
	<u>220,819</u>	<u>225,187</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	53,271	139,600
Decrease (increase) in inventories	67,368	(15,628)
Decrease (increase) in other current assets	25,754	(12,008)
Decrease (increase) in other current financial assets	(4,734)	872
Increase (decrease) in notes and accounts payable (including related parties)	10,965	(34,678)
Increase (decrease) in other payable and other current liabilities	(19,717)	7,830
	<u>(134,796)</u>	<u>85,988</u>
<b>Total adjustment</b>	<u>355,615</u>	<u>311,175</u>
Cash flows from (used in) operations	506,233	409,990
Interest received	1,166	885
Income taxes paid	(43,713)	(1,945)
<b>Net Cash flows from (used in) operating activities</b>	<u>463,686</u>	<u>408,930</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of property, plant and equipment	(125,242)	(98,276)
Proceeds from disposal of property, plant and equipment	3,662	2,656
Acquisition of intangible assets	(469)	(999)
Acquisition of subsidiary (reduce acquired cash)	35,762	-
Decrease (increase) in prepayments for business facilities	(17,887)	(32,723)
Decrease in other financial assets	-	21,000
Decrease (increase) in refundable deposits	(11,873)	114
<b>Net cash flows from (used in) investing activities</b>	<u>(116,047)</u>	<u>(108,228)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase (decrease) in short-term loans	30,000	(110,000)
Increase in long-term loans	50,000	190,000
Decrease in long-term loans	(101,000)	(118,500)
Distribution in cash dividend	(53,381)	-
Payments to acquire treasury shares	(117,651)	(42,798)
Interest paid	(5,800)	(8,404)
Increase (decrease) in guarantee deposits	(490)	-
<b>Net cash flows from (used in) financing activities</b>	<u>(198,322)</u>	<u>(89,702)</u>
Exchange rate impact on cash and cash equivalent	(30,551)	-
Net increase in cash and cash equivalents	118,766	211,000
Cash and cash equivalents at beginning of period	333,278	305,207
Cash and cash equivalents at end of period	\$ <u>452,044</u>	<u>516,207</u>

See accompanying notes to consolidated financial statements.

# CHENMING MOLD IND. CORP AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

September 30, 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 nine months period ended September 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 November 7, 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

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**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"> <li>• 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.</li> <li>• Impairment: The expected credit loss model is used to evaluate impairment.</li> <li>• Hedge accounting: Hedge</li> </ul>

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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"> <li>• 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.</li> <li>• A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.</li> </ul>

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.

(Continued)

## 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. 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 financial statements are as follows:

Name of investor	Name of subsidiary	Principal activity	Shareholding		
			September 30, 2016	December 31, 2015	September 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

	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2015</b>
Cash on hand	\$ 866	1,044	1,570
Checking accounts and demand deposits	451,178	245,176	416,027
Time deposits	-	87,058	98,610
	<b>\$ <u>452,044</u></b>	<b><u>333,278</u></b>	<b><u>516,207</u></b>

(Continued)

**CHENMING MOLD IND.CORP.AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(b) Financial Asset

	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>September 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	-	175,215	171,582
Total	\$ <u>-</u>	<u>177,219</u>	<u>171,582</u>
Current	\$ <u>-</u>	<u>2,004</u>	<u>-</u>
Non-current	\$ <u>-</u>	<u>175,219</u>	<u>171,582</u>

The Group bought 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. Other related information can refer to note 6(e).

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

1. Information of foreign investment

	<u>September 30, 2016</u>			<u>December 31, 2015</u>			<u>September 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	\$ -	31.36	-	5,338	32.825	175,215	5,220	32.87	171,582

(c) Notes and accounts receivable and other receivables

	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>	<u>September 30,</u> <u>2015</u>
Accounts receivable	\$ 1,216,266	885,481	770,886
Other receivables	8,359	2,539	3,570
	1,224,625	888,020	774,456
Less: allowance for uncollectible accounts	(6,644)	(4,358)	(12,046)
Total	\$ <u>1,217,981</u>	<u>883,662</u>	<u>762,410</u>
Notes and accounts receivable, net	\$ <u>1,209,622</u>	<u>881,123</u>	<u>758,840</u>
Other receivables-current	\$ <u>8,359</u>	<u>2,539</u>	<u>3,570</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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Past due 0-30 days	\$ 12,494	8,333	9,722
Past due 31-150 days	4,809	6,019	12,288
Past over 150 days	388	765	-
	\$ <u>17,691</u>	<u>15,117</u>	<u>22,010</u>

The movements of allowance for 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
Acquired from the merge	-	20,469	20,469
Reversal of impairment loss	(3,591)	(14,067)	(17,658)
Influence from foreign exchange	-	(525)	(525)
Balance on September 30,2016	\$ <u>-</u>	<u>6,644</u>	<u>6,644</u>
	<u>Loss from Individual- Estimated</u>	<u>Loss from Group- Estimated</u>	<u>Total</u>
Balance on January 1,2015	\$ -	846	846
Recognized impairment loss	11,461	-	11,461
Reversal of impairment loss	-	(261)	(261)
Balance on September 30, 2015	\$ <u>11,461</u>	<u>585</u>	<u>12,046</u>

As of September 30, 2016, December 31, 2015 and September 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>September 30, 2016</u>		<u>December 31, 2015</u>		<u>September 30, 2015</u>	
Raw materials	\$	250,974	207,815	178,322		
Work in progress		127,431	131,140	126,776		
Finished goods		<u>138,369</u>	<u>161,926</u>	<u>112,005</u>		
	\$	<u>516,774</u>	<u>500,881</u>	<u>417,103</u>		

  

	<u>Three months ended September 30, 2016</u>		<u>Three months ended September 30, 2015</u>		<u>Nine months ended September 30, 2016</u>		<u>Nine months ended September 30, 2015</u>	
Cost of goods sold	\$	988,057	655,390	2,549,885	1,935,193			
Revenue from sale of scraps		(5,061)	(9,260)	(15,024)	(16,132)			
Inventory valuation and obsolescence losses		4,943	3,165	(33,663)	4,926			
Loss on scrapping of inventory		<u>14,261</u>	<u>37,361</u>	<u>119,479</u>	<u>176,674</u>			
	\$	<u>1,002,200</u>	<u>686,656</u>	<u>2,620,677</u>	<u>2,100,661</u>			

As of September 30, 2016, December 31 and September 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 September 30, 2016, the Company still has a remaining balance of \$73,025 (USD \$2,300), 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 \$346,812 and \$85,428, 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>
<b>Cost</b>					
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	-	-	108,638	11,989	120,627
Disposal	-	(19,421)	(317,984)	(23,639)	(361,044)
Reclassifications	-	-	8,455	2,975	11,430
Effect of changes in exchange rates	-	(11,977)	(3,431)	(398)	(15,806)
Balance on September 30, 2016	<u>\$ 210,897</u>	<u>853,119</u>	<u>430,849</u>	<u>117,340</u>	<u>1,612,205</u>
Balance on January 1, 2015	\$ 210,897	694,308	670,366	77,380	1,652,951
Additions	-	-	80,059	8,931	88,990
Reclassification	-	-	15,752	578	16,330
Disposal	-	(6,046)	(94,118)	(13,157)	(113,321)
Balance on September 30, 2015	<u>\$ 210,897</u>	<u>688,262</u>	<u>672,059</u>	<u>73,732</u>	<u>1,644,950</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>
<b>Depreciation</b>					
Balance on January 1, 2016	\$ -	210,693	309,316	40,384	560,393
Depreciation of the period	-	27,306	156,280	27,915	211,501
Disposal	-	(19,348)	(310,564)	(19,935)	(349,847)
Effect of changes in exchange rates	-	(366)	(266)	(41)	(673)
Balance on September 30, 2016	\$ <u>-</u>	<u>218,285</u>	<u>154,766</u>	<u>48,323</u>	<u>421,374</u>
Balance on January 1, 2015	\$ -	193,965	293,016	38,528	525,509
Depreciation of the period	-	22,300	149,490	19,452	191,242
Disposal	-	(5,980)	(85,875)	(11,810)	(103,665)
Balance on September 30, 2015	\$ <u>-</u>	<u>210,285</u>	<u>356,631</u>	<u>46,170</u>	<u>613,086</u>
<b>Book Value</b>					
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 September 30, 2016	\$ <u>210,897</u>	<u>634,834</u>	<u>276,083</u>	<u>69,017</u>	<u>1,190,831</u>
Balance on September 30, 2015	\$ <u>210,897</u>	<u>477,977</u>	<u>315,428</u>	<u>27,562</u>	<u>1,031,864</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 September 30, 2016, December 31 and September 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>
<b>Book value</b>			
Balance on September 30,2016	\$ <u>152,640</u>	<u>49,018</u>	<u>201,658</u>
Balance on December 31,2015	\$ <u>152,640</u>	<u>49,947</u>	<u>202,587</u>
Balance on June 30,2015	\$ <u>152,640</u>	<u>50,256</u>	<u>202,896</u>

There were no material addition, disposal, impairment or reversal situation of investment properties on September 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.

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 September 30, 2016 and 2015.

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**CHENMING MOLD IND.CORP.AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(h) Short-term loan

The short-term loans were summarized as follows:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Credit Loan	<u>180,000</u>	<u>150,000</u>	<u>140,000</u>
Unused credits lines for short-term loans	<u>605,840</u>	<u>663,675</u>	<u>874,530</u>
Annual of interest rates	<u>1.0%~1.5%</u>	<u>1.0%~1.5%</u>	<u>1.0%~1.4%</u>

1. From January 1 to September 30 of 2016 and 2015, the Group increased its loan amounting to \$530,000 and \$330,000, respectively, with due dates in October 2016 to January 2017 and November 2015 to January 2016, resulting in the repayments of \$500,000 and \$440,000, respectively.

(i) Long-term loan

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Secured bank loans	\$ 175,000	216,000	223,000
Unsecured bank loans	90,000	100,000	157,500
Less: current portion	<u>-</u>	<u>(36,000)</u>	<u>-</u>
Total	\$ <u>265,000</u>	<u>280,000</u>	<u>380,500</u>
Unused long-term credit line	\$ <u>250,000</u>	<u>270,000</u>	<u>120,000</u>
Range of interest rate	<u>1.0%~2.0%</u>	<u>1.5%~2.2%</u>	<u>1.5%~2.2%</u>

1. The loans issued by the banks to the Group were \$53,000 and \$330,000 in 2016 and January 1, to September 30, 2014, respectively. As of the expiry dates, which are in October 2016 to January 2017 and November 2015 to January 2018, the Group has yet to pay the amounts of \$50,000 and \$440,000, respectively, for the repayments. The syndicated loan had expired on May 2015.
2. The main managements 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.

(Continued)

**CHENMING MOLD IND.CORP.AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(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 nine months ended September 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 note 6(g). Non-cancellable operating lease rentals of future limited receivable lease amount were as follows:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Less than one years	\$ 13,968	6,383	9,431
Between two and five years	53,618	-	198
Above 5 years	209	-	-
	\$ <u>67,795</u>	<u>6,383</u>	<u>9,629</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 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 September 30, 2016</u>	<u>Three months ended September 30, 2015</u>	<u>Nine months ended September 30, 2016</u>	<u>Nine months ended September 30, 2015</u>
Operating expense	\$ <u>(113)</u>	<u>(109)</u>	<u>(340)</u>	<u>(328)</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:

	<u>Three months ended September 30, 2016</u>	<u>Three months ended September 30, 2015</u>	<u>Nine months ended September 30, 2016</u>	<u>Nine months ended September 30, 2015</u>
Cost of sales	\$ 14,475	10,143	38,942	27,464
Operating expenses	<u>3,911</u>	<u>1,487</u>	<u>8,503</u>	<u>4,456</u>
	<u>\$ 18,386</u>	<u>11,630</u>	<u>47,445</u>	<u>31,920</u>

(1) Income taxes

1. The amount of income tax was as follows:

	<u>Three months ended September 30, 2016</u>	<u>Three months ended September 30, 2015</u>	<u>Nine months ended September 30, 2016</u>	<u>Nine months ended September 30, 2015</u>
Current tax expense	\$ <u>14,961</u>	<u>14,515</u>	<u>18,650</u>	<u>27,259</u>

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

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Unappropriated earnings of 1998 and after	\$ <u>199,288</u>	<u>205,621</u>	<u>207,143</u>
Balance of imputation credit account	\$ <u>55,825</u>	<u>40,856</u>	<u>38,567</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.

(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 September 30, 2016 and 2015. For related information, please refer to note 6(l) of 2015 annual consolidated financial statements.

1. Capital surplus

The balances of capital surplus were as follows:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>
Additional paid-in capital	\$ <u>14,722</u>	<u>15,415</u>	<u>15,415</u>

The Group retire its treasury stock during January 1 to September 30 in 2016, and reduced capital surplus \$ 693

2. Retained Earning

Based on the Group's articles of incorporation in June 17, 2016, 10% of annual net income after covering the accumulated deficit, if any, must be set up as a legal reserve. The remaining balance after special reserves that are appropriated in accordance with SFB regulations, if any, shall distribute prior year's un-distribution by board of shareholders. The Group should consider financial, business and operating factors to decide the distribution of earnings; which can be distributed by cash dividends or share dividends. Earning distribution should be cash dividends as priority, and the cash dividends cannot be lower than 10% of the total cash and stock dividends.

(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.

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**CHENMING MOLD IND.CORP.AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

3. Treasury Share

Pursuant to Article 28-2 of the securities and Exchange Act, the Group purchase treasury shares to maintain Group's reputation and shareholders' equities during the period of January 1 to September 30 in 2016. The Group's treasury share calculate are as follow:

	Nine months ended September 30, 2016		Nine months ended September 30, 2015	
	Shares(thousand)	Amount	Shares(thousand)	Amount
Balance on previous period	-	\$ -	-	\$ -
Increase in this period	80,000	117,651	2,065	42,798
Decrease in this period	<u>(80,000)</u>	<u>(117,651)</u>	<u>(2,065)</u>	<u>(42,798)</u>
Balance on final period	<u>-</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

According to SFB regulation, the proportion of shares that the Company purchased cannot be higher than 10% of the total issued shares; and the amount cannot over the amount of the sum of retain earning, share premium and recognized capital surplus. The Group'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 September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	\$ <u>76,461</u>	\$ <u>70,868</u>	\$ <u>90,963</u>	\$ <u>(71,556)</u>
Weighted-average number of outstanding ordinary shares (thousands)	<u>170,410</u>	<u>177,949</u>	<u>175,179</u>	<u>179,120</u>
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (after adjustment of potential diluted ordinary shares)	\$ <u>76,461</u>	\$ <u>70,868</u>	\$ <u>90,963</u>	\$ <u>71,556</u>

(Continued)

**CHENMING MOLD IND.CORP.AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

	<u>Three months ended September 30, 2016</u>	<u>Three months ended September 30, 2015</u>	<u>Nine months ended September 30, 2016</u>	<u>Nine months ended September 30, 2015</u>
Weighted-average number of outstanding ordinary shares(with dilutive effect of potential ordinary shares)	170,410	177,949	175,179	179,120
Employee compensation	<u>301</u>	<u>273</u>	<u>425</u>	<u>273</u>
Weighted-average number of outstanding ordinary shares (thousands) (after adjustment of potential diluted ordinary shares)	<u><b>170,711</b></u>	<u><b>178,222</b></u>	<u><b>175,604</b></u>	<u><b>179,393</b></u>

(o) Revenue

	<u>Three months ended September 30, 2016</u>	<u>Three months ended September 30, 2015</u>	<u>Nine months ended September 30, 2016</u>	<u>Nine months ended September 30, 2015</u>
Computer and server case	\$ 826,570	415,578	2,050,102	1,120,000
Mobile components	326,619	350,441	769,248	1,028,116
Mold revenue	<u>44,160</u>	<u>43,195</u>	<u>185,578</u>	<u>221,139</u>
	\$ <u><b>1,197,349</b></u>	<u><b>809,214</b></u>	<u><b>3,004,928</b></u>	<u><b>2,369,255</b></u>

(p) 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.

The Group estimated its remuneration to employees amounting to \$5,007 and \$6,000; and the remuneration to directors and supervisors were \$845 and \$1,125 in July 7 to September 30, 2016 and January 1 to September 30, 2016 respectively. The estimated multiplied by the percentage of the remuneration to employees, directors and supervisors, as specified in the Company's article. The estimations are recorded under operating expenses and cost. The remuneration to employees was amounted 6,000 and the remuneration to directors and supervisors was amounted to \$0 for the three months and six months ended in September 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.

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**CHENMING MOLD IND. CORP. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

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.

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>
<b>September 30, 2016</b>				
Secured loans	\$ 175,000	-	72,000	103,000
Unsecured loans	270,000	180,000	90,000	
Notes and account payable	682,617	682,617	-	-
Other payables	164,379	164,379	-	-
Guarantee deposits	<u>8,872</u>	<u>-</u>	<u>-</u>	<u>8,872</u>
	<b>\$ <u>1,300,868</u></b>	<b><u>1,026,996</u></b>	<b><u>162,000</u></b>	<b><u>111,872</u></b>
	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1 ~ 2 years</u>	<u>Over 2 years</u>
<b>December 31, 2015</b>				
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 relative parties)	500,865	500,865	-	-
Other payables	93,680	93,680	-	-
Guarantee deposits	<u>9,362</u>	<u>-</u>	<u>-</u>	<u>9,362</u>
	<b>\$ <u>1,069,907</u></b>	<b><u>780,545</u></b>	<b><u>98,000</u></b>	<b><u>191,362</u></b>

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## CHENMING MOLD IND. CORP. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

	<b>Contractual cash flows</b>	<b>Within one year</b>	<b>1 ~ 2 years</b>	<b>Over 2 years</b>
<b>September 30, 2015</b>				
Guarantee bank loan	\$ 223,000	16,000	28,000	179,000
Non-guarantee bank loan	297,500	186,800	46,800	63,900
Notes and account payable (including relative parties)	450,424	450,424	-	-
Other payables	79,843	79,843	-	-
Guarantee deposits	<u>8,812</u>	<u>-</u>	<u>-</u>	<u>8,812</u>
	<b>\$ <u>1,059,579</u></b>	<b><u>733,067</u></b>	<b><u>74,800</u></b>	<b><u>251,712</u></b>

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

## 2. Currency risk

## (ii) Exposure to foreign currency risk

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

	September 30, 2016			December 31, 2015			September 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	\$ 29,115	31.36	913,046	27,201	32.825	892,873	29,499	32.87	969,632
USD to RMB	11,133	6.6778	349,135	-	-	-	-	-	-
CNY to TWD	74,515	4.6930	349,699	58,872	4.995	294,066	49,317	5.176	255,265
Financial liabilities									
Monetary items									
USD to TWD	\$ 5,831	31.36	182,860	4,593	32.825	150,765	5,204	32.87	171,055
USD to RMB	1,216	6.6778	38,134	-	-	-	-	-	-
CNY to TWD	93,536	4.693	438,964	86,493	4.995	432,033	67,514	5.176	349,452

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.

(Continued)

**CHENMING MOLD IND.CORP.AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

A weakening (strengthening) 5% of each major foreign currency against Group entities' functional currency as of six month ended September 30, 2016 and 2015 would have affected the net profit before tax as followings:

	<u>September 30,</u> <u>2016</u>	<u>September 30,</u> <u>2015</u>
<b>USD (against the TWD)</b>		
Strengthening 5%	\$ 36,509	39,929
Weakening 5%	(36,509)	(39,929)
<b>USD (against the CNY)</b>		
Strengthening 5%	\$ 15,550	-
Weakening 5%	(15,550)	-
<b>CNY (against the TWD)</b>		
Strengthening 5%	\$ (4,463)	(4,709)
Weakening 5%	4,463	4,709

(iii) Exchange gains and losses of monetary items

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

	<u>Nine months ended</u> <u>September 30, 2016</u>		<u>Nine months ended</u> <u>September 30, 2015</u>	
	Exchange profit(loss)	Average rate	Exchange profit(loss)	Average rate
TWD	\$ (22,859)	-	52,855	-
CNY	\$ 2,873	4.852	-	-

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.

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**CHENMING MOLD IND.CORP.AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

(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.

		September 30, 2016			
		Fair Value			
Book value		Level 1	Level 2	Level 3	Total
<b>Loans and receivables</b>					
Cash and cash equivalents	\$ 452,044	-	-	-	-
Net accounts receivable	1,209,622	-	-	-	-
Other financial assets	8,359	-	-	-	-
Refundable deposit	<u>18,012</u>	-	-	-	-
	<u>1,688,037</u>	-	-	-	-
	<b>\$ <u>1,688,037</u></b>	-	-	-	-
<b>Amortized financial liabilities at cost</b>					
Bank loan (including due within one year)	\$ 445,000	-	-	-	-
Notes and accounts payable (including related parties)	682,617	-	-	-	-
Other payable	164,379	-	-	-	-
Guarantee deposit	<u>8,872</u>	-	-	-	-
Total	<b>\$ <u>1,300,868</u></b>	-	-	-	-

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## 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	
<b>Financial assets at fair value through profit or loss</b>	\$ 2,004	2,004			2,004
<b>Available-for-sale financial assets:</b>					
Non-public stock	\$ <u>175,215</u>	-	-	175,215	175,215
<b>Loans and receivables</b>					
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>	-	-	-	-
	\$ <u>1,400,298</u>	-	-	-	-
<b>Amortized financial liabilities at cost</b>					
Bank loan (including due within one year)	\$ 466,000	-	-	-	-
Notes and account payables (including related parties)	500,865	-	-	-	-
Other payable	93,680	-	-	-	-
Guarantee deposit	<u>9,362</u>	-	-	-	-
Total	\$ <u>1,069,907</u>	-	-	-	-
September 30, 2015					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Available-for-sale financial assets:</b>					
Non-public stock	\$ <u>171,582</u>	-	-	171,582	171,582
<b>Loans and receivables</b>					
Cash and cash equivalents	516,207	-	-	-	-
Net accounts receivable	758,840	-	-	-	-
Other financial assets	3,570	-	-	-	-
Refundable deposit	<u>1,065</u>	-	-	-	-
	<u>1,279,682</u>	-	-	-	-
	\$ <u>1,451,264</u>	-	-	-	-
<b>Amortized financial liabilities at cost</b>					
Bank loan (including due within one year)	\$ 520,500	-	-	-	-
Notes and account payables (including related parties)	450,424	-	-	-	-
Other account payable	79,843	-	-	-	-
Guarantee deposit	<u>8,812</u>	-	-	-	-
Total	\$ <u>1,059,579</u>	-	-	-	-

(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 a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of its competitors. Fair value measured using the valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation techniques which include the model used in calculating the observable market data at the consolidated balance sheet date.

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**CHENMING MOLD IND.CORP.AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

The measurement of fair value of a non-active market financial instruments held by the Group which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of price-book ratio multiple or earnings multiple of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount without the marketability of the equity securities.

- (vi) The level of fair value do not have any transfer situation at six months ended in September 30, 2016 and 2015.
- (vii) There were no transfers from one level to another nine months ended in September 30.
- (viii) Movement of third level

	<b>Available-for-sale financial assets-unquoted equity instruments</b>
Balance on January 1,2016	\$ 175,215
Recognized disposal	<u>(175,215)</u>
Balance on September 30, 2016	\$ <u>-</u>
Balance on January 1,2015	169,561
Total profit recognize in other comprehensive income	<u>2,021</u>
Balance on June 30,2015	\$ <u><u>171,582</u></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 September 30, 2016 and 2015 as follow:

	<b>Nine months ended September 30, 2016</b>	<b>Nine months ended September 30, 2015</b>
Total gain recognized: In other comprehensive income (recorded as gain on available-for sale financial assets)	\$ <u><u>-</u></u>	<u><u>2,021</u></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.

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## CHENMING MOLD IND.CORP.AND SUBSIDIARIES

## Notes to 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

## (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 September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015	September 30, 2016	December 31, 2015	September 30, 2015
Other relative parties	\$ -	2,755	-	8,748	-	-	2,887

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 September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015	September 30, 2016	December 31, 2015	September 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 \$2,571 in July to September and January to September in the year of 2015 and 2016.

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**CHENMING MOLD IND.CORP.AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

4. Technical service contact with relative parties

The technical service expense provided to the Group by its related parties amounted to \$11,101, which was recognized as operating cost. As of September 30, 2016, the Group has already paid off its payment.

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 September 30, 2016, the Group has yet to pay the contract amount of \$73,025, 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 September 30, 2016, December 31, and September 30 2015, the relative fees amounted to \$0, \$556 and \$1709, which were recognized as current other financial assets.

(b) Key management personnel compensation

1. Key management personnel compensation comprised:

	<u>Three months ended September 30, 2016</u>	<u>Three months ended September 30, 2015</u>	<u>Nine months ended September 30, 2016</u>	<u>Nine months ended September 30, 2015</u>
Short-term employee benefits	\$ 2,405	2,893	8,915	9,048
Post-employment benefits	<u>107</u>	<u>81</u>	<u>314</u>	<u>243</u>
	\$ <u><u>2,512</u></u>	<u><u>2,974</u></u>	<u><u>9,229</u></u>	<u><u>9,291</u></u>

2. Guarantee

The main management are guarantor of the long-term loans, and the amount of loans were \$265,000, \$316,000 and \$380,500 in September 30, 2016, December 31, 2015 and September 30, 2015.

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**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>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 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>146,926</u>	<u>149,607</u>	<u>150,501</u>
		<u>\$ 494,730</u>	<u>497,411</u>	<u>498,305</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 September 30, 2016			Three months ended September 30, 2015		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		238,852	51,908	290,760	190,921	37,735	228,656
Labor and health insurance		-	1,665	1,665	-	1,758	1,758
Pension		14,475	3,798	18,273	10,143	1,378	11,521
Others		6,560	2,756	9,316	4,882	1,368	6,250
Depreciation		59,129	6,933	66,062	73,599	3,417	77,016
Amortization		194	394	588	127	675	802

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**CHENMING MOLD IND. CORP. AND SUBSIDIARIES**

**Notes to Consolidated Financial Statements**

By item	By function	Nine months ended September 30, 2016			Nine months ended September 30, 2015		
		Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits							
Salary		629,351	126,202	755,553	558,187	103,018	661,205
Labor and health insurance		-	5,027	5,027	-	5,737	5,737
Pension		38,942	8,163	47,105	27,464	4,128	31,592
Others		18,985	7,248	26,233	14,039	3,863	17,902
Depreciation		197,203	14,298	211,501	181,111	10,131	191,242
Amortization		541	1,383	1,924	478	2,150	2,628

The depreciation expense, which subtract the depreciation expense from investment properties, are \$309, \$928, \$309 and \$928 in three months ended September 30, 2016, and 2015, and nine months ended in September 30, 2016 and 2015, which are recognized in 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.