

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

CHENMING MOLD IND. CORP

FINANCIAL STATEMENTS

December 31, 2016 and 2015

(With Independent Auditors' Report Thereon)

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

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of CHENMING MOLD IND. CORP("the Company"), which comprise the statement of financial position as of December 31, 2016 and 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016 and 2015, and its financial performance and its cash flows for the year ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

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

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

Description of key audit matters:

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

Audit Procedure:

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

2. Valuation of Accounts Receivable

Please refer to note (4)(f) "Financial instruments" for accounting policies relating to valuation of accounts receivable, Note (5) for uncertainties in recovery of accounts receivable, and Note (6)(C) for the information on accounts receivable.

Description of Key Audit Matters:

Payments from an overseas client have been postponed due to its financial difficulties, and its bankruptcy application has been approved by the overseas legal authorities. The management recorded the allowance in full and recognized the bad debt losses. The loss amount is significant, and as a result, it has been considered to be the key matter in our audit.

Our principal audit procedure included: acquiring the management's understanding in the financial status of the client, and the estimated amount of allowance for bad debt and its basis of assessment to evaluate the rationality of the management's estimation in the allowance for doubtful accounts.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the investment in other entities accounted for using the equity method to express an opinion on this financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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



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

The engagement partners on the audit resulting in this independent auditors' report are Hsin-Fu Yen and Kuan-Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)

March 22, 2017

Notes to Readers

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

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

(English Translation of Financial Statements and Report Originally Issued in Chinese)
CHENMING MOLD IND. CORP

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

	2016		2015	
	Amount	%	Amount	%
4000 Operating revenue (notes (6)(o) and (7))	\$ 2,740,828	100	2,496,408	100
5000 Operating costs (notes (6)(d) and (7))	<u>2,426,157</u>	<u>89</u>	<u>2,283,550</u>	<u>91</u>
Gross profit (loss) from operations	314,671	11	212,858	9
6000 Operating expenses (note (12)):				
6100 Selling expenses	47,594	2	48,862	2
6200 Administrative expenses	103,805	4	81,606	3
6300 Research and development expenses	<u>40,737</u>	<u>1</u>	<u>41,038</u>	<u>2</u>
	<u>192,136</u>	<u>7</u>	<u>171,506</u>	<u>7</u>
6900 Net operating income (loss)	<u>122,535</u>	<u>4</u>	<u>41,352</u>	<u>2</u>
7000 Non-operating income and expenses:				
7050 Finance costs, net	(7,052)	-	(9,957)	-
7100 Interest income	698	-	1,028	-
7110 Rent income(note (6)(j))	12,411	1	11,713	-
7190 Other income, others(note (7))	3,175	-	333	-
7230 Foreign exchange gains(note (6)(q))	5,208	-	66,248	3
7590 Miscellaneous disbursements	(495)	-	(90)	-
7070 Share of profit (loss) of associates and joint ventures accounted for using equity method, net	<u>103,607</u>	<u>4</u>	<u>(15,096)</u>	<u>(1)</u>
	<u>117,552</u>	<u>5</u>	<u>54,179</u>	<u>2</u>
7900 Profit before tax	240,087	9	95,531	4
7950 Less: Tax expense(note (6)(l))	<u>42,286</u>	<u>2</u>	<u>25,959</u>	<u>1</u>
Profit (loss)	<u>197,801</u>	<u>7</u>	<u>69,572</u>	<u>3</u>
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans(note (6)(k))	(4,210)	-	557	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss(note (6)(l))	<u>193</u>	<u>-</u>	<u>(95)</u>	<u>-</u>
	<u>(4,017)</u>	<u>-</u>	<u>462</u>	<u>-</u>
8360 Other components of other comprehensive income that will not be reclassified to profit or loss				
8361 Exchange differences on translation	(29,978)	(1)	-	-
8380 Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(10,911)	-	5,654	-
8399 Other components of other comprehensive income that will be reclassified to profit or loss(note (6)(l))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(40,889)</u>	<u>(1)</u>	<u>5,654</u>	<u>-</u>
8300 Other comprehensive income, net	<u>(44,906)</u>	<u>(1)</u>	<u>6,116</u>	<u>-</u>
Total comprehensive income	<u>\$ 152,895</u>	<u>6</u>	<u>75,688</u>	<u>3</u>
Basic earnings per share(note (6)(n))	\$	1.14	\$	0.39
Diluted earnings per share(note (6)(n))	\$	1.13	\$	0.39

See accompanying notes to financial statements.

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CHEENMING MOLD IND. CORP

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings				Total other equity interest			Total equity		
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements		Unrealized gains (losses) on available-for-sale financial assets	Treasury shares
Balance at January 1, 2015	\$ 1,800,000	15,594	212,454	9,730	160,831	383,015	-	5,257	-	2,203,866
Earning distribution:										
Reversal of special reserve	-	-	-	(9,730)	9,730	-	-	-	-	-
Legal reserve appropriated	-	-	13,005	-	(13,005)	-	-	-	-	-
Profit for the year ended December 31, 2015	-	-	-	-	69,572	69,572	-	-	-	69,572
Other comprehensive income	-	-	-	-	462	462	-	5,654	-	6,116
Comprehensive income	-	-	-	-	70,034	70,034	-	5,654	-	75,688
Purchase of treasury stock	-	-	-	-	-	-	-	-	(42,798)	(42,798)
Retirement of treasury stock	(20,650)	(179)	-	-	(21,969)	(21,969)	-	-	42,798	-
Balance at December 31, 2015	1,779,350	15,415	225,459	-	205,621	431,080	-	10,911	-	2,236,756
Earning distribution:										
Reversal of special reserve	-	-	6,957	-	(6,957)	-	-	-	-	-
Legal reserve appropriated	-	-	-	-	(53,381)	(53,381)	-	-	-	(53,381)
Profit for the year ended December 31, 2016	-	-	-	-	197,801	197,801	-	-	-	197,801
Other comprehensive income	-	-	-	-	(4,017)	(4,017)	(29,978)	(10,911)	-	(44,906)
Comprehensive income	-	-	-	-	193,784	193,784	(29,978)	(10,911)	-	152,895
Purchase of treasury stock	-	-	-	-	-	-	-	-	(117,651)	(117,651)
Retirement of treasury stock	(80,000)	(693)	-	-	(36,958)	(36,958)	-	-	117,651	-
Balance at December 31, 2016	\$ 1,699,350	14,722	232,416	-	302,109	534,525	(29,978)	-	-	2,218,619

Note: Employees' compensation amounting to \$1,500 and directors' compensation amounting to \$8,000 and \$6,000, were recognized statements of comprehensive income for the years ended December 31, 2016 and 2015, respectively

(English Translation of Financial Statements and Report Originally Issued in Chinese)
CHENMING MOLD IND. CORP

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	<u>2016</u>	<u>2015</u>
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ 240,087	95,531
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	9,798	14,217
Amortization expense	1,652	2,650
Interest expense	7,052	9,957
Interest income	(698)	(1,028)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(103,607)	15,096
Provision (reversal of provision) for bad debt expense	20,088	-
Loss (gain) on disposal of property, plan and equipment	-	(83)
Total adjustments to reconcile profit (loss)	<u>(65,715)</u>	<u>40,809</u>
Decrease (increase) in accounts receivable, net	(133,942)	95,005
Decrease (increase) in inventories, net	(120)	6,649
Decrease (increase) in other current assets	1,168	477
Changes in financial assets at fair value through profit or loss	2,004	(2,000)
Increase (decrease) in notes and accounts payable (including related parties)	354,855	(158,368)
Increase (decrease) in other payable and other current liabilities	23,964	2,798
Other	160	348
Total adjustments	<u>182,374</u>	<u>(14,282)</u>
Cash inflow (outflow) generated from operations	422,461	81,249
Interest received	699	1,174
Income taxes refund (paid)	(40,981)	(2,289)
Net cash flows from (used in) operating activities	<u>382,179</u>	<u>80,134</u>
Cash flows from (used in) investing activities:		
Proceeds from capital reduction of investments accounted for using equity method	(31,760)	-
Acquisition of property, plant and equipment	(881)	(850)
Proceeds from disposal of property, plant and equipment	-	7,487
Acquisition of intangible assets	(865)	(1,000)
Decrease (increase) in other financial assets	-	21,000
Other	-	(324)
Net cash flows from (used in) investing activities	<u>(33,506)</u>	<u>26,313</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	(10,000)	(100,000)
Increase in long-term loans	50,000	190,000
Decrease in long-term loans	(128,000)	(183,000)
Distribution in cash dividend	(53,381)	-
Payments to acquire treasury shares	(117,651)	(42,798)
Interest paid	(7,146)	(9,722)
Net cash flows from (used in) financing activities	<u>(266,178)</u>	<u>(145,520)</u>
Net increase (decrease) in cash and cash equivalents	<u>82,495</u>	<u>(39,073)</u>
Cash and cash equivalents at beginning of period	<u>195,799</u>	<u>234,872</u>
Cash and cash equivalents at end of period	<u>\$ 278,294</u>	<u>195,799</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
CHENMING MOLD IND. CORP
Notes to the Financial Statements
For the years ended December 31, 2016 and 2015
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

CHENMING MOLD IND. CORP (the "Company") was incorporated on June 1976. The address of the Company's registered office is 2~6F., No.27, Sec 6, Minguan E. Rd., Neihu dist., Taipei City 114, Taiwan (R.O.C). The Company's common shares were listed on the Taiwan Stock Exchange (TWSE) in September 16, 2002. The business activities of the "Company are the production of computer case, the manufacture and the development of mobile devices.

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

These financial statements were authorized for issuance by the board of directors on March 22, 2017.

(3) New standards, amendments and interpretations adopted:

- (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 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

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

- (b) Newly released or amended standards and interpretations issued by the IASB but 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 is set out below. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Company's financial statements were issued, the FSC has not yet announced the effective dates of the other IFRSs.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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
Amendments to IFRS 4 "Insurance Contracts" (Applicable for IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

Issuance / Release	Dates	Standards or Interpretations	Content of amendment
	May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	<p>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.</p> <p>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.</p>
	November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	<p>The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:</p> <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 accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

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

(4) Summary of significant accounting policies:

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

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

(a) Statement of compliance

These annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

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

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

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CHENMING MOLD IND. CORP
Notes to Financial Statements

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

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

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

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

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

(ii) Foreign operations

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

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

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

An entity shall classify an asset as current when:

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting period; or
- (iv) The asset is cash and cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

(e) Cash and cash equivalents

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

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

(f) Financial Instruments

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(i) Financial assets

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

1) Financial assets at fair value through profit or loss

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

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

2) Loans and receivables

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

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

3) Impairment of financial assets

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

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

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

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

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

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

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

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

4) Derecognition of financial assets

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

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

2) Financial liabilities at fair value through profit or loss

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

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

3) Other financial liabilities

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

(Continued)

CHENMING MOLD IND. CORP**Notes to Financial Statements**

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments, including hedge accounting

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

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

(g) Inventories

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

(h) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent company only financial statement are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(i) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently. The depreciation is computed along with the depreciable amount. The method, the useful life and the residual amount are the same with those of property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(iv) Depreciation

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

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

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

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

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

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

(k) Lease

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

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

(l) Intangible assets

(i) Research & Development

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

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

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

(ii) Other intangible assets

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

(iii) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives of computer software is 1~3 years.

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(m) Impairment – non-derivative financial assets

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

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

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

(n) Treasury stock

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

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

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Notes to Financial Statements

(o) Revenue

(i) Goods sold

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

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

(ii) Rent Revenue

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

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(q) Share-based payment

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

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

(r) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

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

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

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

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

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

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

(s) Earnings (loss) per share

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

(t) Operating segments

The operating segment information is disclosed within the consolidated financial statements but not disclosed in the parent company only financial statements.

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

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

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

- (b) Evaluation of accounts receivable.

Due to the application for the bankruptcy by overseas client, the management recognized those accounts receivable as bad debt lossess.

Please refer to note (6)(c) for valuating accounts receivable.

(6) Explanation of significant accounts:

- (a) Cash and cash equivalents

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash on hand	\$ 50	50
Checking accounts and demand deposits	278,244	190,754
Time deposits	-	4,995
	<u>\$ 278,294</u>	<u>195,799</u>

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

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Financial assets at fair value through profit or loss		
Current financial asset at fair value through profit or loss- mutual fund	\$ -	<u>2,004</u>
Financial liabilities at fair value through profit and loss		
Derivative instruments not used for hedging (recorded in other payables)	<u>\$ 153</u>	<u>-</u>

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(i) Derivative instruments not used for hedging

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

Derivative financial liabilities	December 31, 2016			
	Contract amount (in thousands)		Currency	Maturity date
Forward exchange contract:				
Forward exchange sold	USD	600	USD to NTD	106.1.16~106.1.26

(ii) As of December 31, 2016 and 2015, the Company did not pledge financial instruments as collateral.

(c) Notes and accounts receivable and other receivables

	December 31, 2016	December 31, 2015
Accounts receivable	\$ 767,723	633,781
Other receivables	-	557
	767,723	634,338
Less: allowance for uncollectible accounts	(20,855)	(767)
	\$ 746,868	633,571
Notes and account receivable	\$ 746,868	633,014
Other current financial assets	\$ -	557

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

	December 31, 2016	December 31, 2015
Past due 0-30days	\$ 2,434	8,108
Past due 31-150 days	34	6,019
Past over 150 days	-	732
	\$ 2,468	14,859

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

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

	<u>Loss from Individual- Estimated</u>	<u>Loss from Group- Estimated</u>	<u>Total</u>
Balance on January 1, 2016	\$ -	767	767
Impairment loss recognized	20,669	-	20,669
Reversal of impairment loss	-	(581)	(581)
Balance on December 31, 2016	<u>\$ 20,669</u>	<u>186</u>	<u>20,855</u>
	<u>Loss from Individual- Estimated</u>	<u>Loss from Group- Estimated</u>	<u>Total</u>
Balance on January 1, 2015	\$ -	846	846
Reversal of impairment loss	-	(79)	(79)
Balance on December 31, 2015	<u>\$ -</u>	<u>767</u>	<u>767</u>

Allowance doubtful debts is based on the historical payment behavior and the analysis of customer's credit rating. The Company believes that the doubtful debts past due over 30 Days still receivable.

As of December 31, 2016 and 2015, the Company did not pledge account receivable as collateral.

- (d) Inventories

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Raw materials	\$ -	15
Work in progress	-	66
Finished goods	1,610	1,409
	<u>\$ 1,610</u>	<u>1,490</u>

The Company Composition details of operating cost on December 31, 2016 and 2015 as follow:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cost of good sold	\$ 2,426,157	2,283,556
Revenue from sale of scraps	-	(6)
	<u>\$ 2,426,157</u>	<u>2,283,550</u>

Due to December 31, 2016 and 2015, the Group do not pledge inventories as collateral.

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(e) Investments accounted for using equity method

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

	December 31, 2016	December 31, 2015
Subsidiaries	<u><u>\$ 1,639,825</u></u>	<u><u>1,545,347</u></u>

(i) Considering the future development strategy, in March 2016, the board of directors decided to purchase 42.7% shares of CHENMING ELECTRONIC (NINGBO). The Company increased its shareholding from 9.3% to 52% and acquired the controlling right of CHENMING ELECTRONIC (NINGBO). The Company invested the additional cash of \$31,760 (US\$1,000) in CITY INTERNATIONAL LIMITED in September 2016 to increase its capital.

(ii) As of December 31, 2016 and 2015, the company did not provide any investment accounted for using equity method as collateral for its loans.

(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	174,854	-	23,496	409,247
Additions	-	-	-	881	881
Disposal	-	(11,878)	-	(2,759)	(14,637)
Balance on December 31, 2016	<u><u>\$ 210,897</u></u>	<u><u>162,976</u></u>	<u><u>-</u></u>	<u><u>21,618</u></u>	<u><u>395,491</u></u>
Balance on January 1, 2015	\$ 210,897	174,854	43	39,305	425,099
Additions	-	-	-	850	850
Disposal	-	-	(43)	(16,659)	(16,702)
Balance on December 31, 2015	<u><u>\$ 210,897</u></u>	<u><u>174,854</u></u>	<u><u>-</u></u>	<u><u>23,496</u></u>	<u><u>409,247</u></u>
Depreciation					
Balance on January 1, 2016	\$ -	62,060	-	17,962	80,022
Depreciation of the year	-	5,413	-	3,147	8,560
Disposal	-	(11,878)	-	(2,759)	(14,637)
Balance on December 31, 2016	<u><u>\$ -</u></u>	<u><u>55,595</u></u>	<u><u>-</u></u>	<u><u>18,350</u></u>	<u><u>73,945</u></u>
Balance on January 1, 2015	\$ -	55,326	42	20,889	76,257
Depreciation of the year	-	6,734	1	6,245	12,980
Disposal	-	-	(43)	(9,172)	(9,215)
Balance on December 31, 2015	<u><u>\$ -</u></u>	<u><u>62,060</u></u>	<u><u>-</u></u>	<u><u>17,962</u></u>	<u><u>80,022</u></u>
Book Value					
Balance on December 31, 2016	<u><u>\$ 210,897</u></u>	<u><u>107,381</u></u>	<u><u>-</u></u>	<u><u>3,268</u></u>	<u><u>321,546</u></u>
Balance on December 31, 2015	<u><u>\$ 210,897</u></u>	<u><u>112,794</u></u>	<u><u>-</u></u>	<u><u>5,534</u></u>	<u><u>329,225</u></u>

As of December 31, 2016 and 2015 the Company had provided parts of the property, plant and equipment at collateral for its long-term loans and credit lines. Please refer to notes 8 for details.

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(g) Investment Property

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Cost			
Balance on January 1, 2016	\$ <u>152,640</u>	<u>63,116</u>	<u>215,756</u>
Balance on January 1, 2015	\$ <u>152,640</u>	<u>63,116</u>	<u>215,756</u>
Depreciation			
Balance on January 1, 2016	\$ -	13,169	13,169
Depreciation of the year	<u>-</u>	<u>1,238</u>	<u>1,238</u>
Balance on December 31, 2016	\$ <u>-</u>	<u>14,407</u>	<u>14,407</u>
Balance on January 1, 2015	\$ -	11,932	11,932
Depreciation of the year	<u>-</u>	<u>1,237</u>	<u>1,237</u>
Balance on December 31, 2015	\$ <u>-</u>	<u>13,169</u>	<u>13,169</u>
Book Value			
Balance on December 31, 2016	\$ <u>152,640</u>	<u>48,709</u>	<u>201,349</u>
Balance on December 31, 2015	\$ <u>152,640</u>	<u>49,947</u>	<u>202,587</u>
Fair Value			
Balance on December 31, 2016			\$ <u>397,962</u>
Balance on December 31, 2015			\$ <u>441,215</u>

The Company classify non-operating assets into investment properties, and investment properties was evaluated by market value. As of December 31, 2016 and 2015, the Company pledge investment properties as collateral. (refer to note (8))

(h) Short-term loans

The short-term loans were summarized as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Credit Loan	\$ <u>140,000</u>	<u>150,000</u>
Unused credit line for short-term loans	\$ <u>643,400</u>	<u>663,675</u>
Annual interest rates	<u>1.0%~1.5%</u>	<u>1.0%~1.5%</u>

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

(Continued)

CHENMING MOLD IND. CORP
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(i) Long-term loans

The long-term loans were summarized as follows:

December 31, 2016			
Currency	Range of interest rates	Expiration	Amount
Secured bank loans	TWD	<u>1.0%~2.0%</u>	2018~2025 \$ 168,000
Unsecured bank loans	TWD	<u>1.0%~1.7%</u>	70,000
Total			<u>\$ 238,000</u>
Current			\$ -
Non-current			238,000
Total			<u>\$ 238,000</u>
Unused for long-term credit lines			<u>\$ 270,000</u>
December 31, 2015			
Currency	Range of interest rates	Expiration	Amount
Secured bank loans	TWD	<u>1.5%~2.2%</u>	2016~2025 \$ 216,000
Unsecured bank loans		<u>1.5%~1.9%</u>	100,000
Less: current portion			(36,000)
Total			<u>\$ 280,000</u>
Current			\$ 36,000
Non-current			280,000
Total			<u>\$ 316,000</u>
Unused for long-term credit lines			<u>\$ 270,000</u>

- (i) The main management are the guarantor of long-term loan, Please refer to note 7.
- (ii) The information of annual interest rate, and liquidity risk can refer to note 6(q).
- (iii) As of December 31, 2016 and 2015, the Company provided part of its assets as collateral for long-term loans. Please refer to note 8 for details.

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CHENMING MOLD IND. CORP
Notes to Financial Statements

(j) Operating lease

The Company as lessor

The Company rents its investment property through operating lease, which refer to note 6 (g). Non-cancellable operating lease rentals that were receivable were as follows:

	December 31, 2016	December 31, 2015
Less than one year	\$ 13,968	6,383
Between two and five years	50,336	-
	<u>\$ 64,304</u>	<u>6,383</u>

The lease revenue from investment property are \$13,649 and \$12,950 in 2016 and 2015, respectively. Moreover, the relative depreciation expense are \$1,238 and \$1,237, respectively.

(k) Employee benefits

(i) Defined benefit plans

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

	December 31, 2016	December 31, 2015
Present value of defined benefit obligations	\$ 35,458	31,278
Fair value of plan assets	(60,192)	(59,769)
Recognized liabilities(assets) for defined benefit obligations	<u>\$ (24,734)</u>	<u>(28,491)</u>

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

1) Composition of plan assets

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

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CHENMING MOLD IND. CORP
Notes to Financial Statements

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$60,192 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	<u>2016</u>	<u>2015</u>
Defined benefit obligation at January 1	\$ 31,278	30,715
Current service costs and interest	668	726
Remeasurement in net defined benefit liability (assets)	<u>3,512</u>	<u>(163)</u>
Defined benefit obligation at December 31	<u>\$ 35,458</u>	<u>30,715</u>

3) Movements of defined benefit plan assets

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

	<u>2016</u>	<u>2015</u>
Fair value of plan assets at January 1	\$ (59,769)	(58,211)
Expected return on plan assets	(1,121)	(1,164)
Remeasurement in net defined benefit liability (assets)	<u>698</u>	<u>(394)</u>
Fair value of plan assets at December 31	<u>\$ (60,192)</u>	<u>(59,769)</u>
Actual return on plan assets	<u>\$ (423)</u>	<u>(1,558)</u>

4) Expenses recognized in profit or loss

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

	<u>2016</u>	<u>2015</u>
Service cost	\$ 82	112
Interest cost	586	614
Expected rate of return on plan assets	<u>(1,121)</u>	<u>(1,164)</u>
	<u>\$ (453)</u>	<u>(437)</u>
Management expense	<u>\$ (453)</u>	<u>(438)</u>

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

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

The Company's remeasurement in net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Cumulative amount at January 1	\$ 1,134	1,691
Recognized during the period	<u>4,210</u>	<u>(557)</u>
Cumulative amount at December 31	<u>\$ 5,344</u>	<u>1,691</u>

- 6) Actuarial assumptions

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

- i) Present value of defined benefit obligations

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Discount rate as of December 31	1.375 %	1.88 %
Future salary increasing rate	1.00 %	1.00 %

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

The department of labor from Taipei City Government has approved the Company to suspend the contribution of pension in 2016 and 2015.

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

The weighted-average duration of the defined benefit obligation is 18.22 years.

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Notes to Financial Statements

7) Sensitivity Analysis

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

	Influences of defined benefit obligation	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31, 2016		
Discount rate	\$ (1,381)	1,450
Future salary increasing rate	1,435	(1,374)
December 31, 2015		
Discount rate	(1,282)	1,340
Future salary increasing rate	1,335	(1,280)

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

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

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligations.

The Company recognized the pension costs under the defined contribution method amounting to \$4,100 and \$4,178 for the years ended December 31, 2016 and 2015, respectively.

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(l) Income taxes

(i) income tax expenses

1) The amount of income tax for 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Current tax expense		
Recognized during the period	\$ 24,442	23,197
10% surtax on unappropriated earnings	-	10,460
Adjustment to the prior period	<u>1,588</u>	<u>(738)</u>
	<u>26,030</u>	<u>32,919</u>
Deferred tax expense		
Recognition and reversal of temporary differences	14,464	(4,394)
Movement of unrecognized deductible temporary difference	<u>1,792</u>	<u>(2,566)</u>
	<u>16,256</u>	<u>(6,960)</u>
Income tax expense	<u>\$ 42,286</u>	<u>25,959</u>

2) The amount of income tax recognized in other comprehensive income for 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Items that may not be reclassified subsequently to profit or loss		
Remeasurement in defined benefit plan	<u>\$ (193)</u>	<u>95</u>

3) Reconciliation of income tax and profit before tax for 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Profit excluding income tax	\$ <u>240,086</u>	<u>95,531</u>
Income tax using the Company's domestic tax rate	40,815	16,240
Under (over) provision in prior periods	1,588	(738)
10% surtax on unappropriated earnings	-	10,460
Other	<u>(117)</u>	<u>(3)</u>
	<u>\$ 42,286</u>	<u>25,959</u>

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities: None

2) Unrecognized deferred tax assets

Details of unrecognized deferred tax assets as follow:

	December 31, 2016	December 31, 2015
Unrecognized temporary differences	<u>\$ 1,792</u>	<u>-</u>

The Company assessed that the income tax deduction which can be offsetted with the taxable income are not probable to be utilized, therefore, no deferred tax assets were recognized.

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 were as follows:

	Defined benefit Plans	Others	Total
Deferred tax liabilities:			
Balance on January 1, 2016	\$ 4,423	1,640	6,063
Recognized in (profit) or loss	270	1,077	1,347
Recognized in other comprehensive income	<u>(193)</u>	<u>-</u>	<u>(193)</u>
Balance on December 31, 2016	<u>\$ 4,500</u>	<u>2,717</u>	<u>7,217</u>
Balance on January 1, 2015	4,255	6,081	10,336
Recognized in (profit) or loss	73	(4,441)	(4,368)
Recognized in other comprehensive income	<u>95</u>	<u>-</u>	<u>95</u>
Balance on December 31, 2015	<u>\$ 4,423</u>	<u>1,640</u>	<u>6,063</u>

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

	Exchange differences on translation of foreign financial statements	Others	Total
Deferred tax assets:			
Balance on January 1, 2016	\$ -	16,157	16,157
Recognized in profit or (loss)	<u>-</u>	<u>(14,909)</u>	<u>(14,909)</u>
Balance on December 31, 2016	<u>\$ -</u>	<u>1,248</u>	<u>1,248</u>
Recognized in profit or (loss)	-	13,565	13,565
Recognized in other comprehensive income	<u>-</u>	<u>2,592</u>	<u>2,592</u>
Balance on December 31, 2015	<u>\$ -</u>	<u>16,157</u>	<u>16,157</u>

- (iii) The ROC tax authorities have examined the Company's income tax returns through 2014.
- (iv) Information related to the unappropriated earnings and tax deduction ratio was summarized below:

	December 31, 2016	December 31, 2015
Unappropriated earnings of 1998 and after	<u>\$ 302,109</u>	<u>205,621</u>
Balance of imputation credit account	<u>\$ 67,497</u>	<u>40,856</u>
	<u>2016 (Estimated)</u>	<u>2015 (Actual)</u>
Creditable ratio for earnings distribution to ROC residents	<u>25.28 %</u>	<u>29.31 %</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.

(m) Capital and other equities

(i) Ordinary shares

The Company's board of director decided to retire its treasury stock of 2,065 thousand shares on August 5, 2015, the effective date was August 7, 2015, and the registration process was completed.

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

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As of December 31, 2016 and 2015, the authorized common stocks were \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which \$169,935 and 177,935 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2016 and 2015, were as follows:

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

The Company retire its treasury stock and reduced the capital surplus \$693 and \$179 separately in 2016 and 2015.

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

(iii) Retained Earning

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

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

1) Legal reserve

In accordance with the Company Act, 10 percent of net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

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2) Special reserve

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

3) Earnings distribution

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.

The related information about employee, bonuses and directors' and supervisors' remuneration in 2014 can be accessed from the Market Observation Post system after the stockholder's meeting for approval.

(iv) Treasury stock

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

Movement of treasury share in 2016 and 2015

	For the years ended December 31			
	2016		2015	
	Share (thousands)	Amount	Share (thousands)	Amount
Balance on January 1	\$ -	-	-	-
Additional	80,000	117,651	2,065	42,798
Retire treasury stock	(80,000)	(117,651)	(2,065)	(42,798)
Balance on December 31	\$ -	-	-	-

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

(Continued)

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Notes to Financial Statements

(n) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2016 and 2015 were calculated as follows:

	<u>2016</u>	<u>2015</u>
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>197,801</u>	<u>69,572</u>
Weighted-average number of ordinary shares	<u>173,858</u>	<u>178,822</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>197,801</u>	<u>69,572</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	173,858	178,822
Effect of employee stock remuneration	<u>549</u>	<u>373</u>
Weighted-average number of ordinary shares(after adjusted the influence of potential ordinary shares)	<u>174,407</u>	<u>179,195</u>

(o) Revenue

	<u>2016</u>	<u>2015</u>
Computer and server case	\$ 1,478,032	1,075,513
Mobile components	1,114,656	1,268,235
Mold revenue	<u>148,140</u>	<u>152,660</u>
	<u>\$ 2,740,828</u>	<u>2,496,408</u>

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

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

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For the year ended December 31, 2016 and 2015, the Company estimated its employee remuneration amounting to \$8,000 and \$6,000, and directors' and supervisors' remuneration amounting to both \$1,500 respectively. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2016 and 2015. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex-dividend effect) on the day preceding the board of directors' meeting. The amounts, as stated in the financial statements, are identical to those of the actual distributions in 2016 and 2015.

(q) Financial Instruments

(i) Credit risk

1) Exposure to credit risk

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

2) Concentration to credit risk

The customers of the Company are mainly high-tech companies, account receivable have 49% and 65% are composed by five clients in December 31, 2016 and 2015. Thus, the company has concentration to credit risk situation.

(ii) Liquidity Risk

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

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

	<u>Amount</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 accounts payable (including relative parties)	176,399	176,399	-	-
Other payables	6,494	6,494	-	-
Guarantee deposits	3,810	-	-	3,810
	<u>\$ 652,703</u>	<u>368,893</u>	<u>98,000</u>	<u>185,810</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>December 31, 2016</u>			<u>December 31, 2015</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</u>
Financial assets						
Monetary items						
USD to TWD	\$ 31,521	32.250	1,016,552	24,065	32.825	789,934
Financial liabilities						
Monetary items						
USD to TWD	132	32.250	4,257	206	32.825	6,762

2) Sensitivity analysis

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

A weakening (strengthening) 5% of each major foreign currency against Company entities' functional currency as of December 31, 2016 and 2015 would have increased \$50,615 and \$39,159, respectively.

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

3) Exchange gains and losses of monetary items

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

	2016		2015	
	Exchange profit(loss)	Average rate	Exchange profit(loss)	Average rate
TWD	\$ 5,208	-	66,248	-

(iv) Interest Rate analysis

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

	Carrying amount	
	December 31, 2016	December 31, 2015
Variable rate instruments:		
Financial assets	\$ 278,244	195,749
Financial liabilities	378,000	466,000

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decrease by \$249 and \$676 for the years ended December 31, 2016 and 2015, respectively, which would be mainly resulted from the bank savings and loans with variable interest rates.

(v) Fair value

1) Procedure of valuation

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

2) Fair value hierarchy

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

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

3) The kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging, and available for sale financial assets, are measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are stated below; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required.

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

(Continued)

CHENMING MOLD IND. CORP
Notes to 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
Loans and receivables					
Cash and cash equivalents	195,799	-	-	-	-
Accounts receivable	633,014	-	-	-	-
Other current financial assets	557	-	-	-	-
Refundable deposits	520	-	-	-	-
	829,890				
	\$ 831,894				
Financial liabilities at amortized cost through profit or loss					
Bank loans	\$ 466,000	-	-	-	-
Notes and accounts payable (including related parties)	176,399	-	-	-	-
Other deposits payables	6,494	-	-	-	-
Refundable	3,810	-	-	-	-
Total	\$ 652,703				

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

The Company estimate instruments that are not measured at fair value, by method and presumption as follows:

a) Financial liability with amortized cost evaluation

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

5) Fair value valuation technique of financial instruments measured at fair value

a) Non-derivative financial instruments

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

b) Derivative financial instruments

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

6) There were no transfers from one level to another in 2016 and 2015.

(r) Financial risk management

(i) Briefings

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

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, and these limits are reviewed periodically.

The Company constantly evaluate clients' financial situation, if necessary, the company will buy credit guarantee insurance contract.

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

2) Guarantees

As of December 31, 2016 and 2015, the Company do not offer any endorsement and guarantees.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities which be settled by delivering cash or another financial assets. The Company manages and maintains sufficient cash and cash equivalents so as to cope with its operations and liabilities. Make an effort to avoid any unacceptable loss or any harmful on their reputation.

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to note 6(h) and note 6(i) for unused short-term and long-term bank facilities as of December 31, 2016 and 2015.

(v) Market risk

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

1) Currency risk

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

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

2) Interest rate risk

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

(s) Capital management

The Company decides the optimized capital by maintain the capital based on the current operating characteristics of the industry, future development, and changes in external environment, to assure there is financial resource and operating plan to support working capital, research and development expense and dividend payment and so on. To maintain a strong capital base, the Company might adjust the stock dividend, issue new share or buy treasury share. The Company also scrutiny the asset-liability ratio regularly to monitor the fund.

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

Debt-to-equity ratio in December 31, 2016 and 2015 as follow:

	December 31, 2016	December 31, 2015
Total liabilities	\$ 998,653	724,057
Total asset equity	3,217,272	2,960,813
Debt-to-equity ratio	31 %	24 %

As of December 31, 2016, the capital management method do not change.

(7) Related-party transactions:

(a) Relationships between Parents and Subsidiaries

A detailed list of the Company's subsidiaries is as follows:

	Country of incorporation	Ownership interest (shareholding%)	
		December 31, 2016	December 31, 2015
TOP CITY INTERNATIONAL LIMITED	Samoa	100	100
PEAK SHREWD INC	Samoa	100	100
GERSHWIN INTERNATIONAL LIMITED	Samoa	100	100
Dongguan Chenming Electronic Co., Ltd.	Dongguan City, Guangdong Province	100	100
Chenming Electronic (Ningbo) Co., Ltd.	Ningbo City, Zhejiang Province	52	9.3(Note)

Note: The board of directors decided to purchase 42.7% shares of CHENMING ELECTRONIC (NINGBO) on March 23, 2016, and acquired the controlling right.

(b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(c) Significant transactions with relative parties

(i) The amounts of purchase transactions between the Company and its related parties were as follows:

	2016	2015
Subsidiaries	\$ 2,412,868	2,242,501
Other related parties	-	8,923
	\$ 2,412,868	2,251,424

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

The Company 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 and payment according to subsidiaries's financial needs.

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

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts payable	Subsidiaries	<u>\$ 522,051</u>	<u>167,320</u>

- (iii) Selling products to related parties

	<u>2016</u>	<u>2015</u>
Subsidiaries	\$ 93	-
Other related parties	7	190
	<u>\$ 100</u>	<u>190</u>

The price and accounts receivable period are no different between related parties and general supplier; the open account date is 60 days for related parties. °

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

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Accounts receivable	Subsidiaries	<u>\$ 26</u>	<u>-</u>

- (v) Lease

The Company rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. Each rental for both years December 31, 2016 and 2015 amounted to \$3,429.

- (vi) Property transactions

In 2016, the Company sold other equipment to its subsidiaries. The accounts receivable above had already been received as of December 31, 2016.

- (vii) Other

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

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

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(d) Key management personnel compensation

(i) Key management personnel compensation comprised:

	2016	2015
Short-term employee benefits	\$ 8,593	10,210
Post-employment benefits	216	216
	\$ 8,809	10,426

(ii) Guarantee

The main management are guarantor of the syndication contract, and the amount of syndication are \$238,000 and \$316,000 in December 31, 2016 and 2015.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2016	December 31, 2015
PPE and investment properties- land	Long-term loans and loan within 1 year	\$ 347,804	347,804
— properties	Long-term loans and loan within 1 year	146,032	149,607
		\$ 493,836	497,411

(9) Commitments and contingencies:None**(10) Losses Due to Major Disasters:None****(11) Subsequent Events:None****(12) Other:**

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

By function By item	2016			2015		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	-	108,214	108,214	-	93,817	93,817
Labor and health insurance	-	6,683	6,683	-	7,463	7,463
Pension	-	3,647	3,647	-	3,740	3,740
Others	-	3,488	3,488	-	3,723	3,723
Depreciation	-	8,560	8,560	-	12,980	12,980
Amortization	-	1,652	1,652	-	2,650	2,650

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

Note: The depreciation expense, which subtract the depreciation expense from investment properties, are \$1,238 and \$1,237 in 2016 and 2015, and recognized in the subtraction of rent revenue.

(b) The Company had 90 and 93 employees as of December 31, 2016 and 2015, respectively.

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 1)
													Item	Value		
1	CITY INTERNAT IONAL LIMITED	GERSHWIN INTERNAT IONAL LIMITED	Accounts receivable due from related parties	Yes	225,750 (RMB3,052)	193,500	129,000	1.1162%~1.63417%	Demand for funding	-	Depending on demand for funding	-	-	-	1,639,825 (note 1)	1,639,825 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	"	69,255	69,255	46,170	4.5%	"	-	"	-	-	-	79,159 (note 2)	79,159 (note 2)

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

- (ii) Guarantees and endorsements for other parties:None
- (iii) Securities held as of December 31, 2016 (excluding investment in subsidiaries, associates and joint ventures):None
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	2,412,868	99 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(522,051)	(98)%	
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,412,868)	71 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	522,051	81 %	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts	Note
					Amount	Action taken			
Dongguan Chenming Electronic Co., Ltd	The Company	Subsidiaries	522,051	7.00	-		522,051	-	

- (ix) Trading in derivative instruments: Please refer to note (6)(b).

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2016 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2016			Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2016	December 31, 2015	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	1,696,833	1,665,073	52,148	100 %	1,639,825	103,607	103,607	Subsidiaries
	TOP CITY GERSHWIN INTERNATIONAL LIMITED	Samoa	Computer case and production of relative components	1,471,994	1,471,994	45,988	100 %	1,176,195	37,848	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	Subsidiaries
"	PEAK SHREWD INC	Samoa	Investment	332,655	203,835	10,000	100 %	330,731	67,481	"	"

(Continued)

CHENMING MOLD IND. CORP
Notes to Financial Statements

(c) Information on investment in mainland China:

- (i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2016	Net income (losses) of the investment	Percentage of ownership	Investment income (losses)	Carrying amount as of December 31, 2016 (note 3)	Accumulated remittance of earnings as of December 31, 2016
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	2,080,125 (USD64,500)	note 1 and 7	193,500 (USD6,000)	129,000 (USD4,000) (note 6)	-	322,500 (USD10,000)	125,513	52 %	63,107	411,626	-
Dongguan Chenming Electronic Co., Ltd		934,541 (note 4)(USD28,978) (note 5)	note 1 and 8	803,025 (USD24,900)	-	-	803,025 (USD24,900)	60,367	100 %	60,367	800,797	-

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

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

Note3: The USD was translated into New Taiwan Dollars at the exchange rate of \$32.25 as of December 31, 2016; gains and losses were translated into New Taiwan Dollars at the average exchange rate of \$32.263 for the year.

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

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

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

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

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

- (ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	1,222,275 (USD 37,900)	1,296,450 (USD 40,200)	1,559,148

- (iii) Significant transactions:

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

(14) Segment information:

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

CHENMING MOLD IND. CORP
STATEMENT OF CASH AND CASH EQUIVALENTS
December 31, 2016 and 2015
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty Cash		\$ 50
Checking accounts and demand deposits	NTD	25,047
	Foreign currency (US\$7,800 ; HK\$52 ; JPY\$946 ; CNY\$256)	<u>253,197</u>
		<u>\$ 278,294</u>

Note : The exchange rate is 32.25 New Taiwan dollars for 1 U.S. dollar ; 4.158 New Taiwan dollars for 1 H.K. dollar ; 0.2756 New Taiwan dollars for 1 JPY ; 4.617 New Taiwan dollars for 1 CNY.

STATEMENTS OF ACCOUNTS RECEIVABLES

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accounts Receivable :		
Related party :		
Other (Note)	Related party operating income	\$ 26
Non-Related party :		
D Company	Non-Related party operating income	98,652
I Company	"	86,923
B Company	"	72,340
J Company	"	69,285
H Company	"	47,116
E Company	"	37,368
Other (Note)	"	<u>356,013</u>
Total		767,697
Less : Allowance for Bad Debts		<u>(20,855)</u>
Accounts Receivable,net		<u>\$ 746,868</u>

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

CHENMING MOLD IND. CORP

STATEMENTS OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

Investe Company	Beginning Balance		Additions (Note1)		Disposals (Note2)		Investment income	Cumulative translation adjustment	Number of shares	Ending Balance Percentage of Ownership	Market price or net value	Clooaterals or Pledged assets
	Number shares	Amount	Number of shares	Amount	Number of shares	Amount						
CITY INTERNAT IONAL LIMITED	51,148	\$ 1,545,347	1,000	31,760	-	(10,911)	103,607	(29,978)	52,148	100 %	1,639,825	None

Note 1: The Company invested the additional cash of \$31,760 in subsidiaries.

Note 2: Unrealized gains on available-for-sale financial assets of the subsidiaries had been realized.

CHENMING MOLD IND. CORP
STATEMENTS OF PROPERTY, PLANT AND EQUIPMENT

December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(h) ◦

STATEMENTS OF INVESTMENT PROPERTY

Please refer to Note 6(i) ◦

STATEMENTS OF SHORT-TERM LOANS

December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest Rate</u>	<u>Loan commitments</u>	<u>Cloaterals or Pledged assets</u>
Mega International Commercial Bank Co.,Ltd	Credit Loans	\$ 100,000	105.8.18~ 106.8.17	Please refer to Note 6(h)	USD13,000	None
Hua Nan Commercial Bank	Credit Loans	40,000	105.12.02 ~106.12.0 2	Please refer to Note 6(h)	NTD70,000	None
		<u>\$ 140,000</u>				

CHENMING MOLD IND. CORP

STATEMENTS OF LONG-TERM LOANS

December 31, 2016 and 2015

(Expressed in thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>		<u>Interest Rate</u>	<u>Contract period</u>	<u>Cloaterals or Pledged assets</u>
		<u>Loan within 1 year</u>	<u>Loan more than 1 year</u>			
Mega International Commercial Bank Co.,Ltd	Secured loans	\$ -	96,000	Please refer to Note 6(i)	94.11~109.11	Land 、PPE and investment properties
Hua Nan Commercial Bank	Secured loans	-	72,000	Please refer to Note 6(h)	94.11~114.11	Land 、PPE and investment properties
Hua Nan Commercial Bank	Credit Loans	-	70,000	Please refer to Note 6(h)	104.5~107.5	None
		<u>\$ -</u>	<u>238,000</u>			

STATEMENTS OF ACCOUNTS PAYABLE

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Notes and Accounts payable :		
Dongguan Chenming Electronic Co., Ltd	Related party operating income	\$ 522,051
Other (Note)	Non-Related party operating income	<u>9,203</u>
		<u>\$ 531,254</u>

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

CHENMING MOLD IND. CORP
STATEMENTS OF OPERATING REVENUES
For the year ended December 31, 2016
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Number – pieces in thousand</u>	<u>Amount</u>
Sales revenue :		
Computer and server case	1,275	\$ 1,488,488
Mobile components	300,673	1,125,374
Less : Sales discount		<u>(21,174)</u>
		2,592,688
Mold revenue		<u>148,140</u>
Net sales revenue		<u><u>\$ 2,740,828</u></u>

STATEMENTS OF OPERATING COSTS

<u>Item</u>	<u>Amount</u>
Raw materials, Balance, beginning of year	\$ 15
Gains : Raw material purchased	13,409
Less : Raw materials, end of year	<u>-</u>
Raw materials used	13,424
Gains : Work-in-Process, beginning of year	66
Less : Work-in-Process, end of year	<u>-</u>
Cost of finished goods	13,490
Gains : Finished goods, beginning of year	1,409
Finished goods purchased	2,412,868
Less : Finished goods, end of year	(1,610)
Income from Sale of Scrap	<u>-</u>
Total	<u><u>\$ 2,426,157</u></u>

CHENMING MOLD IND. CORP
STATEMENTS OF OPERATING INCOME
For the year ended December 31, 2016
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Marketing expenses</u>	<u>Management expenses</u>	<u>Research development expenses</u>
Payroll expense	\$ 30,189	47,050	29,475
Loss of bad debts	-	20,088	-
Travel expenses	5,201	1,318	3,777
Insurance	2,687	4,083	2,013
Depreciation	1,549	5,427	1,584
Entertainment expense	2,610	994	25
Professional service fees	-	7,180	-
Other (Note)	5,358	17,665	3,863
Total	\$ <u>47,594</u>	<u>103,805</u>	<u>40,737</u>

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