

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

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

CONSOLIDATED FINANCIAL STATEMENTS

**December 31, 2017 and 2016
(With Independent Auditors' Report Thereon)**

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

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Representation Letter	3
4. Independent Auditors' Report	4
5. Consolidated Balance Sheets	5
6. Consolidated Statements of Comprehensive Income	6
7. Consolidated Statements of Changes in Equity	7
8. Consolidated Statements of Cash Flows	8
9. Notes to the Consolidated Financial Statements	
(1) Company history	9
(2) Approval date and procedures of the consolidated financial statements	9
(3) New standards, amendments and interpretations adopted	9~14
(4) Summary of significant accounting policies	15~29
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	29~30
(6) Explanation of significant accounts	30~54
(7) Related-party transactions	55~56
(8) Pledged assets	56
(9) Commitments and contingencies	57
(10) Losses Due to Major Disasters	57
(11) Subsequent Events	57
(12) Other	57
(13) Other disclosures	
(a) Information on significant transactions	57~59
(b) Information on investees	59
(c) Information on investment in mainland China	60
(d) Information on investment in mainland China	60
(e) Information on investment in mainland China	60
(14) Segment information	61~62

Representation Letter

The entities that are required to be included in the combined financial statements of CHENMING MOLD IND. CORP as of and for the year ended December 31, 2017 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, CHENMING MOLD IND. CORP and its Subsidiaries do not prepare a separate set of combined financial statements.

Company name: CHENMING MOLD IND. CORP

Chairman: Lin, Mu-Ho

Date: March 16, 2018



安侯建業聯合會計師事務所

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Independent Auditors' Report

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

Opinion

We have audited the consolidated financial statements of CHENMING MOLD IND. CORP("the Group"), which comprise the consolidated statement of financial position as of December 31, 2017 and 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2017 and 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2017 and 2016 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Inventory valuation

Please refer to Note (4)(h) for inventories, Note (5) for accounting estimate of inventory valuation, and Note (6)(d) for information regarding the inventory and related expenses of the consolidated financial statements.

Description of key audit matters:

Due to the impact of product life cycle and customized design, the price variability for the inventories of the Group are expected to change. Therefore, the test of inventory valuation is one of the significant evaluation in our audit procedures.

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

Other Matter

CHENMING MOLD IND. CORP. has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 16, 2018

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

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

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

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

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

	2017		2016	
	Amount	%	Amount	%
4000 Operating revenue (notes 6(o) and (7))	\$ 4,840,129	100	4,274,785	100
5000 Operating costs (notes 6(d), (7), and (12))	4,178,209	86	3,666,741	86
5900 Gross profit from operations	661,920	14	608,044	14
6000 Operating expenses (note (12)):				
6100 Selling expenses	118,210	2	117,575	3
6200 Administrative expenses	188,615	4	188,516	4
6300 Research and development expenses	34,036	1	40,737	1
	340,861	7	346,828	8
6900 Net operating income	321,059	7	261,216	6
7000 Non-operating income and expenses:				
7050 Finance costs, net	(5,295)	-	(7,052)	-
7100 Interest income	1,763	-	1,305	-
7110 Rent revenue (note 6(j),(7))	14,116	-	12,865	-
7190 Other income	19,977	-	9,339	-
7230 Foreign exchange gains (losses), net (note 6(q))	(67,540)	(1)	32,677	1
7590 Other expense and losses	(4,013)	-	(12,011)	-
	(40,992)	(1)	37,123	1
7900 Profit before tax	280,067	6	298,339	7
7950 Less: Income tax expenses (note 6(l))	34,149	1	42,286	1
Profit	245,918	5	256,053	6
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans (note 6(k))	(349)	-	(4,210)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(l))	59	-	193	-
	(290)	-	(4,017)	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statement	(7,849)	-	(57,650)	(1)
8362 Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(10,911)	-
8399 Income tax relating to items that will be reclassified	-	-	-	-
	(7,849)	-	(68,561)	(1)
8300 Other comprehensive income	(8,139)	-	(72,578)	(1)
Comprehensive income	\$ 237,779	5	183,475	5
Profit belongs to :				
Parent entity	\$ 212,909	4	197,801	5
Non-controlling interests	33,009	1	58,252	1
	\$ 245,918	5	256,053	6
Other comprehensive income belongs to:				
Parent entity	\$ 211,501	4	152,895	4
Non-controlling interests	26,278	1	30,580	1
	\$ 237,779	5	183,475	5
Basic net income per share (note 6(n))	\$ 1.25		1.14	
Diluted net income per share (note 6(n))	\$ 1.25		1.13	

See accompanying notes to financial statements.

(English Translation of Consolidated and Report Originally Issued in Chinese)
CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent											
	Retained earnings					Other components of equity						
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized differences on gains (losses) on available-for-sale financial assets	Treasury shares	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2016	\$ 1,779,350	15,415	225,459	-	205,621	431,080	-	10,911	-	2,236,756	-	2,236,756
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	6,957	-	(6,957)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(53,381)	(53,381)	-	-	-	(53,381)	-	(53,381)
Profit for the year ended December 31, 2016	-	-	-	-	197,801	197,801	-	-	-	197,801	58,252	256,053
Other comprehensive income	-	-	-	-	(4,017)	(4,017)	(29,978)	(10,911)	-	(44,906)	(27,672)	(72,578)
Total comprehensive income	-	-	-	-	193,784	193,784	(29,978)	(10,911)	-	152,895	30,580	183,475
Purchase of treasury share	-	-	-	-	-	-	-	-	(117,651)	(117,651)	-	(117,651)
Retirement of treasury share	(80,000)	(693)	-	-	(36,958)	(36,958)	-	-	117,651	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	349,382	349,382
Balance at December 31, 2016	1,699,350	14,722	232,416	-	302,109	534,525	(29,978)	-	-	2,218,619	379,962	2,598,581
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	19,780	-	(19,780)	-	-	-	-	-	-	-
Special reserve appropriated	-	-	-	29,978	(29,978)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	(84,968)	-	-	-	(84,968)	-	(84,968)
Profit for the year ended December 31, 2017	-	-	-	-	212,909	212,909	-	-	-	212,909	33,009	245,918
Other comprehensive income	-	-	-	-	(290)	(290)	(1,118)	-	-	(1,408)	(6,731)	(8,139)
Total comprehensive income	-	-	-	-	212,619	212,619	(1,118)	-	-	211,501	26,278	237,779
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	37,763	-	-	-	-	-	-	-	37,763	-	37,763
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(165,527)	(165,527)
Balance at December 31, 2017	\$ 1,699,350	52,485	252,196	29,978	380,002	662,176	(31,096)	-	-	2,382,915	240,713	2,623,628

Difference between consideration and carrying amount of subsidiaries acquired or disposed

See accompanying notes to financial statements.

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

Consolidated Statements of Cash Flows
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from (used in) operating activities:		
Profit before tax	\$ 280,067	298,339
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	206,639	265,020
Amortization expense	2,438	2,389
Provision (reversal of provision) for bad debt expense	(3,738)	696
Interest expense	5,295	7,052
Interest income	(1,763)	(1,305)
Loss on disposal property, plan and equipment, net	4,028	5,240
Other	10,880	11,402
	<u>223,779</u>	<u>290,494</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets at fair value through profit or losses	-	1,889
Decrease (increase) in notes and accounts receivable	(301,864)	84,954
Decrease (increase) in inventories	(144,945)	(45,792)
Decrease (increase) in other current assets	(38,230)	33,734
Decrease (increase) in other current financial assets	(16)	(10,068)
Increase (decrease) in notes and accounts payable (including related parties)	387,666	137,458
Increase (decrease) in other payable other current liabilities	(411)	(18,666)
	<u>(97,800)</u>	<u>183,509</u>
Total adjustments	<u>125,979</u>	<u>474,003</u>
Cash flows from (used in) operation	406,046	772,342
Interest received	1,763	1,317
Income taxes paid	(26,486)	(40,981)
Net cash flows from (used in) operating activities	<u>381,323</u>	<u>732,678</u>
Cash flows from (used in) investing activities:		
Acquisition of subsidiary (reduce acquired cash)	(74,175)	35,762
Acquisition of property, plant and equipment	(149,176)	(177,584)
Proceeds from disposal of property, plant and equipment	-	3,632
Acquisition of intangible assets	(2,503)	(3,828)
Decrease (increase) in prepayments for business facilities	(25,678)	(13,927)
Decrease (increase) in refundable deposit	(3,197)	(9,316)
Net cash flows from (used in) investing activities	<u>(254,729)</u>	<u>(165,261)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	10,000	(10,000)
Increase in long-term loans	230,000	50,000
Decrease in long-term loans	(258,000)	(128,000)
Distribution in cash dividend	(84,968)	(53,381)
Acquisition of non-controlling interests	(80,148)	-
Payments to acquire treasury shares	-	(117,651)
Interest paid	(5,333)	(7,146)
Increase (decrease) in guarantee deposit	(3,820)	190
Net cash flows from (used in) financing activities	<u>(192,269)</u>	<u>(265,988)</u>
Effect of exchange rate changes on cash and cash equivalents	(5,323)	(29,822)
Net increase (decrease) in cash and cash equivalents	(70,998)	271,607
Cash and cash equivalents at beginning of period	604,885	333,278
Cash and cash equivalents at end of period	<u>\$ 533,887</u>	<u>604,885</u>

See accompanying notes to financial statements.

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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

CHENMING MOLD IND. CORP (the "Company") was incorporated on June 1976. The business activities of the "Company" are the production of computer case, the manufacture and the development of mobile devices.

The consolidated financial statements of the Company as of and for the years ended December 31, 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). Please refer to note (4) (c) ii. for related information of the Group primarily business activities.

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

These consolidated financial statements were authorized for issuance by the board of directors on March 16, 2018.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

<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 "Presentation of Financial Statements-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 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 "Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

(Continued)

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

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

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017.

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Classification- Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group assessed that the initial application of IFRS 9 would not have any material impact on the consolidated financial statements.

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group assess that the timing that significant risks and rewards of the ownership transfer to the customers and the timing that the control of the goods transfer to the customers are similar, therefore, the Group expect that there is no significant impact for the transactions.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

(Continued)

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

Those which may be relevant to The Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
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.
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	<ul style="list-style-type: none"> • In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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

(Continued)

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

(4) Summary of significant accounting policies:

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

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 consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and IFRSs endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Accounting policies of subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

(Continued)

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

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group's share of net assets before and after the change, and any considerations received or paid, are adjusted to or against the Group reserves.

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

Name of investor	Name of subsidiary	Principal activity	Shareholding		Description
			December 31, 2017	December 31, 2016	
The Company	TOP CITY INTERNATIONAL LIMITED	Investment	100 %	100 %	
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC.	Investment	100 %	100 %	
#	GERSHWIN INTERNATIONAL LIMITED	Investment	100 %	100 %	
GERSHWIN INTERNATIONAL LIMITED	Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	100 %	100 %	
PEAK SHREWD INC.	CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	72 %	52 %	Note

Note: Since the Company acquired 52% interests of CHENMING (Ningbo) in April 2016, the related information is required to be disclosed in its consolidated financial statements commencing on the date of its acquisition. Another 20% interests was acquired in July 2017, and the ratio of the shareholding increased from 52% to 72%.

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary 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.

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Foreign operations

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

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

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

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

An 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 unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(Continued)

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

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

(f) Cash and cash equivalents

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

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

(g) Financial Instruments

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

(i) Financial assets

The Group 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.

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements****3) Impairment of financial assets**

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

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

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

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

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.

(Continued)

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

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

4) Derecognition of financial assets

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

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

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

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

2) Financial liabilities at fair value through profit or loss

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

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

(Continued)

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(iii) Derivative financial instruments

The Group 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.

(h) Inventories

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

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES
Notes to the Consolidated 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 other profit and losses.

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES**Notes to the Consolidated 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: 4 ~ 51 years
- 2) Machinery: 1 ~6 years
- 3) Other equipment: 1 ~11 years
- 4) Building and equipment constitutes mainly building, mechanical and electrical power equipment and its related facilities. Each such part depreciates based on its useful life.

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

(k) Lease**(i) The Group as lessor**

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

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

(ii) The Group as lessee

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

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Long-term prepaid rents of land leasehold rights (accounted for under other non-current assets) are recognized periodically as rent expenses based on the shorter of the lease term and the statutory period on a straight-line basis.

(I) Intangible assets

(i) Research & Development

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

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

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

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

(ii) Other intangible assets

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

(iii) Subsequent Expenditure

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

(iv) Amortization

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

(Continued)

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

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

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

(m) Impairment – non-derivative financial assets

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

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

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

(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.

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES
Notes to the Consolidated 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 Group's net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

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

(Continued)

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

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

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

(q) Share-based payment

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

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

(Continued)

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

(r) Income taxes

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

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

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

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

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

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

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

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

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

(s) Business combination

Goodwill is measured at the consideration transferred less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Group reassesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the excess.

All transaction costs relating to a business combination are recognized immediately as expenses when incurred, except for the issuance of debt or equity instruments.

The Group shall measure any non controlling interests in the acquiree either at fair value or at the non controlling interest's proportionate share of the acquiree's identifiable net assets if the non controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

(t) Earnings (loss) per share

The Group 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 board of directors.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with 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 consolidated financial statements.

Also, there are no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES
Notes to the Consolidated 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:

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 Group 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)(d) of the consolidated financial statement for inventory valuation.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Cash on hand	\$ 737	1,009
Checking accounts and demand deposits	<u>533,150</u>	<u>603,876</u>
	<u>\$ 533,887</u>	<u>604,885</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 Group.

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

(i)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Financial liabilities as at fair value through profit and loss		
Derivative instruments not used for hedging(recorded in other payables)	\$ -	<u>153</u>

(ii) 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) :

	<u>December 31, 2016</u>		
	<u>Contract amount (in thousands)</u>	<u>Currency</u>	<u>Maturity date</u>
Derivative financial liabilities			
Forward exchange contract:			
Forward exchange sold	USD 600	USD to TWD	2017.1.16~2017.1.26

(Continued)

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

(c) Notes and accounts receivable and other receivables

	December 31, 2017	December 31, 2016
Accounts receivable	1,486,447	1,184,583
Other receivables	13,709	13,693
	1,500,156	1,198,276
Less: allowance for uncollectible accounts	(21,678)	(25,523)
	<u>\$ 1,478,478</u>	<u>1,172,753</u>
Notes and account receivable, net	<u>\$ 1,464,769</u>	<u>1,159,060</u>
Other receivables – current	<u>\$ 13,709</u>	<u>13,693</u>

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

	December 31, 2017	December 31, 2016
Past due 0-30days	\$ 20,536	4,964
Past due 31-150 days	1,532	953
Past over 150 days	2	313
	<u>\$ 22,070</u>	<u>6,230</u>

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 :

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2017	\$ 20,669	4,854	25,523
Reversal of impairment loss	-	(3,738)	(3,738)
Influence from foreign exchange	-	(107)	(107)
Balance on December 31, 2017	<u>\$ 20,669</u>	<u>1,009</u>	<u>21,678</u>
Balance on January 1, 2016	\$ 3,591	767	4,358
Acqured from the merge	-	20,469	20,469
Impairment loss recognized	17,078	-	17,078
Reversal of impairment loss	-	(15,641)	(15,641)
Influence from foreign exchange	-	(741)	(741)
Balance on December 31, 2016	<u>\$ 20,669</u>	<u>4,854</u>	<u>25,523</u>

(Continued)

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

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

Due to December 31, 2017 and 2016, the group do not pledge account receivable as collateral.

(d) Inventories

	December 31, 2017	December 31, 2016
Raw materials	\$ 340,148	291,120
Work in progress	173,958	132,692
Finished goods	<u>260,773</u>	<u>206,122</u>
	<u>\$ 774,879</u>	<u>629,934</u>

The Group Composition details of operating cost on December 31, 2017 and 2016 as follow:

	December 31, 2017	December 31, 2016
Cost of good sold	\$ 4,071,154	3,565,434
Revenue from sale of scraps	(30,889)	(22,987)
Inventory valuation and obsolescence losses	(2,101)	(35,466)
Loss on scrapping of inventory	140,019	159,760
Loss on shortage of inventory	<u>26</u>	<u>-</u>
	<u>\$ 4,178,209</u>	<u>3,666,741</u>

In 2017 and 2016, the Group reversed its allowance for inventory valuation loss amounting to \$2,101 and \$ 35,466 due to sales or obsolescence, respectively.

As of December 31, 2017 and 2016, the Group do not pledge inventory as collateral.

(e) Investment accounted for using equity method

CHENMING ELECTRONIC (NINGBO)

Considering the future development strategy, on March 23, 2016, the board of directors decided to purchase 42.7% shares of CHENMING ELECTRONIC (NINGBO) amounting to \$203,175 (US\$6,300 thousand), in which the contract was signed on March 27, 2016. The Group increased its shareholding from 9.3% to 52% and acquired its controlling right in April 2016. The Group has already paid off its payment. Recognized assets and liabilities were as follow:

(Continued)

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

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

CHENMING ELECTRONIC (NINGBO) contributed the operating revenue and after-tax profit to the Group amounting to \$558,151 and \$121,360, respectively, since the acquisition date, which was on April 1, 2016. However, if the management assumed that the acquisition occur on January 1, 2016, it would have estimated the net operating revenue and net after-taxed profit to be \$983,757 and \$27,203 in 2016 Q1, respectively, wherein the fair value would have been the same to that of April, 1, 2016.

On June 27, 2017, the board of directors decided to purchase 20% shares of CHENMING ELECTRONIC (NINGBO) amounting to \$127,764 (US\$4,200 Thousand) in which the contract was signed on June 28, 2017; and the related transfer procedures had been completed in July 2017. The Group further increased its shares in CHENMING ELECTRONIC (NINGBO) from 52% to 72%. As of December 31, 2017, the Group still has a remaining balance of \$47,616(US\$1,600 Thousand), which was recognized as other payable-related parties.

(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, 2017	\$ 210,897	835,623	400,333	129,468	1,576,321
Additions	-	8,745	114,870	22,111	145,726
Disposal	-	(56,943)	(71,661)	(17,962)	(146,566)
Reclassifications	-	-	10,705	3,252	13,957
Effect of changes in exchange rates	-	(2,024)	(396)	(54)	(2,474)
Balance on December 31, 2017	\$ <u>210,897</u>	<u>785,401</u>	<u>453,851</u>	<u>136,815</u>	<u>1,586,964</u>

(Continued)

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

	<u>Land</u>	<u>Property</u>	<u>Machinery and Equipment</u>	<u>Office equipment and others</u>	<u>Total</u>
Balance on January 1, 2016	\$ 210,897	681,287	592,696	119,139	1,604,019
Acquired from merge	-	203,230	42,475	7,274	252,979
Additions	-	-	135,796	31,734	167,530
Disposal	-	(33,778)	(374,443)	(31,118)	(439,339)
Reclassifications	-	-	8,455	2,975	11,430
Effect of changes in exchange rates	-	(15,116)	(4,646)	(536)	(20,298)
Balance on December 31, 2016	<u>\$ 210,897</u>	<u>835,623</u>	<u>400,333</u>	<u>129,468</u>	<u>1,576,321</u>
Depreciation					
Balance on January 1, 2017	\$ -	212,852	132,830	49,659	395,341
Depreciation of the year	-	34,959	134,954	35,488	205,401
Disposal	-	(56,943)	(68,857)	(16,738)	(142,538)
Effect of changes in exchange rates	-	42	184	6	232
Balance on December 31, 2017	<u>\$ -</u>	<u>190,910</u>	<u>199,111</u>	<u>68,415</u>	<u>458,436</u>
Balance on January 1, 2016	\$ -	210,693	309,316	40,384	560,393
Depreciation of the year	-	36,389	190,658	36,735	263,782
Disposal	-	(33,705)	(366,698)	(27,399)	(427,802)
Effect of changes in exchange rates	-	(525)	(446)	(61)	(1,032)
Balance on December 31, 2016	<u>\$ -</u>	<u>212,852</u>	<u>132,830</u>	<u>49,659</u>	<u>395,341</u>
Book Value					
Balance on December 31, 2017	<u>\$ 210,897</u>	<u>594,491</u>	<u>254,740</u>	<u>68,400</u>	<u>1,128,528</u>
Balance on December 31, 2016	<u>\$ 210,897</u>	<u>622,771</u>	<u>267,503</u>	<u>79,809</u>	<u>1,180,980</u>

The Group bought land leasehold right and buildings from its related parties in July 2007. Since there was only a part of the contract that had yet to be realized, the related parties agreed that the Group need not have to pay for the remaining amount. As of December 31, 2017, the transferring of the deed has not yet been completed. However, the land leasehold and buildings mentioned above were already deemed as properties of the Group according to the contract.

As of December 31, 2017 and 2016, the Group had provided parts of the property, plant and equipment at collateral for its long-term loans and credit lines. Please refer to notes 8 for details.

(g) Investment Property

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Cost			
Balance on January 1, 2017	\$ 152,640	63,116	215,756
Balance on January 1, 2016	<u>\$ 152,640</u>	<u>63,116</u>	<u>215,756</u>
Depreciation			
Balance on January 1, 2017	\$ -	14,407	14,407
Depreciation of the year	-	1,238	1,238
Balance on December 31, 2017	<u>\$ -</u>	<u>15,645</u>	<u>15,645</u>

(Continued)

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

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Balance on January 1, 2016	\$ -	13,169	13,169
Depreciation of the year	-	1,238	1,238
Balance on December 31, 2016	<u>\$ -</u>	<u>14,407</u>	<u>14,407</u>
Book Value			
Balance on December 31, 2017	<u>\$ 152,640</u>	<u>47,471</u>	<u>200,111</u>
Balance on December 31, 2016	<u>\$ 152,640</u>	<u>48,709</u>	<u>201,349</u>
Fair Value			
Balance on December 31, 2017			<u>\$ 313,479</u>
Balance on December 31, 2016			<u>\$ 397,962</u>

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

As of December 31, 2017 and 2016, the Group pledge investment properties as collateral. Please refer to note 8 for details.

(h) Short-term borrowings

The short-term loans were summarized as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Credit Loan	<u>\$ 150,000</u>	<u>140,000</u>
Unused credit line for short-term loans	<u>\$ 605,440</u>	<u>643,400</u>
Annual interest rates	<u>1.0%~1.4%</u>	<u>1.0%~1.5%</u>

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

(i) Long-term borrowings

The long-term loans were summarized as follows:

	<u>December 31, 2017</u>			
	<u>Currency</u>	<u>Range of interest rates</u>	<u>Expiration</u>	<u>Amount</u>
Secured bank loans	TWD	<u>1.0%~1.5%</u>	2020~2025	\$ 140,000
Unsecured bank loans	TWD	<u>1.0%~1.5%</u>	2020	70,000
Total				<u>\$ 210,000</u>
Current				\$ -
Non-current				210,000
Total				<u>\$ 210,000</u>
Unused credit lines for long-term loans				<u>\$ 270,000</u>

(Continued)

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

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>	2017~2018	70,000
Total				<u>\$ 238,000</u>
Current				\$ -
Non-current				238,000
Total				<u>\$ 238,000</u>
Unused credit lines for long-term loans				<u>\$ 270,000</u>

- (i) The main management are the guarantor of long-term loan, Please refer to note 7.
- (ii) The information of annual interest rate and liquidity risk can refer to note 6(q).
- (iii) As of December 31, 2017 and 2016, the Group provided part of its assets as collateral for long-term loans. Please refer to note 8 for details.

(j) Operating lease

- (i) The Group as lessee

The book value of land leasehold right, case-processing factory located at NO.442 ZhenAN Middle Road Chang AN Town DongGuan City Guangdong, China, were as fellows.

	December 31, 2017	December 31, 2016	Lease period
Acquired in July, 2001	\$ 130,844	135,876	2001.07~2046.07
Acquired in October, 2007	<u>26,757</u>	<u>27,786</u>	2007.10~2046.07
	<u>\$ 157,601</u>	<u>163,662</u>	

Due to the business combination, the Group acquired the land leasehold rights, case-processing factory located at Ningbo City, China. The land leasehold rights recorded as long-term prepaid rents. The details were as follows:

	December 31, 2017	December 31, 2016	Lease period
Acquired from merge in March, 2016	<u>\$ 101,372</u>	<u>106,347</u>	2001.12~2044.5

The operating lease expense were \$9,870 and \$7,392 in 2017 and 2016.

(Continued)

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

(ii) The Group as lessor

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Less than one year	\$ 14,492	14,092
Between two and five years	<u>35,825</u>	<u>50,336</u>
	<u>\$ 50,317</u>	<u>64,428</u>

The lease revenue from investment property are \$15,354 and \$14,103 in 2017 and 2016, respectively. Moreover, the relative depreciation expense are both \$1,238, 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:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Present value of defined benefit obligations	\$ 36,082	35,458
Fair value of plan assets	<u>(60,782)</u>	<u>(60,192)</u>
Recognized liabilities(assets) for defined benefit obligations	<u>\$ (24,700)</u>	<u>(24,734)</u>

The Group 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 Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings 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.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$60,782 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.

(Continued)

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

2) Movements in present value of the defined benefit obligations

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

	<u>2017</u>	<u>2016</u>
Defined benefit obligation at January 1	\$ 35,458	31,278
Current service costs and interest	513	668
Remeasurement in net defined benefit liability (assets)	<u>111</u>	<u>3,512</u>
Defined benefit obligation at December 31	<u>\$ 36,082</u>	<u>35,458</u>

3) Movements of defined benefit plan assets

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

	<u>2017</u>	<u>2016</u>
Fair value of plan assets at January 1	\$ (60,192)	(59,769)
Expected return on plan assets	(828)	(1,121)
Remeasurement in net defined benefit liability (assets)	<u>238</u>	<u>698</u>
Fair value of plan assets at December 31	<u>\$ (60,782)</u>	<u>(60,192)</u>
Actual return on plan assets	<u>\$ (590)</u>	<u>(423)</u>

4) Expenses recognized in profit or loss

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

	<u>2017</u>	<u>2016</u>
Service cost	\$ 26	82
Interest cost	487	586
Expected rate of return on plan assets	<u>(828)</u>	<u>(1,121)</u>
	<u>\$ (315)</u>	<u>(453)</u>
Management expense	<u>\$ (315)</u>	<u>(453)</u>

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

The Group's remeasurement in net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2017 and 2016 were as follows:

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>2017</u>	<u>2016</u>
Cumulative amount at January 1	\$ 5,344	1,134
Recognized during the period	<u>349</u>	<u>4,210</u>
Cumulative amount at December 31	<u><u>\$ 5,693</u></u>	<u><u>5,344</u></u>

6) Actuarial assumptions

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

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Discount rate as of December 31	1.750 %	1.375 %
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 Group to suspend the contribution of pension in 2017 and 2016.

The expected allocation payment made by the Group 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 17.36 years

7) Sensitivity Analysis

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

	<u>Influences of defined benefit obligation</u>	
	<u>Increased 0.25%</u>	<u>Decreased 0.25%</u>
December 31,2017		
Discount rate	(1,319)	1,386
Future salary increasing rate	1,374	(1,313)
	<u>Influences of defined benefit obligation</u>	
	<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)

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(i) 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 Group recognized the pension costs under the defined contribution method amounting to \$80,140 and \$62,944 for the years ended December 31, 2017 and 2016, respectively.

(l) Income taxes

(i) Income tax expenses

1) The amount of income tax for 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Current tax expense		
Recognized during the period	\$ 33,367	24,442
10% surtax on unappropriated earnings	5,905	-
Adjustment to the prior period	<u>390</u>	<u>1,588</u>
	<u>39,662</u>	<u>26,030</u>
Deferred tax expense		
Recognition and reversal of temporary differences	(3,721)	14,464
Movement of unrecognized deductible temporary difference	<u>(1,792)</u>	<u>1,792</u>
	<u>(5,513)</u>	<u>16,256</u>
Income tax expense	<u>\$ 34,149</u>	<u>42,286</u>

2) The amount of income tax recognized in other comprehensive income for 2017 and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Items that may not be reclassified subsequently to profit or loss		
Remeasurement in defined benefit plan	<u>\$ (59)</u>	<u>(193)</u>

(Continued)

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

- 3) Reconciliation of income tax and profit before tax for 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Profit excluding income tax	\$ <u>280,067</u>	<u>298,339</u>
Income tax using the Company's domestic tax rate	42,000	40,815
Under (over) provision in prior periods	390	1,588
10% surtax on unappropriated earnings	5,905	-
Others	<u>(14,146)</u>	<u>(117)</u>
	<u>\$ <u>34,149</u></u>	<u><u>42,286</u></u>

- (ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities:

The consolidated entity is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2017 and 2016. Also, management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	\$ <u>8,562</u>	<u>(4,595)</u>

- 2) Unrecognized deferred tax assets:

Details of unrecognized deferred tax assets as follow:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unrecognized temporary differences	\$ -	1,792
Unrecognized tax losses	<u>34,725</u>	<u>71,126</u>
	<u>\$ <u>34,725</u></u>	<u><u>72,918</u></u>

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

(Continued)

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

As of December 31, 2017, tax loss from unrecognized deferred tax asset in Dongguan Chenming Electronic Co., Ltd:

<u>Year of loss</u>	<u>Unutilized business loss</u>	<u>Expiration date of the deficit</u>
2014	\$ <u>16,867</u>	2019

As of December 31, 2017, tax loss from unrecognized deferred tax asset in CHENMING ELECTRONIC (NINGBO):

<u>Year of loss</u>	<u>Unutilized business loss</u>	<u>Expiration date of the deficit</u>
2013	\$ <u>122,031</u>	2018

3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 were as follows:

	<u>Defined benefit Plans</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:			
Balance on January 1, 2017	\$ 4,500	2,717	7,217
Recognized in (profit) or loss	113	(2,777)	(2,664)
Recognized in other comprehensive income	(59)	-	(59)
Balance on December 31, 2017	\$ <u>4,554</u>	<u>(60)</u>	<u>4,494</u>
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	(193)	-	(193)
Balance on December 31, 2016	\$ <u>4,500</u>	<u>2,717</u>	<u>7,217</u>
Deferred tax assets:			
Balance on January 1, 2017	\$ -	1,248	1,248
Recognized in profit or (loss)	-	2,849	2,849
Balance on December 31, 2017	\$ <u>-</u>	<u>4,097</u>	<u>4,097</u>
Balance on January 1, 2016	\$ -	16,157	16,157
Recognized in profit or (loss)	-	(14,909)	(14,909)
Balance on December 31, 2016	\$ <u>-</u>	<u>1,248</u>	<u>1,248</u>

(Continued)

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

- (iii) The ROC tax authorities have examined the Company's income tax returns through 2015.
- (iv) Information related to the unappropriated earnings and tax deduction ratio was summarized below:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Unappropriated earnings of 1998 and thereafter	Note	\$ <u><u>302,109</u></u>
Balance of deductible tax account	Note	\$ <u><u>67,497</u></u>
	<u>2017 (estimated)</u>	<u>2016 (actual)</u>
Creditable ratio for earnings distribution to ROC residents	Note	<u><u>25.28 %</u></u>

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

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(m) Capital and other equities

(i) Ordinary shares

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.

As of December 31, 2017 and 2016, the authorized common stocks were \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which \$169,935 thousand shares, were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2017 and 2016, were as follows:

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Additional paid-in capital	\$ 14,722	14,722
Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>37,763</u>	<u>-</u>
	<u><u>\$ 52,485</u></u>	<u><u>14,722</u></u>

The company retire its treasury stock and reduced the capital surplus \$693 in 2016.

(Continued)

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

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

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.

2) Special reserve

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

3) Earnings distribution

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

The appropriations of earnings for 2015 approved in the shareholders' meeting on June 17, 2016 was \$53,381 by cash dividends.

(Continued)

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

(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

	2016	
	Share (thousands)	Amount
Balance on January 1	-	-
Additional	80,000	117,651
Retire treasury stock	(80,000)	(117,651)
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.

(n) Earnings per share

The calculation of basic earnings per share were calculated as follows:

	2017	2016
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>212,909</u>	<u>197,801</u>
Weighted-average number of ordinary shares (shares in thousands)	<u>169,935</u>	<u>173,858</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>212,909</u>	<u>197,801</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	169,935	173,858
Effect of employee stock remuneration	448	549
Weighted-average number of ordinary shares(after adjusted the influence of potential ordinary shares)	<u>170,383</u>	<u>174,407</u>

(Continued)

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

(o) Revenue

	<u>2017</u>	<u>2016</u>
Computer and server case	\$ 3,380,603	2,903,166
Mobile components	1,225,054	1,114,656
Mold revenue	<u>234,472</u>	<u>256,963</u>
	<u>\$ 4,840,129</u>	<u>4,274,785</u>

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

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

For the year ended December 31, 2017 and 2016, the Company estimated its employee remuneration amounting to both \$8,000, and directors' and supervisors' remuneration amounting to both \$1,500. 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 2017 and 2016. If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex-dividend effect) on the day preceding the board of directors' meeting. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2017 and 2016.

(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 Group are mainly high-tech companies, account receivable have 73% and 55% are composed by five clients in December 31, 2017 and 2016. Thus, the company has concentration to credit risk situation.

(Continued)

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

(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, 2017				
Secured loans	\$ 140,000	-	72,000	68,000
Unsecured loans	220,000	150,000	70,000	-
Notes and accounts payable	1,196,776	1,196,776	-	-
Other payables (including related parties)	167,738	167,738	-	-
Guarantee deposits	<u>5,732</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,730,246</u>	<u>1,514,514</u>	<u>142,000</u>	<u>68,000</u>
December 31, 2016				
Secured loans	\$ 168,000	-	72,000	96,000
Unsecured loans	210,000	140,000	70,000	-
Notes and accounts payable	809,110	809,110	-	-
Other payables (including related parties)	152,373	152,373	-	-
Guarantee deposits	9,552	-	-	-
Derivative financial liabilities				
Other forward exchange outtracts:	153			
Outflow	-	(19,350)	-	-
Inflow	-	<u>19,181</u>	-	-
	<u>\$ 1,349,188</u>	<u>1,101,314</u>	<u>142,000</u>	<u>96,000</u>

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

	<u>December 31, 2017</u>			<u>December 31, 2016</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	\$ 32,061	29.760	954,135	31,708	32.25	1,022,583
USD to CNY	17,599	6.534	523,746	12,548	6.937	404,673
CNY to TWD	106,407	4.565	485,748	65,100	4.617	300,567

(Continued)

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

	December 31, 2017			December 31, 2016		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial liabilities						
Monetary items						
USD to TWD	5,685	29.760	169,186	4,769	32.250	153,800
USD to CNY	2,431	6.543	72,347	1,803	6.937	58,147
CNY to TWD	153,960	4.565	702,827	112,427	4.617	519,075

2) Sensitivity analysis

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

A weakening (strengthening) 5% of each major foreign currency against Group entities' functional currency as of December 31, 2017 and 2016 would have affected the net profit before tax as followings:

	December 31, 2017	December 31, 2016
USD (against the TWD)		
Strengthening 5%	\$ 39,247	43,439
Weakening 5%	(39,247)	(43,439)
USD (against the CNY)		
Strengthening 5%	22,570	17,326
Weakening 5%	(22,570)	(17,326)
CNY (against the TWD)		
Strengthening 5%	(10,854)	(10,925)
Weakening 5%	10,854	10,925

3) Exchange gains and losses of monetary items

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

	2017		2016	
	Exchange profit(loss)	Average rate	Exchange profit(loss)	Average rate
TWD	\$ (42,032)	-	4,377	-
CNY	(5,666)	4.5019	5,918	4.782

(Continued)

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

(iv) Interest Rate analysis

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

	<u>Carrying amount</u>	
	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Variable rate instruments:		
Financial assets	\$ 533,150	603,876
Financial liabilities	360,000	378,000

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have increased or decrease by \$433 and \$565 for the years ended December 31, 2017 and 2016, respectively, which would be mainly resulted from the bank savings and loans with variable interest rates.

(v) Fair value

1) Procedure of valuation

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

2) Fair value hierarchy

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

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

(Continued)

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

3) The kinds of financial instruments and fair value

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

		December 31, 2017			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	\$ 533,887	-	-	-	-
Notes and accounts receivable, net	1,464,769	-	-	-	-
Other current financial assets	13,709	-	-	-	-
Refundable deposits	<u>18,652</u>	-	-	-	-
	<u>2,031,017</u>				
	<u>\$ 2,031,017</u>				
Financial liabilities at amortized cost					
Bank loan	\$ 360,000	-	-	-	-
Notes and account payables	1,196,776	-	-	-	-
Other payables (including related parties)	167,738	-	-	-	-
Guarantee deposits	<u>5,732</u>	-	-	-	-
Total	<u>\$ 1,730,246</u>				
		December 31, 2016			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	\$ 604,885	-	-	-	-
Notes and accounts receivable, net	1,159,060	-	-	-	-
Other current financial assets	13,693	-	-	-	-
Refundable deposits	<u>15,455</u>	-	-	-	-
	<u>1,793,093</u>				
	<u>\$ 1,793,093</u>				

(Continued)

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

	December 31, 2016				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at amortized cost					
Bank loan	378,000	-	-	-	-
Notes and account payables	809,110	-	-	-	-
Other payables (including related parties)	152,373	-	-	-	-
Guarantee deposits	9,552	-	-	-	-
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	<u>153</u>	-	153	-	153
Total	<u>\$ 1,349,188</u>				

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

The Group 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.

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

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

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements

The financial instruments from non-active market are evaluated by discount cash flow model, the main assumption is according to time value of money and investment risk to evaluate future cash flow.

b) Derivative financial instruments

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

- 6) There were no transfers from one level to another in 2016.
- 7) The following table shows the reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy:

	<u>Equity instruments of non-active quotation</u>
Balance on January 1, 2016	\$ 175,215
Total profit recognize in other comprehensive income	<u>(175,215)</u>
Balance on December 31, 2016	<u><u>\$ -</u></u>

The above total gains are recognized in unrealized gain (loss) on available-for-sale financial assets.

(r) Financial risk management

(i) Briefings

The Group 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.

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES**Notes to the Consolidated Financial Statements****(ii) Structure of risk management**

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

(iii)Credit risk

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

1) Accounts receivable and other receivables

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

The Group constantly evaluate clients' financial situation, if necessary, the company will buy credit guarantee insurance contract. But the company usually won't ask clients offer collateral.

2) Guarantees

As of December 31, 2017 and 2016, the Group do not offer any endorsement and guarantees.

(iv)Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to note 6(h) and note 6(i) for unused short-term and long-term bank facilities as of December 31, 2017 and 2016.

(v) Market risk

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

(Continued)

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

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (TWD) and US Dollars (USD), Chinese Yuan (CNY). The currencies used in these transactions are denominated in TWD, USD, and CNY.

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

2) Interest rate risk

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

3) Other market value risk

The Group is exposed to equity price risk arising from listed stock investments. Since investment of foreign operation is strategy investment, the Group do not plan any hedge in this field.

(s) Capital management

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

Debt-to-equity ratio in December 31, 2017 and 2016 as follow:

	December 31, 2017	December 31, 2016
Total liabilities	\$ 1,916,754	1,570,914
Total equity	4,540,382	4,169,495
Debt-to-equity ratio	42 %	38 %

As of December 31, 2017, the capital management method do not change.

(Continued)

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

(7) Related-party transactions:

(a) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
CHENMING ELECTRONIC (NINGBO) CO., LTD	Subsidiary of the Company
CHENMING(H.K.) CORPORATION LIMITED	Same chairman with the Company
UNEEC Culture and Education Foundation	Same chairman with the Company
Lin, Mu-Ho	Chairman of the Company

(b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(c) Transaction among other relative parties

(i) Selling products to relative parties

	<u>Sales</u>	
	<u>2017</u>	<u>2016</u>
Other relative parties	<u>\$ -</u>	<u>351</u>

The price and account receivable period are no different between relative parties and general supplier; the open account date is 60 days for relative parties. The account receivable above already have received.

(ii) Lease

The Group 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, 2017 and 2016 amounted to \$3,429.

(iii) Technical service contact with relative parties

According to the contract, the technical service expense provided by CHEMING (H.K) CORPORATION LIMITED, a related party, to the Group amounted \$17,431, which was recognized as operating cost, for the period from April to September in 2016. The said payments had been fully paid of December 31, 2017.

(Continued)

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

(iv) Equity trading

Considering future industry strategy, on March 27, 2016, the Group entered into an equity trading agreement with CHENMING (H.K.) CORPORATION LIMITED amounting to \$203,175 (USD \$6,300 thousand) and acquired 42.7% interests of CHENMING (NINGBO). As of December 31, 2017, the Group has already paid off its payable.

On June 28, 2017, the Group acquired another 20% interests of CHENMING (NINGBO) from CHENMING (H.K.) CORPORATION LIMITED amounting to \$127,764 (USD\$4,200 thousand). As of December 31, 2017, the Group still has a remaining balance of \$47,616 (USD\$1,600 thousand), which was recognized as other payables-related parties. Please refer to note 6(e) for related information.

(v) Others

The amounts of expenses CHENMING ELECTRONIC (NINGBO) CO., LTD paid through its related parties which was recognized as operating cost was \$3,466 in 2017. As of December 31, 2017, CHENMING ELECTRONIC (NINGBO) CO., LTD has already paid off its payment.

(d) Key management personnel compensation

(i) Key management personnel compensation comprised:

	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$ 10,921	14,265
Post-employment benefits	546	422
	<u>\$ 11,467</u>	<u>14,687</u>

(ii) Guarantee

The main management are guarantor of the syndication contract, and the amount of syndication are \$210,000 and \$238,000 in December 31, 2017 and 2016.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Assets</u>	<u>Subject</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>
PPE and investment properties	Long-term loans		
— land		\$ 347,804	347,804
— properties	Long-term loans	142,457	146,032
Other financial asset-non current	Customs deposits	15,507	12,359
		<u>\$ 505,768</u>	<u>506,195</u>

(Continued)

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

(9) Commitments and contingencies:None

(10) Losses Due to Major Disasters:None

(11) Subsequent Events:None

(12) Other:

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

By function By item	2017			2016		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,027,947	155,598	1,183,545	906,662	180,931	1,087,593
Labor and health insurance	-	6,143	6,143	-	6,683	6,683
Pension	72,070	7,755	79,825	54,193	8,298	62,491
Others	51,129	22,030	73,159	25,509	14,332	39,841
Depreciation	190,333	15,068	205,401	251,573	12,209	263,782
Amortization	1,256	1,182	2,438	737	1,652	2,389

The depreciation expense, which subtract the depreciation expense from investment properties, are both \$1,238 in 2017 and 2016 which are recognized in the subtraction of rent revenue.

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 1)
													Item	Value		
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Accounts receivable due from related parties	Yes	178,560	178,560	119,040	1.63417%~2.01778%	Demand for funding	-	Depending on demand for funding	-	-	-	1,902,981 (note 1)	1,902,981 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	"	68,475	68,475	-	4.1%	"	-	"	-	-	-	85,969 (note 2)	85,969 (note 2)

Note 1 : The total amount of the guarantee provided by the Lender Company shall not exceed hundred percent (100%) of the Lender Company's net worth
Note 2: The total amount of the guarantee provided by the Lender Company shall not exceed ten percent (10%) of the Lender Company's net worth
Note 3: The transactions have been eliminated in the consolidated financial statement.

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

- (ii) Guarantees and endorsements for other parties:None
- (iii) Securities held as of December 31, 2017 (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
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 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	2,445,773	99 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(554,040)	(98)%	-
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,445,773)	74 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	554,040	99 %	-

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note1)	Allowance for bad debts	
					Amount	Action taken			
Dongguan Chenming Electronic Co., Ltd	The Company	Subsidiaries	554,040	4.55	-		526,518	-	The transactions have been eliminated in the consolidated financial statement.

Note1: The recovered amounts were as of March 1, 2018

- (ix) Trading in derivative instruments: None

(Continued)

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

(x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	2	Other current financial assets	119,040	Rate 1.63417%~2.07118 %	3.00%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	2,445,773	The price is based on the fix ratio of final sales price, and the credit period is depending on the demand for funding	51.00%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Accounts receivable	554,040		12.00%

Note 1: The numbers filled in as follows:

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

Note 2: Relationship with the transactions labeled as follows:

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

(b) Information on investees:

The following is the information on investees for the years ended December 31, 2017 (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, 2017			Highest balance during the year	Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 2017	December 31, 2016	Shares (thousands)	Percentage of ownership	Carrying value				
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	1,883,713	1,696,833	57,048	100 %	1,902,981	57,048	100 %	77,394	Subsidiaries (note)
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	1,207,977	45,988	100 %	21,822	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED
"	PEAK SHREWD INC	Samoa	Investment	519,536	332,655	14,900	100 %	570,091	14,900	100 %	53,598	"

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

(Continued)

CHENMING MOLD IND. CORP AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2017	Net income (losses) of the investment	Percentage of ownership	The Shares (thousands)	The Percentage of ownership	Investment Income (losses) (note 2 and 3)	Carrying amount as of December 31, 2017 (note 3)	Accumulated remittance of earnings as of December 31, 2017
					Outflow	Inflow								
CHENMING ELECTRONIC (NINGBO)CO.,LTD	Computer case and production of relative components	1,919,520 (USD64,500)	note 1 and 7	297,600 (USD10,000)	145,824 (USD4,900) (note 6)	-	443,424 (USD14,900)	75,951	72 %	-	72 %	42,941	618,975	-
Dongguan Chenming Electronic Co., Ltd	#	862,385 (note 4)(USD28,978) (note 5)	note 1 and 8	741,024 (USD24,900)	-	-	741,024 (USD24,900)	53,624	100 %	-	100 %	53,624	854,421	-

- (i) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2017	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	1,321,344 (USD 44,000)	1,321,344 (USD 44,000)	None

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 \$29.76 as of December 31, 2017; gains and losses were translated into New Taiwan Dollars at the average exchange rate of \$30.4315 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

Note9: According to the "REGULATIONS GOVERNING THE APPROVAL OF INVESTMENT OR TECHNICAL COOPERATION IN MAINLAND CHINA" amended in August 29, 2008 by the MOEAIC, the Company has acquired related documents. Therefore, there is no restriction to the Company's investing amount in Mainland China.

- (ii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China in 2017, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

(Continued)

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

(14) Segment information:

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

(b) Overall information of the Group

(i) Product information

<u>Products</u>	<u>2017</u>	<u>2016</u>
Computer and server case	\$ 3,380,603	2,903,166
Mobile component	1,225,054	1,114,656
Mold revenue	<u>234,472</u>	<u>256,963</u>
	<u>\$ 4,840,129</u>	<u>4,274,785</u>

(ii) Geographic information

The Group's sales presented by customer location and non-current assets presented by location, the geographic information were as follows:

1) Revenue from external customers:

<u>Country</u>	<u>2017</u>	<u>2016</u>
Taiwan	\$ 1,148,884	650,711
Mainland China	2,388,544	2,496,004
Other Country	<u>1,302,701</u>	<u>1,128,070</u>
	<u>\$ 4,840,129</u>	<u>4,274,785</u>

2) Non-current Assets:

<u>Country</u>	<u>2017</u>	<u>2016</u>
Taiwan	\$ 516,123	523,657
Mainland China	<u>1,100,671</u>	<u>1,146,163</u>
	<u>\$ 1,616,794</u>	<u>1,669,820</u>

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

(Continued)

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

(iii) Important clients information

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

	<u>2017</u>	<u>2016</u>
H company	\$ 1,266,653	1,159,734
B company	848,097	976,347
D company	498,312	708,799
C company	486,070	459,346