

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

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

CONSOLIDATED FINANCIAL STATEMENTS

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2018 and 2017**

The independent auditors' review 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 independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheets of the CHENMING MOLD IND. CORP. and its subsidiaries as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards (“IASs”) 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the CHENMING MOLD IND. CORP. and its subsidiaries as of March 31, 2018 and 2017, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.



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

KPMG

Taipei, Taiwan (Republic of China)

May 9, 2018

Notes to Readers

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

The independent auditors' review 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 independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2018 and 2017

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

		For the three months ended March 31			
		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (note 6(n))	\$ 1,085,766	100	1,071,577	100
5000	Operating costs (notes (6)(c), (7), and (12))	1,020,163	94	932,614	87
5900	Gross profit from operations	65,603	6	138,963	13
6000	Operating expenses (note (12)):				
6100	Selling expenses	26,586	2	29,944	3
6200	Administrative expenses	51,240	5	41,524	4
6300	Research and development expenses	8,687	1	6,668	1
		86,513	8	78,136	8
6900	Net operating income (expenses)	(20,910)	(2)	60,827	5
7000	Non-operating income and expenses:				
7050	Finance costs, net	(1,549)	-	(1,355)	-
7100	Interest income	292	-	129	-
7110	Rent revenue (note (7))	3,685	-	3,312	-
7190	Other income	2,186	-	2,874	-
7230	Foreign exchange gains (losses), net (note (6)(p))	(35,000)	(3)	(37,278)	(3)
7590	Other expense and losses	(1,353)	-	(203)	-
		(31,739)	(3)	(32,521)	(3)
7900	Profit before tax	(52,649)	(5)	28,306	2
7950	Less: Income tax expenses (note (6)(k))	(8,846)	(1)	1,337	-
	Profit (loss)	(43,803)	(4)	26,969	2
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans	-	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(k))	(27)	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(27)	-	-	-
8360	Other components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statement	15,210	1	(36,926)	(3)
8399	Income tax relating to items that will be reclassified	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	15,210	1	(36,926)	(3)
8300	Other comprehensive income	15,183	1	(36,926)	(3)
	Comprehensive income	\$ (28,620)	(3)	(9,957)	(1)
	Profit belongs to :				
	Parent entity	\$ (33,779)	(3)	10,535	(1)
	Non-controlling interests	(10,024)	(1)	16,434	3
		\$ (43,803)	(4)	26,969	2
	Other comprehensive income belongs to :				
	Parent entity	\$ (22,855)	(2)	(8,668)	(1)
	Non-controlling interests	(5,765)	(1)	(1,289)	-
		\$ (28,620)	(3)	(9,957)	(1)
	Basic net income per share (note (6)(m))	\$ (0.20)		0.06	
	Dilution net income per share (note (6)(m))	\$ (0.20)		0.06	

See accompanying notes to financial statements.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent							Total equity
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Total other equity interest	
Balance at January 1, 2017	\$ 1,699,350	14,722	232,416	-	302,109	534,525	2,218,619	2,598,581
Profit for the three months ended March 31, 2017	-	-	-	-	10,535	10,535	10,535	16,434
Other comprehensive income	-	-	-	-	-	-	(19,203)	(17,723)
Total comprehensive income	-	-	-	-	10,535	10,535	(8,668)	(36,926)
Balance at March 31, 2017	\$ 1,699,350	14,722	232,416	-	312,644	545,060	2,209,951	2,588,624
Balance at January 1, 2018	\$ 1,699,350	52,485	252,196	29,978	380,002	662,176	2,382,915	2,623,628
Loss for the three months ended March 31, 2018	-	-	-	-	(33,779)	(33,779)	(33,779)	(10,024)
Other comprehensive income	-	-	-	-	(27)	(27)	10,924	4,259
Total comprehensive income	-	-	-	-	(33,806)	(33,806)	(22,855)	(5,765)
Balance at March 31, 2018	\$ 1,699,350	52,485	252,196	29,978	346,196	628,370	2,360,060	2,595,008

See accompanying notes to financial statements.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2018	2017
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ (52,649)	28,306
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	56,661	49,551
Amortization expense	603	2,110
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	532	(3,862)
Interest expense	1,549	1,355
Interest income	(292)	(129)
Loss on disposal of property, plant and equipment, net	1,354	-
Other	841	6,120
Total adjustments to reconcile profit (loss)	61,248	55,145
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	149,758	(22,888)
Decrease (increase) in inventories	(135,642)	(54,092)
Decrease (increase) in other current assets	15,338	(11,791)
Decrease (increase) in other financial assets	12,045	12,919
Increase (decrease) in contract liabilities	1,485	-
Increase (decrease) in notes and accounts payable (including related parties)	(122,486)	(129,747)
Increase (decrease) in other payable and other current liabilities	(34,189)	(41,172)
Total adjustments	(52,443)	(191,626)
Cash flows from (used in) operation	(105,092)	(163,320)
Interest received	292	129
Net cash flows from (used in) operating activities	(104,800)	(163,191)
Cash flows from (used in) investing activities:		
Acquisition of subsidiaries (reduce acquired cash)	-	(73,025)
Acquisition of property, plant and equipment	(11,506)	(16,727)
Decrease (increase) in prepayment for business facilities	(52,290)	(11,026)
Decrease (increase) in refundable deposit	407	(30)
Net cash flows from (used in) investing activities	(63,389)	(100,808)
Cash flows from (used in) financing activities:		
Increase in short-term loans	50,000	5,000
Increase in long-term loans	-	40,000
Decrease in long-term loans	(7,000)	(47,000)
Increase (decrease) in guarantee deposits received	395	(804)
Interest paid	(1,521)	(1,344)
Acquisition of non-controlling interests	(24,332)	-
Net cash flows from (used in) financing activities	17,542	(4,148)
Effect of exchange rate changes on cash and cash equivalents	10,432	(25,663)
Net increase (decrease) in cash and cash equivalents	(140,215)	(293,810)
Cash and cash equivalents at beginning of period	533,887	604,885
Cash and cash equivalents at end of period	\$ 393,672	311,075

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

(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 cases, the manufacture and the development of mobile devices.

The consolidated financial statements of the Company as of and for the three months ended March 31, 2018 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”). Please refer to note (4) (b) i. for related information of the Group primarily business activities.

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

These consolidated financial statements for the three months ended March 31, 2018 and 2017 were authorized for issuance by the board of directors on May 9, 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, 2018.

<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

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

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 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

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. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

The Group considers that the related risk and the rewards of ownership transfer is similar to the point of control transfer, therefore the adoption of IFRS 15 does not have any significant impact on its accounting policies on the consolidated financial statement.

(ii) 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.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its

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

contractual cash flow characteristics. The standard eliminates the previous 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 asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(c).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(c).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed 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.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group’s financial assets as of January 1, 2018.

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

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables (Note 1)	533,887	Amortized cost	533,887
Notes and Accounts Receivable	Loans and receivables (Note 1)	1,464,769	Amortized cost	1,464,769
Other Receivable (including current and non current) and Guarantee Deposits	Loans and receivables (Note 1)	32,361	Amortized cost	32,361

Note1: Cash and cash equivalents, notes receivable, accounts receivable (including related parties), other receivable and guarantee deposits that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(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 present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(s).

(b) 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
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019

(Continued)

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

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

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

(4) Summary of significant accounting policies:

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2017. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2017.

(b) Basis of consolidation

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Description
			March 31, 2018	December 31, 2017	March 31, 2017	
The Company	TOP CITY INTERNATIONAL LIMITED	Investment	100 %	100 %	100 %	
TOP CITY INTERNATIONAL LIMITED	PEAK SHREWD INC.	Investment	100 %	100 %	100 %	
"	GERSHWIN INTERNATIONAL LIMITED	Investment	100 %	100 %	100 %	
GERSHWIN INTERNATIONAL LIMITED	Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	100 %	100 %	100 %	
PEAK SHREWD INC.	CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	72 %	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%.

(c) Financial instruments (applicable from January 1, 2018)

(i) Financial assets

Financial assets are classified into measured at amortized cost.

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

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

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, refundable deposit and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(Continued)

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 360 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 360 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

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

3) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in “other equity – unrealized gains or losses on fair value through other comprehensive income”, in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of 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 presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

(d) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group’s main types of revenue are explained below.

The Group manufactures computer cases and mobile devices and sells its to customers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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(e) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change immediately should be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(f) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year adjusted for significant market fluctuation since that time and for significant curtailments settlements, or other significant one-off events.

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

The preparation of the consolidated interim financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2017. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2017.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	March 31, 2018	December 31, 2017	March 31, 2017
Cash on hand	\$ 1,633	737	930
Checking accounts and demand deposits	<u>392,039</u>	<u>533,150</u>	<u>310,145</u>
	<u>\$ 393,672</u>	<u>533,887</u>	<u>311,075</u>

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

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

(b) Notes and accounts receivable and other receivables

	March 31, 2018	December 31, 2017	March 31, 2017
Notes and accounts receivable	\$ 1,336,689	1,486,447	1,207,471
Less: allowance for uncollectible accounts	<u>(22,226)</u>	<u>(21,678)</u>	<u>(21,521)</u>
Total	<u>\$ 1,314,463</u>	<u>1,464,769</u>	<u>1,185,950</u>
Notes and accounts receivable, net	<u>\$ 1,314,463</u>	<u>1,464,769</u>	<u>1,185,950</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on March 31, 2018. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of March 31, 2018 was determined as follows:

	Gross carrying amount	Weighted- average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 1,302,303	0.09%	1,154
1 to 30 days past due	6,867	0.5%	34
31 to 150 days past due	6,638	3.96%	263
150 to 360 days past due	212	50%	106
More than 360 days past due	<u>20,669</u>	100%	<u>20,669</u>
	<u>\$ 1,336,689</u>		<u>22,226</u>

As of December 31 and March 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017	March 31, 2017
Past due 0 to 30 days	\$ 20,536	8,635
Past due 31 to 150 days	1,532	1,794
Past over 150 days	<u>2</u>	<u>323</u>
	<u>\$ 22,070</u>	<u>10,752</u>

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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The movement in the allowance for notes and accounts receivable was as follows:

	March 31, 2018	March 31, 2017	
		Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2017 per IAS 39	\$ 21,678	20,669	4,854
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	21,678		
Impairment losses recognized	532	-	-
Impairment losses reversed	-	-	(3,862)
Foreign exchange gains/(losses)	16	-	(140)
Balance on March 31, 2018 and 2017	<u>\$ 22,226</u>	<u>20,669</u>	<u>852</u>

As of March 31, 2018, December 31, 2017 and March 31, 2017, the Group do not pledge receivable as collateral.

(c) Inventories

	March 31, 2018	December 31, 2017	March 31, 2017
Raw materials	\$ 367,621	340,148	280,885
Work in progress	251,078	173,958	155,350
Finished goods	<u>291,822</u>	<u>260,773</u>	<u>247,791</u>
	<u>\$ 910,521</u>	<u>774,879</u>	<u>684,026</u>

The Group Composition details of operating cost on March 31, 2018 and 2017 as follow:

	March 31, 2018	March 31, 2017
Cost of good sold	\$ 1,002,057	921,492
Revenue from sale of scraps	(8,305)	(5,182)
Inventory valuation and obsolescence losses	1,336	(1,005)
Loss on scrapping of inventories	<u>25,075</u>	<u>17,309</u>
	<u>\$ 1,020,163</u>	<u>932,614</u>

The Company write-down of the inventories to net realizable value amounted to \$1,336 in the three months ended March 31, 2018.

The Company reversed its allowance for inventory valuation loss amounting to \$1,005 due to the net realizable value of inventories bounced back in the three months ended March 31, 2017.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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As of March 31, 2018, December 31, 2017 and March 31, 2017, the Group do not pledge inventory as collateral.

(d) Investment accounted for using equity method

Considering the future development strategy on June 27, 2017, the board of directors decided to purchase 20% shares of CHENMING ELECTRONIC (NINGBO) amounting to \$127,764 (US\$4,200) from CHENMING (H.K.) CORPORATION LIMITED through its subsidiaries "PEAK SHREWD INC." which the shares are 100% hold by the Group 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 March 31, 2018 and December 31, 2017, the Group still has a remaining balance of \$23,284 thousand (US\$800 thousand) and \$47,616 thousand (US\$1,600 Thousand), which were recognized as other payable-related parties.

(e) 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, 2018	\$ 210,897	785,401	453,851	136,815	1,586,964
Additions	-	-	5,111	3,665	8,776
Disposal	-	(2,962)	(35,138)	(17,836)	(55,936)
Reclassifications	-	-	5,012	-	5,012
Effect of changes in exchange rates	-	3,504	2,118	130	5,752
Balance on March 31, 2018	<u>\$ 210,897</u>	<u>785,943</u>	<u>430,954</u>	<u>122,774</u>	<u>1,550,568</u>
Balance on January 1, 2017	\$ 210,897	835,623	400,333	129,468	1,576,321
Additions	-	-	16,515	499	17,014
Disposal	-	(28,796)	(5,821)	(1,951)	(36,568)
Reclassifications	-	-	7,142	-	7,142
Effect of changes in exchange rates	-	(8,674)	(3,727)	(289)	(12,690)
Balance on March 31, 2017	<u>\$ 210,897</u>	<u>798,153</u>	<u>414,442</u>	<u>127,727</u>	<u>1,551,219</u>
Depreciation					
Balance on January 1, 2018	\$ -	190,910	199,111	68,415	458,436
Depreciation of the period	-	8,815	38,573	8,963	56,351
Disposal	-	(2,961)	(33,922)	(17,699)	(54,582)
Effect of changes in exchange rates	-	419	667	48	1,134
Balance on March 31, 2018	<u>\$ -</u>	<u>197,183</u>	<u>204,429</u>	<u>59,727</u>	<u>461,339</u>
Balance on January 1, 2017	\$ -	212,852	132,830	49,659	395,341
Depreciation of the period	-	8,741	31,603	8,897	49,241
Disposal	-	(28,796)	(5,626)	(1,878)	(36,300)
Effect of changes in exchange rates	-	(619)	(661)	(69)	(1,349)
Balance on March 31, 2017	<u>\$ -</u>	<u>192,178</u>	<u>158,146</u>	<u>56,609</u>	<u>406,933</u>

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CHENMING MOLD IND. CORP. AND 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>
Book Value					
Balance on January 1, 2018	\$ <u>210,897</u>	<u>594,491</u>	<u>254,740</u>	<u>68,400</u>	<u>1,128,528</u>
Balance on March 31, 2018	\$ <u>210,897</u>	<u>588,760</u>	<u>226,525</u>	<u>63,047</u>	<u>1,089,229</u>
Balance on March 31, 2017	\$ <u>210,897</u>	<u>605,975</u>	<u>256,296</u>	<u>71,118</u>	<u>1,144,286</u>

The process of land leasehold right and building right information can refer to note (6)(f) of consolidated financial statement December 31, 2017.

As of March 31, 2018, December 31, 2017 and March 31, 2017 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.

(f) Investment Property

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Book value:			
Balance on January 1, 2018	\$ <u>152,640</u>	<u>47,471</u>	<u>200,111</u>
Balance on March 31, 2018	\$ <u>152,640</u>	<u>47,161</u>	<u>199,801</u>
Balance on March 31, 2017	\$ <u>152,640</u>	<u>48,399</u>	<u>201,039</u>

There were no material addition, disposal, impairment or reversal situation of investment properties on March 31, 2018 and 2017. Please refer to note (12) for details. For other related information, please refer to note (6)(g) of the 2017 consolidate financial statements.

There were no significant difference between the fair value of investment properties and that disclosed in the 2017 consolidate financial statements. Please refer to note (6)(g) of the 2017 consolidate financial statement.

Please refer to note (8) for information on investment properties pledged as collateral as of March 31, 2018, December 31, 2017 and March 31, 2017.

(g) Short-term loan

The short-term loans were summarized as follows:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>	<u>March 31, 2017</u>
Credit Loan	\$ <u>200,000</u>	<u>150,000</u>	<u>145,000</u>
Unused credit line for short-term loans	\$ <u>552,995</u>	<u>605,440</u>	<u>621,270</u>
Annual interest rates	<u>1.0%~1.4%</u>	<u>1.0%~1.4%</u>	<u>1.0%~1.4%</u>

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

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

(h) Long-term loans

The long-term loans were summarized as follows:

	March 31, 2018	December 31, 2017	March 31, 2017
Secured bank loans	\$ 133,000	140,000	161,000
Unsecured bank loans	70,000	70,000	70,000
Less: current portion	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 203,000</u>	<u>210,000</u>	<u>231,000</u>
Unused long-term credit line	<u>\$ 260,000</u>	<u>270,000</u>	<u>270,000</u>
Range of interest rate	<u>1.0%~1.5%</u>	<u>1.0%~1.5%</u>	<u>1.0%~1.5%</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(p).
- (iii) The Group provided part of its assets as collateral for long-term loans. Please refer to note 8 for details.

(i) Operating lease

There were no significant differences between the new lease contracts and the long-term prepaid rents of the Group for the three months ended March 31, 2018 and 2017. For related information, please refer to note 6(j) of the 2017 annual consolidated financial statements.

(j) Employee benefits

(i) Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time event in the prior fiscal year, the consolidated financial statements shall be measured and disclosed in accordance with the actuarial report measured on December 31, 2017 and 2016.

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

	Three months ended March 31,	
	2018	2017
Operating expense	<u>\$ (79)</u>	<u>(79)</u>

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(ii) Defined contribution plans

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

	Three months ended March 31,	
	2018	2017
Cost of sales	\$ 14,269	16,818
Operating expense	<u>1,990</u>	<u>1,603</u>
	<u>\$ 16,259</u>	<u>18,421</u>

(k) Income taxes

(i) 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, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. The group spreads the effect of the change in the tax rate by an adjustment to the estimated annual effective income tax rate.

(ii) The amount of income tax was as follows:

	Three months ended March 31,	
	2018	2017
Current tax expense (profit)	\$ <u>(8,846)</u>	<u>1,337</u>

(iii) The amount of income tax recognized directly in other comprehensive income for the three months ended March 31, 2018 and 2017 was as follows:

	Three months ended March 31,	
	2018	2017
Re-measurement from defined benefit plans	\$ <u>(27)</u>	<u>-</u>

(iv) The ROC tax authorities have examined the Group's income tax returns through 2015.

(l) Capital and other equities

Except as described below, there were no significant changes in the capital and other equities of the Group for the three months ended March 31, 2018 and 2017. For related information, please refer to note (6)(m) of 2017 annual consolidated financial statement.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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(i) Capital surplus

	March 31, 2018	December 31, 2017	March 31, 2017
Additional paid-in capital	\$ 14,722	14,722	14,722
Difference between consideration and carrying amount of subsidiaries acquired or disposed	37,763	37,763	-
Additional paid-in capital	\$ 52,485	52,485	14,722

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.

(ii) 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) Earnings distribution

The appropriations of earnings for 2018 approved in the shareholders' meeting on March 16, 2018 was \$84,968 by cash dividends.

The appropriations of earnings for 2017 had been proposed by the board of directors on June 16, 2017 was \$84,968 by cash dividends.

The appropriations are subject to the resolution of shareholders' meeting.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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(m) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at March 31, 2018 and 2017 were calculated as follows:

	For the three months ended March 31,	
	2018	2017
Basic earnings per share		
Profit attributable to ordinary shareholders of the Company	\$ <u>(33,779)</u>	<u>10,535</u>
Weighted-average number of ordinary shares	<u>169,935</u>	<u>169,935</u>
	<u>\$ (0.20)</u>	<u>0.06</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>(33,779)</u>	<u>10,535</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	169,935	169,935
Effect of employee stock remuneration (note)	-	106
Weighted-average number of ordinary shares(after adjusted the influence of potential ordinary shares)	<u>169,935</u>	<u>170,041</u>
	<u>\$ (0.20)</u>	<u>0.06</u>

Note: There is no diluted effect in the stock remuneration in 2018.

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended March 31, 2018	
	Primary geographical markets:	
Taiwan	\$ 240,028	
China	574,605	
Others	<u>271,133</u>	
	<u>\$ 1,085,766</u>	

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	For the three months ended March 31, 2018
Major product	
Computer and service case	\$ 848,491
Mobile components	195,326
Mold revenue	<u>41,949</u>
	<u>\$ 1,085,766</u>

(ii) Contract balances

	March 31, 2018	January 1, 2018
Notes and accounts receivable	\$ 1,336,689	1,486,447
Less: allowance for uncollectible accounts	<u>(22,226)</u>	<u>(21,678)</u>
	<u>\$ 1,314,463</u>	<u>1,464,769</u>
Contract liabilities	<u>\$ 2,316</u>	<u>831</u>

For details on accounts receivable and allowance for impairment, please refer to note (6)(b).

The major change in contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(o) 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.

The Group's remuneration to employees is \$350; and the remuneration to directors and supervisors was \$200 in January 1 to March 31, 2017. The estimated multiplied by the percentage of the remuneration to employees, directors and supervisors, as specified in the Company's article. The estimations are recorded under operating expenses and cost. The differences between the estimated amounts in financial statements and the actual amounts approved by the Board of Directors, if any, shall be accounted for as changes in accounting estimates and recognized as profit or loss in following year.

There was no benefits for the Group in the three months ended in March 31, 2018; therefore, there were no employee remuneration estimated for the said year.

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The remuneration to employees were both \$8,000 and the remuneration to directors and supervisors were both \$1,500 in 2017 and 2016 respectively. The actual amount and the estimated amount, which was estimated in financial statement on December 31, 2016, and December 31, 2017, has no difference.

(p) Financial Instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note (6)(q) of the consolidated financial statements for the year ended December 31, 2017.

(i) Credit risk exposure

The credit risk information of notes and accounts receivable, please refer to note (6)(b).

(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>
March 31, 2018				
Secured loans	\$ 133,000	-	60,000	73,000
Unsecured loans	270,000	200,000	70,000	-
Notes and accounts payable	1,074,290	1,074,290	-	-
Other payables (including related parties)	112,760	112,760	-	-
Guarantee deposits	6,127	-	-	6,127
	<u>\$ 1,596,177</u>	<u>1,387,050</u>	<u>130,000</u>	<u>79,127</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	5,732	-	-	5,732
	<u>1,730,246</u>	<u>1,514,514</u>	<u>142,000</u>	<u>73,732</u>
March 31, 2017				
Secured loans	\$ 161,000	-	72,000	89,000
Unsecured loans	215,000	145,000	70,000	-
Notes and accounts payable	679,363	679,363	-	-
Other payables (including related parties)	73,643	73,643	-	-
Guarantee deposits	8,748	-	-	8,748
	<u>\$ 1,137,754</u>	<u>898,006</u>	<u>142,000</u>	<u>97,748</u>

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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:

	March 31, 2018			December 31, 2017			March 31, 2017			
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	
Financial assets										
Monetary items										
USD to TWD	\$	24,887	29.105	724,336	32,061	29.76	954,135	25,522	30.330	774,082
USD to CNY		15,932	6.2881	463,701	17,599	6.534	523,746	13,324	6.8993	404,117
CNY to TWD		100,582	4.647	467,405	106,407	4.565	485,748	67,283	4.407	296,516
Financial liabilities										
Monetary items										
USD to TWD		3,887	29.105	113,131	5,685	29.76	169,186	4,956	30.330	139,397
USD to CNY		2,903	6.2881	84,492	2,431	6.543	72,347	2,083	6.8993	63,177
CNY to TWD		133,273	4.647	619,320	153,960	4.565	702,827	89,436	4.407	394,144

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 March 31, 2018 and 2017 would have affected the net profit before tax as followings:

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
USD (against the TWD)		
Strengthening 5%	\$ 30,560	31,734
Weakening 5%	(30,560)	(31,734)
USD (against the CNY)		
Strengthening 5%	18,960	17,048
Weakening 5%	(18,960)	(17,048)
CNY (against the TWD)		
Strengthening 5%	(7,596)	(4,881)
Weakening 5%	7,596	4,881

(Continued)

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

3) Exchange gains and losses of monetary items

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

	For the three months ended March 31,			
	2018		2017	
	Exchange profit(loss)	Average rate	Exchange profit(loss)	Average rate
TWD	\$ (16,883)	-	(34,625)	-
CNY	(3,924)	4.617	(602)	4.407

(iv) Interest Rate analysis

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

	Carrying amount	
	March 31, 2018	March 31, 2017
Variable rate instruments:		
Financial assets	\$ 392,039	310,145
Financial liabilities	403,000	376,000

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 decreased or increased by \$7 and \$41 for the three months ended March 31, 2018 and 2017, respectively, which would be mainly resulted from the bank savings and loans with variable interest rates.

(v) Fair value

1) 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.

(Continued)

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

March 31, 2018					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 393,672	-	-	-	-
Notes and accounts receivable, net	1,314,463	-	-	-	-
Other current financial assets	1,664	-	-	-	-
Refundable deposits	<u>18,245</u>	-	-	-	-
	<u>1,728,044</u>				
	<u>\$ 1,728,044</u>				
Financial liabilities at amortized cost through profit or loss					
Bank loans	\$ 403,000	-	-	-	-
Notes and accounts payable	1,074,290	-	-	-	-
Other payables (including related parties)	112,760	-	-	-	-
Guarantee deposits	<u>6,127</u>	-	-	-	-
Total	<u>\$ 1,596,177</u>				
December 31, 2017					
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
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 loans	\$ 360,000	-	-	-	-
Notes and accounts payable	1,196,776	-	-	-	-
Other payables (including related parties)	167,738	-	-	-	-
Guarantee deposits	<u>5,732</u>	-	-	-	-
	<u>\$ 1,730,246</u>				

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

		March 31, 2017			
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	\$ 311,075	-	-	-	-
Notes and accounts receivable	1,185,950	-	-	-	-
Other current financial assets	774	-	-	-	-
Refundable deposits	<u>15,485</u>	-	-	-	-
	<u>\$ 1,513,284</u>				
Amortized financial liabilities at cost					
Bank loans	376,000	-	-	-	-
Notes and accounts payable	679,363	-	-	-	-
Other payables (including related parties)	73,643	-	-	-	-
Guarantee deposits	<u>8,748</u>	-	-	-	-
Total	<u>\$ 1,137,754</u>				

2) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on valuation technique or quoted price from a competitor. Fair value, measured by using valuation technique that can be extrapolated from either similar financial instruments or discounted cash flow method or other valuation techniques, including models, is calculated based on available market data at the reporting date.

A financial instrument which held by the Group which belongs to no active markets and no quoted price is using discounted cash flow models to measure the fair value. Its main purpose is reflect the time value of money and discounted at effective interest rate of investment risk through the future cash flows which are expected by the investor.

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

(q) Financial risk management

There were no significant changes in the Group's financial risk management and policies as disclosed in Note (6)(r) of the consolidated financial statements for the year ended December 31, 2017.

(r) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the consolidated financial statements for the year ended December 31, 2017. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2017. Please refer to Note (6)(s) of the consolidated financial statements for the year ended December 31, 2017 for further details.

(s) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities for the three months ended March 31, 2018 were as follows:

	<u>January 1, 2018</u>	<u>Cash flows</u>	<u>March 31, 2018</u>
Long-term loans	\$ 210,000	(7,000)	203,000
Short-term loans	150,000	50,000	200,000
Guarantee deposits	<u>5,732</u>	<u>395</u>	<u>6,127</u>
Total liabilities from financing activities	<u>\$ 365,732</u>	<u>43,395</u>	<u>409,127</u>

(7) **Related-party transactions**

(a) Names and relationship with related parties

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

<u>Related parties</u>	<u>Relation</u>
CHENMING ELECTRONIC (NINGBO) CO., LTD	Subsidiary of the Company
CHENMING (H.K.) CORPORATION LIMITED	Same chairman with the Company
UNECC Culture and Education Foundation	Same chairman with the Company
Lin, Mu-Ho	Chairman of the Company

(b) Transaction among other relative parties

(i) 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 March 31, 2018 and 2017 amounted to \$857.

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

(ii) Equity trading

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). As of March 31, 2018 and 2017, the Group still has a remaining balance of \$23,284 (thousand) (USD\$800 thousand) and \$47,616 (USD\$1,600 thousand), which was recognized as other payables-related parties. Please refer to note 6(d) for related information.

(iii) 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 March 31, 2018, CHENMING ELECTRONIC (NINGBO) CO., LTD has already paid off its payment.

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	Three months ended March 31	
	2018	2017
Short-term employee benefits	\$ 3,135	2,812
Post-employment benefits	81	108
	\$ 3,216	2,920

(ii) Guarantee

The main management are guarantor of the syndication contract, and the amount of syndication are \$203,000, \$210,000 and \$231,000 in March, 2018 and December 31, March 31, 2017.

(8) Pledged assets

The carrying values of pledged assets were as follows:

Assets	Subject	March 31, 2018	December 31, 2017	March 31, 2017
PPE and investment properties	Long-term loans	\$ 347,804	347,804	347,804
— land				
— properties	Long-term loans	141,563	142,457	145,138
Other financial asset — non-current	Customs deposits	15,422	15,507	12,351
		\$ 504,789	505,768	505,293

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

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

(12) Other:

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

By function By item	Three months ended March 31, 2018			Three months ended March 31, 2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	306,572	41,948	348,520	236,984	36,820	273,804
Labor and health insurance	-	1,454	1,454	-	1,663	1,663
Pension	14,269	1,911	16,180	16,818	1,524	18,342
Others	12,821	6,029	18,850	8,833	7,423	16,256
Depreciation	51,147	5,204	56,351	45,426	3,815	49,241
Amortization	246	357	603	1,852	258	2,110

The depreciation expense, which subtract the depreciation expense from investment properties, are both \$310 on March 31, 2018 and 2017, and 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 INTERNAT IONAL LIMITED	GERSHWIN INTERNAT IONAL LIMITED	Accounts receivable due from related parties	Yes	174,630	174,630	116,420	2.18738%~2.71719%	Demand for funding	-	Depending on demand for funding	-	-	-	1,839,749 (note 1)	1,839,749 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	"	69,705	69,705	-	4.1%	"	-	"	-	-	-	83,910 (note 2)	83,910 (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.

(ii) Guarantees and endorsements for other parties: None.

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

- (iii) Securities held as of March 31, 2018 (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\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	440,291	99 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(254,683)	(98)%	-
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(440,291)	69 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	254,683	50 %	-

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 (Note 1)	Allowance for bad debts	
					Amount	Action taken			
Dongguan Chenming Electronic Co., Ltd	The Company	Subsidiaries	254,683	4.36	-	-	107,729	-	The transactions have been eliminated in the consolidated financial statement.

Note1: The recovered amounts of May 2, 2018

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

(ix) Trading in derivative instruments: None.

(i) 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	116,420	Rate 2.18738%~2.71719%	3%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	440,291	The price is based on the fix ratio of final sales price, and the credit period is depending on the demand for funding	41%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Accounts receivable	254,683	"	6%

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 between the subsidiaries and the parent company.

2 represents the transactions between subsidiaries.

3 represents the transactions from the parent company to its subsidiaries.

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2018 (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 March 31, 2018			Net income (losses) of the investment	Investment income (losses)	Note
				March 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	1,907,073	1,883,713	57,848	100 %	1,839,749	(97,543)	(97,543)	Subsidiaries (note)
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	1,123,356	(74,661)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	Subsidiaries (note)
"	PEAK SHREWD INC	Samoa	Investment	542,896	519,536	15,700	100 %	580,959	(23,442)	"	"

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

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CHENMING MOLD IND. CORP. AND 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, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of March 31, 2018	Net income (losses) of the investment	Percentage of ownership	Investment income (losses)	Carrying amount as of March 31, 2018 (note 3)	Accumulated remittance of earnings as of March 31, 2018
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO)CO.,LTD	Computer case and production of relative components	1,887,273 (USD64,500)	note1 and 7	433,665 (USD14,900)	23,284 (USD800) (note 6)	-	456,949 (USD15,700)	(35,800)	72 %	(25,776)	604,151	-
Dongguan Chenming Electronic Co., Ltd	"	843,405 (note 4)(USD28,978) (note 5)	note 1 and 8	724,715 (USD24,900)	-	-	724,715 (USD24,900)	(65,722)	100 %	(65,722)	788,698	-

- (ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of March 31, 2018	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	1,303,904 (USD 44,800)	1,303,904 (USD 44,800)	Unlimited (Note 9)

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 \$29.105 as of March 31, 2018; gains and losses were translated into New Taiwan Dollars at the average exchange rate of \$29.3004 for the period.

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.

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

(iii) Significant transactions:

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

(14) Segment information:

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.