

(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 Six Months Ended June 30, 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.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Report	3
4. Consolidated Balance Sheets	4
5. Consolidated Statements of Comprehensive Income	5
6. Consolidated Statements of Changes in Equity	6
7. Consolidated Statements of Cash Flows	7
8. Notes to the Consolidated Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the consolidated financial statements	8
(3) New standards, amendments and interpretations adopted	8~14
(4) Summary of significant accounting policies	14~19
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	19
(6) Explanation of significant accounts	19~34
(7) Related-party transactions	35~36
(8) Pledged assets	36
(9) Commitments and contingencies	36
(10) Losses Due to Major Disasters	36
(11) Subsequent Events	36
(12) Other	37
(13) Other disclosures	
(a) Information on significant transactions	38~40
(b) Information on investees	40
(c) Information on investment in mainland China	40~41
(14) Segment information	41



安侯建業聯合會計師事務所
KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

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 June 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three months ended June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017, as well as the changes in equity and cash flows for the six months ended June 30, 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 June 30, 2018 and 2017, its consolidated financial performance for the three months ended June 30, 2018 and 2017, and its consolidated financial performance and its consolidated cash flow for the six months ended June 30, 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 reviews resulting in this independent auditors' review report are Hsin Fu Yen and Kuan Ying Kuo.

KPMG

Taipei, Taiwan (Republic of China)
August 8, 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 the generally accepted auditing standards as of June 30, 2018 and 2017

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2018, December 31, 2017, and June 30, 2017

(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6(a))	\$ 296,447	7	533,887	12	299,055	8
1170 Notes and Accounts receivable, net (notes 6(b) and (n))	1,586,581	34	1,464,769	32	1,333,712	34
1310 Inventories, net (note 6(c))	991,536	21	774,879	17	560,422	14
1476 Other current financial assets	801	-	13,709	-	611	-
1479 Other current assets	86,443	2	88,895	2	57,455	1
	<u>2,961,808</u>	<u>64</u>	<u>2,876,139</u>	<u>63</u>	<u>2,251,255</u>	<u>57</u>
Non-current assets:						
1600 Property, plant and equipment (notes 6(e) and (8))	1,146,740	26	1,128,528	25	1,140,625	29
1760 Investment property, net (notes 6(f) and (8))	199,491	4	200,111	5	200,730	5
1780 Intangible assets	2,427	-	3,617	-	2,464	-
1840 Deferred tax assets	13,742	-	4,097	-	1,248	-
1980 Other non-current financial assets (note 8))	24,276	-	18,652	-	16,801	1
1985 Long-term prepaid rents	254,622	5	258,973	6	261,896	7
1990 Other non-current assets	64,272	1	50,265	1	53,659	1
	<u>1,705,570</u>	<u>36</u>	<u>1,664,243</u>	<u>37</u>	<u>1,677,423</u>	<u>43</u>
Total assets	<u>\$ 4,667,378</u>	<u>100</u>	<u>4,540,382</u>	<u>100</u>	<u>3,928,678</u>	<u>100</u>
Liabilities and Equity						
Current liabilities:						
Short-term loans (note 6(g))	\$ 327,741	7	150,000	3	150,000	4
Current contract liabilities (note 6(n))	3,769	-	-	-	-	-
Notes and Accounts payable	1,206,816	26	1,196,776	26	618,405	16
Other payables	320,028	8	259,078	6	231,718	6
Dividends payable	84,968	2	-	-	84,968	2
Other payables-related parties (notes 6(d) and (7))	-	-	47,616	1	-	-
Current tax liabilities	11,331	-	26,939	1	14,174	-
Other current liabilities	13,626	-	16,119	-	13,915	-
	<u>1,968,279</u>	<u>43</u>	<u>1,696,528</u>	<u>37</u>	<u>1,113,180</u>	<u>28</u>
Non-Current liabilities:						
Long-term loans (note 6(h))	196,000	4	210,000	5	224,000	6
Deferred tax liabilities	5,401	-	4,494	-	7,217	-
Guarantee deposits	6,129	-	5,732	-	8,537	-
	<u>207,530</u>	<u>4</u>	<u>220,226</u>	<u>5</u>	<u>239,754</u>	<u>6</u>
	<u>2,175,809</u>	<u>47</u>	<u>1,916,754</u>	<u>42</u>	<u>1,352,934</u>	<u>34</u>
Total liabilities						
Equity attributable to owners of parent:						
Ordinary shares (note 6(i))	1,699,350	36	1,699,350	37	1,699,350	43
Capital surplus (note 6(l))	52,485	1	52,485	1	14,722	-
Retained earnings (note 6(o))	530,865	11	662,176	15	505,893	13
Exchange differences on translation of foreign financial statements	(27,128)	-	(31,096)	-	(41,485)	(1)
	<u>2,255,572</u>	<u>48</u>	<u>2,382,915</u>	<u>53</u>	<u>2,178,480</u>	<u>55</u>
Total equity attributable to owners of parent:						
Non-controlling interests	235,997	5	240,713	5	397,264	11
	<u>2,491,569</u>	<u>53</u>	<u>2,623,628</u>	<u>58</u>	<u>2,575,744</u>	<u>66</u>
Total liabilities and equity	<u>\$ 4,667,378</u>	<u>100</u>	<u>4,540,382</u>	<u>100</u>	<u>3,928,678</u>	<u>100</u>

(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 six months ended June 30, 2018 and 2017

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

	For the three months ended June 30				For the six months ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue (note 6(n))	\$ 1,377,232	100	1,179,945	100	2,462,998	100	2,251,522	100
5000 Operating costs (notes (6)(c) and (12))	<u>1,356,148</u>	<u>98</u>	<u>1,032,550</u>	<u>87</u>	<u>2,376,311</u>	<u>96</u>	<u>1,965,164</u>	<u>86</u>
5900 Gross profit from operations	<u>21,084</u>	<u>2</u>	<u>147,395</u>	<u>13</u>	<u>86,687</u>	<u>4</u>	<u>286,358</u>	<u>14</u>
6000 Operating expenses (note (12)):								
6100 Selling expenses	33,123	2	24,059	2	59,709	2	54,003	2
6200 Administrative expenses	44,029	3	47,922	4	95,269	4	89,446	4
6300 Research and development expenses	<u>6,850</u>	<u>-</u>	<u>8,471</u>	<u>1</u>	<u>15,537</u>	<u>1</u>	<u>15,139</u>	<u>1</u>
	<u>84,002</u>	<u>5</u>	<u>80,452</u>	<u>7</u>	<u>170,515</u>	<u>7</u>	<u>158,588</u>	<u>7</u>
6900 Net operating income (expenses)	<u>(62,918)</u>	<u>(3)</u>	<u>66,943</u>	<u>6</u>	<u>(83,828)</u>	<u>(3)</u>	<u>127,770</u>	<u>7</u>
7000 Non-operating income and expenses:								
7050 Finance costs	(2,086)	-	(1,361)	-	(3,635)	-	(2,716)	-
7100 Interest income	608	-	580	-	900	-	709	-
7110 Rent revenue (note (7))	3,773	-	3,551	-	7,458	-	6,863	-
7190 Other income	5,389	-	2,015	-	7,575	-	4,889	-
7230 Foreign exchange gains (losses), net (note (6)(p))	57,122	4	(1,173)	-	22,122	1	(38,451)	(2)
7590 Other expense and losses	<u>(56)</u>	<u>-</u>	<u>(419)</u>	<u>-</u>	<u>(1,409)</u>	<u>-</u>	<u>(622)</u>	<u>-</u>
	<u>64,750</u>	<u>4</u>	<u>3,193</u>	<u>-</u>	<u>33,011</u>	<u>1</u>	<u>(29,328)</u>	<u>(2)</u>
7900 Profit (loss) before tax	1,832	1	70,136	6	(50,817)	(2)	98,442	5
7950 Less: Income tax expenses (note (6)(k))	<u>10,604</u>	<u>1</u>	<u>12,845</u>	<u>1</u>	<u>1,758</u>	<u>-</u>	<u>14,182</u>	<u>1</u>
Profit (loss)	<u>(8,772)</u>	<u>-</u>	<u>57,291</u>	<u>5</u>	<u>(52,575)</u>	<u>(2)</u>	<u>84,260</u>	<u>4</u>
8300 Other comprehensive income:								
8310 Components of other comprehensive income that will not be reclassified to profit or loss								
8311 Gains (losses) on remeasurements of defined benefit plans	-	-	-	-	-	-	-	-
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	(9,699)	(1)	14,797	1	5,511	-	(22,129)	(1)
8399 Income tax relating to items that will be reclassified	-	-	-	-	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	<u>(9,699)</u>	<u>(1)</u>	<u>14,797</u>	<u>1</u>	<u>5,511</u>	<u>-</u>	<u>(22,129)</u>	<u>(1)</u>
8300 Other comprehensive income	<u>(9,699)</u>	<u>(1)</u>	<u>14,797</u>	<u>1</u>	<u>5,484</u>	<u>-</u>	<u>(22,129)</u>	<u>(1)</u>
8500 Comprehensive income	<u>\$ (18,471)</u>	<u>(1)</u>	<u>72,088</u>	<u>6</u>	<u>(47,091)</u>	<u>(2)</u>	<u>62,131</u>	<u>3</u>
Profit belongs to :								
8610 Parent entity	\$ (12,537)	-	45,801	4	(46,316)	(2)	56,336	3
8620 Non-controlling interests	<u>3,765</u>	<u>-</u>	<u>11,490</u>	<u>1</u>	<u>(6,259)</u>	<u>-</u>	<u>27,924</u>	<u>1</u>
	<u>\$ (8,772)</u>	<u>-</u>	<u>57,291</u>	<u>5</u>	<u>(52,575)</u>	<u>(2)</u>	<u>84,260</u>	<u>4</u>
Other comprehensive income belongs to :								
Parent entity	\$ (19,520)	(1)	53,497	5	(42,375)	(2)	44,829	2
Non-controlling interests	<u>1,049</u>	<u>-</u>	<u>18,591</u>	<u>1</u>	<u>(4,716)</u>	<u>-</u>	<u>17,302</u>	<u>1</u>
	<u>\$ (18,471)</u>	<u>(1)</u>	<u>72,088</u>	<u>6</u>	<u>(47,091)</u>	<u>(2)</u>	<u>62,131</u>	<u>3</u>
9750 Basic net income per share (note (6)(m))	<u>\$ (0.07)</u>		<u>0.27</u>		<u>(0.27)</u>		<u>0.33</u>	
9850 Dilution net income per share (note (6)(m))	<u>\$ (0.07)</u>		<u>0.27</u>		<u>(0.27)</u>		<u>0.33</u>	

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

CHEENMING MOLD IND. CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 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	Retained earnings		Total retained earnings	Total other equity interest	Total equity attributable to owners of parent	Non-controlling interests	
					Unappropriated retained earnings	Total retained earnings					
Balance at January 1, 2017	\$ 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 six months ended June 30, 2017	-	-	-	-	56,336	56,336	56,336	-	56,336	27,924	84,260
Other comprehensive income	-	-	-	-	-	-	-	(11,507)	(11,507)	(10,622)	(22,129)
Total comprehensive income	-	-	-	-	-	56,336	56,336	(11,507)	44,829	17,302	62,131
Balance at June 30, 2017	\$ 1,699,350	14,722	252,196	29,978	223,719	505,893	(41,485)	2,178,480	397,264	2,575,744	
Balance at January 1, 2018	\$ 1,699,350	52,485	252,196	29,978	380,002	662,176	(31,096)	2,382,915	240,713	2,623,628	
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	21,291	-	(21,291)	-	-	-	-	-	-
Special reserve appropriated	-	-	-	1,118	(1,118)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	(84,968)	(84,968)	-	(84,968)	-	(84,968)
Loss for the six months ended June 30, 2018	-	-	-	-	(46,316)	(46,316)	(46,316)	-	(46,316)	(6,259)	(52,575)
Other comprehensive income	-	-	-	-	(27)	(27)	(27)	3,968	3,941	1,543	5,484
Total comprehensive income	-	-	-	-	(46,343)	(46,343)	(46,343)	3,968	(42,375)	(4,716)	(47,091)
Balance at June 30, 2018	\$ 1,699,350	52,485	273,487	31,096	226,282	530,865	(27,128)	2,255,572	235,997	2,491,569	

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

Consolidated Statements of Cash Flows

For the six months ended June 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2018	2017
Cash flows from (used in) operating activities:		
Profit (loss) before tax	\$ (50,817)	98,442
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	118,950	99,820
Amortization expense	1,208	1,157
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	234	(2,876)
Interest expense	3,635	2,716
Interest income	(900)	(709)
Loss on disposal of property, plant and equipment, net	(1,394)	683
Other	4,378	8,248
Total adjustments to reconcile profit (loss)	<u>126,111</u>	<u>109,039</u>
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	(122,049)	(171,634)
Decrease (increase) in inventories	(216,657)	69,512
Decrease (increase) in other current assets	2,452	(13,551)
Decrease (increase) in other financial assets	12,908	13,082
Increase (decrease) in contract liabilities	2,938	-
Increase (decrease) in notes and accounts payable (including related parties)	10,040	(190,705)
Increase (decrease) in other payable and other current liabilities	4,308	(22,953)
Total adjustments	<u>(179,949)</u>	<u>(207,210)</u>
Cash flows from (used in) operation	(230,766)	(108,768)
Interest received	900	709
Income taxes paid	(26,132)	(13,771)
Net cash flows from (used in) operating activities	<u>(255,998)</u>	<u>(121,830)</u>
Cash flows from (used in) investing activities:		
Acquisition of subsidiaries (reduce acquired cash)	-	(73,025)
Acquisition of property, plant and equipment	(60,533)	(64,194)
Proceeds from disposal of property, plant and equipment	4,360	-
Decrease (increase) in prepayment for business facilities	(34,877)	(22,604)
Acquisition of intangible assets	-	(105)
Decrease (increase) in refundable deposit	(5,624)	(1,346)
Net cash flows from (used in) investing activities	<u>(96,674)</u>	<u>(161,274)</u>
Cash flows from (used in) financing activities:		
Increase in short-term loans	177,741	10,000
Increase in long-term loans	-	60,000
Decrease in long-term loans	(14,000)	(74,000)
Increase (decrease) in guarantee deposits received	397	(1,015)
Interest paid	(3,576)	(2,711)
Acquisition of non-controlling interests	(47,616)	-
Net cash flows from (used in) financing activities	<u>112,946</u>	<u>(7,726)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>2,286</u>	<u>(15,000)</u>
Net increase (decrease) in cash and cash equivalents	(237,440)	(305,830)
Cash and cash equivalents at beginning of period	533,887	604,885
Cash and cash equivalents at end of period	<u>\$ 296,447</u>	<u>299,055</u>

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
as of June 30, 2018 and 2017

CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 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 six months ended June 30, 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 six months ended June 30, 2018 and 2017 were authorized for issuance by the Board of Directors on August 8, 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

(Continued)

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:

(Continued)

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

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 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.

(Continued)

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

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.

Financial Assets	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Cash and cash equivalents	Loans and receivables (Note 1)	533,887	Amortized cost	533,887
Notes and Accounts Receivable (including related parties)	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).

(iv) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Loss”

The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value.

There was no material impact on the cash flows during the said period.

(Continued)

CHENMING MOLD IND. CORP. AND SUBSIDIARIES
Notes to 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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
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 19 “Plan Amendment, Curtailment or Settlement”	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

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 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements, wherein the detailed assessment has yet to be completed. The actual impact of applying IFRS 16 on its financial statements in the period of initial application will depend on future economic conditions, including the Group’s discounting rate, the composition of the Group’s lease portfolio at that date, the Group’s latest assessment of whether it will exercise any lease renewal options, and the extent to which the Group chooses to use practical expedients and recognition exemptions.

(Continued)

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

So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for its operating leases of offices, warehouses, and factory facilities. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

1) Determining whether an arrangement contains a lease

The Group has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

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, as well as 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.

(Continued)

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

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, as well as 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.

So far, the most significant impact identified is that the Group will have to recognize the new income tax liabilities and income tax expense for its uncertainty over income tax treatments.

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

As of the date, the following IFRSs have been issued by the IASB, but have yet to be 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 17 “Insurance Contracts”	January 1, 2021

The Group assessed that the above IFRSs may not be relevant to the Group.

(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 and issued into effect 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 and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the 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.

(Continued)

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

(b) Basis of consolidation

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

Name of investor	Name of subsidiary	Principal activity	Shareholding			Description
			June 30, 2018	December 31, 2017	June 30, 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 ELECTRONIC (NINGBO) CO., LTD 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.

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.

(Continued)

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

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 accounts 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.

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 considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the borrower is unlikely to pay its credit obligations to the Group in full.

(Continued)

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

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 90 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.

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.

(Continued)

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes 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 that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(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.

(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 should immediately be recognized in the interim period in which the change occurs.

(Continued)

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

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the 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 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

	June 30, 2018	December 31, 2017	June 30, 2017
Cash on hand	\$ 697	737	972
Checking accounts and demand deposits	295,750	533,150	298,083
	<u>\$ 296,447</u>	<u>533,887</u>	<u>299,055</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.

(b) Notes and accounts receivable

	June 30, 2018	December 31, 2017	June 30, 2017
Notes and accounts receivable	1,608,496	1,486,447	1,356,217
Less: allowance for uncollectible accounts	(21,915)	(21,678)	(22,505)
Total	<u>\$ 1,586,581</u>	<u>1,464,769</u>	<u>1,333,712</u>
Notes and accounts receivable, net	<u>\$ 1,586,581</u>	<u>1,464,769</u>	<u>1,333,712</u>

(Continued)

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

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 June 30, 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 June 30, 2018 was determined as follows:

	Gross carrying amount	Weighted- average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 1,551,027	0.04%	675
1 to 30 days past due	28,708	0.18%	51
31 to 150 days past due	6,210	2.53%	157
150 to 360 days past due	1,882	19.30%	363
More than 360 days past due	<u>20,669</u>	100%	<u>20,669</u>
	<u><u>\$ 1,608,496</u></u>		<u><u>21,915</u></u>

As of December 31 and June 30, 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	June 30, 2017
Past due 0 to 30 days	\$ 20,536	30,451
Past due 31 to 150 days	1,532	9,971
Past over 150 days	<u>2</u>	<u>10</u>
	<u><u>\$ 22,070</u></u>	<u><u>40,432</u></u>

The movement in the allowance for notes and accounts receivable was as follows:

	For the six months ended June 30, 2018	For the six months ended June 30, 2017	
		Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	\$ 21,678	20,669	4,854
Adjustment on initial application of IFRS 9	<u>-</u>		
Balance on January 1, 2018 per IFRS 9	21,678		
Impairment losses recognized	234	-	-
Impairment losses reversed	-	-	(2,876)
Foreign exchange gains/(losses)	<u>3</u>	<u>-</u>	<u>(142)</u>
Balance on June 30, 2018 and 2017	<u><u>\$ 21,915</u></u>	<u><u>20,669</u></u>	<u><u>1,836</u></u>

(Continued)

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

As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group did not pledge receivable as collateral.

(c) Inventories

	June 30, 2018	December 31, 2017	June 30, 2017
Raw materials	\$ 385,662	340,148	190,489
Work in progress	283,770	173,958	113,643
Finished goods and merchandise inventories	322,104	260,773	256,290
	<u>\$ 991,536</u>	<u>774,879</u>	<u>560,422</u>

The Group composition details of operating cost for the three months ended June 30, 2018 and 2017 and for the six months ended June 30, 2018 and 2017 as follow:

	For the three months ended June 30,		For the six months ended June 30,	
	2018	2017	2018	2017
Cost of good sold	\$ 1,330,021	993,743	2,332,078	1,915,235
Revenue from sale of scraps	(14,320)	(4,377)	(22,625)	(9,559)
Inventories valuation and obsolescence losses (reversed)	(5,615)	3,158	(4,279)	2,153
Loss on scrapping of inventories	46,004	40,009	71,079	57,318
Loss and shortage of inventories	58	17	58	17
	<u>\$ 1,356,148</u>	<u>1,032,550</u>	<u>2,376,311</u>	<u>1,965,164</u>

The Company reversed its allowance for inventory valuation loss amounting to \$5,615 and \$4,279 due to the net realizable value of inventories bounced back during the three months and six months ended June 30, 2018.

The Company write-down of the inventories to net realizable value amounted to \$3,158 and \$2,153 during the three months and six months ended June 30, 2017.

As of June 30, 2018, December 31, 2017 and June 30, 2017, the Group did not pledge inventories as collateral.

(d) Acquisition of subsidiary

Considering the future development strategy. On June 27, 2017, the Board of Directors decided to purchase 20% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD amounting to \$127,764 (US\$4,200) from CHENMING (H.K.) CORPORATION LIMITED through its subsidiaries "PEAK SHREWD INC." which the share 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

(Continued)

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

further increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 52% to 72%. As of December 31, 2017, the Group still has a remaining balance of \$47,616, which were recognized as other payable-related parties. As of June 30, 2018, the transfer procedures have been finished.

(e) Property, Plant and Equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group for the six months ended June 30, 2018 and 2017 were as follows:

	<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	-	-	106,872	8,582	115,454
Disposal	-	(2,962)	(35,305)	(18,135)	(56,402)
Reclassifications	-	-	20,630	-	20,630
Effect of changes in exchange rates	-	1,196	712	26	1,934
Balance on June 30, 2018	<u>\$ 210,897</u>	<u>783,635</u>	<u>546,760</u>	<u>127,288</u>	<u>1,668,580</u>
Balance on January 1, 2017	\$ 210,897	835,623	400,333	129,468	1,576,321
Additions	-	-	53,346	5,786	59,132
Disposal	-	(28,796)	(22,641)	(7,216)	(58,653)
Reclassifications	-	-	7,629	-	7,629
Effect of changes in exchange rates	-	(5,410)	(2,286)	(176)	(7,872)
Balance on June 30, 2017	<u>\$ 210,897</u>	<u>801,417</u>	<u>436,381</u>	<u>127,862</u>	<u>1,576,557</u>
Depreciation:					
Balance on January 1, 2018	\$ -	190,910	199,111	68,415	458,436
Depreciation of the period	-	17,671	82,317	18,342	118,330
Disposal	-	(2,961)	(34,034)	(17,997)	(54,992)
Effect of changes in exchange rates	-	55	10	1	66
Balance on June 30, 2018	<u>\$ -</u>	<u>205,675</u>	<u>247,404</u>	<u>68,761</u>	<u>521,840</u>
Balance on January 1, 2017	\$ -	212,852	132,830	49,659	395,341
Depreciation of the period	-	17,840	63,745	17,616	99,201
Disposal	-	(28,796)	(22,194)	(6,980)	(57,970)
Effect of changes in exchange rates	-	(314)	(293)	(33)	(640)
Balance on June 30, 2017	<u>\$ -</u>	<u>201,582</u>	<u>174,088</u>	<u>60,262</u>	<u>435,932</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 June 30, 2018	<u>\$ 210,897</u>	<u>577,960</u>	<u>299,356</u>	<u>58,527</u>	<u>1,146,740</u>
Balance on June 30, 2017	<u>\$ 210,897</u>	<u>599,835</u>	<u>262,293</u>	<u>67,600</u>	<u>1,140,625</u>

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

(Continued)

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

As of June 30, 2018, December 31, 2017 and June 30, 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 June 30, 2018	\$ <u>152,640</u>	<u>46,851</u>	<u>199,491</u>
Balance on June 30, 2017	\$ <u>152,640</u>	<u>48,090</u>	<u>200,730</u>

There were no material addition, disposal, impairment or reversal situation of investment properties for the six months ended June 30, 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 June 30, 2018, December 31, 2017 and June 30, 2017.

(g) Short-term loans

The short-term loans were summarized as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Credit Loans	\$ 270,000	150,000	150,000
Secured Loans	<u>57,741</u>	-	-
	\$ <u>327,741</u>	<u>150,000</u>	<u>150,000</u>
Unused credit line for short-term loans	\$ <u>566,168</u>	<u>605,440</u>	<u>617,980</u>
Annual interest rates (Taiwan)	<u>1.0%~1.4%</u>	<u>1.0%~1.4%</u>	<u>1.0%~1.4%</u>
Annual interest rates (Mainland China)	<u>2%~3.1%</u>	-	-

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

(ii) The Group provided part of its assets as collateral for short-loans. Please refer to note 8 for details.

(Continued)

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

(h) Long-term loans

The long-term loans were summarized as follows:

	<u>June 30,</u> <u>2018</u>	<u>December</u> <u>31, 2017</u>	<u>June 30,</u> <u>2017</u>
Secured bank loans	\$ 126,000	140,000	154,000
Unsecured bank loans	70,000	70,000	70,000
Less: current portion	-	-	-
Total	<u>\$ 196,000</u>	<u>210,000</u>	<u>224,000</u>
Unused long-term credit lines	<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 is the guarantor of long-term loan. Please refer to note 7.
- (ii) The information of interest rate and liquidity risk exposure 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 changes in operating lease for the six months ended June 30, 2018 and 2017. For related information, please refer to note 6(j) of the 2017 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:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Operating expense	<u>\$ (138)</u>	<u>(79)</u>	<u>(217)</u>	<u>(158)</u>

(Continued)

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

(ii) Defined contribution plans

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

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cost of sales	\$ 19,926	18,377	34,195	35,195
Operating expense	<u>1,148</u>	<u>2,433</u>	<u>3,138</u>	<u>4,036</u>
	<u>\$ 21,074</u>	<u>20,810</u>	<u>37,333</u>	<u>39,231</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:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current tax expense	\$ <u>10,604</u>	<u>12,845</u>	<u>1,758</u>	<u>14,182</u>

(iii) The amount of income tax recognized directly in other comprehensive income for the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017 was as follows:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Re-measurement from defined benefit plans	\$ <u>-</u>	<u>-</u>	<u>(27)</u>	<u>-</u>

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

(l) Capital and other equity

Except as described below, there were no significant changes for capital and other equity of the Group for the six months ended June 30, 2018 and 2017. For related information, please refer to note (6)(m) of the consolidated financial statement for the year ended December 31, 2017.

(Continued)

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

(i) Capital surplus

	June 30, 2018	December 31, 2017	June 30, 2017
Additional paid-in capital	\$ 14,722	14,722	14,722
Difference between consideration and carrying amount of subsidiaries acquired or disposed	<u>37,763</u>	<u>37,763</u>	<u>-</u>
	<u>\$ 52,485</u>	<u>52,485</u>	<u>14,722</u>

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 earnings

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 cash dividend. The amount of cash dividends should not be lower than 10% of the total dividends.

1) Earnings distribution

The appropriations of earnings for 2017 approved in the shareholders' meeting on June 13, 2018 was \$84,968 by cash dividends.

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

(Continued)

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

(m) Earnings per share

For the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017, the Company's earnings per share were calculated as follows:

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Basic earnings per share:				
Profit/(loss) attributable to ordinary shareholders of the Company	\$ <u>(12,537)</u>	<u>45,801</u>	<u>(46,316)</u>	<u>56,336</u>
Weighted-average number of ordinary shares (share in thousands)	<u>169,935</u>	<u>169,935</u>	<u>169,935</u>	<u>169,935</u>
	\$ <u>(0.07)</u>	<u>0.27</u>	<u>(0.27)</u>	<u>0.33</u>
Diluted earnings per share:				
Profit/(loss) attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>(12,537)</u>	<u>45,801</u>	<u>(46,316)</u>	<u>56,336</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares				
Weighted-average number of ordinary shares	169,935	169,935	169,935	169,935
Effect of employee stock remuneration (note)	-	85	-	194
Weighted-average number of ordinary shares (after adjusted the influence of potential ordinary shares)	<u>169,935</u>	<u>170,020</u>	<u>169,935</u>	<u>170,129</u>
	\$ <u>(0.07)</u>	<u>0.27</u>	<u>(0.27)</u>	<u>0.33</u>

(Continued)

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

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 June 30, 2018	For the six months ended June 30, 2018
Primary geographical markets		
Taiwan	\$ 311,609	551,637
China	805,296	1,379,901
Others	<u>260,327</u>	<u>531,460</u>
	<u>\$ 1,377,232</u>	<u>2,462,998</u>
Major product		
Computer and service case	\$ 964,891	1,813,382
Mobile components	312,531	507,857
Mold revenue	<u>99,810</u>	<u>141,759</u>
	<u>\$ 1,377,232</u>	<u>2,462,998</u>

(ii) Contract balances

	June 30, 2018	January 1, 2018
Notes and accounts receivable	\$ 1,608,496	1,486,447
Less: allowance for uncollectible accounts	<u>(21,915)</u>	<u>(21,678)</u>
	<u>\$ 1,586,581</u>	<u>1,464,769</u>
Contract liabilities	<u>\$ 3,769</u>	<u>831</u>

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

The amount of revenue recognized for the six months ended June 30, 2018 that was included in the contract liability balance at the beginning of the period was \$831.

The major change in the balance of 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, 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.

(Continued)

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

The Group's remuneration to employees was \$1,650 and \$2,000; and the remuneration to directors and supervisors was \$550 and \$750 for the three months and six months ended June 30, 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 six months ended June 30, 2018; therefore, there were no employee remuneration estimated for the said year.

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

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

Other financial assets at amortized cost includes cash and cash equivalents, other financial assets and guarantee deposits are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low risk, please refer to note (4)(c).

(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>
June 30, 2018				
Secured loans	\$ 183,741	57,741	60,000	66,000
Unsecured loans	340,000	270,000	70,000	-
Notes and accounts payable	1,206,816	1,206,816	-	-
Other payables (including related parties)	265,313	265,313	-	-
Guarantee deposits	6,129	-	-	6,129
	<u>\$ 2,001,999</u>	<u>1,799,870</u>	<u>130,000</u>	<u>72,129</u>

(Continued)

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

	<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>5,732</u>
	<u>\$ 1,730,246</u>	<u>1,514,514</u>	<u>142,000</u>	<u>73,732</u>
June 30, 2017				
Secured loans	\$ 154,000	-	72,000	82,000
Unsecured loans	220,000	150,000	70,000	-
Notes and accounts payable	618,405	618,405	-	-
Other payables (including related parties)	168,106	168,106	-	-
Guarantee deposits	<u>8,537</u>	<u>8,537</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,169,048</u>	<u>945,048</u>	<u>142,000</u>	<u>82,000</u>

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

(iii) Currency risk

1) Exposure to foreign currency risk

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

	<u>June 30, 2018</u>			<u>December 31, 2017</u>			<u>June 30, 2017</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>TWD</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	\$ 23,758	30.460	723,669	32,061	29.76	954,135	28,371	30.420	863,046
USD to CNY	20,500	6.6166	624,430	17,599	6.534	523,746	13,338	6.7744	405,742
CNY to TWD	109,038	4.593	500,812	106,407	4.565	485,748	71,076	4.486	318,847
Financial liabilities									
Monetary items									
USD to TWD	4,472	30.460	136,217	5,685	29.76	169,186	3,772	30.420	114,744
USD to CNY	3,758	6.6166	114,469	2,431	6.543	72,347	1,585	6.7744	48,216
CNY to TWD	165,821	4.593	761,616	153,960	4.565	702,827	86,339	4.486	387,317

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.

(Continued)

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

A weakening (strengthening) 5% of each major foreign currency against Group entities' functional currency as of June 30, 2018 and 2017 would have affected the net profit before tax as followings:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
USD (against the TWD)		
Strengthening 5%	\$ 29,373	37,415
Weakening 5%	(29,373)	(37,415)
USD (against the CNY)		
Strengthening 5%	25,498	17,876
Weakening 5%	(25,498)	(17,876)
CNY (against the TWD)		
Strengthening 5%	(13,040)	(3,424)
Weakening 5%	13,040	3,424

3) Exchange gains and losses of monetary items

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

	<u>For the six months ended June 30,</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Exchange profit(loss)</u>	<u>Average rate</u>	<u>Exchange profit(loss)</u>	<u>Average rate</u>
TWD	\$ 18,301	-	(28,941)	-
CNY	823	4.6427	(2,132)	4.4607

(iv) Interest Rate analysis

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

	<u>Carrying amount</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Variable rate instruments:		
Financial assets	\$ 295,750	298,083
Financial liabilities	523,741	374,000

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.

(Continued)

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$285 and \$95 for the six months ended June 30, 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.

	June 30, 2018				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 296,447	-	-	-	-
Notes and accounts receivable, net	1,586,581	-	-	-	-
Other current financial assets	801	-	-	-	-
Refundable deposits	<u>24,276</u>	-	-	-	-
	<u>1,908,105</u>				
	<u>\$ 1,908,105</u>				
Financial liabilities at amortized cost through profit or loss					
Bank loans	\$ 523,741	-	-	-	-
Notes and accounts payables	1,206,816	-	-	-	-
Other accounts payable (including related parties)	265,313	-	-	-	-
Guarantee deposits	<u>6,129</u>	-	-	-	-
Total	<u>\$ 2,001,999</u>				

(Continued)

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

		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		18,652	-	-	-	-
		<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		5,732	-	-	-	-
		<u>1,730,246</u>				
	\$	<u>1,730,246</u>				
		June 30, 2017				
		Book value	Fair Value			Total
			Level 1	Level 2	Level 3	
Loans and receivables						
Cash and cash equivalents	\$	299,055	-	-	-	-
Notes and accounts receivable, net		1,333,712	-	-	-	-
Other current financial assets		611	-	-	-	-
Refundable deposits		16,801	-	-	-	-
		<u>1,650,179</u>				
	\$	<u>1,650,179</u>				
Amortized financial liabilities at cost						
Bank loans		374,000	-	-	-	-
Notes and accounts payables		618,405	-	-	-	-
Other payables (including related parties)		168,106	-	-	-	-
Guarantee deposits		8,537	-	-	-	-
Total		<u>1,169,048</u>				
	\$	<u>1,169,048</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.

(Continued)

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

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 suppose 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.

(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 six month ended June 30, 2018 were as follows:

	<u>January 1, 2018</u>	<u>Cash flows</u>	<u>June 30, 2018</u>
Long-term loans	\$ 210,000	(14,000)	196,000
Short-term loans	150,000	177,741	327,741
Guarantee deposits	<u>5,732</u>	<u>397</u>	<u>6,129</u>
Total liabilities from financing activities	<u>\$ 365,732</u>	<u>164,138</u>	<u>529,870</u>

(Continued)

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

(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
UNEEC 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. The rental revenue for both periods from April to June and January to June amounted to \$857 and \$1,714 in 2018 and 2017, respectively.

(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 December 31, 2017, the Group still has a remaining balance of \$47,616, which was recognized as other payables-related parties. The payable above had been fully paid as of June 30, 2018. 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 June 30, 2018, CHENMING ELECTRONIC (NINGBO) CO., LTD has already paid off its payment.

(Continued)

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

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	For the three months ended		For the six months ended	
	June 30		June 30	
	2018	2017	2018	2017
Short-term employee benefits	\$ 2,543	3,721	5,678	6,533
Post-employment benefits	81	187	162	295
	\$ 2,624	3,908	5,840	6,828

(ii) Guarantee

The main management are guarantor of the syndication contract, and the amount of syndication are \$196,000, \$210,000 and \$224,000 in June 30, 2018, December 31, 2017 and June 30, 2017.

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Assets	Subject	June 30, 2018	December 31, 2017	June 30, 2017
PPE – properties and land tenure	Short-term loans	\$ 259,277	-	-
PPE and investment properties	Long-term loans			
– land		347,804	347,804	347,804
– properties	"	140,669	142,457	144,244
Other financial asset – non-current	Customs deposits	21,484	15,507	13,444
		\$ 769,234	505,768	505,492

(9) Commitments and contingencies: None.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

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

(12) Other:

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

By function	Three months ended June 30, 2018			Three months ended June 30, 2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	380,124	34,414	414,538	234,801	37,094	271,895
Labor and health insurance	-	1,459	1,459	-	1,567	1,567
Pension	19,926	1,010	20,936	18,377	2,354	20,731
Remuneration of directors	-	250	250	-	300	300
Others	14,704	6,556	21,260	10,687	2,863	13,550
Depreciation	59,961	2,018	61,979	46,081	3,879	49,960
Amortization	248	357	605	337	225	562

By function	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
By item						
Employee benefits						
Salary	686,696	76,112	762,808	471,785	73,714	545,499
Labor and health insurance	-	2,913	2,913	-	3,230	3,230
Pension	34,195	2,921	37,116	35,195	3,878	39,073
Remuneration of directors	-	500	500	-	500	500
Others	27,525	12,585	40,110	19,520	10,286	29,806
Depreciation	114,246	4,084	118,330	91,507	7,694	99,201
Amortization	494	714	1,208	674	483	1,157

The depreciation expense, which subtract the depreciation expense from investment properties, are \$310, \$620, \$309 and \$619 in three months ended June 30, 2018 and 2017, and six months ended June 30, 2018 and 2017 which are recognized in the subtraction of rent revenue.

- (b) Seasonality of operations

The Group's operations were not affected by seasonality or cyclicity factors.

(Continued)

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

(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	182,760	182,760	121,840	2.18738%~3.01781%	Demand for funding	-	Depending on demand for funding	-	-	-	1,826,944 (note 1)	1,826,944 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	"	68,895	68,895	-	4.1%	"	-	"	-	-	-	84,285 (note 2)	84,285 (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.
- (iii) Securities held as of June 30, 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.

(Continued)

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

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

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/ (Sale)	Amount	Percentage of total purchases/ (sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/ accounts receivable (payable)	
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	1,056,161	99 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(213,221)	(97)%	-
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	1,056,161	68 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	213,221	39 %	-

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	213,221	5.51	-	-	193,185	-	The transactions have been eliminated in the consolidated financial statement.

Note1: The recovered amounts of July 26, 2018

- (ix) Trading in derivative instruments: None
(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	121,840	Rate 2.18738%~3.01781%	3%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	1,056,161	The price is based on the fix ratio of final sales price, and the credit period is depending on the demand for funding	43%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Accounts receivable	213,221	"	5%

(Continued)

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

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 six months ended June 30, 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 June 30, 2018			Net income (losses) of the investment	Investment income (losses)	Note
				June 30, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	1,930,397	1,883,713	58,648	100 %	1,826,944	(126,690)	(126,690)	Subsidiaries (note)
TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	1,083,389	(114,629)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandson company (note)
"	PEAK SHREWD INC	Samoa	Investment	566,220	519,536	16,500	100 %	606,950	(13,794)	"	"

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

(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 June 30, 2018	Net income (losses) of the investment	Percentage of ownership	Investment income (losses)	Carrying amount as of June 30, 2018 (note 3)	Accumulated remittance of earnings as of June 30, 2018
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,964,670 (USD64,500)	note 1 and 7	453,854 (USD14,900)	48,736 (USD1,600) (note 6)	-	502,590 (USD16,500)	(22,355)	72 %	(16,096)	606,848	-
Dongguan Chenming Electronic Co., Ltd	"	934,541 (note 4)(USD28,978) (note 5)	note 1 and 8	758,454 (USD24,900)	-	-	758,454 (USD24,900)	(97,591)	100 %	(97,591)	756,830	-

(Continued)

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

(ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of June 30, 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	1,388,976 (USD 45,600)	1,388,976 (USD 45,600)	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 \$30.46 as of June 30, 2018; gains and losses were translated into New Taiwan Dollars at the average exchange rate of \$29.5372 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.

(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.