

**CHENMING MOLD IND. CORP.****FINANCIAL STATEMENTS**

**With Independent Auditors' Report  
For the Years Ended December 31, 2018 and 2017**

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

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## Independent Auditors' Report

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

### Opinion

We have audited the financial statements of CHENMING MOLD IND. CORP. ("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### Basis for Opinion

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

### Key Audit Matters

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

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

Please refer to Note (4)(g) and Note (5) for accounting policy of uncertainty of the valuation of inventory from using equity method - subsidiary. Information of the share of profit (loss) of associates and joint ventures accounted for using equity method - subsidiary's inventory valuation is disclosed in notes (6)(d) of the financial statements.

#### Description of key audit matters:

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

#### Audit Procedure:

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

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

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

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

KPMG

Taipei, Taiwan (Republic of China)  
March 18, 2019

#### Notes to Readers

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

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



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

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

	2018		2017	
	Amount	%	Amount	%
4000 Operating revenue(note (6)(n) and (7))	\$ 3,138,229	100	2,808,551	100
5000 Operating costs (note (6)(c) and (7))	<u>2,913,952</u>	<u>93</u>	<u>2,461,515</u>	<u>88</u>
5900 Gross profit from operations	224,277	7	347,036	12
6000 Operating expenses (note (6)(j) and (12)):				
6100 Selling expenses	31,013	1	34,990	1
6200 Administrative expenses	77,056	2	75,213	3
6300 Research and development expenses	<u>15,753</u>	<u>1</u>	<u>21,465</u>	-
	<u>123,822</u>	<u>4</u>	<u>131,668</u>	<u>4</u>
6900 Net operating income	<u>100,455</u>	<u>3</u>	<u>215,368</u>	<u>8</u>
7000 Non-operating income and expenses:				
7050 Finance costs, net	(6,888)	-	(5,257)	-
7100 Interest income	720	-	985	-
7110 Rent income (note (6)(i) and (7))	13,062	-	12,748	-
7190 Other income (note (7))	4,444	-	3,980	-
7230 Foreign exchange gains (losses), net (note (6)(p))	36,749	1	(58,313)	(2)
7590 Other expense and losses	-	-	153	-
7070 Share of profit of associates and joint ventures accounted for using equity method, net	<u>2,271</u>	-	<u>77,394</u>	<u>3</u>
	<u>50,358</u>	<u>1</u>	<u>31,690</u>	<u>1</u>
7900 Profit before tax	150,813	4	247,058	9
7950 Less: Tax expense (note (6)(k))	<u>40,762</u>	<u>1</u>	<u>34,149</u>	<u>1</u>
Profit	<u>110,051</u>	<u>3</u>	<u>212,909</u>	<u>8</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(1,729)	-	(349)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>357</u>	-	<u>59</u>	-
Total item that may not be reclassified to profit or loss	<u>(1,372)</u>	-	<u>(290)</u>	-
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statement	(14,122)	-	(1,118)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
Total items that may be reclassified subsequently to profit or loss	<u>(14,122)</u>	-	<u>(1,118)</u>	-
8300 Other comprehensive income, net	<u>(15,494)</u>	-	<u>(1,408)</u>	-
8500 Comprehensive income	<u>\$ 94,557</u>	<u>3</u>	<u>211,501</u>	<u>8</u>
Earnings per share (expressed in dollars) (note (6)(m)):				
9750 Basic earnings per share	<u>\$ 0.65</u>		<u>1.25</u>	
9850 Diluted earnings per share	<u>\$ 0.65</u>		<u>1.25</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)  
**CHEMING MOLD IND. CORP.**

**Statements of Changes in Equity**

**For the years ended December 31, 2018 and 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Retained earnings		Total retained earnings	Total retained earnings	Other components of equity	Treasury shares	Total equity
					Legal reserve	Special reserve					
Balance at January 1, 2017	1,699,350	14,722	232,416	-	-	302,109	534,525	(29,978)	-	-	2,218,619
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	19,780	-	(19,780)	-	-	-	-	-	-
Special reserve	-	-	-	29,978	(29,978)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	-	(84,968)	-	-	-	(84,968)
Profit for the year ended December 31, 2017	-	-	-	-	212,909	-	212,909	-	-	-	212,909
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(290)	-	(290)	-	(1,118)	-	(1,408)
Comprehensive income for the year ended December 31, 2017	-	-	-	-	212,619	-	212,619	-	(1,118)	-	211,501
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	37,763	-	-	-	-	-	-	-	-	37,763
Balance at December 31, 2017	1,699,350	52,485	252,196	29,978	380,002	662,176	662,176	(31,096)	-	-	2,382,915
Appropriation and distribution of retained earnings:											
Legal reserve	-	-	21,291	-	(21,291)	-	-	-	-	-	-
Special reserve	-	-	-	1,118	(1,118)	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(84,968)	-	(84,968)	-	-	-	(84,968)
Profit for the year ended December 31, 2018	-	-	-	-	110,051	-	110,051	-	-	-	110,051
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(1,372)	-	(1,372)	-	(14,122)	-	(15,494)
Comprehensive income for the year ended December 31, 2018	-	-	-	-	108,679	-	108,679	-	(14,122)	-	94,557
Increase in treasury share	-	-	-	-	-	-	-	-	-	(52,027)	(52,027)
Balance at December 31, 2018	1,699,350	52,485	273,487	31,096	381,304	685,887	685,887	(45,218)	(52,027)	(52,027)	2,340,477

Balance at January 1, 2017  
Appropriation and distribution of retained earnings:  
Legal reserve  
Special reserve  
Cash dividends of ordinary share  
Profit for the year ended December 31, 2017  
Other comprehensive income for the year ended December 31, 2017  
Comprehensive income for the year ended December 31, 2017  
Difference between consideration and carrying amount of subsidiaries acquired or disposed  
Balance at December 31, 2017  
Appropriation and distribution of retained earnings:  
Legal reserve  
Special reserve  
Cash dividends of ordinary share  
Profit for the year ended December 31, 2018  
Other comprehensive income for the year ended December 31, 2018  
Comprehensive income for the year ended December 31, 2018  
Increase in treasury share  
Balance at December 31, 2018

See accompanying notes to financial statements.

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

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
<b>Cash flows from (used in) operating activities:</b>		
Profit before tax	\$ 150,813	247,058
<b>Adjustments:</b>		
<b>Adjustments to reconcile profit (loss):</b>		
Depreciation expense	4,585	8,325
Amortization expense	1,274	1,182
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	412	172
Interest expense	6,888	5,257
Interest income	(720)	(985)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(2,271)	(77,394)
<b>Total adjustments to reconcile profit (loss)</b>	<u>10,168</u>	<u>(63,443)</u>
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in accounts receivable	(174,956)	(11,977)
Decrease (increase) in inventories	(63)	1,610
Decrease (increase) in other current assets	(185)	111
Increase (decrease) in notes and accounts payable	(67,256)	33,382
Increase (decrease) in other payable and other current liabilities	(11,870)	529
Other	242	(4)
<b>Total changes in operating assets and liabilities</b>	<u>(254,088)</u>	<u>23,651</u>
<b>Total adjustments</b>	<u>(243,920)</u>	<u>(39,792)</u>
Cash inflow (outflow) generated from operations	(93,107)	207,266
Interest received	720	985
Income taxes paid	(37,747)	(26,486)
<b>Net cash flows from (used in) operating activities</b>	<u>(130,134)</u>	<u>181,765</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from capital reduction of investments accounted for using equity method	(46,684)	(149,117)
Acquisition of property, plant and equipment	(76)	(474)
Acquisition of intangible assets	(956)	(1,499)
Other	250	250
<b>Net cash flows from (used in) investing activities</b>	<u>(47,466)</u>	<u>(150,840)</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	220,000	10,000
Increase in long-term loans	160,000	230,000
Decrease in long-term loans	(88,000)	(258,000)
Cash dividends paid	(84,968)	(84,968)
Cost of increase in treasury shares	(52,027)	-
Interest paid	(6,750)	(5,295)
<b>Net cash flows from (used in) financing activities</b>	<u>148,255</u>	<u>(108,263)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(29,345)</u>	<u>(77,338)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>200,956</u>	<u>278,294</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ 171,611</u>	<u>200,956</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)

**CHENMING MOLD IND. CORP.**

**Notes to the Financial Statements**

**For the years ended December 31, 2018 and 2017**

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

**(1) Company history**

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

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

These financial statements were authorized for issuance by the board of directors on March 18, 2019.

**(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.**  
**Notes to the Financial Statements**

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its 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 Company 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 Company’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company 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.

(Continued)

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

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

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its 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 Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

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(f).

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.

(Continued)

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

If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

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

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

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
<b>Financial Assets</b>				
Cash and cash equivalents	Loans and receivables (Note 1)	200,956	Amortized cost	200,956
Notes and Accounts Receivable (including related parties)	Loans and receivables (Note 1)	758,672	Amortized cost	758,672
Guarantee Deposits	Loans and receivables (Note 1)	270	Amortized cost	270

Note1: Cash and cash equivalents, notes receivable, accounts receivable (including related parties) 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 Company 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 is no material impact on the cash flows in the said period.

(Continued)

**CHENMING MOLD IND. CORP.**  
**Notes to the 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 Company believes that the adoption of the above IFRSs would not have any material impact on its 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.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company 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 Company plans to apply the practical expedient to exempt the reassessment of definition of a lease during the transition. This means that it will apply the current lease definition to all contracts entered into before January 1, 2019.

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2) Transition

As a lessee, the Company 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 Company 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 Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- 3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its cars. The Company estimated that the right-of-use assets and the lease liabilities to both increase by \$886 on January 1, 2019. No significant impact is expected for the Company's finance leases. Besides, The Company 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.

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(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.

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 Company estimated that there is no significant impact on the application of the amendments of tax liabilities.

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

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

As of the date, the following IFRSs 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 3 "Definition of a Business"	January 1, 2020
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
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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

(4) **Summary of significant accounting policies:**

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

(a) Statement of compliance

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

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(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Foreign currencies

(i) Foreign currency transaction

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

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

Foreign currency differences arising on retranslation are recognized in profit or loss, except for those differences relating to the fair value through other comprehensive income (available for sale) equity investment, a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective or qualifying cash flow hedges to the extent that the hedge is effective which are recognized in other comprehensive income.

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(ii) Foreign operations

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

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

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

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

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

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

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

An entity shall classify a liability as current when:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or

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

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are reclassified as cash equivalents.

(f) Financial instruments

(i) Financial assets (applicable from January 1, 2018)

The Company 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. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using settlement date accounting.

2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

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On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using settlement date accounting.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using settlement date accounting.

4) Impairment of financial assets

The Company 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 Company 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

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· 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 Company 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 Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

The Company 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 Company in full.

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

At each reporting date, the Company 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;

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- 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 Company 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 Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

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

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

On derecognition of a 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.

(ii) Financial assets (applicable before January 1, 2018)

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

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1) Financial assets at fair value through profit or loss

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

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

2) Loans and receivables

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

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

3) Impairment of financial assets

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

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

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

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

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

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

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

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

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

4) Derecognition of financial assets

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

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

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

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(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

2) Financial liabilities at fair value through profit or loss

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

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

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(iv) Derivative financial instruments

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

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

(g) Inventories

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

(h) Investment in subsidiaries

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

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

(i) Investment property

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

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

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(j) Property, plant and equipment

(i) Recognition and measurement

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

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Leased assets are depreciated by the straight line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

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

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

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

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

(k) Lease

(i) Lessor

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

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

(ii) Lessee

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

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

(l) Intangible assets

(i) Research & Development

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

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

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

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

(ii) Other intangible assets

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

(iii) Subsequent Expenditure

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

(iv) Amortization

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

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

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

(m) Impairment – non-derivative financial assets

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

(Continued)

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

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

(n) Treasury stock

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

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

(o) Revenue

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

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

The Company 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 Company has objective evidence that all criteria for acceptance have been satisfied.

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**CHENMING MOLD IND. CORP.**  
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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 Company 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 Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (applicable before January 1, 2018)

1) Goods sold

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

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

2) Rent Revenue

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

(p) Employee benefits

(i) Defined contribution plans

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

(ii) Defined benefit plans

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

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

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

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

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(q) Share-based payment

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

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

(r) Income taxes

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

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

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

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

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

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

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

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

(s) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary equity holders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee bonuses and employee compensation.

(t) Operating segments

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

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

The preparation of the financial statements in conformity with Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 management continued to monitor the accounting estimates and assumptions the management recognized the changes in the accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

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

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

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

Inventories are supposed to be measured based on the lower of cost or net realizable value. This inventory evaluation is based on the estimated sales price in future, thus, it may be changed due to changes in industry and market. Please refer to Note (6)(d) of the financial statement for the share of profit (loss) of associates and joint ventures accounted for using equity method-Subsidiary's Inventory valuation.

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**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand	\$ 50	50
Checking accounts and demand deposits	<u>171,561</u>	<u>200,906</u>
	<u>\$ 171,611</u>	<u>200,956</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 Company.

(b) Notes and accounts receivable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	\$ 933,987	779,675
Accounts receivable-related parties	<u>-</u>	<u>25</u>
	933,987	779,700
Less: Loss allowance	<u>(771)</u>	<u>(21,028)</u>
Total	<u>\$ 933,216</u>	<u>758,672</u>
Notes and account receivable, net	<u>\$ 933,216</u>	<u>758,672</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, accounts receivables 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 December 31, 2018 was determined as follows:

	<u>Gross carrying amount</u>	<u>Weighted- average expected credit loss rate</u>	<u>Allowance lifetime expected credit loss</u>
Current	\$ 919,046	0.02%	213
1 to 30 days past due	11,179	0.12%	13
31 to 150 days past due	2,756	1.45%	40
150 to 360 days past due	<u>1,006</u>	50.20%	<u>505</u>
	<u>\$ 933,987</u>		<u>771</u>

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As of December 31, 2017, the Company 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:

	<u>December 31, 2017</u>
Past due 0 to 30 days	\$ 14,649
Past due 31 to 150 days	1,107
Past over 150 days	<u>-</u>
	<u>\$ 15,756</u>

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

	<u>2018</u>	<u>December 31, 2017</u>	
		<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>
Balance on January 1, 2018 and 2017 per IAS 39	\$ 21,028	20,669	186
Adjustment on initial application of IFRS 9	<u>-</u>		
Balance on January 1, 2018 per IFRS 9	21,028		
Impairment losses recognized	412	-	173
Impairment losses reversed	<u>(20,669)</u>	<u>-</u>	<u>-</u>
Balance on December 31, 2018 and 2017	<u>\$ 771</u>	<u>20,669</u>	<u>359</u>

As of December 31, 2018 and 2017, the Company did not pledge account receivable as collateral.

(c) Inventories

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Finished goods and merchandise inventories	<u>\$ 63</u>	<u>-</u>

The cost of sales amounted to \$2,913,952 and \$2,461,515 for the years ended December 31, 2018 and 2017, respectively.

As of December 31, 2018 and 2017, the Company did not provide any inventories as collateral.

(d) Investments accounted for using equity method

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	<u>\$ 1,937,814</u>	<u>1,902,981</u>

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**CHENMING MOLD IND. CORP.**  
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- (i) On June 27, 2017, the board of directors decided to purchase 20% shares of CHEMING ELECTRONIC (NINGBO) amounting to \$127,764 (US\$4,200). The Company further increased its shares in CHENMING ELECTRONIC (NINGBO) from 52% to 72%. The Company invested an additional cash of \$149,117 (US\$4,900) in CITY INTERNATIONAL LIMITED in 2017 to increase its capital.
- (ii) The Company invested an additional cash of \$46,684 (US\$1,600) in CITY INTERNATIONAL LIMITED in 2018 to increase its capital for purchasing the shares of subsidiary.
- (iii) As of December 31, 2018 and 2017, the company did not provide any investment accounted for using equity method as collateral.
- (e) Property, Plant and Equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017 were as follows:

	<u>Land</u>	<u>Property</u>	<u>Office equipment and others</u>	<u>Total</u>
<b>Cost:</b>				
Balance on January 1, 2018	\$ 210,897	134,829	19,559	365,285
Additions	-	-	76	76
Disposal	-	(2,962)	(17,578)	(20,540)
Balance on December 31, 2018	<u>\$ 210,897</u>	<u>131,867</u>	<u>2,057</u>	<u>344,821</u>
Balance on January 1, 2017	\$ 210,897	162,976	21,618	395,491
Additions	-	-	474	474
Disposal	-	(28,147)	(2,533)	(30,680)
Balance on December 31, 2017	<u>\$ 210,897</u>	<u>134,829</u>	<u>19,559</u>	<u>365,285</u>
<b>Depreciation:</b>				
Balance on January 1, 2018	\$ -	31,908	18,444	50,352
Depreciation of the period	-	2,586	761	3,347
Disposal	-	(2,962)	(17,578)	(20,540)
Balance on December 31, 2018	<u>\$ -</u>	<u>31,532</u>	<u>1,627</u>	<u>33,159</u>
Balance on January 1, 2017	\$ -	55,595	18,350	73,945
Depreciation of the period	-	4,460	2,627	7,087
Disposal	-	(28,147)	(2,533)	(30,680)
Balance on December 31, 2017	<u>\$ -</u>	<u>31,908</u>	<u>18,444</u>	<u>50,352</u>
<b>Book Value:</b>				
Balance on December 31, 2018	<u>\$ 210,897</u>	<u>100,335</u>	<u>430</u>	<u>311,662</u>
Balance on December 31, 2017	<u>\$ 210,897</u>	<u>102,921</u>	<u>1,115</u>	<u>314,933</u>

As of December 31, 2018 and 2017 the Company had provided parts of the property, plant and equipment at collateral for its long-term loans and credit lines. Please refer to note (8) for details.

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

## (f) Investment Property

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Cost:			
Balance on January 1, 2018 (Same balance as December 31, 2018)	\$ <u>152,640</u>	<u>63,116</u>	<u>215,756</u>
Balance on January 1, 2017 (Same balance as December 31, 2017)	\$ <u>152,640</u>	<u>63,116</u>	<u>215,756</u>
Depreciation:			
Balance on January 1, 2018	\$ -	15,645	15,645
Depreciation of the year	<u>-</u>	<u>1,238</u>	<u>1,238</u>
Balance on December 31, 2018	\$ <u>-</u>	<u>16,883</u>	<u>16,883</u>
Balance on January 1, 2017	\$ -	14,407	14,407
Depreciation of the year	<u>-</u>	<u>1,238</u>	<u>1,238</u>
Balance on December 31, 2017	\$ <u>-</u>	<u>15,645</u>	<u>15,645</u>
Book Value:			
Balance on December 31, 2018	\$ <u>152,640</u>	<u>46,233</u>	<u>198,873</u>
Balance on December 31, 2017	\$ <u>152,640</u>	<u>47,471</u>	<u>200,111</u>
Fair Value:			
Balance on December 31, 2018			\$ <u>492,663</u>
Balance on December 31, 2017			\$ <u>313,479</u>

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

As of December 31, 2018 and 2017, the Company pledge investment properties as collateral. Please refer to note (8) for details.

## (g) Short-term loans

The short-term loans were summarized as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Credit Loan	\$ 360,000	150,000
Secured Loan	<u>10,000</u>	<u>-</u>
	\$ <u>370,000</u>	<u>150,000</u>
Unused credit lines for short-term loans	\$ <u>485,156</u>	<u>605,440</u>
Annual interest rates	<u>1.0%~1.5%</u>	<u>1.0%~1.4%</u>

(Continued)

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- (i) The information of rate and liquidity risk exposure please refer to note (6)(p).
- (ii) As of December 31, 2018 and 2017, the Company provided part of its assets as collateral for short term loans. Please refer to note (8) for details.

(h) Long-term loans

The long-term loans were summarized as follows:

<b>December 31, 2018</b>				
	<b>Currency</b>	<b>Range of interest rates</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank loans	TWD	<u>1.0%~1.5%</u>	2020~2025	\$ 212,000
Unsecured bank loans	TWD	<u>1.0%~1.5%</u>	2020	70,000
Total				<u>\$ 282,000</u>
Current				\$ -
Non-current				282,000
Total				<u>\$ 282,000</u>
Unused long-term credit lines for long-term loans				<u>\$ 170,000</u>
<b>December 31, 2017</b>				
	<b>Currency</b>	<b>Range of interest rates</b>	<b>Expiration</b>	<b>Amount</b>
Secured bank loans	TWD	<u>1.0%~1.5%</u>	2020~2025	\$ 140,000
Unsecured bank loans	TWD	<u>1.0%~1.5%</u>	2020	70,000
Total				<u>\$ 210,000</u>
Current				\$ -
Non-current				210,000
Total				<u>\$ 210,000</u>
Unused credit lines for long-term loans				<u>\$ 270,000</u>

- (i) The main management are the guarantor of long-term loan, please refer to note (7).
- (ii) The information of interest rate and liquidity risk can refer to note (6)(p).
- (iii) As of December 31, 2018 and 2017, the Company provided part of its assets as collateral for long-term loans. Please refer to note (8) for details.

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**Notes to the Financial Statements**

## (i) Operating lease

## (i) Leases as lessee

Non cancellable operating lease rentals payable were as follow:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Less than one year	\$ 566	566
Between one and five years	331	897
	<u>-</u>	<u>-</u>
	<b><u>\$ 897</u></b>	<b><u>1,463</u></b>

The Company leases a number of cars under operating leases. The leases typically run for a period of 1 to 5 years, with an option to renew the lease after that date.

## (ii) The Company as lessor

The Company leases out its investment property. Please refer to note (6)(f). The future lease receivables under non-cancellable lease are as follows:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Less than one year	\$ 14,519	14,300
Between two and four years	21,516	35,825
	<u>36,035</u>	<u>50,125</u>
	<b><u>\$ 36,035</u></b>	<b><u>50,125</u></b>

The lease revenue from investment properties are \$14,300 and \$13,986 in 2018 and 2017, respectively. Moreover, the related depreciation expense are \$1,238, respectively.

## (j) Employee benefits

## (i) Defined benefit plans

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

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Present value of the defined benefit obligations	\$ 33,422	36,082
Fair value of plan assets	<u>(56,826)</u>	<u>(60,782)</u>
Recognized liabilities (assets) for defined benefit obligations	<b><u>\$ (23,404)</u></b>	<b><u>(24,700)</u></b>

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

(Continued)

**CHENMING MOLD IND. CORP.**  
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1) Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$56,826 at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

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

	<u>2018</u>	<u>2017</u>
Defined benefit obligations at January 1	\$ 36,082	35,458
Current service costs and interest	631	513
Remeasurement of net defined benefit liability (assets)	3,099	111
Benefits paid	<u>(6,390)</u>	<u>-</u>
Defined benefit obligations at December 31	<u>\$ 33,422</u>	<u>36,082</u>

3) Movements of defined benefit plan assets

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

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at January 1	\$ (60,782)	(60,192)
Expected return on plan assets	(1,064)	(828)
Remeasurement of net defined benefit liability (assets)	(1,370)	238
Benefits paid	<u>6,390</u>	<u>-</u>
Fair value of plan assets at December 31	<u>\$ (56,826)</u>	<u>(60,782)</u>
Actual return on plan assets	<u>\$ (2,434)</u>	<u>(590)</u>

(Continued)

**CHENMING MOLD IND. CORP.**  
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4) Expenses recognized in profit or loss

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

	<u>2018</u>	<u>2017</u>
Service cost	\$ -	26
Interest cost	631	487
Expected rate of return on plan assets	<u>(1,064)</u>	<u>(828)</u>
	<u>\$ (433)</u>	<u>(315)</u>
Administration expense	<u>\$ (433)</u>	<u>(315)</u>

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

The Company's remeasurement of net defined benefit liability (assets) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Accumulated amount at January 1	\$ 5,693	5,344
Recognized during the period	<u>1,729</u>	<u>349</u>
Accumulated amount at December 31	<u>\$ 7,422</u>	<u>5,693</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follow:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Discount rate	1.375 %	1.750 %
Future salary increasing rate	1.00 %	1.00 %

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

The department of labor from Taipei City Government has approved the Company to suspend the contribution of pension in 2018 and 2017.

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

The weighted-average duration of the defined benefit obligation is 16.77 years.

(Continued)

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

7) Sensitivity Analysis

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

	<b>Influences of defined benefit obligation</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2018		
Discount rate	\$ (1,238)	1,284
Future salary increasing rate	1,270	(1,230)
December 31, 2017		
Discount rate	(1,319)	1,386
Future salary increasing rate	1,374	(1,313)

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

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

(ii) Defined contribution plans

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

The Company recognized the pension costs under the defined contribution method amounting to \$3,561 and \$3,574 for the years ended December 31, 2018 and 2017, respectively.

(k) Income taxes

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.

(Continued)

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

## (i) income tax expenses

1) The amount of income tax for 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense		
Current period	\$ 26,641	33,367
Undistributed earnings additional tax	10,524	5,905
Adjustment for prior period	<u>(7)</u>	<u>390</u>
	<u>37,158</u>	<u>39,662</u>
Deferred tax expense (income)		
Origination and reversal of temporary differences	3,500	(3,721)
Change in unrecognized deductible temporary difference	-	(1,792)
Adjustment in tax rate	<u>104</u>	<u>-</u>
	<u>3,604</u>	<u>(5,513)</u>
Income tax expense	<u>\$ 40,762</u>	<u>34,149</u>

2) The amount of income tax recognized in other comprehensive income for 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Items that may not be reclassified subsequently to profit or loss		
Remeasurement from defined benefit plan	<u>\$ (357)</u>	<u>(59)</u>

3) Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Profit excluding income tax	\$ 150,813	247,058
Income tax using the Company's domestic tax rate	30,163	42,000
Adjustment in tax rate	104	-
Under (over) provision in prior periods	(7)	390
Undistributed earnings additional tax	10,524	5,905
Other	<u>(22)</u>	<u>(14,146)</u>
	<u>\$ 40,762</u>	<u>34,149</u>

(Continued)

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

## (ii) Deferred tax assets and liabilities

## 1) Unrecognized deferred tax liabilities:

The Company is able to control the timing of the reversal of the temporary differences associated with investments in subsidiaries as at December 31, 2018 and 2017. Also, management considered it probable that the temporary differences will not be reversed in the foreseeable future. Hence, such temporary differences were not recognized under deferred tax liabilities. Details were as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Unrecognized deferred tax liabilities (asset) related to investments in subsidiaries	\$ <u>10,527</u>	<u>8,562</u>

## 2) Recognized deferred tax assets and liabilities

	<u>Defined benefit plans</u>	<u>Others</u>	<u>Total</u>
Deferred tax liabilities:			
Balance on January 1, 2018	\$ 4,554	(60)	4,494
Recognized in (profit) or loss	925	-	925
Recognized in other comprehensive income	<u>(357)</u>	<u>-</u>	<u>(357)</u>
Balance on December 31, 2018	<u>\$ 5,122</u>	<u>(60)</u>	<u>5,062</u>
Balance on January 1, 2017	\$ 4,500	2,717	7,217
Recognized in (profit) or loss	113	(2,777)	(2,664)
Recognized in other comprehensive income	<u>(59)</u>	<u>-</u>	<u>(59)</u>
Balance on December 31, 2017	<u>\$ 4,554</u>	<u>(60)</u>	<u>4,494</u>

	<u>Defined benefit Plans</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:			
Balance on January 1, 2018	\$ -	4,097	4,097
Recognized in profit or (loss)	<u>-</u>	<u>(2,679)</u>	<u>(2,679)</u>
Balance on December 31, 2018	<u>\$ -</u>	<u>1,418</u>	<u>1,418</u>
Balance on January 1, 2017	\$ -	1,248	1,248
Recognized in profit or (loss)	<u>-</u>	<u>2,849</u>	<u>2,849</u>
Balance on December 31, 2017	<u>\$ -</u>	<u>4,097</u>	<u>4,097</u>

(Continued)

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

(iii) The Company's tax returns for the years through 2015 were assessed by the Taipei National Tax Administration.

(l) Capital and other equity

(i) Ordinary shares

As of December 31, 2018 and 2017, the authorized common stocks were \$2,472,000 with a par value of 10 New Taiwan dollars per share, and of which 169,935 thousand shares, were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2018 and 2017, were as follows:

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

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

(iii) Retained Earning

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

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

(Continued)

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

1) Legal reserve

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

2) Special reserve

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

3) Earnings distribution

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

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

(iv) Treasury stock

In 2018, in accordance with the requirements under section 28(2) of the Securities and Exchange Act, the Company repurchased 3,500 shares as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2018, a total of 3,500 shares were not yet cancelled.

Movement of treasury share in 2018 was as follows:

	<u>2018</u>	
	<u>Share</u>	
	<u>(thousands)</u>	<u>Amount</u>
Balance on January 1	-	\$ -
Additional	<u>3,500</u>	<u>52,027</u>
Balance on December 31	<u><u>3,500</u></u>	<u><u>\$ 52,027</u></u>

Pursuant to the Securities and Exchange Act, the number of treasury shares purchased cannot exceed 10% of the number of shares issued. The total purchase cost cannot exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital surplus.

(Continued)

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

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

(m) Earnings per share

For the years ended December 31, 2018 and 2017, the Company's earnings per share were calculated as follows:

	<u>2018</u>	<u>2017</u>
<b>Basic earnings per share</b>		
Profit attributable to ordinary shareholders of the Company	\$ <u>110,051</u>	<u>212,909</u>
Weighted-average number of ordinary shares (Shares in thousands)	<u>169,656</u>	<u>169,935</u>
	\$ <u>0.65</u>	<u>1.25</u>
<b>Diluted earnings per share:</b>		
Profit attributable to ordinary shareholder of the Company (after adjusted the influence of potential ordinary shares)	\$ <u>110,051</u>	<u>212,909</u>
Weighted-average number of ordinary shares with potential influence of ordinary shares		
Weighted-average number of ordinary shares	169,656	169,935
Effect of employee stock remuneration	<u>431</u>	<u>448</u>
Weighted-average number of ordinary shares(after adjusted the influence of potential ordinary shares)	<u>170,087</u>	<u>170,383</u>
	\$ <u>0.65</u>	<u>1.25</u>

(n) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2018</u>
<b>Primary geographical markets</b>	
Taiwan	\$ 603,271
China	1,123,028
Others	<u>1,411,930</u>
	\$ <u>3,138,229</u>
<b>Major product</b>	
Computer and service case	\$ 1,474,272
Mobile components	1,534,231
Mold revenue	<u>129,726</u>
	\$ <u>3,138,229</u>

(Continued)

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

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes and accounts receivable	\$ 933,987	779,700
Less: Loss allowance	(771)	(21,028)
	\$ 933,216	758,672

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

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

The Company'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.

The Company's remuneration to employees was \$5,000 and \$8,000; and the remuneration to directors and supervisors was both \$1,500 for the years ended December 31, 2018 and 2017, respectively. The estimated multiplied by the percentage of the remuneration to employees, directors and supervisors, as specified in the Company's article. The estimations are recorded under operating expenses and cost. The 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.

If remuneration to employees is resolved to be distributed in stock, the number of shares is determined by dividing the amount of remuneration by the closing price of the shares (ignoring ex dividend effect) on the day preceding the Board of Directors' meeting. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2018 and 2017.

Related information would be available at the Market Observation Post System website.

(p) Financial Instruments

(i) Credit risk

1) Credit risk exposure

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

2) Concentration to credit risk

The customers of the Company are mainly high tech companies, account receivable have 64% and 48% are composed by five clients in December 31, 2018 and 2017. Thus, the company has concentration to credit risk situation.

(Continued)

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

## (ii) Receivable securities

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)(f).

## (iii) 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>
<b>December 31, 2018</b>				
Secured loans	\$ 222,000	10,000	167,000	45,000
Unsecured loans	430,000	360,000	70,000	-
Notes and accounts payable (including related parties)	497,380	497,380	-	-
Other payables	13,344	13,344	-	-
Guarantee deposits	<u>3,810</u>	<u>-</u>	<u>-</u>	<u>3,810</u>
	<u>\$ 1,166,534</u>	<u>880,724</u>	<u>237,000</u>	<u>48,810</u>
<b>December 31, 2017</b>				
Secured loans	\$ 140,000	-	72,000	68,000
Unsecured loans	220,000	150,000	70,000	-
Notes and accounts payable (including related parties)	564,636	564,636	-	-
Other payables	7,785	7,785	-	-
Guarantee deposits	<u>3,810</u>	<u>-</u>	<u>-</u>	<u>3,810</u>
	<u>\$ 936,231</u>	<u>722,421</u>	<u>142,000</u>	<u>71,810</u>

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

(Continued)

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

(iv) Currency risk

1) Exposure to foreign currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD to TWD	\$ 33,667	30.715	1,034,082	31,499	29.760	937,410
Financial liabilities						
Monetary items						
USD to TWD	90	30.715	2,764	99	29.760	2,946

2) Sensitivity analysis

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

A weakening (strengthening) 5% of each major foreign currency against the Company functional currency as of December 31, 2018 and 2017 would have affected the net profit after tax by \$51,566 and \$46,723, respectively. The analysis is performed on the same basis for both periods.

3) Exchange gains and losses of monetary items

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

	2018		2017	
	Exchange profit (loss)	Average rate	Exchange profit (loss)	Average rate
TWD	\$ 36,749	-	(58,313)	-

(v) Interest Rate analysis

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

	Carrying amount	
	December 31, 2018	December 31, 2017
Variable rate instruments:		
Financial assets	\$ 171,241	200,906
Financial liabilities	652,000	360,000

(Continued)

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

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increase by \$1,202 and \$398 for the years ended December 31, 2018 and 2017, respectively, which would be mainly resulted from the bank savings and loans with variable interest rates.

(vi) Fair value

1) Procedure of valuation

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

2) Fair value hierarchy

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

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

3) The kinds of financial instruments and fair value

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

(Continued)

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

	December 31, 2018				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets measured at amortized cost</b>					
Cash and cash equivalents	\$ 171,611	-	-	-	-
Notes and accounts receivable (including related parties)	933,216	-	-	-	-
Refundable deposits	<u>20</u>	-	-	-	-
	<u>\$ 1,104,847</u>				
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 652,000	-	-	-	-
Notes and accounts payables (including related parties)	497,380	-	-	-	-
Other payables	13,344	-	-	-	-
Guarantee deposits	<u>3,810</u>	-	-	-	-
	<u>\$ 1,166,534</u>				
	December 31, 2017				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Loans and receivables</b>					
Cash and cash equivalents	\$ 200,956	-	-	-	-
Notes and accounts receivable (including related parties)	758,672	-	-	-	-
Refundable deposits	<u>270</u>	-	-	-	-
	<u>\$ 959,898</u>				
<b>Financial liabilities at amortized cost</b>					
Bank loans	\$ 360,000	-	-	-	-
Notes and accounts payable (including related parties)	564,636	-	-	-	-
Other payables	7,785	-	-	-	-
Refundable deposits	<u>3,810</u>	-	-	-	-
	<u>\$ 936,231</u>				

4) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

(Continued)

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

a) Financial liability with amortized cost evaluation

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

5) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

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

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

Except from active market, the Company also acquire its financial instrument value from valuation technic or reference to rival's quotation. The fair value through valuation technic and refer to other essentially prerequisite and similar financial instrument with current fair value, discount cash flow and other valuation method. The financial instruments from non active market are evaluated by discount cash flow model, the main assumption is according to time value of money and investment risk to evaluate future cash flow.

b) Derivative financial instruments

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

(q) Financial risk management

(i) Briefings

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

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

(Continued)

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

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

2) Guarantees

As of December 31, 2018 and 2017, the Company do not offer any endorsement and guarantees.

(iv) Liquidity risk

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

The loans and borrowings from the bank form an important source of liquidity for the Company. Please refer to note 6(g) and note 6(h) for unused short-term and long-term bank facilities as of December 31, 2018 and 2017.

(Continued)

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

(v) Market risk

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

1) Currency risk

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

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

2) Interest rate risk

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

(r) Capital management

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

Debt-to-equity ratio in December 31, 2018 and 2017 as follow:

	<b>December 31, 2018</b>	<b>December 31, 2017</b>
Total liabilities	\$ 1,238,955	1,025,289
Total asset equity	3,579,432	3,408,204
Debt-to-equity ratio	35 %	30 %

As of December 31, 2018, the capital management method do not change.

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

There is no investing activities which affected the current cash flow of the Company in the years ended December 31, 2018.

(Continued)

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

Reconciliation of liabilities arising from financing activities for the year ended December 31, 2018 were as follows:

	<u>January 1,</u> <u>2018</u>	<u>Cash flows</u>	<u>December 31,</u> <u>2018</u>
Long term loans	\$ 210,000	72,000	282,000
Short term loans	150,000	220,000	370,000
Guarantee deposits	3,810	-	3,810
Total liabilities from financing activities	<u>\$ 363,810</u>	<u>292,000</u>	<u>655,810</u>

**(7) Related-party transactions:**

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Company</u>
TOP CITY INTERNATIONAL LIMITED	Subsidiary of the Company
PEAK SHREWD INC	Subsidiary of the Company
GERSHWIN INTERNATIONAL LIMITED	Subsidiary of the Company
Dongguan Chenming Electronic Co., Ltd.	Subsidiary of the Company
Chenming Electronic (Ningbo) Co., Ltd.	Subsidiary of the Company
Chenming (H.K.) Co., Ltd.	Same chairman with the Company
UNEEC Culture Education Foundation	Same chairman with the Company
Mu-Ho, Lin	Chairman of the Company

(b) Significant transactions with related parties

(i) Selling products to related parties

	<u>2018</u>	<u>2017</u>
Subsidiaries	<u>\$ 76</u>	<u>70</u>

There were no significant differences in the collection periods and sale prices between the related parties and other customers, and the payment term was 60 days.

(ii) Purchases

The amounts of significant purchases by the Company from related parties were as follows:

	<u>2018</u>	<u>2017</u>
Subsidiary:		
Dongguan Chenming Electronic Co., Ltd.	\$ 2,897,193	2,445,773
Subsidiary:		
Others	192	328
	<u>\$ 2,897,385</u>	<u>2,446,101</u>

(Continued)

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

The Company purchases certain products manufactured by its related parties. The purchase prices for related parties are similar to those of the third-party vendors, and the collection period for related parties is 60 days and payment according to subsidiaries's financial needs.

(iii) Receivable from Related Parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	Subsidiaries	\$ <u>          -</u>	<u>          25</u>

(iv) Payables to Related Parties

The payables to related parties were as follows:

<u>Account</u>	<u>Related party categories</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts payable	Subsidiaries:		
	Dongguan Chenming		
	Electronic Co., Ltd.	\$ <u>      486,788</u>	<u>      554,040</u>

(v) Lease

The Company rents parts of its office and miscellaneous equipment to its related parties and collects monthly rental from them. Each rental income for the years ended December 31, 2018 and 2017 both amounted to \$3,429.

(vi) Other

The Company dispatched its employees to its subsidiaries for providing management services. As of December 31, 2018 and 2017, the relative revenue amounted to \$4,364 and \$3,043, respectively, which was recognized in other income.

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 6,127	5,103
Post-employment benefits	<u>108</u>	<u>286</u>
	<u>\$ 6,235</u>	<u>5,389</u>

(ii) Guarantee

The main management are guarantor of the syndication contract, and the amount of syndication are \$282,000 and \$210,000 in December 31, 2018 and 2017.

(Continued)

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

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

<u>Pledged Assets</u>	<u>Object</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
PPE and investment	Short-term loans and long-term loans		
properties- land		\$ 347,804	347,804
— properties	Short-term loans and long-term loans	138,882	142,457
		<u>\$ 486,686</u>	<u>490,261</u>

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

On March 7, 2019, the Board of Directors decided to acquire 10% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD. amounting to US\$2,160 indirectly through the existing overseas investment structure. The Group further increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD. from 72% to 82%.

**(12) Other:**

- (a) The summary statement of current period employee benefits, depreciation and amortization expenses by function is as follows:

By function  By item	2018			2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	-	61,792	61,792	-	72,047	72,047
Labor and health insurance	-	5,855	5,855	-	6,143	6,143
Pension	-	3,128	3,128	-	3,259	3,259
Remuneration of directors	-	1,000	1,000	-	1,000	1,000
Others	-	4,933	4,933	-	4,108	4,108
Depreciation	-	3,347	3,347	-	7,087	7,087
Amortization	-	1,274	1,274	-	1,182	1,182

Note: The depreciation expense, which subtract the depreciation expense from investment properties, are both \$1,238 for the years ended December 31, 2018 and 2017 which are recognized in the subtraction of rent revenue.

- (b) The Company had 79 and 78 employees as of December 31, 2018 and 2017, respectively.

(Continued)

## (English Translation of Financial Report Originally Issued in Chinese)

**CHENMING MOLD IND. CORP.**  
**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 Company for the year ended December 31, 2018:

**(i) Loans to other parties:**

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 1)
													Item	Value		
1	CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Accounts receivable due from related parties	Yes	184,290	184,290	122,860	2.18738%~3.43613%	Demand for funding	-	Depending on demand for funding	-	-	-	1,937,814 (note 1)	1,937,814 (note 1)
2	CHENMING ELECTRONIC (NINGBO) CO., LTD	Dongguan Chenming Electronic Co., Ltd	"	"	67,080	67,080	-	4.1%~5.0025%	"	-	"	-	-	-	96,312 (note 2)	96,312 (note 2)
3	Dongguan Chenming Electronic Co., Ltd.	CHENMING ELECTRONIC (NINGBO) CO., LTD	"	"	67,080	67,080	-	5.0025%	"	-	"	-	-	-	79,552 (note 2)	79,552 (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

**(ii) Guarantees and endorsements for other parties:**

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	CHENMING ELECTRONIC (NINGBO) CO., LTD	72% Owned subsidiary	936,190	53,664	53,664	-	-	2.29%	1,872,381	Y	N	Y

Note: The total amount of endorsement guarantees the Company or the Group is permitted to provide shall not exceed 80% of the Company's net worth; the amount of endorsement guarantees for a entity shall not exceed 40% of the Company's net worth.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures): None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

(Continued)

## (English Translation of Financial Report Originally Issued in Chinese)

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

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Company Name	Counter party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/(Sale)	Amount	Percentage of total purchases/(sales)	Payment terms	Unit price	Payment Terms	Ending Balance	Percentage of total notes/accounts receivable (payable)	
The Company	Dongguan Chenming Electronic Co., Ltd	Subsidiaries of GERSHWIN INTERNATIONAL LIMITED	Purchases	2,897,193	99 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	(486,788)	(98)%	Note
Dongguan Chenming Electronic Co., Ltd	The Company	Ultimate holding company	(Sale)	(2,897,193)	74 %	Depending on the demand for funding	Depending on price contract	Depending on the demand for funding	486,788	57 %	"

- (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	Note
					Amount	Action taken			
Dongguan Chenming Electronic Co., Ltd	The Company	Subsidiaries	486,788	5.57	-	-	486,788	-	

- (ix) Trading in derivative instruments: None.
- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of the investment	Investment income (losses)	Note
				December 31, 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 %	1,937,814	2,271	2,271	Subsidiaries
	TOP CITY INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	1,105,641	(92,377)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandson company
"	PEAK SHREWD INC	Samoa	Investment	566,220	519,536	16,500	100 %	693,557	90,905	"	"

(Continued)

## (English Translation of Financial Report Originally Issued in Chinese)

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

## (c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investment	Percentage of ownership	Investment Income (losses) (note 2 and 3)	Carrying amount as of December 31, 2018 (note 3)	Accumulated remittance of earnings as of December 31, 2018
					Outflow	Inflow						
CHENMING ELECTRONIC (NINGBO)CO.,LTD Dongguan Chenming Electronic Co., Ltd	Computer case and production of relative components	1,981,118 (USD64,500)	note1 and 7	457,654 (USD14,900)	49,144 (USD1,600) (note 6)	-	506,798 (USD16,500)	123,051	72 %	88,597	693,450	-
		890,059 (note 4) (USD28,978) (note 5)	note 1 and 8	764,804 (USD24,900)	-	-	764,804 (USD24,900)	(58,896)	100 %	(58,896)	795,525	-

- (ii) Limitation on investment in Mainland China:

Company Name	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission of Ministry of Economic Affairs	Limitation on investment in Mainland China by Investment Commission of Ministry of Economic Affairs
The Company	1,400,604 (USD 45,600)	1,400,604 (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 \$30.715 as of December 31, 2018; gains and losses were translated into New Taiwan Dollars at the average exchange rate of \$30.1492 for the period.

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

Note5: Invested the amount of USD 1,078 thousands 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 are disclosed in "Information on significant transactions".

## (14) Segment information:

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

## Chenming Mold Ind. Corp.

## STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Petty Cash		\$ 50
Checking accounts and demand deposits	NTD	12,285
	Foreign currency (US\$2,778 ; JPY\$301 ; RMB\$16,518)	159,276
		<u>\$ 171,611</u>

Note : The exchange rate is 30.715 New Taiwan dollars for 1 U.S. dollar ; 0.2782 New Taiwan dollars for 1 JPY ; 4.472 New Taiwan dollars for 1 RMB.

## STATEMENTS OF ACCOUNTS RECEIVABLES

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Accounts Receivable:		
Non-Related party:		
B Company	//	\$ 203,510
C Company	//	120,758
D Company	//	108,091
F Company	//	92,954
G Company	//	73,250
H Company	//	56,934
Other (Note)	//	278,490
Total		933,987
Less : Allowance for Bad Debts		(771)
Accounts Receivable, net		<u>\$ 933,216</u>

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

## Chenming Mold Ind. Corp.

## STATEMENTS OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Investee Company	Beginning Balance		Additions (Note1)		Disposals (Note2)		Investment income		Cumulative translation adjustment		Ending Balance		Market price or net value	Collaterals or Pledged assets
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Amount	Amount	Number of shares	Percentage of Ownership	Amount	Amount		
TOP CITY INTERNATIONAL LIMITED	57,048	\$ 1,902,981	1,600	46,684	-	-	2,271	(14,122)	58,648	100 %	1,937,814	1,937,814	None	

Note 1: The Company invested the additional cash of \$46,684 thousands in subsidiaries.

## Chenming Mold Ind. Corp.

## STATEMENTS OF PROPERTY, PLANT AND EQUIPMENT

December 31, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

Please refer to Note 6(e) ◦

## STATEMENTS OF INVESTMENT PROPERTY

Please refer to Note 6(f) ◦

## STATEMENTS OF SHORT-TERM LOANS

December 31, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest Rate</u>	<u>Loan commitments</u>	<u>Collaterals or Pledged assets</u>
Mega International Commercial Bank Co.,Ltd	Credit Loans	\$ 240,000	2017.8.18~ 2018.8.17	Please refer to note (6)(g)	USD18,400	None
Hua Nan Commercial Bank	Credit Loans	120,000	2017.12.8~ 2018.12.8	Please refer to note (6)(g)	NTD170,000	None
Hua Nan Commercial Bank	Secured loans	10,000	107.12.7~1 08.12.7	Please refer to note (6)(g)	NTD -	Land and PPE
CTBC Bank Co., Ltd.	Credit Loans	-			NTD120,000	None
		<u>\$ 370,000</u>				

## Chenming Mold Ind. Corp.

## STATEMENTS OF LONG-TERM LOANS

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Amount</u>		<u>Interest Rate</u>	<u>Contract period</u>	<u>Cloaterals or Pledged assets</u>
		<u>Loan within 1 year</u>	<u>Loan more than 1 year</u>			
Mega International Commercial Bank Co.,Ltd	Secured Loans	\$ -	164,000	Please refer to Note 6(h)	2005.11~2020.11	Land、PPE and investment properties
Hua Nan Commercial Bank	Secured Loans	-	48,000	Please refer to Note 6(h)	2005.11~2025.11	Land、PPE and investment properties
Hua Nan Commercial Bank	Credit Loans	-	70,000	Please refer to Note 6(h)	2017.12~2020.5	None
		<u>\$ -</u>	<u>282,000</u>			

## STATEMENTS OF ACCOUNTS PAYABLE

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Notes and Accounts payable :		
Dongguan Chenming Electronic Co., Ltd	Related party operating income	\$ 486,788
Other (Note)	Non-Related party operating income	<u>10,592</u>
		<u>\$ 497,380</u>

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

## Chenming Mold Ind. Corp.

## STATEMENTS OF OPERATING REVENUES

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Number—pieces in thousand	Amount
Sales revenue :		
Computer and server case	1,284	\$ 1,476,272
Mobile components	199,277	1,540,872
Less : Sales discount		<u>(8,641)</u>
		3,008,503
Mold revenue		<u>129,726</u>
Net sales revenue		<u><u>\$ 3,138,229</u></u>

## STATEMENTS OF OPERATING COSTS

Item	Amount
Raw materials, Balance, beginning of year	\$ -
Gains : Raw material purchased	16,822
Less : Raw materials, end of year	<u>-</u>
Raw materials used	16,822
Gains : Work-in-Process, beginning of year	-
Less : Work-in-Process, end of year	<u>-</u>
Cost of finished goods	16,822
Finished goods purchased	2,897,193
Less : Finished goods, end of year	(63)
Income from Sale of Scrap	<u>-</u>
Total	<u><u>\$ 2,913,952</u></u>

## Chenming Mold Ind. Corp.

## STATEMENTS OF OPERATING EXPENSE

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Marketing expenses</u>	<u>Management expenses</u>	<u>Research development expenses</u>
Payroll expense	\$ 17,935	37,247	7,610
Travel expenses	4,146	1,698	1,810
Insurance expenses	2,165	4,027	1,602
Entertainment expense	2,284	2,493	13
Professional service fees	-	8,419	-
Safety and health expenses	-	4,410	-
Other (Note)	<u>4,483</u>	<u>18,762</u>	<u>4,718</u>
Total	<u>\$ 31,013</u>	<u>77,056</u>	<u>15,753</u>

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