

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

CONSOLIDATED FINANCIAL STATEMENTS

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

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

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Representation Letter

The entities that are required to be included in the combined financial statements of Chenming Mold Ind. Corp. as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Chenming Mold Ind. Corp. and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: Chenming Mold Ind. Corp.

Chairman: Lin, Mu-Ho

Date: March 18, 2019



安侯建業聯合會計師事務所

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Independent Auditors' Report

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

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Inventory valuation

Please refer to Note (4)(h) and Note (5) for accounting policy of uncertainty of the valuation of inventory. Information of inventories and related expenses is disclosed in note (6)(c) of the consolidated financial statements.

Description of key audit matters:

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

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

Other Matter

CHENMING MOLD IND. CORP. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

KPMG

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

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
CHEMNING MOLD IND. CORP. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousand of New Taiwan Dollars)

	December 31, 2018		December 31, 2017		December 31, 2017	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6)(a))	\$ 421,014	8	533,887	12	2100	3
1170 Notes and accounts receivable, net (note 6)(b) and (n))	1,973,332	39	1,464,769	32	2130	-
1310 Inventories, net (note 6)(c))	1,006,649	20	774,879	17	2170	26
1476 Other current financial assets	16,142	-	13,709	-	2200	6
1479 Other current assets	68,490	1	88,895	2	2220	1
	<u>3,485,627</u>	<u>68</u>	<u>2,876,139</u>	<u>63</u>	<u>2230</u>	<u>1</u>
Non-current assets:						
1600 Property, plant and equipment (note 6)(e) and (8))	1,137,662	22	1,128,528	25	2300	-
1760 Investment property, net (note 6)(f) and (8))	198,873	4	200,111	5		
1780 Intangible assets	2,368	-	3,617	-	2540	5
1840 Deferred income tax assets (note 6)(k))	1,418	-	4,097	-	2570	-
1980 Other non-current financial assets (note 8))	21,020	-	18,652	-	2645	-
1985 Long-term prepaid rents	247,063	5	258,973	6		
1990 Other non-current assets	27,385	1	50,265	1		
	<u>1,635,789</u>	<u>32</u>	<u>1,664,243</u>	<u>37</u>		
Total assets	<u>\$ 5,121,416</u>	<u>100</u>	<u>4,540,382</u>	<u>100</u>		
Liabilities and Equity						
Current liabilities:						
Short-term loans (note 6)(g))					7	150,000
Current contract liabilities (note 6)(n))	2,023	-	-	-	-	-
Notes and accounts payable	1,502,298	29	1,196,776	26	29	1,196,776
Other payables	298,483	6	259,078	6	6	259,078
Other payables-related parties (note 6)(d) and (7))	-	-	47,616	1	-	47,616
Current tax liabilities (note 6)(k))	26,350	1	26,939	1	1	26,939
Other current liabilities	18,659	-	16,119	-	-	16,119
	<u>2,217,813</u>	<u>43</u>	<u>1,696,528</u>	<u>37</u>		
Non-Current liabilities:						
Long-term loans (note 6)(h))	282,000	6	210,000	5	6	210,000
Deferred income tax liabilities (note 6)(k))	5,062	-	4,494	-	-	4,494
Guarantee deposits	6,389	-	5,732	-	-	5,732
	<u>293,451</u>	<u>6</u>	<u>220,226</u>	<u>5</u>		
	<u>2,511,264</u>	<u>49</u>	<u>1,916,754</u>	<u>42</u>		
Total liabilities						
Equity attributable to owners of parent:						
Ordinary shares (note 6)(l))	1,699,350	33	1,699,350	37	33	1,699,350
Capital surplus (note 6)(l))	52,485	1	52,485	1	1	52,485
Retained earnings (note 6)(l))	685,887	14	662,176	15	14	662,176
Exchange differences on translation of foreign financial statements	(45,218)	(1)	(31,096)	-	(1)	(31,096)
Treasury shares (note 6)(l))	(52,027)	(1)	-	-	(1)	-
	<u>2,340,477</u>	<u>46</u>	<u>2,382,915</u>	<u>53</u>		
Total equity attributable to owners of parent						
Non-controlling interests	269,675	5	240,713	5	5	240,713
	<u>2,610,152</u>	<u>51</u>	<u>2,623,628</u>	<u>58</u>		
Total liabilities and equity	<u>\$ 5,121,416</u>	<u>100</u>	<u>4,540,382</u>	<u>100</u>		

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

Consolidated 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))	\$ 6,186,402	100	4,840,129	100
5000 Operating costs (note (6)(c) and (12))	<u>5,714,259</u>	<u>92</u>	<u>4,178,209</u>	<u>86</u>
5900 Gross profit from operations	<u>472,143</u>	<u>8</u>	<u>661,920</u>	<u>14</u>
6000 Operating expenses (note (6)(i), (6)(j) and (12)):				
6100 Selling expenses	137,813	2	118,210	2
6200 Administrative expenses	199,781	3	188,615	4
6300 Research and development expenses	<u>35,697</u>	<u>1</u>	<u>34,036</u>	<u>1</u>
	<u>373,291</u>	<u>6</u>	<u>340,861</u>	<u>7</u>
6900 Net operating income	<u>98,852</u>	<u>2</u>	<u>321,059</u>	<u>7</u>
7000 Non-operating income and expenses:				
7050 Finance costs, net	(8,696)	-	(5,295)	-
7100 Interest income	1,695	-	1,763	-
7110 Rent revenue (note (6)(i) and (7))	15,078	-	14,116	-
7190 Other income	17,482	-	19,977	-
7230 Foreign exchange gains (losses), net (note (6)(p))	63,883	1	(67,540)	(1)
7590 Other expense and losses	<u>(3,027)</u>	<u>-</u>	<u>(4,013)</u>	<u>-</u>
	<u>86,415</u>	<u>1</u>	<u>(40,992)</u>	<u>(1)</u>
7900 Profit before tax	185,267	3	280,067	6
7950 Less: Income tax expenses (note (6)(k))	<u>40,762</u>	<u>1</u>	<u>34,149</u>	<u>1</u>
Profit	<u>144,505</u>	<u>2</u>	<u>245,918</u>	<u>5</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 (note (6)(j))	(1,729)	-	(349)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(k))	<u>357</u>	<u>-</u>	<u>59</u>	<u>-</u>
Total items that may not be reclassified to profit or loss	<u>(1,372)</u>	<u>-</u>	<u>(290)</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(19,614)	-	(7,849)	-
8399 Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total items that may be reclassified subsequently to profit or loss	<u>(19,614)</u>	<u>-</u>	<u>(7,849)</u>	<u>-</u>
8300 Other comprehensive income	<u>(20,986)</u>	<u>-</u>	<u>(8,139)</u>	<u>-</u>
8500 Comprehensive income	<u>\$ 123,519</u>	<u>2</u>	<u>237,779</u>	<u>5</u>
Profit attributable to:				
8610 Owners of parent	\$ 110,051	2	212,909	4
8620 Non-controlling interests	<u>34,454</u>	<u>-</u>	<u>33,009</u>	<u>1</u>
	<u>\$ 144,505</u>	<u>2</u>	<u>245,918</u>	<u>5</u>
Comprehensive income attributable to:				
8710 Owners of parent	\$ 94,557	2	211,501	4
8720 Non-controlling interests	<u>28,962</u>	<u>-</u>	<u>26,278</u>	<u>1</u>
	<u>\$ 123,519</u>	<u>2</u>	<u>237,779</u>	<u>5</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 Consolidated Financial Statements Originally Issued in Chinese)
CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Retained earnings		Total retained earnings	Other components of equity		Treasury stock		Non-controlling interests
					Unappropriated retained earnings	Total retained earnings		Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent			
\$ 1,699,350	14,722	232,416	232,416	-	302,109	534,525	(29,978)	-	-	-	379,962	2,598,581
-	-	19,780	-	(19,780)	-	-	-	-	-	-	-	-
-	-	-	29,978	(29,978)	-	-	-	-	-	-	-	-
-	-	-	-	(84,968)	(84,968)	(84,968)	-	-	-	-	-	(84,968)
-	-	-	-	212,909	212,909	212,909	-	-	-	-	33,009	245,918
-	-	-	-	(290)	(290)	(290)	(1,118)	-	-	-	(6,721)	(8,132)
-	-	-	-	212,619	212,619	212,619	(1,118)	-	-	-	26,278	237,779
-	37,763	-	-	-	-	-	-	-	-	-	-	37,763
-	-	-	-	-	-	-	-	-	-	-	(165,527)	(165,527)
1,699,350	52,485	252,196	29,978	380,002	662,176	381,304	(31,096)	-	-	-	240,713	2,623,628
-	-	21,291	-	(21,291)	-	-	-	-	-	-	-	-
-	-	-	1,118	(1,118)	-	-	-	-	-	-	-	-
-	-	-	-	(84,968)	(84,968)	(84,968)	-	-	-	-	-	(84,968)
-	-	-	-	110,051	110,051	110,051	(1,412)	-	-	-	34,454	144,505
-	-	-	-	(1,372)	(1,372)	(1,372)	(1,412)	-	-	-	(5,492)	(20,289)
-	-	-	-	108,679	108,679	108,679	(1,412)	-	-	-	28,962	123,519
-	-	-	-	-	-	-	-	-	-	(52,027)	-	(52,027)
1,699,350	52,485	273,487	31,096	381,304	685,887	381,304	(45,218)	-	-	-	269,675	2,610,152

Balance on January 1, 2017

Appropriation and distribution of retained earnings:

Legal reserve

Special reserve

Cash dividends on ordinary shares

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

Changes in non-controlling interests

Balance on December 31, 2017

Appropriation and distribution of retained earnings:

Legal reserve

Special reserve

Cash dividends on ordinary shares

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 stock

Balance on December 31, 2018

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

Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 185,267	280,067
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	247,607	206,639
Amortization expense	2,168	2,438
Expected credit loss / Provision (reversal of provision) for bad debt expense	1,310	(3,738)
Interest expense	8,696	5,295
Interest income	(1,695)	(1,763)
Loss (gain) from disposal of property, plant and equipment, net	(194)	4,028
Other	12,392	10,880
Total adjustments to reconcile profit (loss)	<u>270,284</u>	<u>223,779</u>
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	(509,844)	(301,864)
Decrease (increase) in inventories	(231,770)	(144,945)
Decrease (increase) in other current assets	20,405	(38,230)
Decrease (increase) in other financial assets	(2,433)	(16)
Increase (decrease) in contract liabilities	2,023	-
Increase (decrease) in notes and accounts payable	305,522	387,666
Increase (decrease) in other payable and other current liabilities	32,099	(411)
Total changes in operating assets and liabilities	<u>(383,998)</u>	<u>(97,800)</u>
Total adjustments	<u>(113,714)</u>	<u>125,979</u>
Cash inflow generated from operations	71,553	406,046
Interest received	1,695	1,763
Income taxes paid	(37,747)	(26,486)
Net cash flows from operating activities	<u>35,501</u>	<u>381,323</u>
Cash flows from (used in) investing activities:		
Acquisition of subsidiaries (reduce acquired cash)	-	(74,175)
Acquisition of property, plant and equipment	(229,264)	(149,176)
Proceeds from disposal of property, plant and equipment	3,157	-
Decrease (increase) in prepayment for business facilities	(4,453)	(25,678)
Acquisition of intangible assets	(955)	(2,503)
Decrease (increase) in refundable deposits	(2,368)	(3,197)
Net cash flows (used in) investing activities	<u>(233,883)</u>	<u>(254,729)</u>
Cash flows from (used in) financing activities:		
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)
Increase (decrease) in guarantee deposits	657	(3,820)
Cash dividends paid	(84,968)	(84,968)
Cost of increase in treasury stock	(52,027)	-
Interest paid	(8,558)	(5,333)
Acquisition of non-controlling interests	(47,616)	(80,148)
Net cash flows from (used in) financing activities	<u>99,488</u>	<u>(192,269)</u>
Effect of exchange rate changes on cash and cash equivalents	(13,979)	(5,323)
Net increase (decrease) in cash and cash equivalents	(112,873)	(70,998)
Cash and cash equivalents at beginning of period	533,887	604,885
Cash and cash equivalents at end of period	<u>\$ 421,014</u>	<u>533,887</u>

See accompanying notes to financial statements.

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

Notes to the Consolidated 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 business activities of the Company are the production of computer case, the manufacture and the development of mobile devices.

The consolidated financial statements of the Company as of and for the years ended December 31, 2018 comprise the Company and subsidiaries (together referred to as the “Group” and individually as “Group entities”). Please refer to note (4) (c) ii. for related information of the Group primarily business activities.

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

These consolidated financial statements were authorized for issuance by the Board of Directors on March 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

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

(i) IFRS 15 “Revenue from Contracts with Customers”

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

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

For the sale of products, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group considers that the related risk and the rewards of ownership transfer is similar to the point of control transfer, therefore the adoption of IFRS 15 does not have any significant impact on its accounting policies on the consolidated financial statement.

(ii) IFRS 9 “Financial Instruments”

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

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

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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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 Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

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(g).

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.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

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

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

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

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

(iii) Amendments to IAS 7 "Disclosure Initiative"

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

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(s).

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

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

There is no material impact on the cash flows in the said period.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

(i) IFRS 16 “Leases”

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

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

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

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

The Group plans to apply the practical expedient to 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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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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2) Transition

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

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

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

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

When applying the modified retrospective approach to leases previously classified as operating leases, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group 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 Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Group estimated that the right-of-use assets and the lease liabilities to both increase by \$6,601 on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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 Group 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 that have been issued by the International Accounting Standards Board (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 Group assessed that the above IFRSs may not be relevant to the Group.

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

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

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as "the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect

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

by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

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

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

(ii) Functional and presentation currency

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

(c) Basis of consolidation

(i) Principle of preparation of the consolidated financial statements

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

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

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

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

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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(ii) List of subsidiaries in the consolidated financial statements.

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

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

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary 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 period, 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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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Foreign operations

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

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

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

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

An 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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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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.

(f) Cash and cash equivalents

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

(g) Financial instruments

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

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

1) Financial assets measured at amortized cost

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

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

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. 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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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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On initial recognition of an equity investment that is not held for trading, the Group 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 Group'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 Group 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 Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, refundable deposit and other financial assets).

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

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

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

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

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

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

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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·it is probable that the borrower will enter bankruptcy or other financial reorganization;
or

·the disappearance of an active market for a security because of financial difficulties.

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

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

5) Derecognition of financial assets

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

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

On derecognition of a 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 Group 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.

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.

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

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

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

(Continued)

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

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

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

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

(Continued)

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

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

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

2) Financial liabilities at fair value through profit or loss

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

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

3) Other financial liabilities

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

4) Derecognition of financial liabilities

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

5) Offsetting of financial assets and liabilities

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

(Continued)

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

(iv) Derivative financial instruments

The Group 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.

(h) Inventories

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

(i) Investment property

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

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

(j) Property, plant and equipment

(i) Recognition and measurement

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

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

(Continued)

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

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

(ii) Reclassification to investment property

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

(iii) Subsequent cost

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

(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.

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

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

The 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.

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

(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 Group'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.

- 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.

(Continued)

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

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

(ii) Other intangible assets

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

(iii) Subsequent Expenditure

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

(iv) Amortization

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

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 of non-financial assets

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

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

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

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

(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 Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

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

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

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

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

(iii) Termination benefits

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

(iv) Short-term employee benefits

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

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

(q) Share-based payment

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

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

(Continued)

CHENMING MOLD IND. CORP. AND SUBSIDIARIES**Notes to the Consolidated Financial Statements****(r) Income taxes**

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

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

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

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

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

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

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

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

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

(s) **Business combination**

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

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

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

(t) **Earnings per share**

The Group 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.

(u) **Operating segments**

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

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

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

The 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 consolidated financial statements.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Inventory valuation

As inventories are stated at the lower of cost or net realizable value, the net realizable value of the inventory is mainly determined based on assumptions as to future sales price. Due to the industry and market transformation, there may be changes in the net realizable value of inventories. Please refer to note 6(c) for further description of the valuation of inventories.

(6) Explanation of significant accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	\$ 1,104	737
Checking accounts and demand deposits	419,910	533,150
	<u>\$ 421,014</u>	<u>533,887</u>

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

(b) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes and accounts receivable	1,975,622	1,486,447
Less: Loss allowance	(2,290)	(21,678)
Total	<u>\$ 1,973,332</u>	<u>1,464,769</u>
Notes and accounts receivable, net	<u>\$ 1,973,332</u>	<u>1,464,769</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on 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:

	Gross carrying amount	Weighted- average expected credit loss rate	Allowance lifetime expected credit loss
Current	\$ 1,947,758	0.03%	677
1 to 30 days past due	20,140	0.28%	57
31 to 150 days past due	5,573	1.96%	109
150 to 360 days past due	2,151	67.27%	1,447
	<u>\$ 1,975,622</u>		<u>2,290</u>

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

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

	December 31, 2017
Past due 0 to 30 days	\$ 20,536
Past due 31 to 150 days	1,532
Past over 150 days	<u>2</u>
	\$ <u>22,070</u>

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

	2018	December 31, 2017	
		Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	\$ 21,678	20,669	4,854
Adjustment on initial application of IFRS 9	<u>-</u>		
Balance on January 1, 2018 per IFRS 9	21,678		
Impairment losses recognized	1,310	-	-
Impairment losses reversed	-	-	(3,738)
Amounts written off	(20,669)	-	-
Foreign exchange gains/(losses)	<u>(29)</u>	-	<u>(107)</u>
Balance on December 31, 2018 and 2017	\$ <u>2,290</u>	<u>20,669</u>	<u>1,009</u>

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

(c) Inventories

	December 31, 2018	December 31, 2017
Raw materials	\$ 271,178	340,148
Work in progress	320,424	173,958
Finished goods and merchandise inventories	<u>415,047</u>	<u>260,773</u>
	\$ <u>1,006,649</u>	<u>774,879</u>

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group composition details of operating cost for the years ended December 31, 2018 and 2017 as follow:

	2018	2017
Cost of goods sold	\$ 5,578,205	4,071,154
Revenue from sale of scraps	(55,518)	(30,889)
Inventories valuation and obsolescence losses (reversed)	5,199	(2,101)
Loss on scrapping of inventories	186,143	140,019
Loss and shortage of inventories	230	26
	\$ 5,714,259	4,178,209

The Company write-down of the inventories to net realizable value amounted to \$5,199 for the years ended December 31, 2018. The write-downs and reversals are included in cost of sales.

The Company reversed its allowance for inventories valuation loss amounted to \$2,101 due to the net realizable value of inventories bounced back during the year ended December 31, 2017.

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

(d) Changes in a parent's ownership interest in a subsidiary

Considering the future development strategy. On June 27, 2017, the Board of Directors decided to purchase 20% shares of CHENMING ELECTRONIC (NINGBO) CO., LTD amounting to \$127,764 (US\$4,200) from CHENMING (H.K.) CORPORATION LIMITED through its subsidiaries "PEAK SHREWD INC." which the share are 100% hold by the Group in which the contract was signed on June 28, 2017; and the related transfer procedures had been completed in July 2017. The Group further increased its shares in CHENMING ELECTRONIC (NINGBO) CO., LTD from 52% to 72%. As of December 31, the Group still has the remaining balances of \$47,616, which were recognized as other payable-related parties. As of December 31, 2018, the transfer procedures have been finished.

(e) Property, Plant and Equipment

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

	Land	Property	Machinery and Equipment	Office equipment and others	Total
Cost:					
Balance on January 1, 2018	\$ 210,897	785,401	453,851	136,815	1,586,964
Additions	-	-	219,225	19,747	238,972
Disposal	-	2,177	(160,909)	(35,114)	(193,846)
Reclassifications	-	-	25,092	-	25,092
Effect of changes in exchange rates	-	(3,974)	(3,064)	(184)	(7,222)
Balance on December 31, 2018	\$ 210,897	783,604	534,195	121,264	1,649,960

(Continued)

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

	<u>Land</u>	<u>Property</u>	<u>Machinery and Equipment</u>	<u>Office equipment and others</u>	<u>Total</u>
Balance on January 1, 2017	\$ 210,897	835,623	400,333	129,468	1,576,321
Additions	-	8,745	114,870	22,111	145,726
Disposal	-	(56,943)	(71,661)	(17,962)	(146,566)
Reclassifications	-	-	10,705	3,252	13,957
Effect of changes in exchange rates	-	(2,024)	(396)	(54)	(2,474)
Balance on December 31, 2017	<u>\$ 210,897</u>	<u>785,401</u>	<u>453,851</u>	<u>136,815</u>	<u>1,586,964</u>
Depreciation:					
Balance on January 1, 2018	\$ -	190,910	199,111	68,415	458,436
Depreciation of the period	-	35,045	173,462	37,862	246,369
Disposal	-	2,178	(158,518)	(34,543)	(190,883)
Effect of changes in exchange rates	-	(697)	(857)	(70)	(1,624)
Balance on December 31, 2018	<u>\$ -</u>	<u>227,436</u>	<u>213,198</u>	<u>71,664</u>	<u>512,298</u>
Balance on January 1, 2017	\$ -	212,852	132,830	49,659	395,341
Depreciation of the period	-	34,959	134,954	35,488	205,401
Disposal	-	(56,943)	(68,857)	(16,738)	(142,538)
Effect of changes in exchange rates	-	42	184	6	232
Balance on December 31, 2017	<u>\$ -</u>	<u>190,910</u>	<u>199,111</u>	<u>68,415</u>	<u>458,436</u>
Book Value:					
Balance on December 31, 2018	<u>\$ 210,897</u>	<u>556,168</u>	<u>320,997</u>	<u>49,600</u>	<u>1,137,662</u>
Balance on December 31, 2017	<u>\$ 210,897</u>	<u>594,491</u>	<u>254,740</u>	<u>68,400</u>	<u>1,128,528</u>

The Group bought land leasehold right and buildings from its related parties in July 2007. Since there was only a part of the contract that had yet to be realized, the related parties agreed that the Group need not have to pay for the remaining amount in December, 2013. As of December 31, 2018, the transferring of the deed has not yet been completed. However, the land leasehold and buildings mentioned above were already deemed as properties of the Group according to the contract.

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

(f) Investment Property

	<u>Land</u>	<u>Properties</u>	<u>Total</u>
Cost			
Balance on January 1, 2018 (Same balance as December 31, 2017)	<u>\$ 152,640</u>	<u>63,116</u>	<u>215,756</u>
Balance on January 1, 2017 (Same balance as December 31, 2018)	<u>\$ 152,640</u>	<u>63,116</u>	<u>215,756</u>

(Continued)

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

	<u>Land</u>	<u>Properties</u>	<u>Total</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>48,709</u>	<u>201,349</u>
Fair Value			
Balance on December 31, 2018			<u>\$ 492,663</u>
Balance on December 31, 2017			<u>\$ 313,479</u>

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

As of December 31, 2018 and 2017, the Group 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 Loans	\$ 360,000	150,000
Secured Loans	<u>10,000</u>	<u>-</u>
	<u>\$ 370,000</u>	<u>150,000</u>
Unused credit line for short-term loans	<u>\$ 485,156</u>	<u>605,440</u>
Annual interest rates (Taiwan)	<u>1.0%~1.5%</u>	<u>1.0%~1.4%</u>

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

(ii) As of December 31, 2018 and 2017, the Group provided part of its assets as collateral for short-term loans. Please refer to note (8) for details.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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(h) Long-term loans

The long-term loans were summarized as follows:

December 31, 2018				
	Currency	Range of interest rates	Expiration	Amount
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				<u>\$ 170,000</u>
December 31, 2017				
	Currency	Range of interest rates	Expiration	Amount
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 long-term credit lines				<u>\$ 270,000</u>

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

(i) Operating lease

(i) Leases as lessee

- 1) Non-cancellable operating lease rentals payable were as follow:

	December 31, 2018	December 31, 2017
Less than one year	\$ 3,761	3,232
Between one and five years	<u>1,572</u>	<u>3,191</u>
	<u>\$ 5,333</u>	<u>6,423</u>

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group leases a number of cars and warehouse 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.

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

	December 31, 2018	December 31, 2017	Lease period
Acquired in July, 2001	\$ 125,811	130,844	2001.07~2046.07
Acquired in October, 2007	<u>25,728</u>	<u>26,757</u>	2007.10~2046.07
	<u>\$ 151,539</u>	<u>157,601</u>	

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

	December 31, 2018	December 31, 2017	Lease period
Acquired from merge in March, 2016	<u>\$ 95,524</u>	<u>101,372</u>	2001.12~2044.5

- 4) The operating lease expense amounted to \$9,910 and \$9,870 for the years ended December 31, 2018 and 2017, respectively.

(ii) Leases as lessor

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

	December 31, 2018	December 31, 2017
Less than one year	\$ 14,707	14,492
Between two and five years	<u>21,516</u>	<u>35,825</u>
	<u>\$ 36,223</u>	<u>50,317</u>

The lease revenue from investment property are \$16,316 and \$15,354 in 2018 and 2017, respectively. Moreover, the relative depreciation expense are \$1,238, respectively.

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

(j) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Present value of 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	<u>\$ (23,404)</u>	<u>(24,700)</u>

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

1) Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$56,826 as of December 31, 2018. 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 Group were as follows:

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

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Movements of defined benefit plan assets

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

	<u>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 in 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>

4) Expenses recognized in profit or loss

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

	<u>2018</u>	<u>2017</u>
Current service costs	\$ -	26
Interest costs	631	487
Expected rate of return on plan assets	<u>(1,064)</u>	<u>(828)</u>
	<u>\$ (433)</u>	<u>(437)</u>
Administrative expense	<u>\$ (433)</u>	<u>(315)</u>

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

The Group'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>1,691</u>

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

6) Actuarial assumptions

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

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

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

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

The expected allocation payment made by the Group 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

7) Sensitivity Analysis

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

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

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.

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

(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 these 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.

The basic endowment insurance expenses of other subsidiaries included in the compilation of consolidated financial statements amounted to \$81,604 and \$76,566 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.

(i) 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 differences	-	(1,792)
Adjustment in tax rate	<u>104</u>	<u>-</u>
	<u>3,604</u>	<u>(5,513)</u>
Income tax expenses	<u>\$ 40,762</u>	<u>34,149</u>

(ii) 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>

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

(iii) 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	\$ <u>185,267</u>	<u>280,067</u>
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
Others	<u>(22)</u>	<u>(14,146)</u>
	<u>\$ <u>40,762</u></u>	<u><u>34,149</u></u>

(iv) Deferred tax assets and liabilities

1) Unrecognized deferred tax liabilities

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

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

2) Unrecognized deferred tax assets

Details of unrecognized deferred tax assets as follow:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unrecognized tax losses	\$ <u>16,612</u>	<u>34,725</u>

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

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

As of December 31, 2018, tax loss from unrecognized deferred tax asset in Dongguan Chamming Electronic Co., Ltd.:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiration date of the deficit</u>
2014 (Assessed)	\$ 7,551	2019
2018 (Estimated)	58,896	2023
	<u>\$ 66,447</u>	

3) 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	(357)	-	(357)
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	(59)	-	(59)
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)	-	(2,679)	(2,679)
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)	-	2,849	2,849
Balance on December 31, 2017	<u>\$ -</u>	<u>4,097</u>	<u>4,097</u>

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

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

(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:

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

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 Earnings

The Company's articles of incorporation stipulate 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 Group should consider financial, business and operating factors to decide the distribution of earnings, which can be distributed by cash dividends or share dividends. Earning distribution should be cash dividends as priority, and the cash dividends cannot be lower than 10% of the total cash and stock dividends.

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

1) Legal reserve

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

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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2) Special reserve

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

3) Earnings distribution

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

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

(iv) Treasury shares

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:

	For the years ended	
	December 31	
	2018	
	Share	Amount
	(thousands)	\$
Balance on January 1	-	\$ -
Additional	3,500	52,027
Balance on December 31	3,500	\$ 52,027

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.

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.

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(m) Earnings per share

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

	2018	2017
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>110,051</u>	<u>212,909</u>
Weighted-average number of ordinary shares (share in thousands)	<u>169,656</u>	<u>169,935</u>
	<u>\$ 0.65</u>	<u>1.25</u>
Diluted earnings per share:		
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	431	448
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

	2018
Primary geographical markets	
Taiwan	\$ 1,317,954
China	3,397,458
Others	1,470,990
	<u>\$ 6,186,402</u>
Major product	
Computer and service case	\$ 4,257,152
Mobile components	1,534,230
Mold revenue	395,020
	<u>\$ 6,186,402</u>

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Notes to the Consolidated Financial Statements

(ii) Contract balances

	December 31, 2018	January 1, 2018
Notes and accounts receivable	\$ 1,975,622	1,486,447
Less: Loss allowance	(2,290)	(21,678)
	\$ 1,973,332	1,464,769
Contract liabilities (unearned receipts)	\$ 2,023	831

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

The amount of revenue recognized for the years ended December 31, 2018 that was included in the contract liability balance at the beginning of the period was \$831.

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

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

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

The Group'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.

(Continued)

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

2) Concentration to credit risk

The customers of the Group are mainly high-tech companies, account receivable have 74% and 73% are composed by five clients in December 31, 2018 and 2017. Thus, the company has concentration to credit risk situation.

(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)(g).

(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>
December 31, 2018				
Secured loans	\$ 222,000	10,000	167,000	45,000
Unsecured loans	430,000	360,000	70,000	-
Notes and accounts payable	1,502,298	1,502,298	-	-
Other payables	142,461	142,461	-	-
Guarantee deposits	6,389	2,579	-	3,810
	<u>\$ 2,303,148</u>	<u>2,017,338</u>	<u>237,000</u>	<u>48,810</u>
December 31, 2017				
Secured loans	\$ 140,000	-	72,000	68,000
Unsecured loans	220,000	150,000	70,000	-
Notes and accounts payable	1,196,776	1,196,776	-	-
Other payables (including related parties)	167,738	167,738	-	-
Guarantee deposits	5,732	1,922	-	3,810
	<u>\$ 1,730,246</u>	<u>1,516,436</u>	<u>142,000</u>	<u>71,810</u>

The Group does 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. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Currency risk

1) Exposure to foreign currency risk

The Group'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	\$ 34,017	30.715	1,044,832	32,061	29.760	954,135
USD to CNY	25,305	6.8632	777,243	17,599	6.5340	523,746
CNY to TWD	119,787	4.472	535,687	106,407	4.565	485,748
Financial liabilities						
Monetary items						
USD to TWD	5,931	30.715	182,171	5,685	29.760	169,186
USD to CNY	3,452	6.8632	106,028	2,431	6.5430	72,347
CNY to TWD	206,723	4.472	924,465	153,960	4.565	702,827

2) Sensitivity analysis

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

A weakening (strengthening) 5% of each major foreign currency against Group entities' functional currency as of December 31, 2018 and 2017 would have affected the net profit before tax as followings:

	December 31, 2018	December 31, 2017
USD (against the TWD)		
Strengthening 5%	\$ 43,133	39,247
Weakening 5%	(43,133)	(39,247)
USD (against the CNY)		
Strengthening 5%	33,561	22,570
Weakening 5%	(33,561)	(22,570)
CNY (against the TWD)		
Strengthening 5%	(19,439)	(10,854)
Weakening 5%	19,439	10,854

(Continued)

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

3) Exchange gains and losses of monetary items

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

	For the years ended December 31,			
	2018		2017	
	Exchange profit(loss)	Average rate	Exchange profit(loss)	Average rate
TWD	\$ 36,717	-	(42,032)	-
CNY	5,971	4.5497	(5,666)	4.5019

(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	\$ 419,590	533,150
Financial liabilities	652,000	360,000

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$581 and \$433 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 Group's accounting policies and disclosure include fair value method on financial assets and financial liabilities. The Group's management is responsible in performing independent test on fair value by using independent source of information to obtain the fair value which is close to the market status. The management also confirms the independence, reliability and matching of the information source, and regularly test the valuation model, update the input and other information, and make necessary adjustment to ensure the output of valuation is reasonable.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Fair value hierarchy

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

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

3) The kinds of financial instruments and fair value

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

	December 31, 2018				
	Book value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 421,014	-	-	-	-
Notes and accounts receivable, net	1,973,332	-	-	-	-
Other current financial assets	16,142	-	-	-	-
Refundable deposits	<u>21,020</u>	-	-	-	-
	<u>\$ 2,431,508</u>				
Financial liabilities at amortized cost through profit or loss					
Bank loans	\$ 652,000	-	-	-	-
Notes and accounts payables	1,502,298	-	-	-	-
Other accounts payable (including related parties)	142,461	-	-	-	-
Guarantee deposit	<u>6,389</u>	-	-	-	-
Total	<u>\$ 2,303,148</u>				

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

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

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

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

a) Financial liability with amortized cost evaluation

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

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

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

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

(ii) Structure of risk management

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

(iii) Credit risk

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

1) Accounts receivable and other receivables

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

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

customer, and these limits are reviewed periodically.

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

2) Guarantees

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

(iv) Liquidity risk

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

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

(v) Market risk

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

1) Currency risk

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

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

2) Interest rate risk

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

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Other market value risk

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

(r) Capital management

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

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

	December 31, 2018	December 31, 2017
Total liabilities	\$ 2,511,264	1,916,754
Total asset equity	5,121,416	4,540,382
Debt-to-equity ratio	49 %	42 %

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 Group in the years ended December 31, 2018.

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

	January 1, 2018	Cash flows	December 31, 2018
Long-term loans	\$ 210,000	72,000	282,000
Short-term loans	150,000	220,000	370,000
Guarantee deposits	5,732	657	6,389
Total liabilities from financing activities	<u>\$ 365,732</u>	<u>292,657</u>	<u>658,389</u>

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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(7) Related-party transactions

(a) Names and relationship with related parties

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

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

(b) Transaction among other relative parties

(i) Lease

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

(ii) Equity trading

On June 28, 2017, the Group acquired another 20% interests of CHENMING (NINGBO) CO., LTD from CHENMING (H.K.) CORPORATION LIMITED amounting to \$127,764 (USD\$4,200). As of December 31 and September 30, 2017, the Group still had remaining balances of \$47,616, which were recognized as other payables-related parties. The payable above had been fully paid as of December 31, 2018. Please refer to note 6(d) for related information.

(iii) Others

The amounts of expenses CHENMING ELECTRONIC (NINGBO) CO., LTD paid through its related parties which was recognized as operating cost was \$3,466 in 2017. As of December 31, 2018, CHENMING ELECTRONIC (NINGBO) CO., LTD has already paid off its payment.

(c) Key management personnel compensation

(i) Key management personnel compensation comprised:

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 14,765	10,921
Post-employment benefits	454	546
	<u>\$ 15,219</u>	<u>11,467</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, respectively.

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(8) Pledged assets

The carrying values of pledged assets were as follows:

Assets	Subject	December 31, 2018	December 31, 2017
PPE and investment properties	Short-term loans and long-term		
— land	loans	\$ 347,804	347,804
— properties	"	138,882	142,457
Other financial asset — non-current	Customs deposits	<u>20,291</u>	<u>15,507</u>
		<u>\$ 506,977</u>	<u>505,768</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	2018			2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salary	1,562,358	173,605	1,735,963	1,027,947	155,598	1,183,545
Labor and health insurance	-	5,855	5,855	-	6,143	6,143
Pension	78,495	6,237	84,732	72,070	7,755	79,825
Others	74,245	15,859	90,104	51,129	22,030	73,159
Depreciation	241,330	5,039	246,369	190,333	15,068	205,401
Amortization	894	1,274	2,168	1,256	1,182	2,438

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

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(13) Other disclosures

(a) Information on significant transactions:

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

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (note 2)	Maximum limit of fund financing (note 1)
													Item	Value		
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	Accounts receivable due from related parties	Yes	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
Note 3: The transactions have been eliminated in the consolidated financial statement.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

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.

(v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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- (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 %	"

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

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

(In Thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period (Note 1)	Allowance for bad debts	
					Amount	Action taken			
Dongguan Chenming Electronic Co., Ltd	The Company	Subsidiaries	486,788	5.57	-	-	486,788	-	The transactions have been eliminated in the consolidated financial statement.

Note1: The recovered amounts of October 25, 2018

- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions:

(In Thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			Percentage of the consolidated net revenue or total assets
				Account name	Amount	Trading terms	
1	TOP CITY INTERNATIONAL LIMITED	GERSHWIN INTERNATIONAL LIMITED	2	Other current financial assets	122,860	Rate 2.18738%-3.43613%	2%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Sales	2,897,193	The price is based on the fix ratio of final sales price, and the credit period is depending on the demand for funding	47%
2	Dongguan Chenming Electronic Co., Ltd	The Company	1	Accounts receivable	486,788	"	10%

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CHENMING MOLD IND. CORP. AND SUBSIDIARIES
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Note 1: The numbers filled in as follows:

1. 0 represents the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

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

(b) Information on investees:

The following is the information on investees for the 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			The highest funding amount in the period	The highest funding amount in the period	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	58,648	100	2,271	2,271	Subsidiaries (note)
TOP CITY INTERNATIONAL LIMITED	TOP CITY GERSHWIN INTERNATIONAL LIMITED	Samoa	Investment	1,471,994	1,471,994	45,988	100 %	1,105,641	45,988	100	(92,377)	The profit or loss on investments were recognized by TOP CITY INTERNATIONAL LIMITED	A grandson company (note)
"	PEAK SHREWD INC	Samoa	Investment	566,220	519,536	16,500	100 %	693,557	16,500	100	90,905	"	"

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

(c) Information on investment in mainland China:

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

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2017	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investment	Percentage of ownership	The highest funding amount in the period	The highest funding amount in the period	Investment income (losses)	Carrying amount as of December 31, 2018	Accumulated remittance of earnings as of December 31, 2018	
					Outflow	Inflow									
CHENMING ELECTRONIC (NINGBO) CO., LTD	Computer case and production of relative components	1,981,118 (USD64,500)	note 1 and 7	437,654 (USD14,900)	49,144 (USD1,600) (note 6)	-	506,798 (USD16,500)	123,051	72 %	-	-	72	88,597	693,450	-
Dongguan Chenming Electronic Co., Ltd	"	890,059 (note 4) (USD28,978) (note 5)	note 1 and 8	764,804 (USD24,900)	-	-	764,804 (USD24,900)	(58,896)	100 %	-	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)

(Continued)

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

- 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 in Dongguan Chenming Electronic Co., Ltd. through GERSHWIN INTERNATIONAL LIMITED by TOP CITY INTERNATIONAL LIMITED.
Note5: Invested the amount of USD 1,078 on equipment in Dongguan Chenming Electronic Co., Ltd by GERSHWIN INTERNATIONAL LIMITED
Note6: Investment through PEAK SHREWD INC by the Company and TOP CITY INTERNATIONAL LIMITED
Note7: Investment in Mainland China through TOP CITY INTERNATIONAL LIMITED and PEAK SHREWD INC
Note8: Investment in Mainland China through TOP CITY INTERNATIONAL LIMITED and GERSHWIN INTERNATIONAL LIMITED.
Note9: According to the "REGULATIONS GOVERNING THE APPROVAL OF INVESTMENT OR TECHNICAL COOPERATION IN MAINLAND CHINA" amended in August 29, 2008 by the MOEAIC, the Company has acquired related documents. Therefore, there is no restriction to the Company's investing amount in Mainland China.

(iii) Significant transactions:

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

(14) Segment information

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

(a) Overall information of the Group

(i) Product information

<u>Products</u>	<u>2018</u>	<u>2017</u>
Computer and server case	\$ 4,257,152	3,380,603
Mobile component	1,534,230	1,225,054
Mold revenue	<u>395,020</u>	<u>234,472</u>
	<u>\$ 6,186,402</u>	<u>4,840,129</u>

(ii) Geographic information

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

1) Revenue from external customers:

<u>Country</u>	<u>2018</u>	<u>2017</u>
Taiwan	\$ 1,317,954	1,148,884
Mainland China	3,397,458	2,388,544
Other Country	<u>1,470,990</u>	<u>1,302,701</u>
	<u>\$ 6,186,402</u>	<u>4,840,129</u>

(Continued)

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

2) Non-current Assets:

<u>Country</u>	<u>2018</u>	<u>2017</u>
Taiwan	\$ 511,297	516,123
Mainland China	<u>1,078,650</u>	<u>1,100,671</u>
	<u>\$ 1,589,947</u>	<u>1,616,794</u>

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

(iii) Important clients information

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

	<u>2018</u>	<u>2017</u>
H company	\$ 1,607,064	1,266,653
B company	891,529	848,097
D company	690,454	498,312
C company	604,524	486,070