CHENG UEI PRECISION INDUSTRY CO., LTD.

AND SUBSIDIARIES CONSOLIDATED

FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

MARCH 31, 2014 AND 2013

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
TRANSLATED FROM CHINESE-LANGUAGE

PWCR 14000082
To the Board of Directors and Stockholders of Cheng Uei Precision Industry Co., Ltd.

We have reviewed the accompanying consolidated balance sheets of Cheng Uei Precision Industry Co., Ltd. and its subsidiaries as of March 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in stockholders' equity and of cash flows for the three-month periods then ended, expressed in thousands of New Taiwan dollars. Our responsibility is to express a conclusion on these financial statements based on our reviews. Certain consolidated subsidiaries’ financial statements and investments accounted for using equity method as of March 31, 2014 and 2013, were reviewed by other independent accountants. Total assets of these subsidiaries amounted to NT$6,449,475 thousand and NT$5,673,311 thousand, representing 10.31% and 9.34% of the consolidated total assets as of March 31, 2014 and 2013 respectively; total liabilities of these subsidiaries amounted to NT$1,494,771 thousand and NT$1,700,770 thousand, representing 4.36% and 4.93% of the consolidated total liabilities as of March 31, 2014 and 2013, respectively, and total net operating revenue amounted to NT$1,720,393 thousand and NT$4,843,348 thousand, representing 7.23% and 17.94% of the consolidated total operating revenue for three-month periods then ended.

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 36, “Engagements to Review Financial Statements” in the Republic of China. A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

We did not review the financial statements of certain insignificant consolidated subsidiaries and investments accounted for under equity method, which statements reflect total assets (including investments accounted for under equity method) of NT$12,326,223 thousand and NT$9,886,420 thousand, constituting 19.70% and 16.28% of the consolidated total assets, and total liabilities of NT$1,992,043 thousand and NT$1,183,796 thousand, constituting 5.82% and 3.43% of the consolidated total liabilities as of March 31, 2014 and 2013, respectively, and total comprehensive income (including share of profit (loss) and other comprehensive income (loss) of associates and joint ventures accounted for under equity method) of (NT$102,683 thousand) and NT$543,859 thousand constituting (26.28%) and 41.60% of the consolidated total comprehensive income for the three-month periods then ended. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies as of March 31, 2014 and 2013.

Based on our reviews and the reviews of other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the financial statements of subsidiaries and the related information disclosed in Note 13 been reviewed by independent accountants as stated in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and IAS 34, 'Interim Financial Reporting', as endorsed by the Financial Supervisory Commission.

The consolidated financial statements as of March 31, 2014, expressed in United States (US) dollars are presented solely for the convenience of the readers and were translated from the financial statements expressed in New Taiwan dollars using the exchange rate of US$1.00:NT$30.4700 at March 31, 2014. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers, Taiwan

May 15, 2014

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF DOLLARS)

(Consolidated balance sheets as of March 31, 2014 and 2013 were reviewed, not audited)

	March 31, 2014		December 31, 2013		March 31, 2013		March 31, 2014	
	Amount	%	Amount	%	Amount	%	Amount	%
	New Taiwan Dollars						US Dollars	
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents (Note 6(1))	$ 6,990,144	11	$ 7,917,337	11	$ 6,498,682	11	$ 229,411	0.36
Financial assets at fair value through profit or loss - current (Note 6(2))	-	-	-	-	8,015	-	-	-
Available-for-sale financial assets - current (Note 6(3))	-	-	-	-	17,984	-	-	-
Notes receivable, net	121,000	-	18,075	-	5,852	-	3,971	-
Accounts receivable, net (Note 6(5))	14,510,746	23	18,748,352	27	12,125,564	20	476,231	0.75
Accounts receivable, net – related parties (Note 7)	526,214	1	871,744	1	267,289	-	17,270	0.03
Other receivables (Notes 6(5) and 8)	551,797	1	690,377	1	260,655	-	18,110	0.03
Other receivables - related parties (Note 7)	179,818	-	182,229	-	338,432	1	5,901	-
Current income tax assets (Note 6(27))	55,499	-	3,931	-	5,071	-	1,821	-
Inventories, net (Note 6(6))	7,759,461	13	9,833,600	14	10,240,053	17	254,659	0.43
Prepayments	556,157	1	776,812	1	189,261	-	18,253	0.03
Other currrent assets (Note 8)	201,722	-	215,760	1	410,467	1	6,620	-
	31,452,558	50	39,258,217	56	30,367,325	50	1,032,247	1.64
NON-CURRENT ASSETS								
Available-for-sale financial assets - non-current (Note 6(3))	2,321,580	4	2,160,581	3	1,383,294	2	76,192	0.13
Financial assets carried at cost - non-current (Note 6(4))	533,000	1	33,000	-	31,429	-	17,493	0.03
Investments accounted for under the equity method (Note 6(7))	3,673,956	6	3,631,463	5	3,894,264	6	120,576	0.20
Property, plant and equipment (Note 6(8))	19,477,263	31	19,856,090	28	19,525,923	32	639,228	1.02
Investment property, net (Note 6(9))	320,883	1	305,968	1	322,266	1	10,531	0.03
Intangible assets (Note 6(10))	2,728,334	4	2,683,526	4	2,691,205	4	89,542	0.13
Deferred income tax assets (Note 6(27))	247,624	-	253,197	-	283,670	1	8,127	-
Other non-current assets (Notes 6(11) and 8)	1,802,043	3	2,036,258	3	2,246,282	4	59,142	0.10
	31,104,683	50	30,960,083	44	30,378,333	50	1,020,830	1.64
TOTAL ASSETS	$ 62,557,241	100	$ 70,218,300	100	$ 60,745,658	100	$ 2,053,077	3.28
LIABILITIES AND STOCKHOLDERS' EQUITY								
CURRENT LIABILITIES								
Short-term borrowings (Note 6(12))	$ 10,200,324	17	$ 9,909,862	14	$ 12,891,008	21	$ 334,766	0.56
Financial liabilities at fair value through profit or loss - current (Note 6(2))	488	-	10,338	-	19,043	-	16	-
Notes payable	6,682	-	726	-	21,310	-	219	-
Accounts payable	10,167,717	16	17,060,049	24	8,502,670	14	333,696	0.53
Accounts payable - related parties (Note 7)	420,076	1	419,439	1	259,446	1	13,787	0.03
Other payables (Note 6(13))	3,890,712	6	5,615,456	8	4,066,559	7	127,690	0.20
Income tax payable (Note 6(27))	521,390	1	735,320	1	675,014	1	17,112	0.03
Other current liabilities (Notes 6(14) and (15))	1,318,141	2	1,039,830	1	756,675	1	43,260	0.07
	26,525,530	43	34,791,020	49	27,191,725	45	870,546	1.41
NON-CURRENT LIABILITIES								
Bonds payable (Note 6(14))	-	-	-	-	452,398	1	-	-
Long-term borrowings (Note 6(15))	5,682,100	9	5,649,804	8	5,999,554	10	186,482	0.30
Deferred income tax liabilities (Note 6(27)	865,329	1	861,692	1	428,999	-	28,399	0.03
Other non-current liabilities (Notes 6(7) and (16))	1,142,395	2	1,167,995	2	452,088	1	37,492	0.07
	7,689,824	12	7,679,491	11	7,333,039	12	252,374	0.39
TOTAL LIABILITIES	34,215,354	55	42,470,511	60	34,524,764	57	1,122,919	1.81
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT								
Common stock (Notes 6(17) and (18))	5,055,557	8	5,020,095	7	4,941,659	8	165,919	0.26
Capital reserve (Note 6(19))								
Capital reserve	9,174,276	14	9,049,199	13	8,769,795	14	301,092	0.46
Retained earnings (Note 6(20))								
Legal reserve	1,978,663	3	1,978,663	3	1,783,262	3	64,938	0.10
Special reserve	665,206	1	665,206	1	665,206	1	21,832	0.03
Unappropriated earnings (Note 6(27))	6,222,658	10	5,980,533	8	5,894,662	10	204,222	0.33
Other equity (Note 6(21))								
Other equity	2,097,955	4	1,997,120	3	935,967	2	68,853	0.13
Equity attributable to owners of the parent	25,194,315	40	24,690,816	35	22,990,551	38	826,856	1.31
Minority interest	3,147,572	5	3,056,973	5	3,230,343	5	103,301	0.16
TOTAL STOCKHOLDERS' EQUITY	28,341,887	45	27,747,789	40	26,220,894	43	930,157	1.48
Significant contingent liabilities and unrecognised contract commitments (Note 9)								
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 62,557,241	100	$ 70,218,300	100	$ 60,745,658	100	$ 2,053,077	3.28

The accompanying notes are an integral part of these consolidated financial statements.

See review report of independent accountants dated May 15, 2014.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNT)

(Unaudited)

	For the three-month period ended March 31, 2014		For the three-month period ended March 31, 2013		For the three-month period ended March 31, 2014	
	Amount	%	Amount	%	Amount	%
	New Taiwan Dollars				US Dollars	
Operating Revenue (Notes 6(22) and 7)	$ 23,783,420	100	$ 26,995,532	100	$ 780,552	3.28
Operating Costs (Notes 6(6), 6(25) ,6(26) and 7)	(21,498,096)	(90)	(24,229,808)	(90)	(705,550)	(2.95)
Gross profit	2,285,324	10	2,765,724	10	75,002	0.33
Operating expenses (Notes 6(25) and 6(26))						
Sales and marketing expenses	(645,235)	(3)	(692,973)	(3)	(21,176)	(0.10)
General and administrative expenses	(944,747)	(4)	(1,169,902)	(4)	(31,006)	(0.13)
Research and development expenses	(411,661)	(2)	(401,041)	(1)	(13,510)	(0.07)
Total operating expenses	(2,001,643)	(9)	(2,263,916)	(8)	(65,692)	(0.30)
Operating income	283,681	1	501,808	2	9,310	0.03
Non-operating income and expenses						
Other income (Notes 6(22) and 7)	124,894	-	135,856	1	4,099	-
Other gains and losses (Note 6(23))	(111,340)	-	128,153	-	(3,654)	-
Finance costs (Note 6(24))	(75,141)	-	(79,117)	-	(2,466)	-
Share of profit of associates and joint ventures accounted for under equity method (Note 6(7))	84,828	-	82,369	-	2,784	-
Total non-operating income and expenses	23,241	-	267,261	1	763	-
Income before income tax	306,922	1	769,069	3	10,073	0.03
Income tax expense (Note 6(27))	(65,136)	-	(155,921)	(1)	(2,138)	-
Net Income	$ 241,786	1	$ 613,148	2	$ 7,935	0.03
Other comprehensive income, net						
Exchange differences arising on translation of foreign operations	31,941	-	575,874	2	1,048	-
Unrealised gain on valuation of available-for-sale financial assets (Note 6(3))	175,317	1	190,080	1	5,754	0.03
Share of other comprehensive income of associates	(16,397)	-	27,962	-	(538)	-
Income tax benefit (expense) related to components of other comprehensive income (Note 6(27))	(41,848)	-	(99,790)	-	(1,373)	-
Other comprehensive income for the period, net of tax	$ 149,013	1	$ 694,126	3	$ 4,890	0.03
Total comprehensive income for the period	$ 390,799	2	$ 1,307,274	5	$ 12,826	0.07
Net income (loss) attributable to：						
Shareholders of the parent	$ 250,396	1	$ 558,155	2	$ 8,218	0.03
Non-controlling interests	(8,610)	-	54,993	-	(283)	-
Total	$ 241,786	1	$ 613,148	2	$ 7,935	0.03
Total comprehensive income (loss) attributable to ：						
Shareholders of the parent	$ 351,231	2	$ 1,175,175	5	$ 11,527	0.07
Non-controlling interests	39,568	-	132,099	-	1,299	-
Total	$ 390,799	2	$ 1,307,274	5	$ 12,826	0.07
Basic earnings per share (in dollars) (Note 6(28))						
Net income attributable to equity holders of the Company	$	0.50	$	1.13	$	0.02
Diluted earnings per share (in dollars)						
Net income attributable to equity holders of the Company	$	0.49	$	1.11	$	0.02

The accompanying notes are an integral part of these consolidated financial statements.

See review report of independent accountants dated May 15, 2014.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

(EXPRESSED IN THOUSANDS OF DOLLARS)

(Unaudited)

	Equity attributable to shareholders of the parent									
			Retained earnings							
For the three-month period ended March 31, 2013 (New Taiwan Dollars)	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating foreign operations	Unrealised gain or loss from available-for-sale financial assets	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
Balance at January 1, 2013	$ 4,936,829	$ 8,749,703	$ 1,783,262	$ 665,206	$ 5,888,643	($ 330,227)	$ 649,174	$ 22,342,590	$ 3,185,395	$ 25,527,985
Employee stock option (Notes 6(17) and (18))	4,830	18,064	-	-	-	-	-	22,894	-	22,894
Adjustments to share of changes in equity of associates and joint ventures (Note 6(19))	-	703	-	-	-	-	-	703	-	703
Differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries (Note 6(19))	-	1,325	-	-	-	-	-	1,325	-	1,325
Change in non-controlling interest	-	-	-	-	-	-	-	-	(87,151)	(87,151)
Adjustments arising from changes in percentage of ownership in subsidiaries	-	-	-	-	(552,136)	-	-	(552,136)	-	(552,136)
Other comprehensive income for the period (Note 6(21))	-	-	-	-	-	428,667	188,353	617,020	77,106	694,126
Net income for the period	-	-	-	-	558,155	-	-	558,155	54,993	613,148
Balance at March 31, 2013	$ 4,941,659	$ 8,769,795	$ 1,783,262	$ 665,206	$ 5,894,662	$ 98,440	$ 837,527	$ 22,990,551	$ 3,230,343	$ 26,220,894
For the three-month period ended March 31, 2014 (New Taiwan Dollars)										
Balance at January 1, 2014	$ 5,020,095	$ 9,049,199	$ 1,978,663	$ 665,206	$ 5,980,533	$ 431,720	$ 1,565,400	$ 24,690,816	$ 3,056,973	$ 27,747,789
Employee stock option (Notes 6(17) and (18))	35,462	125,535	-	-	-	-	-	160,997	-	160,997
Adjustments to share of changes in equity of associates and joint ventures (Note 6(19))	-	(440)	-	-	-	-	-	(440)	-	(440)
Differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries (Note 6(19))	-	(18)	-	-	-	-	-	(18)	-	(18)
Change in non-controlling interest	-	-	-	-	-	-	-	-	51,031	51,031
Adjustments arising from changes in percentage of ownership in subsidiaries	-	-	-	-	(8,271)	-	-	(8,271)	-	(8,271)
Other comprehensive income for the period (Note 6(21))	-	-	-	-	-	(34,467)	135,302	100,835	48,178	149,013
Net income for the period	-	-	-	-	250,396	-	-	250,396	(8,610)	241,786
Balance at March 31, 2014	$ 5,055,557	$ 9,174,276	$ 1,978,663	$ 665,206	$ 6,222,658	$ 397,253	$ 1,700,702	$ 25,194,315	$ 3,147,572	$ 28,341,887

(Continued)

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2014 AND 2013

(EXPRESSED IN THOUSANDS OF DOLLARS)

(Unaudited)

	Equity attributable to shareholders of the parent									
			Retained earnings							
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translating foreign operations	Unrealised gain or loss from available-for-sale financial assets	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
For the three-month period ended March 31, 2014 (US Dollars)										
Balance at January 1, 2014	$ 164,755	$ 296,987	$ 64,938	$ 21,832	$ 196,276	$ 14,169	$ 51,375	$ 810,332	$ 100,327	$ 1,720,991
Employee stock option (Notes 6(17) and (18))	1,164	4,120	-	-	-	-	-	5,284	-	10,568
Adjustments to share of changes in equity of associates and joint ventures (Note 6(19))	-	(14.4)	-	-	-	-	-	- 14	-	(28.9)
Differences between the fair value of the consideration paid or received from acquiring or disposing subsidiaries and the carrying amounts of the subsidiaries (Note 6(19))	-	(0.6)	-	-	-	-	-	- 1	-	(1.2)
Change in non-controlling interest	-	-	-	-	-	-	-	-	1,675	1,675
Adjustments arising from changes in percentage of ownership in subsidiaries	-	-	-	-	(271)	-	-	- 271	-	(542.9)
Other comprehensive income for the period (Note 6(21))	-	-	-	-	-	(1,131)	4,440	3,309	1,581	8,200
Net income for the period	-	-	-	-	8,218	-	-	8,218	(283)	16,153
Balance at March 31, 2014	$ 165,919	$ 301,092	$ 64,938	$ 21,832	$ 204,222	$ 13,038	$ 55,816	$ 826,856	$ 103,301	$ 1,757,014

The accompanying notes are an integral part of these consolidated financial statements.

See review report of independent accountants dated May 15, 2014.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(EXPRESSED IN THOUSANDS OF DOLLARS)
(Unaudited)

	For the three-month periods ended March 31,		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	$ 306,922	$ 769,069	$ 10,073
Adjustments to reconcile income before income tax to net cash provided by operating activities:			
Income and expenses having no effect on cash flows			
Depreciation (includes investment property) (Notes 6(8)(9)(25))	852,682	1,006,331	27,984
Amortisation (includes long-term prepaid rent amortisation) (Notes 6(11)(25))	12,692	24,037	417
Write-off of allowance for doubtful accounts recognised as other income (Note 6(5))	(29,073)	(33,960)	(954)
Interest expense (Note 6(24))	75,141	79,117	2,466
Interest income (Note 6(22))	(18,348)	(12,414)	(602)
Net loss of financial assets at fair value through profit or loss (Note 6(2))	488	18,642	16
Share of the profit or loss of associates accounted for using the equity method	(84,828)	(82,369)	(2,784)
Loss on disposal of property, plant and equipment (Note 6(23))	5,114	5,217	168
Loss on disposal of investments (Note 6(23))	259	343	9
(Reversal of) loss on impairment of non-financial assets (Note 6(8))	5	(1,390)	0
Changes in assets/liabilities relating to operating activities			
Net changes in operating assets			
Financial assets measured at fair value through profit or loss - current	-	792,151	-
Notes receivable	(102,925)	657	(3,378)
Accounts receivable	4,257,679	5,605,129	139,733
Accounts receivable from related parties	354,530	91,300	11,635
Other receivables	138,580	696,539	4,548
Other receivables from related parties	2,411	(16,289)	79
Inventories	2,074,139	(995,036)	68,072
Prepayments	220,655	484,018	7,242
Other current assets	14,038	(23,903)	461
Other non-current assets	208,518	(161,409)	6,843
Net changes in liabilities relating to operating activities			
Financial liabilities at fair value through profit or loss - current	(10,338)	19,043	(339)
Notes payable	92,012	20,582	3,020
Accounts payable	(6,978,388)	(5,746,320)	(229,025)
Accounts payables to related parties	637	(178,197)	21
Other payables	(1,445,741)	(683,496)	(47,448)
Other current liabilities	408,645	(137,496)	13,411
Cash generated from operations	355,506	1,539,896	11,667
Interest received	18,348	12,414	602
Interest paid	(75,254)	(82,199)	(2,470)
Income tax paid	(279,066)	(267,036)	(9,159)
Net cash provided by operating activities	19,534	1,203,075	641
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of financial assets measured at cost (Note 6(4))	(500,000)	-	(16,410)
Return of share capital from investees accounted for using equity method (Note 6(7))	43,104	-	1,415
Acquisitions of intangible assets (Note 6(10))	(12,816)	(9,746)	(421)
Proceeds from disposal of available-for-sale financial assets	937	439	31
Acquisitions of property, plant and equipment (Note 6(30))	(881,093)	(1,843,171)	(28,917)
Disposal of property, plant and equipment	53,131	94,668	1,744
Net cash used in investing activities	(1,296,737)	(1,757,810)	(42,558)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase (decrease) in short-term borrowings	290,462	(1,962,398)	9,533
Increase in long-term borrowings	-	5,661,101	-
Repayment of long-term borrowings	(98,038)	(5,800,000)	(3,218)
Proceeds from exercise of employee stock options	160,997	22,894	5,284
Changes in non-controlling interests	99,209	(10,045)	3,256
Net cash provided by (used in) financing activities	452,630	(2,088,448)	14,855
Effect of change in exchange rates	(102,620)	562,511	(3,368)
Net decrease in cash and cash equivalents	(927,193)	(2,080,672)	(30,430)
Cash and cash equivalents, beginning of period (Note 6(1))	7,917,337	8,579,354	259,840
Cash and cash equivalents, end of period (Note 6(1))	$ 6,990,144	$ 6,498,682	$ 229,411

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated May 15, 2014.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2014 AND 2013

(EXPRESSED IN THOUSANDS OF DOLLARS,

EXCEPT AS OTHERWISE INDICATED)

(Unaudited)

1. HISTORY AND ORGANIZATION

Cheng Uei Precision Industry Co., Ltd. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.) on July 14, 1986. The Company engages in the manufacture of cable assemblies, connectors, battery packs, and power modules. Effective September 1999, the shares of the Company were listed on the Taiwan Stock Exchange.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on May 15, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC in preparing the consolidated financial statements. The related new standards, interpretations and amendments are listed below:

New Standards, Interpretations and Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	July 1, 2011
Government loans (amendment to IFRS 1)	January 1, 2013
Disclosures－Transfers of financial assets (amendment to IFRS 7)	July 1, 2011
Disclosures－Offsetting financial assets and financial liabilities (amendment to IFRS 7)	January 1, 2013
IFRS 10, 'Consolidated financial statements'	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11,'Joint arrangements'	January 1, 2013
IFRS 12,'Disclosure of interests in other entities'	January 1, 2013
IFRS 13, 'Fair value measurement'	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendment to IAS 12)	January 1, 2012
IAS 19 (revised), 'Employee benefits'	January 1, 2013
IAS 27,'Separate financial statements' (as amended in 2011)	January 1, 2013
IAS 28,'Investments in associates and joint ventures' (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	January 1, 2014
IFRIC 20, 'Stripping costs in the production phase of a surface mine'	January 1, 2013
Improvements to IFRSs 2010	January 1, 2011
Improvements to IFRSs 2009－2011	January 1, 2013

Based on the Group's assessment, the adoption of the 2013 version of IFRS has no significant impact on the consolidated financial statements of the Group, except for the following:

A. IAS 19 (revised), 'Employee benefits'

The revised standard eliminates the corridor approach and requires actuarial gains and losses to be recognised immediately in other comprehensive income. Past service cost will be recognised immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognised in other comprehensive income. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs. Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows.

B. IFRS 10, 'Consolidated financial statements'

The standard replaces the requirements relating to consolidated financial statements in IAS 27,'Consolidated and separate financial statements' and IAS 27 therefore is renamed 'Separate financial statements'; the standard also supersedes requirements in SIC-12,'Consolidation-special purpose entities'. The standard defines the principle of control that an investor controls an investee if and only if the investor has all three elements of control.

C. IFRS 11, 'Joint arrangements'

The standard replaces IAS 31, 'Interests in joint ventures' and eliminates the policy choice of proportionate consolidation for joint ventures. When deciding the types of joint arrangements–joint operations or joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only.

D. IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

E. IFRS 12, 'Disclosure of interests in other entitles'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. And, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

F. IFRS 13, 'Fair value measurement'

The standard defines fair value, sets out a framework for measuring fair value, and requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

G. IAS 28, 'Investments in associates and joint ventures' (as amended in 2011)

As consequential amendments resulting from the issuance of IFRS 11, 'Joint arrangements', IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures. A portion of an investment in an associate or a joint venture that meets the criteria to be classified as held for sale shall be measured at fair value less costs to sell. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method until disposal of the portion that is classified as held for sale takes place. When an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

H. Improvements to IFRSs 2009-2011: Amendment to IAS 16, ‘Property, plant and equipment’

The amendment clarifies that spare parts, stand-by equipment and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

I. Disclosures - Transfers of financial assets (amendment to IFRS 7)

The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognised and for any continuing involvement in transferred assets, existing at the reporting date.

Based on the Group’s assessment, the adoption of the amendment will require the Group to include qualitative and quantitative disclosures for all transferred financial assets.

For the above items, the Group is assessing their impact on the consolidated financial statements and will disclose the affected amounts accordingly.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRS as endorsed by the FSC:

New Standards, Interpretations and Amendments	IASB Effective Date
IFRS 9, ‘Financial instruments'	Not yet been decided
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Services related contributions from employees or third parties (amendments to IAS 19R)	July 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, ‘Levies’	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014

The Group is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Rules Governing the Preparation of Financial Statements by Securities Issuers" and IAS 34,'Interim Financial Reporting' as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

b) Available-for-sale financial assets measured at fair value.

c) Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised past service cost and present value of defined benefit obligations.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of. Conversely, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be transferred directly to retained earnings, if such gains or losses would be transferred directly to retained earnings when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

			% of shares held			
Investor	Subsidiary	Main activity	March 31, 2014	December 31, 2013	March 31, 2013	Description
The Company	CU INTERNATIONAL LTD. (CU)	Manufacture of electronic telecommunication components and holding company	100	100	100	Note 9
The Company	CULINK INTERNATIONAL LTD. (CULINK)	General investments holding	100	100	100	

Investor	Subsidiary	Main activity	% of shares held March 31, 2014	December 31, 2013	March 31, 2013	Description
The Company	Foxlink International Investment Ltd. (FII)	Holding company	100	100	100	Note 9
The Company	Fu Uei International Investment Ltd. (FUII)	Holding company	100	100	100	Note 9
The Company	Darts Technologies Corporation (Darts)	Manufacture of electronic telecommunication and wireless components	97	97	97	
The Company	Foxlink (Vietnam) Inc.	Manufacture of electronic telecommunication components	100	100	100	
The Company	Du Precision Industry Co., Ltd. (Du Precision)	Manufacture of electronic telecommunication components	100	100	100	
The Company	Foxlink Technology Ltd. (Foxlink Tech)	Holding company	100	100	100	
The Company	SOLTERAS INC. (SOLTERAS)	Manufacture of electronic telecommunication components	47.77	47.77	47.77	
The Company	Suntain Co., Ltd.	Manufacture of electronic telecommunication components	100	100	-	Note 3
CU	Fu Gang Electronics (Dong Guan) Ltd. (FGEDG)	Manufacture of electronic telecommunication components	100	100	100	Note 9
CU	NEW START INDUSTRIES LTD. (NEW START)	Holding company	100	100	100	
CU	Fu Gang Electronics (Kun Shan) Ltd. (FGEKS)	Manufacture of electronic telecommunication components	100	100	100	Note 9
CU	Dong Guan Fu Shi Chang Co., Ltd. (FSC)	Manufacture of electronic telecommunication components	100	100	100	

Investor	Subsidiary	Main activity	% of shares held March 31, 2014	December 31, 2013	March 31, 2013	Description
CU	Foxlink Electronics (Dong Guan) Co., Ltd. (FEDG)	Manufacture of electronic telecommunication components	100	100	100	
CU	Foxlink Electronics (Tian Jin) Ltd. (FETJ)	Manufacture of electronic telecommunication components	25	25	25	
CU	Dong Guan Fu Qiang Electronics Ltd. (DGFQ)	Manufacture of electronic telecommunication components	100	100	100	Note 9
CU	Neosonic Energy Technology (Tianjin) Ltd. (NE)	Manufacture of electronic telecommunication components	100	100	100	
CU	Kunshan Fushijing Electronics Co., Ltd. (KFE)	Manufacture of electronic telecommunication components	100	100	100	
CU	FUTURE VICTORY LTD. (FUTURE VICTORY)	Holding company	100	100	100	
CU	SOLTERAS LIMITED	General investments holding	100	100	100	
CU	Fushineng Electronics (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
CU	Fu Shi Xiang Research & Development Center (Kun Shan) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
CU	Fu Gang Electronics (Nan Chang) Co., Ltd. (FENC)	Manufacture of electronic telecommunication components	100	100	100	
CU	FUGANG ELECTRIC (YANCHENG) CO., LTD.	Manufacture of electronic telecommunication components	80	80	80	
CU	FUQIANG ELECTRIC (YANCHENG) CO., LTD.	Manufacture of electronic telecommunication components	100	100	100	

Investor	Subsidiary	Main activity	% of shares held March 31, 2014	December 31, 2013	March 31, 2013	Description
CU	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	Manufacture of electronic telecommunication components	100	100	-	Note 3
NEW STAR	Fu Gang Electronics (Tian Jin) Ltd. (FGETJ)	Manufacture of electronic telecommunication components	100	100	100	
NEW STAR	Foxlink Tianjin Co., Ltd. (Foxlink Tianjin)	Manufacture of electronic telecommunication components	75	75	75	
NEW STAR	SOLTERAS INC. (SOLTERAS)	Manufacture of electronic telecommunication components	26.64	26.64	26.64	
FGETJ	Shang Hai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	46.93	46.93	46.93	
CULINK	FOXLINK SINGAPORE PTE LTD. (FOXLINK SINGAPORE)	Sales agent	-	-	100	Note 4
CULINK	PACIFIC WEALTH LIMITED (PACIFIC WEALTH)	General investments holding	100	100	100	
PACIFIC WEALTH	FOXLINK INTERNATIONAL INC. (FOXLINK)	Sales agent	100	100	100	Note 9
PACIFIC WEALTH	MICROLINK INTERNATIONAL INC. (MICROLINK)	Sales agent	100	100	100	
FII	Vegamedia Technology Co., Ltd. (VT)	Manufacture of electronic telecommunication components	100	100	100	
FII	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and flexible printed circuit	69.56	69.56	69.56	

			% of shares held			
Investor	Subsidiary	Main activity	March 31, 2014	December 31, 2013	March 31, 2013	Description
FII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	50.03	50.03	50.03	
FII	POWER QUOTIENT INTERNATONAL CO., LTD. (PQI)	Manufacture of electronic telecommunication components	9.22	9.22	9.22	Note 7, Note 9
WCT	VALUE SUCCESS LIMITED (VALUE SUCCESS)	Holding company	100	100	100	
VALUE SUCCESS	CAPITAL GUARDIAN LIMITED (CAPITAL)	Holding company	100	100	100	
CAPITAL	Capital Guardian Limited (Capital)	Holding company	100	100	100	
WCTHK	Shang Hai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	53.07	53.07	53.07	
Darts	BENEFIT RIGHT LTD. (BENEFIT)	Holding company	100	100	100	
FUTURE VICTORY	Darts Technologies (Shang Hai) Co., Ltd. (DTSH)	Research and development of telecommunication components	100	100	100	
Du Precision	CE LINK INTERNATIONAL LTD. (CELINK)	Manufacture of electronic telecommunication components	100	100	100	
SOLTERAS LIMITED	SOLTERAS INC. (SOLTERAS)	Manufacture of electronic telecommunication components	25.59	25.59	25.59	
FUII	Studio A Inc. (Studio)	Manufacture of electronic telecommunication components	51	51	51	Note 9
FUII	Va Product Inc.	Manufacture of electronic telecommunication components	51	51	51	
FUII	Valiant Plus Co., Ltd. (Valiant)	Manufacture of electronic telecommunication components	-	-	51	Note 8

Investor	Subsidiary	Main activity	% of shares held March 31, 2014	December 31, 2013	March 31, 2013	Description
FUII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	1.30	1.30	1.30	
FUII	Zhi De Investment Co., Ltd. (Zhi De Investment)	General investments holding	100	100	100	Note 9
FUII	Shinfox Corporation Ltd. (Shinfox)	Mechanical installation and piping engineering	64.16	64.16	50	
Zhi De Investment	POWER QUOTIENT INTERNATONAL CO., LTD. (PQI)	Manufacture of electronic telecommunication components	33.34	33.34	33.34	Note 7, Note 9
Shinfox Corporation Ltd. (Shinfox)	World Wide Famous Corp.	Energy service management	100	100	100	
Shinfox Corporation Ltd. (Shinfox)	FOXWELL ENERGY CORPORATION LTD.	Energy service management	100	100	-	Note 3
Shinfox Corporation Ltd. (Shinfox)	SHINFOX ENERGY INTERNATIONAL INC(SHINFOX ENERGY).	Energy service management	40	-	-	Note 1
Shinfox Corporation Ltd. (Shinfox)	KINMEN GAS CO.LTD	Energy service management	100	-	-	Note 1
PROCONN	Advance Electronic Ltd. (Advance Electronic)	General investments holding	100	100	100	
PROCONN	BYFORD INTERNATIONAL LTD. (BYFORD)	General international trade	100	100	100	
PROCONN	MEDIA UNIVERSE INC. (MEDIA UNIVERSE)	General international trade	100	100	100	
ADVANCE ELECTRONIC	PROCONN TECHNOLOGY CO., LTD. (PROCONN)	General investments holding	100	100	100	
ADVANCE ELECTRONIC	SMART TECHNOLOGY INTERNATIONAL LTD. (SMART)	General investments holding	100	100	100	

			% of shares held			
Investor	Subsidiary	Main activity	March 31, 2014	December 31, 2013	March 31, 2013	Description
PROCONN	Proconn Technology (Shenzhen) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
SMART	Proconn Technology (Suzhou) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
Studio A Inc.	Jing Sheng Technology Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
Studio A Inc.	Studio A Inc. (Hong Kong)	Manufacture of electronic telecommunication components	51	51	51	
Studio A Inc.	Ashop Co., Ltd. (ASHOP)	Manufacture of electronic telecommunication components	51	51	51	
Studio A Inc.	Jing Jing Technology Co., Ltd. (Jing Jing)	Manufacture of electronic telecommunication components	100	100	100	
Studio A Inc. (Hong Kong)	Studio A Macau Limited	Manufacture of electronic telecommunication components	100	100	100	
FGEKS	Kunshan Fugang Electronics Trading Co., Ltd.	Manufacture of electronic telecommunication components	51	51	51	
FGEKS	Kunshan Fu Shi Yu Trading Co., Ltd.	Manufacture of electronic telecommunication components	-	-	100	Note 6
FGEKS	Kunshan Fugang Investment Management Co.,Ltd.	Holding Company	100	100	-	Note 3
Kunshan Fugang Electronics Trading Co.,Ltd	ShanHau Fugang Electric Trading Co.,Ltd.	Manufacture of electronic telecommunication components	100	100	100	
Kunshan Fugang Electronics Trading Co., Ltd.	Kunshan Fu Shi Yu Trading Co., Ltd.	Manufacture of electronic telecommunication components	100	100	-	Note 6

			% of shares held			
Investor	Subsidiary	Main activity	March 31, 2014	December 31, 2013	March 31, 2013	Description
PQI	POWER QUOTIENT INTERNATIONAL (H.K.) CO., LTD. (PQI H.K.)	Sale of electronic telecommunication components	100	100	100	
PQI	PQI JAPAN CO., LTD. (PQI JAPAN)	Sale of electronic telecommunication components	100	93.87	93.87	Note 1
PQI	SYSCOM DEVELOPMENT CO., LTD. (SYSCOM)	Specialized investments holding	100	100	100	
PQI	APIX LIMITED (APIX)	Specialized investments holding	100	100	100	
PQI	PQI MOBILITY INC. (PQI MOBILITY)	Specialized investments holding	100	100	100	
PQI	SIMTECH CO., LTD. (SIMTECH)	Manufacture of electronic telecommunication components	100	100	100	
SYSCOM	POWER QUOTIENT INTERNATIONAL (SHANGHAI) CO., LTD. (PQI SHANGHAI)	Re-export business of international trade	100	100	100	
SYSCOM	PQI CORPORATION (PQI USA)	Sale of electronic telecommunication components	100	100	100	
PQI MOBILITY	POWER QUOTIENT TECHNOLOGY (SUZHOU) CO., LTD. (PQI SUZHOU)	Manufacture of electronic telecommunication components	100	100	100	
APIX Limited	SINOCITY INDUSTRIES LTD.	Sale of electronic telecommunication components	100	100	100	Note 5
APIX Limited	Perennial Ace Limited	Sale of electronic telecommunication components	100	100	100	Note 3
SINOCITY INDUSTRIES LTD.	Sinocity Co., Ltd.	Sale of 3C products	100	100	100	Note 5

Note 1: Investment or incorporation began in 2014.

Note 2: Dissolved or liquidated in 2014.

Note 3: Investment or incorporation began in 2013.

Note 4: Dissolved or liquidated in 2013

Note 5: Sinocity Industries Ltd. and Sinocity Co., Ltd. are subsidiaries of Power Quotient International Co., Ltd. in Hong Kong and Macao, respectively, with balance sheet date on March 31. For the preparation of consolidated financial statements, Power Quotient International Co., Ltd. had required Sinocity Industries Ltd. and Sinocity Co., Ltd. as consolidated entities to prepare financial statements with balance sheet date on December 31 to conform to the balance sheet date of the consolidated financial statements.

Note 6: To strengthen the Group's management and financial planning, the Board of Directors of Kunshan Fugang Electronics Trading Co., Ltd. made a resolution on September 3, 2013 to buy 100% ownership in Kunshan Fu Shi Yu Trading Co., Ltd. by FGEKS.

Note 7: The Group holds 42.56% of shares in Power Quotient International Co., Ltd., however, the Group has obtained more than half seats on the Board of Directors, so the relation between the Group and Power Quotient International Co., Ltd. is substantively determined as control and affiliate.

Note 8: The group sold VALIANT in 2013.

Note 9: Except for CU, FII, FUII, Zhi De Investment, Studio A Inc., Fu Gang Electronics (Dong Guan) Ltd., Fu Gang Electronics (Kun Shan) Ltd., Dong Guan Fu Qiang Electronics Ltd., FOXLINK and Power Quotient International Co., Ltd. which were included in the consolidated financial statements as of and for the three-month period ended March 31, 2013 based on their reviewed financial statements for the corresponding period, other insignificant subsidiaries were included based on their unaudited or unreviewed financial statements for the corresponding period.

C. Subsidiaries not included in the consolidated financial statements:

Investor	Subsidiary	Main activity	% of shares held March 31, 2014	% of shares held December 31, 2013	Description
Foxlink International Investment Ltd. (FII)	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and electronic machinery equipment	75.00	75.00	Note 1
Studio A Inc.	Tayih Digital Technology Co., Ltd. (TAYIH)	Manufacture of electronic telecommunication components	60.00	60.00	Note 2

Investor	Subsidiary	Main activity	% of shares held March 31, 2013	Description
Foxlink International Investment Ltd. (FII)	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and electronic machinery equipment	75.00	Note 1
Studio A Inc.	Tayih Digital Technology Co., Ltd. (TAYIH)	Manufacture of electronic telecommunication components	60.00	Note 2

Note 1: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on October 5, 2004 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

Note 2: The ratio of total assets to the Company's total assets was insignificant, and it was approved by the Ministry of Economic Affairs on July 7, 2010 to be dissolved and is currently undergoing liquidation procedures. Thus, this subsidiary was not included in the consolidated financial statements.

D. Adjustments for subsidiaries with different balance sheet dates:

Sinocity Industries Ltd. and Sinocity Co., Ltd. are subsidiaries of Power Quotient International Co., Ltd. in Hong Kong and Macao, respectively, with balance sheet date on March 31. For the preparation of consolidated financial statements, Power Quotient International Co., Ltd. had required Sinocity Industries Ltd. and Sinocity Co., Ltd. as consolidated entities to prepare financial statements with balance sheet date on December 31 to conform to the balance sheet date of the consolidated financial statements.

E. The restrictions on fund remittance from subsidiaries to the parent company: None.

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

A. Foreign currency transactions and balances

a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

a) The operating results and financial position of all the group entities associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

b) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

c) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

b) Assets held mainly for trading purposes;

c) Assets that are expected to be realised within twelve months from the balance sheet date;

d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

a) Liabilities that are expected to be paid off within the normal operating cycle;

b) Liabilities arising mainly from trading activities;

c) Liabilities that are to be paid off within twelve months from the balance sheet date;

d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. 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.

(6) Cash and cash equivalents

Cash equivalents refer to short-term highly liquid investments that are readily convertible to known amount of cash and subject to an insignificant risk of changes in value. Time deposits that meet the above criteria and are held for the purpose of meeting short-term cash commitment in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using settlement date accounting.

C. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

(8) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments a
measured at cost'.

(9) Loans and receivable

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

(10) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired 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 or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

a) Significant financial difficulty of the issuer or debtor;

b) A breach of contract, such as a default or delinquency in interest or principal payments;

c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

e) The disappearance of an active market for that financial asset because of financial difficulties;

f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

a) Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

b) Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset directly.

c) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive cash flows from the financial asset expire.

B. The contractual rights to receive cash flows from the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows from the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are recorded at standard costs. The difference between standard costs and actual costs is allocated to inventories and cost of goods sold on a proportional basis at the end of period, and the valuation of cost is close to weighted-average method after the allocation. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated fixed production overheads based on actual capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for under the equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred statutory/constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity that are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the ex . Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

H. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it still retains significant influence over this associate, then the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each component of property, plant and equipment is significant, it is depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20～50 years
Machinery and equipment	1～5 years
Office equipment	3 years
Other equipment	3～8 years

(15) Leased assets/ leases (lessee)

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 ~ 50 years.

(17) Intangible assets

A. Computer software

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 years.

B. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

C. Trademark right (indefinite useful life)

Trademark right is stated at cost and regarded as having an indefinite useful life as it was assessed to generate continuous net cash inflow in the foreseeable future. Trademark right is not amortised, but is tested annually for impairment.

(18) Impairment of non-financial assets

A. The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist, the impairment loss shall be reversed to the extent of the loss previously recognised in profit or loss. Such recovery of impairment loss shall not result to the asset's carrying amount greater than its amortized cost where no impairment loss was recognised.

B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. Goodwill for impairment testing purpose is allocated to cash generating units. This allocation is identified based on operating segments. Goodwill is allocated to a cash generating unit or a group of cash generating units that expects to benefit from business combination that will produce goodwill.

(19) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. However, for short-term accounts payable without bearing interest, as the effect of discount is insignificant, they are measured subsequently at original invoice amount.

(21) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Financial liabilities and equity instruments

Bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument. Convertible corporate bonds are accounted for as follows:

a) Call options and put options embedded in convertible corporate bonds are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

b) Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the 'finance costs' over the period of bond circulation using the effective interest method.

c) Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in 'capital surplus—stock warrants' at the residual amount of total issue price less amounts of 'financial assets or financial liabili lue through profit or loss' and 'bonds payable—net' as stated above. Conversion options are not subsequently remeasured.

d) Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

e) When bondholders exercise conversion options, the liability component of the bonds (including 'bonds payable' and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus - stock warrants.

(25) <u>Derivative financial instruments</u>

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Any changes in the fair value are recognised in profit or loss.

(26) <u>Employee benefits</u>

A. Pensions

a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

b) Defined benefit plans

i. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds (at the balance sheet date).

ii. Actuarial gains and losses arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise.

iii. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

iv. Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

B. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognised based on the accounting for changes in estimates. The Group calculates the number of shares of employees' stock bonus based on the fair value per share at the previous day of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(27) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(28) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax charge is calculated on the basis of the tax laws at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(29) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Com holders.

(30) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(31) Revenue recognition

A. The Group manufactures and sells electronic telecommunication component products. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to e l customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

B. The Group offers customers volume discounts and right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised. The volume discounts are estimated based on the anticipated annual sale quantities.

(32) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants related to property, plant and equipment are recognised as non-current liabilities and are amortised to profit or loss over the estimated useful lives of the related assets using the straight-line method.

(33) Business combinations

A.The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

B.The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquiree recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(34) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

The determination of whether the Group is acting as principal or agent in a transaction is based on an evaluation of Group's exposure to the significant risks and rewards associated with the sale of goods or the rendering of service in accordance with the business model and substance of the transaction. Where the Group acts as a principal, the amount received or receivable from the customer is recognised as revenue on a gross basis. Where the Group acts as an agent, net revenue is recognised representing commissions earned. The revenue is recognised on a gross basis based on the following characteristics:

a. The Group has primary responsibilities for the goods or services it provides;
b. The Group bears inventory risk;
c. The Group has the latitude in establishing prices for the goods or services, either directly or indirectly; and
d. The Group bears credit risk of customers.

(2) Critical accounting estimates and assumptions

The Group makes estimates and assumptions based on the expectation of future events that are believed to be reasonable under the circumstances at the end of the reporting period. The resulting accounting estimates might be different from the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

A. Revenue recognition

In principle, sales revenues are recognised when the earning process is completed. The Group estimates discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognised. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

B. Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group's subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(10) for the information of goodwill impairment.

C. Impairment assessment of investments accounted for under the equity method

The Group assesses the impairment of an investment accounted for under the equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recoverable. The Group assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of the Group's share of expected future cash flows of the investee, and analyses the reasonableness of related assumptions.

D. Realisability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industry environment, and laws and regulations might cause material adjustments to deferred income tax assets.

E. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

F. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
Cash on hand and petty cash	$ 19,135	$ 15,215	$ 102,676	$ 628
Checking accounts and demand deposits	4,303,777	5,432,454	4,745,172	141,246
Time deposits	2,667,232	2,469,668	1,650,834	87,536
Total	$ 6,990,144	$ 7,917,337	$ 6,498,682	$ 229,411

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

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

Items	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
Current items:				
Financial assets held for trading				
Beneficiary certificates - fund	$ -	$ -	8,015	$ -
Financial liabilities held for trading				
Non-hedging derivatives	$ 488	$ 10,388	$ 19,043	$ 16

A. The Group recognised net loss of $551, and $24,951 on financial assets held for trading for the three-month periods ended March 31, 2014 and 2013 respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

Derivative Instruments	March 31, 2014 Contract Amount (Notional Principal)		March 31, 2014 Contract Period	December 31, 2013 Contract Amount (Notional Principal)		December 31, 2013 Contract Period
Current items:						
Forward exchange contracts	USD	7,700	2014/04	USD	22,000	2013/10~ 2014/02

Derivative Instruments	March 31, 2013 Contract Amount (Notional Principal)		March 31, 2013 Contract Period
Current items:			
Forward exchange contracts	USD	21,000	2013/101~ 2013/04

(1)Forward exchange contracts

The Group entered into forward foreign exchange contracts to sell USD and buy NTD to hedge exchange rate risk of export proceeds. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

C. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Available-for-sale financial assets

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
Items	New Taiwan Dollars			US Dollars
Current items:				
Listed stocks	$ -	$ -	17,984	$ -
Non-current items				
Listed stocks	233,500	234,418	229,740	7,663
Emerging stocks	1,938	4,216	302,716	64
	235,438	238,634	532,456	7,727
Valuation adjustment of available -for-sale financial assets	2,086,142	1,921,947	850,838	68,465
	$ 2,321,580	$ 2,160,581	$ 1,383,294	$ 76,192

A. The Group recognised $175,317 and $190,080 in other comprehensive income for fair value change for the three-month periods ended March 31, 2014 and 2013, respectively.

B. As of March 31, 2014, December 31, 2013, and March 31, 2013, no available-for-sale financial assets were pledged to others.

(4) Financial assets measured at cost

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
Items	New Taiwan Dollars			US Dollars
Non-current item				
Non-publicly traded company	$ 533,000	$ 33,000	$ 31,429	$ 17,493

A. Based on the Group's intention, its investment in stocks should be classified as 'available-for-sale financial assets'. However, as the above company stocks are not traded in an active market, and no sufficient industry information of companies similar to the above company or above company's financial information can be obtained, the fair value of the investment in stocks cannot be measured reliably. The Group classified those stocks as "financial assets measured at cost".

B. As of March 31, 2014, December 31, 2013 and March 31, 2013, no financial assets measured at cost held by the Group were pledged to others.

(5) Accounts receivable

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
Accounts receivable	$ 14,703,941	$ 18,970,620	$ 12,369,545	482,571
Less: allowance for sales returns and discounts	(82,067)	(64,353)	(60,511)	(2,693)
Less: allowance for bad debts	(111,128)	(157,915)	(183,470)	($ 3,647)
	$ 14,510,746	$ 18,748,352	$ 12,125,564	$ 476,231

A. The quali le is based on customers' credit ranking and recoverable period of receivables in order to calculate the accrual of impairment. The Group's internal credit ranking policy is that the Group's business and management segment assesses periodically or unperiodically whether the credit ranking of existing customers are appropriate and adjusts to obtain the latest information when necessary. Customers' credit ranking assessment is based on industrial operating scale, profitability and ranking assessed by financial insurance institutions.

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
Up to 30 days	$ 1,160,424	$ 742,164	$ 547,413	$ 38,084
31 to 120 days	201,841	251,896	194,088	6,624
	$ 1,362,265	$ 994,060	$ 741,501	$ 44,708

The ageing analysis is based on the days past due.

C. Movement analysis of financial assets that were impaired is as follows:

a) As of March 31, 2014, December 31, 2013, and March 31, 2013, the Group's accounts receivable that were impaired amounted to $111,128, $157,915 and $183,470, respectively.

b) Movements on the Group provision for impairment of accounts receivable are as follows:

	For the three-month period ended March 31, 2014		
	Individual provision	Group provision	Total
January 1, 2014	$ -	$ 157,915	$ 157,915
Reversal of impairment	-	(46,787)	(46,787)
March 31, 2014	$ -	$ 111,128	$ 111,128

	For the three-month period ended March 31, 2013		
	Individual provision	Group provision	Total
January 1, 2013	$ -	$ 202,185	$ 202,185
Reversal of impairment	-	(18,715)	(18,715)
March 31, 2013	$ -	$ 183,470	$ 183,470

D. The maximum exposure to credit risk at March 31, 2014, December 31, 2013, and March 31, 2013 was the carrying amount of each class of accounts receivable.

E. The Group does not hold any collateral as security.

F. The Company entered into an agreement with Mega International Commercial Bank to sell its accounts receivable on April 27, 2013. Under the agreement, the Company is not required to bear uncollectible risk of the underlying accounts receivable, but is liable for the losses incurred on any business dispute. The Company issued a promissory note to Mega International Commercial Bank according to the agreement as a security for the Company's failure in fulfilment of the agreement when any business dispute arises. These accounts receivable meet the derecognition criteria for financial assets.

G. As of March 31, 2014, December 31, 2013 and March 31, 2013, the outstanding accounts receivable sold to Mega International Commercial Bank were as follows:

March 31, 2014

Purchaser of accounts receivable	Accounts receivable sold	Amount derecognized	Limit	Amount advanced	Interest rate	Collateral
Mega International Commercial Bank Co., Ltd.	$ 120,724 (USD 3,962)	$ 120,724 (USD 3,962)	$ 1,066,450 (USD 35,000)	$ 108,652 (USD 3,566)	1.67%~1.79%	None

December 31, 2013

Purchaser of accounts receivable	Accounts receivable sold	Amount derecognized	Limit	Amount advanced	Interest rate	Collateral
Mega International Commercial Bank Co., Ltd.	$ 648,717 (USD 21,765)	$ 648,717 (USD 21,765)	$ 1,043,175 (USD 35,000)	$ 579,718 (USD 19,450)	1.46%~1.82%	None

March 31, 2013

Purchaser of accounts receivable	Accounts receivable sold	Amount derecognized	Limit	Amount advanced	Interest rate	Collateral
Mega International Commercial Bank Co., Ltd.	$ 615,959 (USD20,652)	$ 615,959 (USD20,652)	$ 1,043,875 (USD3,500)	$ 549,992 (USD18,441)	1.25%~1.49%	None

(6)Inventories

	March 31, 2014		
	Cost	Allowance for valuation loss	Book value
	New Taiwan Dollars		
Raw materials	$ 2,852,189	($ 140,523)	$ 2,711,666
Work in process	1,070,645	(42,896)	1,027,749
Finished goods	4,291,014	(312,174)	3,978,840
Inventory in transit	41,206	-	41,206
	$ 8,255,054	($ 495,593)	$ 7,759,461

	March 31, 2014		
	Cost	Allowance for valuation loss	Book value
	US Dollars		
Raw materials	$ 93,606	($ 4,612)	$ 88,995
Work in process	35,138	(1,408)	33,730
Finished goods	140,828	(10,245)	130,582
Inventory in transit	1,352	-	1,352
	$ 270,924	($ 16,265)	$ 254,659

	December 31, 2013		
	Cost	Allowance for valuation loss	Book value
	New Taiwan Dollars		
Raw materials	$ 4,999,718	($ 192,422)	$ 4,807,296
Work in process	744,415	(18,966)	725,449
Finished goods	4,623,377	(344,238)	4,279,139
Inventory in transit	21,716	-	21,716
	$ 10,389,226	($ 555,626)	$ 9,833,600

	March 31, 2013		
	Cost	Allowance for valuation loss	Book value
	New Taiwan Dollars		
Raw materials	$ 3,253,893	($ 221,118)	$ 3,032,775
Work in process	986,066	(20,401)	965,665
Finished goods	6,727,932	(555,775)	6,172,157
Inventory in transit	69,456	-	69,456
	$ 11,037,347	($ 797,294)	$ 10,240,053

Expenses and losses incurred on inventories during the three-month periods ended March 31, 2014 and 2013 were as follows:

	For the three-month periods ended March 31		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
Cost of inventories sold	$ 21,563,363	$ 24,177,604	$ 707,692
(Gain on reversal of) decline in market value	(60,033)	59,397	(1,970)
Others (revenue from sale of scraps)	(5,234)	(7,193)	(172)
	$ 21,498,096	$ 24,229,808	$ 705,550

The portion of inventories that have been provided with allowance have been sold during the three-month period ended March 31, 2014. Therefore, the allowance for decline in market value was reversed.

(7) Investments accounted for under the equity method

	March 31, 2014		
Investee	New Taiwan Dollars	US Dollars	Ownership percentage (%)
Well shin Technology Co., Ltd.	$ 1,005,557	$ 33,002	19.61%
Foxlink Image Technology Co., Ltd.	919,553	30,179	30.48%
Glory Science Co., Ltd.	529,694	17,384	35.50%
Xie Xun Electronics (Ji An) Ltd.	542,605	17,808	25.00%
Sharetronic Digital Electronic (Shen Zhen) Co., Ltd.	-	-	-
Castles Technology CO., LTD.	202,574	6,648	22.75%
CMPC Cultural & Creative Co., Ltd.	145,359	4,771	42.86%
Smart Vision Co., Ltd.	121,810	3,998	31.25%
Sharetronic Precision Industry (Shen Zhen) Co., Ltd.	121,205	3,978	25.00%
Kleine Developments Ltd.	85,599	2,809	33.33%
Core Solid Storage Corp	-	-	36.04%
Microlink Communications Inc.	(21,651)	(711)	21.43%
	3,652,305	119,866	
Add : Credit balance of long-term equity investments reclassified to 'other liabilities – others'	21,651	711	
Total	$ 3,673,956	$ 120,576	

Investee	December 31, 2013 New Taiwan Dollars	December 31, 2013 Ownership percentage (%)
Well shin Technology Co., Ltd.	$ 988,945	19.61%
Foxlink Image Technology Co., Ltd.	885,630	30.48%
Glory Science Co., Ltd.	512,227	35.59%
Xie Xun Electronics (Ji An) Ltd.	533,674	25.00%
Sharetronic Digital Electronic (Shen Zhen) Co., Ltd.	-	-
Castles Technology CO., LTD.	192,603	22.87%
CMPC Cultural & Creative Co., Ltd.	144,638	42.86%
Smart Vision Co., Ltd.	125,406	31.25%
Sharetronic Precision Industry (Shen Zhen) Co., Ltd.	120,650	25.00%
Kleine Developments Ltd.	84,586	33.33%
Core Solid Storage Corp	43,104	36.04%
Microlink Communications Inc.	(20,289)	21.43%
	3,611,174	
Add : Credit balance of long-term equity investments reclassified to ‘other liabilities-others'	20,289	
Total	$ 3,631,463	

Investee	March 31, 2013 New Taiwan Dollars	March 31, 2013 Ownership percentage (%)
Well shin Technology Co., Ltd.	$ 986,983	20.03%
Foxlink Image Technology Co., Ltd.	886,836	30.48%
Glory Science Co., Ltd.	474,319	35.82%
Xie Xun Electronics (Ji An) Ltd	431,683	25.00%
Sharetronic Digital Electronic (Shen Zhen) Co., Ltd.	320,041	27.00%
Castles Technology CO., LTD.	182,285	22.99%
CMPC Cultural & Creative Co., Ltd.	146,273	42.86%
Smart Vision Co., Ltd.	139,453	31.25%
Sharetronic Precision Industry (Shen Zhen) Co., Ltd.	116,449	25.00%
Kleine Developments Ltd	85,953	33.33%
Core Solid Storage Corp	123,989	36.04%
Microlink Communications Inc.	(15,292)	21.43%
	3,878,972	
Add : Credit balance of long-term equity investments reclassified to 'other liabilities-others’	15,292	
Total	$ 3,894,264	

A. For the three-month periods ended March 31, 2014 and 2013, except for Well shin Technology Co., Ltd., Foxlink Image Technology Co., Ltd. and Glory Science Co., Ltd. which were recognised based on their financial statements reviewed by independent accountants, share of the profit or loss of other associates and joint ventures which were not reviewed by independent accountants was $64,806 and $68,604, respectively.

B. The financial information of the Group's principal associates is summarized below:

	Assets	Liabilities	Revenue	Profit/(Loss)	% interestheld
	New Taiwan Dollars				
March 31, 2014					
Well Shin Technology Co., Ltd.	$ 6,114,083	$ 1,178,417	$ 1,145,007	$ 88,018	19.61%
Foxlink Image Technology Co., Ltd.	4,590,937	1,574,784	1,132,180	100,832	30.48%
Glory Science Co., Ltd.	1,618,684	387,835	230,228	45,362	35.59%
	$ 12,323,704	$ 3,141,036	$ 2,507,415	$ 234,212	

	Assets	Liabilities	Revenue	Profit/(Loss)	% interestheld
	US Dollars				
March 31, 2014					
Well Shin Technology Co., Ltd.	$ 200,659	$ 38,675	$ 37,578	$ 2,889	19.61%
Foxlink Image Technology Co., Ltd.	150,671	51,683	37,157	3,309	30.48%
Glory Science Co., Ltd.	53,124	12,728	7,556	1,489	35.59%
	$ 404,454	$ 103,086	$ 82,291	$ 7,687	

	Assets	Liabilities	Revenue	Profit/(Loss)	% interestheld
	New Taiwan Dollars				
December 31, 2013					
Well Shin Technology Co., Ltd.	$ 6,025,376	$ 1,172,802	$ 5,277,177	$ 475,793	19.61%
Foxlink Image Technology Co., Ltd.	5,484,460	2,509,265	7,286,757	424,479	30.48%
Glory Science Co., Ltd.	1,950,565	771,930	1,122,201	116,641	35.59%
	$ 13,460,401	$ 4,453,997	$ 13,686,135	$ 1,016,913	

	Assets	Liabilities	Revenue	Profit/(Loss)	% interestheld
	New Taiwan Dollars				
March 31, 2013					
Well Shin Technology Co., Ltd.	$ 6,082,358	$ 1,341,672	$ 1,232,136	$ 144,067	19.61%
Foxlink Image Technology Co., Ltd.	5,509,906	2,549,387	1,706,428	109,859	30.48%
Glory Science Co., Ltd.	1,704,546	638,908	238,350	20,362	35.59%
	$ 13,296,810	$ 4,529,967	$ 3,176,914	$ 274,288	

C. The fair value of the Group's associates which have quoted market price was as follows:

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
Well Shin Technology Co., Ltd.	$ 1,383,739	$ 1,091,839	$ 1,011,622	$ 45,413
Foxlink Image Technology Co., Ltd.	1,129,986	975,546	1,212,354	37,085
Glory Science Co., Ltd.	898,085	836,284	741,611	29,474
	$ 3,411,810	$ 2,903,669	$ 2,965,587	$ 111,973

D. The Group has signed a stock purchase agreement with Sharetronic Group Limited ("Sharetronic") on December 31, 2013. Sharetronic agreed to pay US$7,710 thousand for acquisition of all the Company's share in Sharetronic Digital Electronic (Shen Zhen) Co. Ltd. As of March 31, 2014, the uncollected amount was $234,924 thousand (recorded as '1200 other receivables').

E. Well shin Technology Co., Ltd.'s stockholding ratio continued decreasing because of Well Shin Technology Co., Ltd.'s issuance of employee stock option. The Group has assessed that the change did not impact the Group's significant influence.

F. The shareholders of Core Solid Storage Corp. have approved the liquidation to be effective on October 31, 2012 and investment of $80,000 thousand to be remitted back on May 28, 2013. The liquidation process was completed on February 6, 2014 and dividends of $43,104 thousand were distributed on February 24, 2014.

(8) Property, plant and equipment

	Land	Buildings	Machinery	Office equipment	Others	Total
	New Taiwan Dollars					
At January 1, 2014						
Cost	$ 416,391	$ 12,129,583	$ 8,576,135	$ 475,083	$ 6,544,191	$ 28,141,383
Accumulated depreciation and impairment	-	(1,585,793)	(3,972,841)	(244,080)	(2,482,579)	(8,285,293)
	$ 416,391	$ 10,543,790	$ 4,603,294	$ 231,003	$ 4,061,612	$ 19,856,090
Three-month period ended March 31, 2014						
Opening net book amount	$ 416,391	$ 10,543,790	$ 4,603,294	$ 231,003	$ 4,061,612	$ 19,856,090
Additions	-	86,520	357,206	66,484	91,993	602,203
Disposals	-	-	(36,144)	(213)	(21,888)	(58,245)
Reclassifications	-	404,736	-	-	(421,955)	(17,219)
Depreciation charge	-	(74,826)	(504,017)	(32,888)	(235,409)	(847,140)
Impairment loss	-	-	-	-	(5)	(5)
Net exchange differences	(3,963)	(38,669)	(14,959)	(2,584)	1,754	(58,421)
Closing net book amount	$ 412,428	$ 10,921,551	$ 4,405,380	$ 261,802	$ 3,476,102	$ 19,477,263

	Land	Buildings	Machinery	Officeequipment	Others	Total
	New Taiwan Dollars					
At March 31, 2014						
Cost	$ 412,428	$ 12,572,155	$ 8,811,759	$ 536,918	$ 6,286,686	$ 28,619,946
Accumulated depreciation and impairment	-	(1,650,604)	(4,406,379)	(275,116)	(2,810,584)	(9,142,683)
	$ 412,428	$ 10,921,551	$ 4,405,380	$ 261,802	$ 3,476,102	$ 19,477,263
	US Dollars					
At March 31, 2014						
Cost	$ 13,536	$ 412,608	$ 289,195	$ 17,621	$ 206,324	$ 939,283
Accumulated depreciation and impairment	-	(54,171)	(144,614)	(9,029)	(92,241)	(300,055)
	$ 13,536	$ 358,436	$ 144,581	$ 8,592	$ 114,083	$ 639,228

	Land	Buildings	Machinery	Officeequipment	Others	Total
	New Taiwan Dollars					
At January 1, 2013						
Cost	$ 412,428	$ 11,005,172	$ 9,910,348	$ 420,378	$ 6,204,577	$ 27,952,903
Accumulated depreciation and impairment	-	(1,038,308)	(4,874,864)	(216,188)	(2,093,111)	(8,222,471)
	$ 412,428	$ 9,966,864	$ 5,035,484	$ 204,190	$ 4,111,466	$ 19,730,432
Three-month period ended March 31, 2013						
Opening net book amount	$ 412,428	$ 9,966,864	$ 5,035,484	$ 204,190	$ 4,111,466	$ 19,730,432
Additions	-	81,731	462,536	22,279	257,843	824,389
Disposals	-	(216)	(88,440)	(818)	(10,411)	(99,885)
Reclassifications	-	7,104	-	-	-	7,104
Depreciation charge	-	(70,199)	(692,584)	(22,160)	(216,075)	(1,001,018)
Reversal of impairment loss	-	-	-	6	1,384	1,390
Net exchange differences	-	39,833	18,560	2,325	2,793	63,511
Closing net book amount	$ 412,428	$ 10,025,117	$ 4,735,556	$ 205,822	$ 4,147,000	$ 19,525,923

	Land	Buildings	Machinery	Officeequipment	Others	Total
	New Taiwan Dollars					
At March 31, 2013						
Cost	$ 412,428	$ 11,336,832	$ 8,978,029	$ 455,198	$ 6,530,530	$ 27,713,017
Accumulated depreciation and impairment	-	(1,311,715)	(4,242,473)	(249,376)	(2,383,530)	(8,187,094)
	$ 412,428	$ 10,025,117	$ 4,735,556	$ 205,822	$ 4,147,000	$ 19,525,923

A. There was no impairment loss on property, plant and equipment.

B. The property, plant and equipment were not pledged to others as collaterals.

(9) Investment property

	Land	Buildings	Total
	New Taiwan Dollars		
At January 1, 2014			
Cost	$ 65,923	$ 491,335	$ 557,258
Accumulated depreciation and impairment	-	(251,290)	(251,290)
	$ 65,923	$ 240,045	$ 305,968
Three-month period ended March 31, 2014			
Opening net book amount	$ 65,923	$ 240,045	$ 305,968
Reclassifications	-	17,219	17,219
Depreciation charge	-	(5,542)	(5,542)
Net exchange differences	-	3,238	3,238
Closing net book amount	$ 65,923	$ 254,960	$ 320,883
At March 31, 2014			
Cost	$ 65,923	$ 520,202	$ 586,125
Accumulated depreciation and impairment	-	(265,242)	(265,242)
	$ 65,923	$ 254,960	$ 320,883
	US Dollars		
At March 31, 2014			
Cost	$ 2,164	$ 17,073	$ 19,236
Accumulated depreciation and impairment	-	(8,705)	(8,705)
	$ 2,164	$ 8,368	$ 10,531

	Land	Buildings	Total
	New Taiwan Dollars		
At January 1, 2013			
Cost	$ 65,923	$ 490,213	$ 556,136
Accumulated depreciation and impairment	-	(225,622)	(225,622)
	$ 65,923	$ 264,591	$ 330,514
Three-month period ended March 31, 2013			
Opening net book amount	$ 65,923	$ 264,591	$ 330,514
Reclassifications	-	(7,104)	(7,104)
Depreciation charge	-	(5,313)	(5,313)
Net exchange differences	-	4,169	4,169
Closing net book amount	$ 65,923	$ 256,343	$ 322,266
At March 31, 2013			
Cost	$ 65,923	$ 486,103	$ 552,026
Accumulated depreciation and impairment	-	(229,760)	(229,760)
	$ 65,923	$ 256,343	$ 322,266

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	For the three-month periods ended March 31		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
Rental revenue from the lease of the investment property	$ 6,878	$ 6,230	$ 226
Direct operating expenses arising from the investment property that generated rental income in the period	$ 5,260	$ 5,087	$ 173

B. Investment property is stated initially at its cost and is depreciated on a straight-line basis over its estimated useful life. The fair value of the investment property held by the Group as at March 31, 2014, December 31, 2013 and March 31, 2013 was $648,870, $568,644 and $844,652, respectively, which was evaluated based on the market prices of similar real estate in the areas nearby. Market prices on March 31, 2014, December 31, 2013 and March 31, 2013 did not change significantly.

C. There was no impairment loss on investment property.

D. The investment property was not pledged to others as collaterals.

(10) Intangible assets

	TrademarkRights	Goodwill	Others	Total
	New Taiwan Dollars			
At January 1, 2014				
Cost	$ 49,277	$ 2,573,540	$ 135,871	$ 2,758,688
Accumulated depreciation and impairment	-	-	(75,162)	(75,162)
	$ 49,277	$ 2,573,540	$ 60,709	$ 2,683,526
Three-month period ended March 31, 2014				
Opening net book amount	$ 49,277	$ 2,573,540	$ 60,709	$ 2,683,526
Additions	-	-	12,816	12,816
Depreciation charge	-	-	(12,692)	(12,692)
Reclassifications	-	-	(1,265)	(1,265)
Net exchange differences	1,099	44,931	(81)	45,949
Closing net book amount	$ 50,376	$ 2,618,471	$ 59,487	$ 2,728,334
At March 31, 2014				
Cost	$ 50,376	$ 2,618,471	$ 142,957	$ 2,811,804
Accumulated depreciation and impairment	-	-	(83,470)	(83,470)
At March 31, 2014	$ 50,376	$ 2,618,471	$ 59,487	$ 2,728,334
	US Dollars			
At March 31, 2014				
Cost	$ 1,653	$ 85,936	$ 4,692	$ 92,281
Accumulated depreciation and impairment	-	-	(2,739)	(2,739)
At March 31, 2014	$ 1,653	$ 85,936	$ 1,952	$ 89,542

	TrademarkRights	Goodwill	Others	Total
	New Taiwan Dollars			
At January 1, 2013				
Cost	$ 48,012	$ 2,521,861	$ 397,402	$ 2,967,275
Accumulated depreciation and impairment	-	-	(320,110)	(320,110)
	$ 48,012	$ 2,521,861	$ 77,292	$ 2,647,165
Three-month period ended March 31, 2013				
Opening net book amount	$ 48,012	$ 2,521,861	$ 77,292	$ 2,647,165
Additions	-	-	9,746	9,746
Depreciation charge	-	-	(24,037)	(24,037)
Net exchange differences	1,298	53,029	4,004	58,331
Closing net book amount	$ 49,310	$ 2,574,890	$ 67,005	$ 2,691,205
At March 31, 2013				
Cost	$ 49,310	$ 2,574,890	$ 411,152	$ 3,035,352
Accumulated depreciation and impairment	-	-	(344,147)	(344,147)
	$ 49,310	$ 2,574,890	$ 67,005	$ 2,691,205

A. Goodwill is allocated to the Group's cash-generating units identified according to operating segments as follows:

	March 31, 2014			December 31, 2013		
	Retail of computer, communication and consumer electronics	Memory module	Others	Retail of computer, communication and consumer electronics	Memory module	Others
	New Taiwan Dollars					
NTD	$ -	$ 419,858	$ -	$ -	$ 419,858	$ -
HKD	2,058,410	-	-	2,013,489	-	-
All other segments	128,595	-	11,608	128,585	-	11,608
	$ 2,187,005	$ 419,858	$ 11,608	$ 2,142,074	$ 419,858	$ 11,608

	March 31, 2013			March 31, 2014		
	Retail of computer, communication and consumer electronics	Memory module	Others	Retail of computer, communication and consumer electronics	Memory module	Others
	New Taiwan Dollars			US Dollars		
NTD	$ -	$ 419,858	$ -	$ -	$ 13,779	$ -
HKD	2,014,841	-	-	67,555	-	-
All other segments	128,583	-	11,608	4,220	-	381
	$ 2,143,424	$ 419,858	$ 11,608	$ 71,776	$ 13,779	$ 381

B. Goodwill and trademarks with uncertain useful life are allocated to the POWER QUOTIENT INTERNATONAL CO., LTD. (PQI)'s cash-generating units identified. The recoverable amount of all cash-generating units has been determined based on value-in-use and fair value calculations. These calculations use pre-tax cash flow projections and decisions assisted by independent valuation institutions based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The recoverable amount based on value-in-use calculation is greater than the carrying amount, thus, goodwill and goodwill with uncertain useful life are not impaired. The calculation of value-in-use is mainly based on gross profit margin, growth rate and discount rate. Management determines profit margin based on prior performance and expectation to the market development. Weighted average growth rate adopted is the same as the expectation stated in the industry report. Discount rate adopted is pre-tax ratio and reflects specific risk of related operating segments. Management believes that any reasonable adjustment of key assumptions used to estimate recoverable amounts of each cash generating unit would not result in carrying value exceeding the recoverable amount. Comparing the calculation of recoverable amount in accordance with the aforementioned assumption with PQI's assets available for operation and carrying value of goodwill at assessment date, there was no impairment to assets for the three-month periods ended March 31, 2014 and 2013.

C. The Group assesses recoverable amount based on the net fair value for impairment assessment on recoverable amount of memory module. The fair value is assessed to be higher than the carrying amount, thus, goodwill is not impaired.

D. The intangible assets were not pledged to others as collaterals.

(11) Long-term prepaid rents (Shown in other non-current assets)

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
		New Taiwan Dollars		US Dollars
Land use right	$ 840,497	$ 849,407	$ 843,851	$ 27,584

Mainly consisting of land access right, the Group signed land access rights contracts for the use of land in China. All rentals had been paid on the contract date. The Group recognised rental expenses of $5,003 and $4,720 for the three-month periods ended March 31, 2014 and 2013, respectively.

(12) Short-term borrowings

Type of borrowings	March 31, 2014 New Taiwan Dollars	March 31, 2014 US Dollars	Interest rate range	Collateral
Bank borrowings				
Credit borrowings	$ 10,200,324	$ 334,766	1.04%~4.78%	-

Type of borrowings	Decemberr 31, 2013	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 9,909,862	0.96%~5.6%	-

Type of borrowings	March 31, 2013	Interest rate range	Collateral
Bank borrowings			
Credit borrowings	$ 12,891,008	1.05%~7%	-

(13) Other payables

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
Payables on conversion fee	$ 37,391	$ 89,729	$ 148,105	$ 1,227
Payables on salary and bonus	1,056,892	1,804,638	1,045,084	34,686
Payables on sales commission	300,330	279,003	325,188	9,857
Payables on equipment	588,935	867,825	734,028	19,328
Others	1,907,164	2,574,261	1,814,154	62,592
	$ 3,890,712	$ 5,615,456	$ 4,066,559	$ 127,690

(14) Bonds payable

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
Unsecured convertible bonds	$ 475,000	$ 475,000	$ 475,000	$ 15,589
Less: Discount on bonds payable	(8,771)	(12,282)	(22,602)	(288)
Less: Current portion	(466,229)	(462,718)	-	(15,301)
	$ -	$ -	$ 452,398	$ -

On November 12, 2009, Power Quotient International Co., Ltd. issued five-year unsecured convertible bonds in the amount of $475,000 (November 12, 2009 to November 12, 2014). The initial conversion price at issuance of the bonds was $15.7 (in dollars) per share. Under the terms of the bonds, the bonds are convertible into the common shares of Power Quotient International Co., Ltd. from 30 days after issuance of the bonds through 10 days before maturity of the bonds. The conversion price was adjusted to $15.3 (in dollars) per share on October 4, 2010. Power Quotient International Co., Ltd. made capital reduction on December 11, 2012 to cover its accumulated deficit. The capital reduction rate was 40%. According to the terms of the first domestic unsecured private placement convertible bonds issued by Power Quotient International Co., Ltd., conversion price of the bonds was adjusted to $25.5. And conversion price of the bonds was adjusted to $22.7 after the private placement common shares were settled on January 23, 2013. The fair value of convertible option embedded in bonds payable was separated from bonds payable, and was recognized in equity and liabilities, respectively, in accordance with IAS 32. As of March 31, 2014, December 31, 2013 and March 31, 2013, the bondholders exercised put options, and the amount that was reclassified from “capital reserve from stock warrants” to “capital reserve - additional paid-in capital in excess of par - common stock” was all $65,491.

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	March 31, 2014	Unused credit line	March 31, 2014
			New Taiwan dollars		US dollars	
Long-term loan borrowings						
Bank credit borrowing	The payable of NTD 99,566 thousand, USD 620 thousand in installments starting from September 2011 to November 2019.	0.44%~2.2%	$ -	$ 118,459	$ -	$ 3,888
Medium-term and long-term syndicated loans	The payable of NTD 5,600,000 thousand from March 2013 to March 2016. The company may issue a drawing application before the maturity date of borrowing to directly repay the borrowing principle that was originally expired	1.6032%	2,400,000	5,600,000	78,766	183,787
				5,718,459	78,766	187,675
Less: Current portion				(36,359)	-	- 1,193
				$ 5,682,100	$ 78,766	$ 186,482

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	December 31, 2012
			New Taiwan dollars	
Long-term loan borrowings				
Bank credit borrowing	The payable of NTD 56,212 thousand, USD 5,260 thousand in installments starting from September 2011 to November 2019.	0.46%~2.3%	$ -	$ 212,986
Medium-term and long-term syndicated loans	The payable of NTD 5,600,000 thousand from December 2013 to March 2014. The company may issue a drawing application before the maturity date of borrowing to directly repay the borrowing principle that was originally expired	1.6032%	2,400,000	5,600,000
				5,812,986
Less: Current portion				(163,182)
				$ 5,649,804

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	March 31, 2013
			New Taiwan dollars	
Long-term loan borrowings				
Bank credit borrowing	The Compay repays the installment starting from September 2011 to November 2019	1.31%~4.93%	$ 8,159	$ 421,923
Medium-term and long-term syndicated loans	The Compay repays the installment starting from March 2013 to March 2016.	1.64%	2,400,000	5,600,000
				6,021,923
Less: Current portion				(22,369)
				$ 5,999,554

A. In March 2013, the Company signed a medium-term syndicated revolving NTD credit facility agreement with the consortium – Mega International Commercial Bank as the lead bank. The terms of agreement are summarized below:

a) Duration of loan: The loan period of the agreement was 3 years from the agreement signing date.

b) Credit line and draw-down: The credit line was $8,000,000, which can be drawn down in installments of at least $100,000 per draw-down.

c) Principal repayment: The duration of each loan drawn down is either 90 days or 180 days at the Company's option. The Company, if without any default, may submit an application to the banks to draw down a new loan with principal equal to the old one before its maturity, and the new loan is directly used to repay the original loan. The banks and the Company are not required to make remittances for such draw-down and repayment, which is viewed that the Company has received the new loan on the maturity of original loan.

d) Commitment: The Company should maintain the following financial ratios during the contract duration for annual non-consolidated and consolidated financial statements and quarterly non-consolidated financial statements:

i. Current assets to current liabilities ratio of at least 1:1;

ii. Liabilities not exceeding 200% of tangible net equity;

iii. Interest coverage of at least 400%; and

iv. Tangible net equity of at least NT$15,000,000.

e) The loan period is decided by the borrower. The borrower may choose to early repay the loans during the contract period according to the syndicated loan contract.

B. Following the resolution made by the Board of Directors in March 2013, the Company signed a syndicated loan contract in March 2013 with the consortium led by Mega International Commercial Bank and obtained a credit line in the amount of $8,000,000. Part of the loan amounting to $6,800,000 was used to pay off early the original syndicated loan offered by the consortium led by Cathay United Bank.

(16) Pensions

A.

a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

b) For the aforementioned pension plan, the Group recognised pension costs of $2,475 and $3,827 for the three-month periods ended March 31, 2014 and 2013, respectively.

Details of costs and expenses recognised in comprehensive income statements are as follows:

	For the three-month period ended March 31, 2014	For the three-month period ended March 31, 2013
General and administrative expenses	$ 2,475	$ 3,827

c) Expected contributions to the defined benefit pension plans of the Group within one year from March 31, 2014 amounts to $14,000.

B.

a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a funded defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

b) Foxlink Singapore, Foxlink, Microlink, and the Company's mainland subsidiaries have a funded defined contribution plan. Monthly contributions are based on the employees' monthly salaries (the contribution ratio for the three-month periods ended March 31, 2014 and 2013 is between 11%~20%) and wages to an independent fund administered by the government in accordance with the pension regulations. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plan for the three-month periods ended March 31, 2014 and 2013 were $19,236 and $17,931, respectively.

(17) Share-based payment

A. As of March 31, 2014 and 2013, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted	Contract period	Vesting Conditions	Actual resignation rate in the current period	Estimated future resignation rate
Employee stock options	2007.12.28	40,000,000	7 years	The stock options may be exercised in installments after two years of issuance of stock options.	0%	0%

B. Details of the share-based payment arrangements are as follows:

	For the three-month period ended March 31, 2014			For the three-month period ended March 31, 2013	
	No. of options	Weighted-average exercise price (in dollars)		No. of options	Weighted-average exercise price (in dollars)
		New Taiwan Dollars	US Dollars		New Taiwan Dollars
Options outstanding at beginning of the period	13,558	$ 45.40	$ 1.49	21,926	$ 47.40
Options exercised	(3,546)	45.40	1.49	(483)	47.40
Options forfeited	-	45.40	1.49	(23)	47.40
Options outstanding at end of the period	10,012	$ 45.40	$ 1.49	21,420	$ 47.40
Options exercisable at end of the period	10,102			21,420	

(Note):Under the stock-based employee compensation plan, the weighted-average exercise price of the outstanding shares at beginning of the period is subject to adjustments due to changes in the number of common shares.

C. As of March 31, 2014, December 31, 2013 and March 31, 2013 the range of exercise prices of stock options outstanding was $45.40, $45.40, $47.4 (in dollars), respectively; the weighted-average remaining contractual period was 0.75 years, 1 years and 1.75 years, respectively.

D. For the stock options granted with the compensation cost accounted for using the fair value method, their fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted average parameters used in the estimation of the fair value are as follows:

Grant date	2007.12.28
Dividend rate	0%
Expected price volatility	39.98%
Risk-free interest rate	2.44%
Expected vesting period	5.05 years
Exercise price per share	$68.8
Fair value per unit	$26.66

(18) Share capital

A. As of March 31, 2014, the Company′s authorized common stock was $7,000,000 (US$236,726) for both periods (including 50,000,000 shares reserved for the issuance of employees' warrants), and the issued and outstanding shares were both 505,555,740 shares, with a par value of $10 (in dollars) per share.

	2014	2013	2014
	New Taiwans dollars		US Dollars
At January 1	$ 502,009,540	$ 493,682,940	$ 16,475,535
Employee stock options exercised	3,546,200	483,000	116,383
At March 31	$ 505,555,740	$ 494,165,940	$ 16,591,918

B. The common shares issued through the exercise of employee stock option in April 22, 2014 had been registered on a quarterly basis in accordance with relevant regulations.

(19) Capital surplus

Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	Share premium	Treasury share transaction	Difference between proceeds from disposal of subsidiary and book value	Change in net equity of associates and joint ventures accounted for under the equity method	Total
At January 1, 2014	$ 8,985,731	$ 3,065	$ 10,185	$ 50,218	$ 9,049,199
Employee stock options exercised	125,535	-	-	-	125,535
Change in net equity of associates accounted for under the equity method	-	-	-	(440)	(440)
Difference between proceeds from disposal of subsidiary and book value	-	-	(18)	-	(18)
At March 31, 2014 (New Taiwan dollars)	$ 9,111,266	$ 3,065	$ 10,167	$ 49,778	$ 9,174,276
At March 31, 2014 (US Dollars)	$ 299,024	$ 101	$ 334	$ 1,634	$ 301,092

	Share premium	Treasury share transaction	Difference between proceeds from disposal of subsidiary and book value	Change in net equity of associates and joint ventures accounted for under the equity method	Total
At January 1, 2013	$ 8,689,447	$ 3,065	$ 2,691	$ 54,500	$ 8,749,703
Employee stock options exercised	18,064	-	-	-	18,064
Change in net equity of associates accounted for under the equity method	-	-	-	703	703
Difference between proceeds from disposal of subsidiary and book value	-	-	1,325	-	1,325
At March 31, 2013	$ 8,707,511	$ 3,065	$ 4,016	$ 55,203	$ 8,769,795

(20) Retained earnings

A. Based on the Company's Articles of Incorporation, the current year’s earnings, if any, shall first be used to pay all taxes and offset prior years’ operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The remainder shall be appropriated as (a) 0.1% as remuneration to directors and supervisors; (b) at least 8% as bonus to employees, and (c) as dividends to stockholders.

B. According to the Company's Articles of Incorporation, no more than 90% of the distributable retained earnings shall be distributed as stockholders' bonus, of which a major portion is payable by shares and the balance by cash, which will be defined and approved during the stockholders' meeting. In general, cash dividend distributed in any calendar year shall be at least 20% of the total distributable earnings in that year.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital.

D.

a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

b) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently.

E. Details of the appropriation of 2013 net income which was approved at the Board of Directors' meeting on April 25, 2014 and the appropriation of 2012's net income which was approved at the stockholders' meeting on June 11, 2013 are as follows:

	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	$ 207,501	$ -	$ 195,400	$ -
Cash dividend	1,518,197	3.00	1,235,415	2.50
Total	$ 1,725,698	$ 3.00	$ 1,430,815	$ 2.50

a. As of May 15, 2014, the abovementioned appropriation of 2013 net income has not been approved by the stockholders. Employees' bonus and directors' and supervisors' remuneration for the year ended December 31, 2013 amounting to $268,212 and 1,788, respectively, as resolved by the stockholders were in agreement with those amounts recognised in the 2013 financial statements.

Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

b. The estimated amount of employees' bonus and directors' and supervisors' remuneration for the three-month periods ended March 31, 2014 and 2013 amounted to $20,000 and $100,000, based on a certain percentage (prescribed by the Company's Articles of Incorporation) of net income, after taking into account the legal reserve and other factors, and are recognised as operating costs or operating expenses in 2014. If the amount resolved by the stockholders is different from the estimated amount, the difference is recognised as profit or loss in the succeeding year.

(21) Other equity items

	Available-for-sale investments	translation differences	Total
At January 1, 2014	$ 1,565,400	$ 431,720	$ 1,997,120
Valuation adjustment of available-for-sale investments	135,302	-	135,302
Currency translation differences:			
Group	-	(18,069)	(18,069)
Associates	-	(16,398)	(16,398)
At March 31, 2014 (New Taiwan dollars)	$ 1,700,702	$ 397,253	$ 2,097,955
At March 31, 2014 (US Dollars)	$ 55,816	$ 13,038	$ 68,853

	Available-for-sale investments	translation differences	Total
At January 1, 2013	$ 649,174	($ 330,227)	$ 318,947
Valuation adjustment of available-for-sale investments	188,353	-	188,353
Currency translation differences:			
Group	-	400,705	400,705
Associates	-	27,962	27,962
At March 31, 2013 (New Taiwan dollars)	$ 837,527	$ 98,440	$ 935,967

(22) Other income

	For the three-month periods ended March 31,		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
Rental revenue	$ 6,878	$ 6,230	$ 226
Interest income	18,348	12,414	602
Technical compensation income	-	29,806	-
Management service income	10,602	26,288	348
Others	89,066	61,118	2,923
	$ 124,894	$ 135,856	$ 4,099

(23) Other gains and losses

	For the three-month periods ended March 31,		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
Net gains (losses) on financial assets at fair value through profit or loss	($ 551)	($ 24,951)	($ 18)
Net currency exchange gain (losses)	(107,397)	166,202	(3,525)
Gains (losses) on disposal of property, plant and equipment	(5,114)	(5,217)	(168)
Gains (losses) on disposal of investments	(259)	(343)	(9)
Others	1,981	(7,538)	65
	($ 111,340)	$ 128,153	($ 3,654)

(24) Finance costs

	For the three-month periods ended March 31,		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
Interest expense:			
Bank borrowings	$ 70,432	$ 72,983	$ 2,312
Bonds	4,698	4,559	154
Others	11	1,575	0
	$ 75,141	$ 79,117	$ 2,466

(25) Expenses by nature

	For the three-month periods ended March 31,		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
Employee benefit expense	$ 2,813,572	$ 2,437,227	$ 92,339
Depreciation charges on property, plant and equipment and investment property	852,682	1,006,331	27,984
Amortisation charges on intangible assets	12,692	24,037	417
Transportation expenses	173,570	118,276	5,696
Advertising costs	29,798	5,147	978
Operating lease payments	265,074	221,186	8,700
Total cost of sales and operating expenses	$ 4,147,388	$ 3,812,204	$ 136,114

4

(26) Employee benefit expense

	For the three-month periods ended March 31,		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
Wages and salaries	$ 2,432,384	$ 2,115,799	$ 79,829
Labour and health insurance fees	235,512	166,551	7,729
Pension costs	21,711	21,758	713
Other personnel expenses	123,965	133,119	4,068
	$ 2,813,572	$ 2,437,227	$ 92,339

(27) Income tax

A. Income tax expense

a) Components of income tax expense:

	For the three-month periods ended March 31,		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
Current tax :			
Current tax on profits for the period	$ 75,841	$ 149,163	$ 2,489
Adjustments in respect of prior years	7,797	-	256
Total current tax	83,638	149,163	2,745
Deferred tax :			
Origination and reversal of temporary differences	(18,502)	6,758	(607)
Impact of change in tax rate	-	-	-
Total deferred tax	(18,502)	6,758	(607)
Income tax expense	$ 65,136	$ 155,921	$ 2,138

b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	For the three-month periods ended March 31,		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
Currency translation differences	$ 2,643	($ 99,790)	$ 87
Actuarial gains and losses on benefit obligation	-	-	-
Available-for-sale financial assets-Unrealised gains and losses	39,205	-	1,287
	$ 41,848	($ 99,790)	$ 1,373

B. The last year of the Company's and its domestic subsidiaries' income tax returns that have been assessed and approved by the Tax Authority is as follows:

	Status of Assessment
The Company	Assessed and approved up to 2011
PQI, PROCONN, FII, WCT, FUII, Studio A Inc., Zhi De Investment, Shinfox, Du Precision, VT, Dart, Va Product Inc.	Assessed and approved up to 2012

C. Unappropriated retained earnings:

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
Earnings generated in and before1997	$ -	$ -	$ 40,389	$ -
Earnings generated in and before1998	6,222,658	5,980,533	5,854,273	204,222
	$ 6,222,658	$ 5,980,533	$ 5,894,662	$ 204,222

D. As of March 31, 2014, December 31, 2013 and March 31, 2013, the balance of the imputation tax credit account was $1,088,743, $1,088,743 and $992,137, respectively. The creditable tax rate was 18.69% for 2012 and is estimated to be 17.50% for 2013.

(28) Earnings per share

	For the three-month period ended March 31, 2014				
	Amount after tax		Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)	
	New Taiwan Dollars	US Dollars		New Taiwan Dollars	US Dollars
Basic earnings per share					
Profit attributable to ordinary shareholders of the parent	$ 250,396	8,218	503,783	$ 0.50	$ 0.02
Diluted earnings per share					
Profit attributable to ordinary shareholders of the parent	$ 250,396	$ 8,218	503,783		
Assumed conversion of all dilutive potential ordinary shares					
Employees' options	-	-	3,486		
Employees' bonus	-	-	3,445		
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 250,396	$ 8,218	510,714	$ 0.49	$ 0.02

	For the three-month period ended March 31, 2013		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
	New Taiwan Dollars		Dollars
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 558,155	493,924	$ 1.13
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 558,155	493,924	
Assumed conversion of all dilutive potential ordinary shares			
Employees' options	-	3,934	
Employees' bonus	-	5,551	
Profit attributable to ordinary shareholders of the parent plus assumed conversion ofall dilutive potential ordinary shares	$ 558,155	503,409	$ 1.11

(29) Operating leases

The Group leases offices, warehouses and branch locations under non-cancellable operating lease agreements. The lease terms are between 1 to 6 years, and all the lease agreements are renewable at the end of the lease period. The Group recognised rental expenses of $152,998 and $107,346 and contingent rents of $1,370 and $10,231 for these leases in profit or loss for the three-month periods ended March 31, 2014 and 2013, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
No later than one year	$ 284,622	$ 355,200	$ 218,560	$ 9,341
Later than one year but not later than five years	347,373	384,908	385,809	11,400
	$ 631,995	$ 740,108	$ 604,369	$ 20,742

(30) Non-cash transaction

Investment activities paid in cash:

	For the three-month periods ended March 31,	
	2014	2013
Purchased fixed assets	$ 602,203	$ 824,389
Add: payables on equipment beginning of period	867,825	1,752,810
Less: payables on equipment end of period	(588,935)	(734,028)
Cash paid during the period for fixed assets	$ 881,093	$ 1,843,171

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

A. Sales of goods

	For the three-month periods ended March 31,		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
Sales of goods:			
-Associates	$ 222,349	$ 249,033	$ 7,297

All the credit term on sales to related parties was 120 to 180 days after monthly billings. The credit term on sales to third parties was 30 to 120 days after monthly billing or upon shipment of goods, except for receivables arising from the sales of tooling that are collectible upon acceptance by customers.

B. Purchases of goods

	For the three-month periods ended March 31,		
	2014	2013	2014
	New Taiwan Dollars		US Dollars
Sales of goods:			
-Associates	$ 369,896	$ 259,742	$ 12,140

All purchases from related parties are at arm's-length. Payment period was 60 to 120 days after receipt of goods from suppliers.

C. Accounts receivable

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
Receivables from related parties:				
Associates	$ 526,214	$ 871,744	$ 267,289	$ 17,270
Other receivables from related parties:				
Associates	179,818	182,229	338,432	5,901
	$ 706,032	$ 1,053,973	$ 605,721	$ 23,171

D. Accounts payable

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
Payables from related parties:				
Associates	$ 420,076	$ 419,439	$ 259,446	$ 13,787

E. Loans to related parties:

a) Loans to related parties

(i) Ending balance (recorded as other receivables – related parties):

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2014
	New Taiwan Dollars			US Dollars
Associates	$ -	$ -	$ 74,874	$ -

(ii) Interest income

	For the three-month periods ended March 31,		
	2014	2013	2013
	New Taiwan Dollars		US Dollars
Associates	$ -	$ -	$ -

(2) Key management compensation

	For the three-month periods ended March 31,		
	2014	2013	2013
	New Taiwan Dollars		US Dollars
Salaries and other short-term employee benefits	$ 14,534	$ 29,877	$ 477
Post-employment benefits	428	406	14
Total	$ 14,962	$ 30,283	$ 491

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged assets	Book value March 31, 2014	Book value December 31, 2013	Pledged purpose
Restricted assets - current	$ 188,147	$ 183,620	Customs deposit and guarantee for L/C issued for purchases of materials
	(US$ 6,175)		
Other receivables	12,072	68,999	Sale of accounts receivable retention money
	(US$ 396)		
Refundable deposits	396,641	420,611	Customs deposit and plant deposit
	(US$ 13,017)		
Other assets - other	2,500	2,500	Litigation deposit
	(US$ 82.05)		
	$ 599,360	$ 675,730	

Pledged assets	Book value March 31, 2013	Pledged purpose
Restricted assets - current	$ 390,940	Customs deposit and guarantee for L/C issued for purchases of materials
Other receivables	65,967	Sale of accounts receivable retention money
Refundable deposits	204,560	Customs deposit and plant deposit
Other assets - other	2,500	Litigation deposit
	$ 663,967	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows :

	March 31, 2014	December 31, 2013	March 31, 2013	March 31, 2013
	New Taiwan Dollars			US Dollars
Property, plant and equipment	$ 577,315	$ 343,417	$ 728,694	$ 18,947

(2) On December 16, 2011, PQI was informed by its US indirect subsidiary that it had a dispute over accounts receivable with a customer in Central and South America. Through the Company's investigation, it was found that this event was caused by one employee of the US indirect subsidiary of PQI, who altered the related delivery documents without permission, which resulted to the delivery of the goods to a location that was not designated by the customer. The related amount was estimated at US$19,447 thousand (NT$577,633 thousand). Based on the attorney's opinion, the US indirect subsidiary of PQI has the credit right to the employee on this event. However, based on conservatism principle, the US indirect subsidiary of PQI has recognized bad debts in full for the credit right (shown under non-operating expenses – other expenses). This case has been under the investigation of the courts in ROC and USA. However, actual loss depends on the judgement of the courts. PQI had filed a lawsuit in ROC and USA, respectively, against the employee and applied to Taiwan New Taipei District Court for provisional seizure with a deposit of $2,500 as security. Based on the attorney's opinion, the collectability of the credit right was uncertain. In addition, the US indirect subsidiary of PQI filed a lawsuit against its client—PRIVATE LABEL PC, INC. (PLPC), seeking compensation. PLPC also filed a counterclaim against the US indirect subsidiary and HK subsidiary of PQI, seeking compensation of US$3,224 thousand. As of the financial reporting date, the final results of these cases had not been determined.

(3) On March 25, 2014, the shareholders of Studio A Inc. approved to sell its 51% shares in ASHOP CO., LTD to Dugo Tech (Dugo Tech Co., Ltd.) or the designated person for the amount of USD 5,000 thousand over three years. The transaction amount will be collected in full at the end of 2016. In order to protect its right, Studio A Inc. will not transfer its control right until the amount of equity transaction is collected completely. Furthermore, since ASHOP CO. LTD is still considered as a subsidiary of Studio A Inc., ASHOP CO., LTD consults and requests the Company to provide capital of USD 10,000 at the maximum and guarantee for material purchase from Apple of USD 3,000 at the maximum. If there is any loss on the loan and the endorsement, Studio A Inc. has the joint and several liability and the maximum of the compensation is USD 13,000 thousand. However, the result is dependent upon the completion of the transaction.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the actual financial condition.

(2) Financial instruments

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amount of financial instruments measured at amortised cost (including cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables) is approximate to their fair value. The fair value information of financial instruments measured at fair value is provided in Note 12(3).

	March 31, 2014			
	Book value	Fair value	Book value	Fair value
	New Taiwan Dollars		US Dollars	
Financial assets:				
Financial assets measured at cost	$ 533,000	$ -	$ 17,493	$ -
Financial liabilities:				
Long-term borrowings (including current portion)	$ 5,718,459	$ 5,537,009	$ 187,675	$ 181,720

	December 31, 2013		March 31, 2013	
	Book value	Fair value	Book value	Fair value
	New Taiwan Dollars		New Taiwan Dollars	
Financial assets:				
Financial assets measured at cost	$ 33,000	$ -	$ 31,429	$ -
Financial liabilities:				
Bonds payable	$ -	$ -	$ 452,398	$ 452,398
Long-term borrowings (including current portion)	5,812,986	5,548,643	6,021,923	5,999,554
	$ 5,812,986	$ 5,548,643	$ 6,474,321	$ 6,451,952

B. Financial risk management policies

a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial position and financial performance. The Group uses derivative financial instruments to hedge certain risk exposures (see Note 6(2)).

b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

a) Market risk

Foreign exchange risk

- The Group primarily uses US dollars as the valuation unit in purchases and sales, and the fair value of foreign currency will change as the market exchange rate changes. If a short-term position gap arises, the Group will enter into foreign exchange forward contracts. Hence, it does not expect to have significant market risk.
- The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB and HKD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	March 31, 2014		
	Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial Assets			
Monetary items			
USD：NTD	$ 1,346,406	30.47	$ 41,024,991
RMB：NTD	13,780	4.90	67,522
USD：RMB	29,296	6.22	892,649
HKD：NTD	19,006	3.93	74,694
JPY：NTD	239,935	0.30	71,981
RMB : HKD	16,329	1.25	80,012
Non-monetary items			
RMB : HKD	$ 121,676	1.25	$ 596,212
RMB : USD	51,769	0.16	253,668
Financial liabilities			
Monetary items			
USD：NTD	$ 927,130	30.47	$ 28,249,651
RMB：NTD	12,472	4.90	61,113
USD：RMB	161,647	6.22	4,925,384
HKD：NTD	16,357	3.93	64,283
JPY：NTD	7,967	0.30	2,390
USD：HKD	47,707	7.76	1,453,632

	December 31, 2013		
	Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	$ 1,398,758	29.81	$ 41,696,976
RMB：NTD	277,061	4.92	1,363,958
USD：RMB	30,044	6.05	895,612
EUR：NTD	43,166	41.09	1,773,691
JPY：NTD	817,656	0.28	228,944
Mon-monetary items			
RMB : HKD	$ 27	1.28	$ 133
Financial liabilities			
Monetary items			
USD：NTD	$ 1,121,818	29.81	$ 33,441,395
USD：RMB	718,879	6.05	21,429,783
HKD：NTD	5,625	3.84	21,600

	March 31, 2013		
	Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	$ 361,763	29.83	$ 10,789,596
RMB：NTD	2,950	4.81	14,178
USD：RMB	104,068	6.21	3,103,817
RMB：HKD	89,562	1.25	430,436
HKD：NTD	104,017	3.84	399,736
KRW：NTD	3,907,000	0.03	105,626
EUR：NTD	2,271	38.23	86,805
Non-monetary items			
RMB：HKD	$ 130,243	1.25	$ 617,774
RMB：USD	8,674	0.16	41,688
KRW：NTD	2,096,000	0.03	56,665
Monetary liabilities			
Monetary items			
USD：NTD	$ 294,955	29.83	$ 8,797,031
RMB：NTD	21,718	4.81	104,375
USD：RMB	175,137	6.21	5,223,447
RMB：HKD	74,964	1.25	360,275
HKD：NTD	142,438	3.84	547,390
KRW：NTD	12,745,000	0.03	344,561

- Analysis of foreign currency market risk arising from significant foreign exchange variation:

	For the three-month period ended March 31, 2014		
	Sensitivity Analysis		
	Extent of variation	Effect on profit or loss before income tax	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	1%	$ 410,250	$ -
RMB：NTD	1%	675	-
USD：RMB	1%	8,926	-
HKD：NTD	1%	747	-
JPY：NTD	1%	720	-
RMB：HKD	1%	800	
Financial liabilities			
Monetary items			
USD：NTD	1%	$ 282,497	$ -
RMB：NTD	1%	611	-
USD：RMB	1%	49,254	-
HKD：NTD	1%	643	-
JPY：NTD	1%	24	-
USD : HKD	1%	14,536	-

	For the three-month period ended March 31, 2013		
	Sensitivity Analysis		
	Extent of variation	Effect on profit or loss before income tax	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD：NTD	1%	$ 107,896	$ -
RMB：NTD	1%	142	-
USD：RMB	1%	31,038	-
RMB：HKD	1%	4,304	-
HKD：NTD	1%	3,997	-
KRW：NTD	1%	1,056	
EUR：NTD	1%	868	
Financial liabilities			
Monetary items			
USD：NTD	1%	$ 87,970	$ -
RMB：NTD	1%	1,044	-
USD：RMB	1%	52,234	-
RMB：HKD	1%	3,603	-
HKD：NTD	1%	5,474	-
KRW：NTD	1%	3,446	-

Price risk

- The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss or measured at cost. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The Group has set stop-loss amounts. No significant market risk is expected.

- The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2014 and 2013 would have increased/decreased by $5 and $12,289, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $23,216 and $620, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

<u>Interest rate risk</u>

- The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings at variable rate were denominated in the NTD and USD .
- As of March 31, 2014 and 2013, if interest rates on borrowings at that date had been 1% lower/higher with all other variables held constant, post-tax profit for the three-month periods ended March 31, 2014 and 2013 would have been $47,463 and $39,198 lower/higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.

b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only financial institutions with high credit quality are accepted as counterparties of trade.

Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to subsidiaries of which the Company owns directly more than 50% ownership or affiliates of which the Company owns directly or indirectly more than 50% ownership and on which the Company has a significant influence. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. The individual analysis of financial assets that had been impaired is provided in the disclosure for each type of financial asset in Note 6.

c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

ii. The Group expects the foreign exchange forward contracts to result in a cash inflow of NT$234,216 and outflow of US$7,700 in April, 2014. The exchange rate is reasonably assured and the Group has sufficient operating capital to meet the above cash needs.

The equity instruments are traded in active markets and accordingly, are expected to be readily sold at approximately its fair value.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

March 31, 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
	New Taiwan Dollars				
Short-term borrowings	$ 10,200,324	$ -	$ -	$ -	$ -
Notes payable	6,682	-	-	-	-
Accounts payable	10,587,793	-	-	-	-
Other payables	3,890,712	-	-	-	-
Bonds payable	475,000	-	-	-	-
Long-term borrowings (including current portion)	36,359	5,631,700	17,958	17,958	14,484

Non-derivative financial liabilities:

March 31, 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
	US Dollars				
Short-term borrowings	$ 334,766	$ -	$ -	$ -	$ -
Notes payable	219	-	-	-	-
Accounts payable	347,483	-	-	-	-
Other payables	127,690	-	-	-	-
Bonds payable	15,589	-	-	-	-
Long-term borrowings (including current portion)	1,193	184,828	589	589	475

Non-derivative financial liabilities:

December 31, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
	New Taiwan Dollars				
Short-term borrowings	$ 9,909,862	$ -	$ -	$ -	$ -
Notes payable	726	-	-	-	-
Accounts payable	17,479,488	-	-	-	-
Other payables	5,615,456	-	-	-	-
Bonds payable	475,000	-	-	-	-
Long-term borrowings (including current portion)	163,182	17,467	5,612,400	12,400	7,538

Non-derivative financial liabilities:

March 31, 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
	New Taiwan Dollars				
Short-term borrowings	$ 12,891,008	$ -	$ -	$ -	$ -
Financial liabilities at fair value through profit or loss	19,043	-	-	-	-
Notes payable	21,310	-	-	-	-
Accounts payable	8,762,116	-	-	-	-
Other payables	4,066,559	-	-	-	-
Bonds payable	-	452,398	-	-	-
Long-term borrowings (including current portion)	5,748,075	251,479	-	-	-

As of March 31, 2014, December 31, 2013 and March 31, 2013, all of the derivative financial liabilities of the Group will be settled in less than 1 year.

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that is not based on observable market data.

The Group's financial assets and liabili   fair value on March 31, 2014, December 31, 2013 and March 31, 2013 are as follows:

March 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets :				
Financial assets at fair value through profit or loss	$ 2,321,580	$ -	$ -	$ 2,321,580
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Long-term foreign currency contract	$ -	$ 488	$ -	$ 488

December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets :				
Financial assets at fair value through profit or loss	$ 2,160,581	$ -	$ -	$ 2,160,581
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Long-term foreign currency contract	$ -	$ 10,338	$ -	$ 10,338

March 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets :				
Financial assets at fair value through profit or loss				
Long-term foreign currency contract	$ 8,015	$ -	$ -	$ 8,015
Available-for-sale financial assets	1,383,294	-	-	1,383,294
	$ 1,391,309	$ -	$ -	$ 1,391,309
Financial liabilities at fair value through profit or loss				
Long-term foreign currency contract	$ -	$ 19,043	$ -	$ 19,043

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.

C. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

E. Specific valuation techniques used to value financial instruments include:

(a) Quoted market prices or dealer quotes for similar instruments.

(b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

(c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

13. SUPPLEMENTARY DISCLOSURES

1) Significant transactions information

A. Loans to others:

(The information disclosed relative to the investee companies was based on their financial statements for the corresponding period which were not reviewed by independent accountants and the transactions with subsidiaries have been written off when preparing consolidated financial statements.)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month period ended March 31,2014	Balance at March 31, 2014	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short – term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Note
													Item	Value			
0	Cheng Uei Precision Industry Co., Ltd.	Fu Gang Electronics (Tian Jin) Ltd.	Other receivables - related parties	Yes	$ 500,000	$ 500,000	$ 465,144	$ -	2	$ -	Operations	$ -	$ -	$ -	$ 5,038,863	$ 10,077,726	
0	Cheng Uei Precision Industry Co., Ltd.	Suntain Co., Ltd. (Suntain)	〃	〃	150,000	150,000	40,000	-	2	-	〃	-	-	-	5,038,863	10,077,726	
0	Cheng Uei Precision Industry Co., Ltd.	Culink (Tianjin) Co., Ltd. (Foxlink, Taijin)	〃	〃	200,000	200,000	187,850	-	2	-	〃	-	-	-	5,038,863	10,077,726	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electronics Trading Co., Ltd.	〃	〃	49,863	49,000	-	-	2	-	〃	-	-	-	5,038,863	10,077,726	
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., Ltd.	〃	〃	304,700	304,700	304,700	-	2	-	〃	-	-	-	5,038,863	10,077,726	
1	CU INTERNATIONAL LTD	Kunshan Fushijing Electronics Co., Ltd.	〃	〃	200,000	200,000	110,738	-	2	-	〃	-	-	-	5,038,863	10,077,726	
1	CU INTERNATIONAL LTD	Fu Gang Electronics (Kun Shan) Ltd.	〃	〃	100,000	100,000	53,481	-	2	-	〃	-	-	-	5,038,863	10,077,726	
2	Fu Gang Electronics (Kun Shan) Ltd.	Darts Technologies (Shang Hai) Co., Ltd.	〃	〃	177,511	174,440	93,100	-	2	-	〃	-	-	-	5,038,863	10,077,726	
2	Fu Gang Electronics (Kun Shan) Ltd.	Kunshan Fugang Electronics Trading Co., Ltd.	〃	〃	149,588	147,000	-	-	2	-	〃	-	-	-	5,038,863	10,077,726	
2	Fu Gang Electronics (Kun Shan) Ltd.	Kunshan Fu Shi Yu Trading Co., Ltd.	〃	〃	24,931	24,500	-	-	2	-	〃	-	-	-	5,038,863	10,077,726	
3	Proconn Technology Co., Ltd.	MEDIA UNIVERSE INC.	〃	〃	234,526	219,027	219,027	-	2	-	〃	-	-	-	5,038,863	10,077,726	
3	Proconn Technology Co., Ltd.	BYFORD INTERNATIONAL LIMITED.	〃	〃	50,782	50,782	50,782	-	2	-	〃	-	-	-	5,038,863	10,077,726	
4	MEDIA UNIVERSE INC.	Proconn Technology (Suzhou) Co., Ltd.	〃	〃	357,479	340,501	340,501	-	2	-	〃	-	-	-	5,038,863	10,077,726	
5	Studio A Inc.	Jing Jing Technology Co., Ltd. (Jing Jing)	〃	〃	100,000	100,000	-	-	2	-	〃	-	-	-	5,038,863	10,077,726	

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three-month period ended March 31,2014	Balance at March 31, 2014	Actual amount drawn down	Interest rate	Nature of loan (Note 1)	Amount of transactions with the borrower	Reason for short – term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party (Note 2)	Ceiling on total loans granted (Note 3)	Note
													Item	Value			
5	Studio A Inc.	ASHOP CO., LTD.	Other receivables - related parties	Yes	$ 150,000	$ 150,000	$ -	$ -	2	$ -	Operations	$ -	$ -	$ -	$ 5,038,863	$ 10,077,726	
5	Studio A Inc.	Studio A Inc. (Hong Kong)	〃	〃	300,000	300,000	-	-	2	-	〃	-	-	-	5,038,863	10,077,726	
6	World Circuit Technology Co., Ltd.	World Circuit Technology (Hong Kong) Limited.	〃	〃	30,470	30,470	23,970	-	2	-	〃	-	-	-	5,038,863	10,077,726	
6	World Circuit Technology Co., Ltd.	Shanghai World Circuit Technology Co., Ltd. (SWCT)	〃	〃	150,000	150,000	72,661	-	2	-	〃	-	-	-	5,038,863	10,077,726	
6	World Circuit Technology Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	〃	〃	222,000	222,000	222,000	-	2	-	〃	-	-	-	5,038,863	10,077,726	
7	BYFORD INTERNATIONAL LTD.	Proconn Technology (Shenzhen) Co., Ltd.	〃	〃	163,255	163,255	163,255	-	2	-	〃	-	-	-	5,038,863	10,077,726	
8	Jing Jing Technology Co., Ltd. (Jing Jing)	Studio A Inc.	〃	〃	100,000	100,000	-	-	2	-	〃	-	-	-	5,038,863	10,077,726	
9	Studio A Macau Limited	Studio A Inc. (Hong Kong)	〃	〃	150,000	150,000	-	-	2	-	〃	-	-	-	5,038,863	10,077,726	
10	Foxlink Electronics (Tian Jin) Ltd.	Fu Gang Electronics (Tina Jin) Ltd.	〃	〃	269,756	-	-	-	2	-	〃	-	-	-	5,038,863	10,077,726	
10	Foxlink Electronics (Tian Jin) Ltd.	Fu Gang Electronics (Kun Shan) Ltd.	〃	〃	245,000	245,000	245,000	-	2	-	〃	-	-	-	5,038,863	10,077,726	
11	Neosonic Energy Technology (Tianjin) Ltd.	Fu Gang Electronics (Tina Jin) Ltd.	〃	〃	191,971	188,650	93,100	-	2	-	〃	-	-	-	5,038,863	10,077,726	
12	Kunshan Fugang Electronics Trading Co., Ltd.	Kunshan Fu Shi Yu Trading Co., Ltd.	〃	〃	49,863	49,000	14,700	-	2	-	〃	-	-	-	5,038,863	10,077,726	
13	Apix Limited	Power Quotient International Co., Ltd.	Other receivables	〃	211,614	211,614	209,859	-	2	-	Acquisition of plan	-	-	-	658,797	1,317,593	
13	Apix Limited	SINOCITY INDUSTRIES LTD.	〃	〃	304,700	304,700	-	-	2	-	〃	-	-	-	658,797	1,317,593	
14	Shinfox Corporation Ltd.	CLASSIC LIVING CO., LTD.	〃	No	40,000	40,000	22,473	-	2	-	Operations	-	-	-	5,038,863	10,077,726	
15	FOXWELL ENERGY CORPORATION LTD.	Shinfox Corporation Ltd.	〃	Yes	35,000	35,000	34,484	-	2	-	〃	-	-	-	5,038,863	10,077,726	
16	Power Quotient International Co., Ltd.	SINOCITY INDUSTRIES LTD.	〃	〃	304,700	304,700	-	-	2	-	Acquisition of plan	-	-	-	885,347	1,770,695	

Note 1: The numbers as follows represent the nature of loan:

a) Business transaction is labeled as "1".

b) Short-term financing is labeled as "2".

Note 2: Limit on loans granted to a single party is 20% of the Company's net assets value.

Limit on loans granted by APIX LIMITED Co., Ltd. to a single party is 20% of their respective net assets value.

Note 3: Ceiling on total loans granted to all parties is 40% of the Company's net assets value.

Celing on total loans granted by APIX LIMITED Co., Ltd. to all parties is 40% of their respective net assets value.

B. Provision of endorsements and guarantees to others

Number	Endorser / guarantor	Party being endorsed / guaranteed		Limit on endorsements / guarantees provided for a single party (Note 1)	Maximum outstanding endorsement / guarantee amount during the three-month period ended March 31, 2014	Outstanding endorsement / guarantee amount at March 31, 2014	Actual amount of drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 2)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Note
		Company Name	Relationship with the endorser / guarantor											
0	Cheng Uei Precision Industry Co., Ltd.	Fu Gang Electronics (Nanchang) Ltd.	An indirect wholly-owned subsidiary	$ 12,597,158	$ 121,800	$ -	$ -	$ -	0.48	$ 12,597,158	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	Fushineng Electronics (Kun Shan) Co., Ltd.	〃	12,597,158	304,700	-	-	-	1.21	12,597,158	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., LTD.	〃	10,077,726	304,700	-	-	-	1.21	12,597,158	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., LTD.	〃	10,077,726	152,350	152,350	152,350	-	0.60	12,597,158	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Jing Jing Technology Co., Ltd. (Jing Jing)	〃	10,077,726	510,000	510,000	-	-	2.02	12,597,158	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Inc.	〃	10,077,726	900,000	90,000	-	-	3.57	12,597,158	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A (Hong Kong) Inc.	〃	10,077,726	2,285,250	2,285,250	368,382	-	9.07	12,597,158	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electronics Trading Co., Ltd.	〃	10,077,726	152,350	152,350	152,350	-	0.60	12,597,158	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electronics Trading Co., Ltd.	〃	10,077,726	700,810	700,810	188,305	-	2.78	12,597,158	Y	N	Y	
1	Proconn Technology Co., Ltd.	Media Universe Inc.	Subsidiary	10,077,726	45,705	45,705	18,891	-	0.18	12,597,158	Y	N	N	
1	Proconn Technology Co., Ltd.	Proconn Technology (Suzhou) Co., Ltd.	〃	10,077,726	60,940	-	-	-	0.00	12,597,158	Y	N	Y	

Number	Endorser / guarantor	Party being endorsed / guaranteed		Limit on endorsements / guarantees provided for a single party (Note 1)	Maximum outstanding endorsement / guarantee amount during the three-month period ended March 31, 2014	Outstanding endorsement / guarantee amount at March 31, 2014	Actual amount of drawn down	Amount of endorsements / guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements / guarantees provided (Note 2)	Provision of endorsements / guarantees by parent company to subsidiary	Provision of endorsements / guarantees by subsidiary to parent company	Provision of endorsements / guarantees to the party in Mainland China	Note
		Company Name	Relationship with the endorser / guarantor											
2	Power Quotient International Co., Ltd.	SINOCITY INDUSTRIES LTD.	Subsidiary	$ 2,213,369	$ 304,700	$ 304,700	$ 304,700	$ -	6.88	$ 2,213,369	Y	N	N	
3	Studio A Inc.	Jing Jing Technology Co., Ltd. (Jing Jing)	〃	10,077,726	50,000	50,000	-	-	0.20	12,597,158	Y	N	N	
3	Studio A Inc.	Studio A (Hong Kong) Inc.	〃	10,077,726	1,066,450	1,066,450	91,410	-	4.23	12,597,158	Y	N	N	
3	Studio A Inc.	ASHOP CO., LTD.	〃	10,077,726	396,110	396,110	396,110	-	1.57	12,597,158	Y	N	N	
4	Fu Gang Electronics (Kun Shan) Ltd.	FUGANG ELECTRIC (MAANSHAN) CO.,LTD.	Affiliates	12,597,158	1,357,020	1,323,000	735,000	-	5.25	12,597,158	Y	N	Y	

Note 1: For subsidiaries whose shares are 90% or above held by the Company, ceiling on total amount of endorsements and guarantees provided by the Company is 50% of the Company's net assets value; limit on endorsements and guarantees provided by the Company for a single party is 40% of the Company's net assets value.

For PQI, Ceiling on total amount of endorsements and guarantees provided by PQI is 50% of PQI’s net assets value.

Note 2: The Company’s guarantee to others should not exceed 50% of the Company’s net assets.

PQI’s guarantee to others should not exceed 50% of PQI’s net assets.