

CHENG UEI PRECISION INDUSTRY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
SEPTEMBER 30, 2016 AND 2015

For the convenience of readers and for information purpose only, the reviewers' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. These English financial statements were translated from the financial statements originally prepared in Chinese. This English translation is solely for the readers' convenience and these financial statements do not include additional disclosures that are required for Chinese-language reports under the Guidelines for Securities Issuers' Financial Reporting promulgated by the Securities and Futures Commission of 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 reviewers' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
TRANSLATED FROM CHINESE-LANGUAGE

PWCR16000130

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 September 30, 2016 and 2015, and the related consolidated statements of comprehensive income for the three months and nine months then ended, as well as the statements of changes in equity and of cash flows for the nine months then ended, expressed in thousands of New Taiwan dollars. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews. We did not review the financial statements of certain consolidated subsidiaries, which statements reflect total assets amounting to NT\$6,033,263 thousand and NT\$6,306,016 thousand, representing 8.42% and 7.70% of the consolidated total assets, and total liabilities amounting to NT\$1,527,083 thousand and NT\$1,458,007 thousand, representing 3.38% and 2.80% of the consolidated total liabilities as of September 30, 2016 and 2015, respectively, and total operating revenue amounting to NT\$801,679 thousand, NT\$1,300,872 thousand, NT\$2,747,508 thousand, and NT\$6,585,314 thousand, representing 3.05%, 4.06%, 4.36% and 8.76% of the consolidated total operating revenue for the three months and nine months then ended. Those statements were reviewed by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in these financial statements and the information disclosed in Note 13 are based solely on the review reports of the other independent accountants.

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 conducted in accordance with generally accepted auditing standards in the Republic of China, 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.

As explained in Notes 4(3) and 6(8), we did not review the financial statements of certain non-significant consolidated subsidiaries and investments accounted for under equity method, which statements reflect total assets (including investments accounted for under equity method) of NT\$11,658,065 thousand and NT\$10,710,048 thousand, constituting 16.27% and 13.08% of the consolidated total assets, and total liabilities of NT\$3,368,323 thousand and NT\$3,342,202 thousand, constituting 7.46% and 6.42% of the consolidated total liabilities as of September 30, 2016 and 2015, respectively, and total comprehensive income (loss) of NT\$309,900 thousand, NT\$29,279 thousand, NT(\$56,436) thousand and NT(\$1,306) thousand constituting (68.65%), 1.61%, 3.23%, and (0.07%) of the consolidated total comprehensive income for the three months and nine months then ended. These amounts and the information disclosed in Note 13 were based solely on the unreviewed financial statements of these companies as of September 30, 2016 and 2015.

Based on our reviews and the review reports of other independent accountants, except for the effects of any adjustments as might have been determined to be necessary had the financial statements of certain non-significant subsidiaries and investments accounted for using the equity method, and the related information disclosed in Note 13 been reviewed by independent accountants, we are not aware of any material modifications that should be made to the consolidated financial statements referred to in the first paragraph for them to be in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard No. 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

The consolidated financial statements as of and for the nine months ended September 30, 2016, 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\$31.36 at September 30, 2016. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

PricewaterhouseCoopers, Taiwan

November 11, 2016

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 review 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 reviewing 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 September 30, 2016 and 2015 were reviewed, not audited)

	September 30, 2016		December 31, 2015		September 30, 2015		September 30, 2016	
	Amount	%	Amount	%	Amount	%	Amount	%
	New Taiwan Dollars				US Dollars			
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents (Notes 6(1) and 8)	\$ 7,247,103	10	\$ 7,314,136	10	\$ 6,415,881	8	\$ 231,094	10
Financial assets carried at cost - current (Note 6(3))	311	-	-	-	-	-	10	-
Investments in debt instrument without active market - current (Note 6(4))	9,097	-	-	-	-	-	290	-
Notes receivable, net	41,307	-	26,163	-	20,369	-	1,317	-
Accounts receivable, net (Note 6(5))	17,387,845	24	16,882,181	22	21,749,379	27	554,459	24
Accounts receivable, net - related parties (Note 7)	1,127,302	2	775,771	1	609,007	1	35,947	2
Other receivables (Note 6(6),6(8) and 8)	318,858	-	354,825	-	774,476	1	10,168	-
Other receivables - related parties (Note 7)	553,224	1	687,842	1	667,933	1	17,641	1
Current income tax assets (Note 6(26))	21,092	-	7,461	-	3,137	-	673	-
Inventories, net (Note 6(7))	10,429,098	14	12,009,342	16	14,062,896	17	332,561	14
Prepayments	1,315,497	2	1,473,794	2	2,005,440	2	41,948	2
Other current assets (Note 8)	412,013	1	234,533	-	412,865	-	13,138	1
	<u>38,862,747</u>	<u>54</u>	<u>39,766,048</u>	<u>52</u>	<u>46,721,383</u>	<u>57</u>	<u>1,239,246</u>	<u>54</u>
NON-CURRENT ASSETS								
Available-for-sale financial assets - non-current (Notes 6(2) and 12(3))	1,023,843	1	1,922,305	3	1,845,946	2	32,648	1
Financial assets carried at cost-non-current (Note 6(3))	664,751	1	670,846	1	600,363	1	21,197	1
Investments accounted for using equity method (Note 6(8))	5,519,908	8	5,537,666	7	4,659,148	6	176,017	8
Property, plant and equipment, net (Note 6(9))	20,538,416	29	22,093,979	29	22,098,431	27	654,924	29
Investment property, net (Note 6(10))	270,135	-	297,705	-	303,890	-	8,614	-
Intangible assets, net (Note 6(11))	2,702,481	4	2,832,260	4	2,910,784	4	86,176	4
Deferred income tax assets (Note 6(26))	213,986	-	197,454	-	178,806	-	6,824	-
Prepayments for business facilities	513,619	1	1,271,706	2	1,196,726	1	16,378	1
Other non-current assets, others (Notes 6(12) and 8)	1,362,748	2	1,335,162	2	1,394,156	2	43,455	2
	<u>32,809,887</u>	<u>46</u>	<u>36,159,083</u>	<u>48</u>	<u>35,188,250</u>	<u>43</u>	<u>1,046,233</u>	<u>46</u>
TOTAL ASSETS	\$ 71,672,634	100	\$ 75,925,131	100	\$ 81,909,633	100	\$ 2,285,479	100
LIABILITIES AND EQUITY								
CURRENT LIABILITIES								
Short-term borrowings (Note 6(13))	\$ 12,884,267	18	\$ 11,137,953	15	\$ 12,390,175	15	\$ 410,850	18
Notes payable	658	-	3,307	-	46,478	-	21	-
Accounts payable	15,407,893	22	16,731,718	22	21,662,761	26	491,323	22
Accounts payable - related parties (Note 7)	501,931	1	646,217	1	646,808	1	16,005	1
Other payables (Note 6(14))	5,623,531	8	6,654,962	9	5,991,866	7	179,322	8
Current income tax liabilities (Note 6(26))	250,010	-	354,771	-	412,433	1	7,973	-
Other current liabilities (Note 6(15))	921,044	1	711,235	1	603,217	1	29,370	1
	<u>35,589,334</u>	<u>50</u>	<u>36,240,163</u>	<u>48</u>	<u>41,753,738</u>	<u>51</u>	<u>1,134,864</u>	<u>50</u>
NON-CURRENT LIABILITIES								
Long-term borrowings (Note 6(15))	7,034,113	10	7,190,214	9	7,233,733	9	224,302	10
Deferred income tax liabilities (Note 6(26))	881,377	1	1,409,451	2	1,575,937	2	28,105	1
Other non-current liabilities (Notes 6(8) and 6(16))	1,632,766	2	1,643,582	2	1,495,803	2	52,065	2
	<u>9,548,256</u>	<u>13</u>	<u>10,243,247</u>	<u>13</u>	<u>10,305,473</u>	<u>13</u>	<u>304,472</u>	<u>13</u>
TOTAL LIABILITIES	45,137,590	63	46,483,410	61	52,059,211	64	1,439,336	63
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT								
Common stock (Note 6(17))	5,123,269	7	5,123,269	7	5,123,269	6	163,370	7
Capital reserve (Note 6(18))								
Capital reserve	9,403,199	13	9,407,975	12	9,417,601	12	299,847	13
Retained earnings (Note 6(19))								
Legal reserve	2,529,745	4	2,364,742	3	2,364,742	3	80,668	4
Special reserve	665,206	1	665,206	1	665,206	1	21,212	1
Unappropriated earnings (Notes 6(19) and 6(26))	5,336,697	7	6,277,731	8	6,049,093	7	170,175	7
Other equity (Note 6(20))								
Other equity	159,562	-	1,988,291	3	2,520,704	3	5,088	-
Equity attributable to owners of the parent	<u>23,217,678</u>	<u>32</u>	<u>25,827,214</u>	<u>34</u>	<u>26,140,615</u>	<u>32</u>	<u>740,360</u>	<u>32</u>
Non-controlling interests	3,317,366	5	3,614,507	5	3,709,807	4	105,783	5
TOTAL EQUITY	26,535,044	37	29,441,721	39	29,850,422	36	846,143	37
Significant contingent liabilities and unrecognised contract commitments (Note 9)								
Significant events after the balance sheet date (Note 11)								
TOTAL LIABILITIES AND EQUITY	\$ 71,672,634	100	\$ 75,925,131	100	\$ 81,909,633	100	\$ 2,285,479	\$ 100

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

See review report of independent accountants dated November 11, 2016.

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)

	Three months ended September 30,					
	2016		2015		2016	
	Amount	%	Amount	%	Amount	%
	New Taiwan Dollars				US Dollars	
Operating revenue (Note 7)	\$ 26,258,962	100	\$ 32,031,138	100	\$ 837,339	100
Operating costs (Notes 6(7), 6(24), 6(25) and 7)	(23,684,031)	(90)	(28,664,757)	(89)	(755,231)	(90)
Gross profit	<u>2,574,931</u>	<u>10</u>	<u>3,366,381</u>	<u>11</u>	<u>82,108</u>	<u>10</u>
Operating expenses (Notes 6(24), 6(25) and 6(28))						
Sales and marketing expenses	(632,662)	(3)	(748,072)	(2)	(20,174)	(3)
General and administrative expenses	(1,006,114)	(4)	(1,162,658)	(4)	(32,083)	(4)
Research and development expenses	(595,789)	(2)	(588,042)	(2)	(18,998)	(2)
Total operating expenses	(2,234,565)	(9)	(2,498,772)	(8)	(71,255)	(9)
Operating income	<u>340,366</u>	<u>1</u>	<u>867,609</u>	<u>3</u>	<u>10,853</u>	<u>1</u>
Non-operating income and expenses						
Other income (Notes 6(10), 6(21) and 7)	130,411	-	43,175	-	4,159	-
Other gains and losses (Note 6(22))	(228,923)	(1)	326,490	1	(7,300)	(1)
Finance costs (Note 6(23))	(93,886)	-	(72,219)	-	(2,994)	-
Share of profit of associates and joint ventures accounted for under equity method (Note 6(8))	<u>134,082</u>	<u>1</u>	<u>160,333</u>	<u>-</u>	<u>4,276</u>	<u>1</u>
Total non-operating income and expenses	(58,316)	-	457,779	1	(1,859)	-
Income before income tax	282,050	1	1,325,388	4	8,994	1
Income tax expense (Note 6(26))	(43,195)	-	(272,125)	(1)	(1,377)	-
Net income	<u>\$ 238,855</u>	<u>1</u>	<u>\$ 1,053,263</u>	<u>3</u>	<u>\$ 7,617</u>	<u>1</u>
Components of other comprehensive income that will be reclassified to profit or loss						
Exchange differences on translation of foreign financial statements (Note 6(20))	(\$ 796,810)	(3)	1,150,126	4	(25,408)	(3)
Unrealised gain (loss) on valuation of available-for-sale financial assets (Notes 6(2) and 6(20))	72,513	-	(273,717)	(1)	2,312	-
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(74,891)	-	46,431	-	(2,388)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(26))	<u>108,911</u>	<u>-</u>	<u>(152,899)</u>	<u>-</u>	<u>3,473</u>	<u>-</u>
Total components of other comprehensive (loss) income that will be reclassified to profit or loss	(690,277)	(3)	769,941	3	(22,011)	(3)
Other comprehensive (loss) income, net	(\$ 690,277)	(3)	\$ 769,941	3	\$ 22,011)	(3)
Total comprehensive (loss) income for the period	(\$ 451,422)	(2)	\$ 1,823,204	6	\$ 14,394)	(2)
Net income attributable to:						
Shareholders of the parent	\$ 231,005	1	\$ 1,024,600	3	\$ 7,366	1
Non-controlling interests	7,850	-	28,663	-	250	-
Total	<u>\$ 238,855</u>	<u>1</u>	<u>\$ 1,053,263</u>	<u>3</u>	<u>\$ 7,616</u>	<u>1</u>
Total comprehensive (loss) income attributable to:						
Shareholders of the parent	(\$ 368,417)	(2)	\$ 1,608,754	5	\$ 11,747)	(2)
Non-controlling interests	(83,005)	-	214,450	1	(2,647)	-
Total	(\$ 451,422)	(2)	\$ 1,823,204	6	\$ 14,394)	(2)
Basic earnings per share (in dollars) (Note 6(27))						
Total basic earnings per share	<u>\$ 0.45</u>		<u>\$ 2.00</u>		<u>\$ 0.01</u>	
Diluted earnings per share (in dollars) (Note 6(27))						
Total diluted earnings per share	<u>\$ 0.45</u>		<u>\$ 1.99</u>		<u>\$ 0.01</u>	

(Continued)

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)

	Nine months ended September 30,					
	2016		2015		2016	
	Amount	%	Amount	%	Amount	%
	New Taiwan Dollars			US Dollars		
Operating revenue (Note 7)	\$ 63,057,048	100	\$ 75,156,641	100	\$ 2,010,748	100
Operating costs (Notes 6(7), 6(24), 6(25) and 7)	(56,912,465)	(90)	(67,835,328)	(91)	(1,814,811)	(90)
Gross profit	<u>6,144,583</u>	<u>10</u>	<u>7,321,313</u>	<u>9</u>	<u>195,937</u>	<u>10</u>
Operating expenses (Notes 6(24), 6(25) and 6(28))						
Sales and marketing expenses	(1,887,372)	(3)	(2,116,068)	(3)	(60,184)	(3)
General and administrative expenses	(3,008,789)	(5)	(3,165,052)	(4)	(95,944)	(5)
Research and development expenses	(1,705,000)	(3)	(1,563,935)	(2)	(54,369)	(3)
Total operating expenses	<u>(6,601,161)</u>	<u>(11)</u>	<u>(6,845,055)</u>	<u>(9)</u>	<u>(210,497)</u>	<u>(11)</u>
Operating (loss) income	<u>(456,578)</u>	<u>(1)</u>	<u>476,258</u>	<u>-</u>	<u>(14,560)</u>	<u>(1)</u>
Non-operating income and expenses						
Other income (Notes 6(10), 6(21) and 7)	255,232	-	236,402	-	8,139	-
Other gains and losses (Note 6(22))	613,608	1	1,645,563	2	19,567	1
Finance costs (Note 6(23))	(275,869)	-	(218,618)	-	(8,797)	-
Share of profit of associates and joint ventures accounted for under equity method (Note 6(8))	<u>344,732</u>	<u>1</u>	<u>315,945</u>	<u>1</u>	<u>10,993</u>	<u>1</u>
Total non - operating income and expenses	<u>937,703</u>	<u>2</u>	<u>1,979,292</u>	<u>3</u>	<u>29,902</u>	<u>2</u>
Income before income tax	481,125	1	2,455,550	3	15,342	1
Income tax expense (Note 6(26))	<u>(249,467)</u>	<u>(1)</u>	<u>(909,557)</u>	<u>(1)</u>	<u>(7,955)</u>	<u>(1)</u>
Net income	<u>\$ 231,658</u>	<u>-</u>	<u>\$ 1,545,993</u>	<u>2</u>	<u>\$ 7,387</u>	<u>-</u>
Components of other comprehensive income that will be reclassified to profit or loss						
Exchange differences on translation of foreign financial statements (Note 6(20))	(\$ 1,506,326)	(3)	505,090	-	(48,033)	(3)
Unrealised loss on valuation of available-for-sale financial assets (Notes 6(2) and 6(20))	(754,900)	(1)	(115,825)	-	(24,072)	(1)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(158,965)	-	16,996	-	(5,069)	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss (Note 6(26))	<u>440,128</u>	<u>1</u>	<u>(140,962)</u>	<u>-</u>	<u>14,035</u>	<u>1</u>
Total components of other comprehensive (loss) income that will be reclassified to profit or loss	<u>(1,980,063)</u>	<u>(3)</u>	<u>265,299</u>	<u>-</u>	<u>(63,139)</u>	<u>(3)</u>
Other comprehensive (loss) income, net	<u>(\$ 1,980,063)</u>	<u>(3)</u>	<u>\$ 265,299</u>	<u>-</u>	<u>(\$ 63,139)</u>	<u>(3)</u>
Total comprehensive (loss) income for the period	<u>(\$ 1,748,405)</u>	<u>(3)</u>	<u>\$ 1,811,292</u>	<u>2</u>	<u>(\$ 55,752)</u>	<u>(3)</u>
Net income attributable to:						
Shareholders of the parent	\$ 265,555	-	\$ 1,399,990	2	\$ 8,468	-
Non-controlling interests	(33,897)	-	146,003	-	(1,081)	-
Total	<u>\$ 231,658</u>	<u>-</u>	<u>\$ 1,545,993</u>	<u>2</u>	<u>\$ 7,387</u>	<u>-</u>
Total comprehensive (loss) income attributable to:						
Shareholders of the parent	(\$ 1,563,174)	(3)	\$ 1,552,335	2	(\$ 49,846)	(3)
Non - controlling interests	(185,231)	-	258,957	-	(5,906)	-
Total	<u>(\$ 1,748,405)</u>	<u>(3)</u>	<u>\$ 1,811,292</u>	<u>2</u>	<u>(\$ 55,752)</u>	<u>(3)</u>
Basic earnings per share (in dollars) (Note 6(27))						
Total basic earnings per share	<u>\$ 0.52</u>		<u>\$ 2.73</u>		<u>\$ 0.02</u>	
Diluted earnings per share (in dollars) (Note 6(27))						
Total diluted earnings per share	<u>\$ 0.52</u>		<u>\$ 2.72</u>		<u>\$ 0.02</u>	

The accompanying notes are an integral part of these consolidated financial statements.
See review report of independent accountants dated November 11, 2016.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

(Unaudited)

	Equity attributable to shareholders of the parent									
	Retained earnings					Other equity				
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealised gain or loss from available-for-sale financial assets	Total equity attributable to shareholders of the parent	Non-controlling interests	Total equity
<u>Nine months ended September 30, 2015</u>										
Balance at January 1	\$ 5,123,269	\$ 9,419,502	\$ 2,186,163	\$ 665,206	\$ 5,853,307	1,123,014	\$ 1,245,345	\$ 25,615,806	\$ 3,488,588	\$ 29,104,394
Appropriation of 2014 earnings (Note 6(19))										
Legal reserve	-	-	178,579	-	(178,579)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,024,654)	-	-	(1,024,654)	-	(1,024,654)
Adjustments to share of changes in equity of associates and joint ventures accounted for using equity method (Note 6(18))	-	(1,657)	-	-	(971)	-	-	(2,628)	-	(2,628)
Adjustments due to not participating in non-proportional investment	-	(244)	-	-	-	-	-	(244)	-	(244)
Change in non-controlling interest	-	-	-	-	-	-	-	-	(37,738)	(37,738)
Other comprehensive income (loss) for the period (Note 6(20))	-	-	-	-	-	252,843	(100,498)	152,345	112,954	265,299
Net income for the period	-	-	-	-	1,399,990	-	-	1,399,990	146,003	1,545,993
Balance at September 30, 2015	<u>\$ 5,123,269</u>	<u>\$ 9,417,601</u>	<u>\$ 2,364,742</u>	<u>\$ 665,206</u>	<u>\$ 6,049,093</u>	<u>\$ 1,375,857</u>	<u>\$ 1,144,847</u>	<u>\$ 26,140,615</u>	<u>\$ 3,709,807</u>	<u>\$ 29,850,422</u>
<u>Nine months ended September 30, 2016</u>										
Balance at January 1	\$ 5,123,269	\$ 9,407,975	\$ 2,364,742	\$ 665,206	\$ 6,277,731	\$ 719,081	\$ 1,269,210	\$ 25,827,214	\$ 3,614,507	\$ 29,441,721
Appropriation of 2015 earnings (Note 6(19))										
Legal reserve	-	-	165,003	-	(165,003)	-	-	-	-	-
Cash dividends	-	-	-	-	(1,024,654)	-	-	(1,024,654)	-	(1,024,654)
Adjustments to share of changes in equity of associates and joint ventures accounted for using equity method (Note 6(18))	-	(4,776)	-	-	(11,909)	-	-	(16,685)	-	(16,685)
Adjustments due to not participating in non-proportional investment	-	-	-	-	(5,023)	-	-	(5,023)	-	(5,023)
Change in non - controlling interest	-	-	-	-	-	-	-	-	(111,910)	(111,910)
Other comprehensive loss for the period (Note 6(20))	-	-	-	-	-	(1,214,616)	(614,113)	(1,828,729)	(151,334)	(1,980,063)
Net income (loss) for the period	-	-	-	-	265,555	-	-	265,555	(33,897)	231,658
Balance at September 30, 2016	<u>\$ 5,123,269</u>	<u>\$ 9,403,199</u>	<u>\$ 2,529,745</u>	<u>\$ 665,206</u>	<u>\$ 5,336,697</u>	<u>(\$ 495,535)</u>	<u>\$ 655,097</u>	<u>\$ 23,217,678</u>	<u>\$ 3,317,366</u>	<u>\$ 26,535,044</u>

(Continued)

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(EXPRESSED IN THOUSANDS OF US DOLLARS)

(Unaudited)

	Equity attributable to shareholders of the parent										Non-controlling interests	Total equity
	Retained earnings					Other equity						
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Exchange differences on translation of foreign financial statements	Unrealised gain or loss from available-for-sale financial assets	Total equity attributable to shareholders of the parent				
<u>Nine months ended September 30, 2016</u>												
Balance at January 1	\$ 163,370	\$ 299,999	\$ 75,406	\$ 21,212	\$ 200,183	\$ 22,930	\$ 40,472	\$ 823,572	\$ 115,259	\$ 938,831		
Appropriation of 2015 earnings (Note 6(19))												
Legal reserve	-	-	5,262	-	(5,262)	-	-	-	-	-		
Cash dividends	-	-	-	-	(32,674)	-	-	(32,674)	-	(32,674)		
Adjustments to share of changes in equity of associates and joint ventures accounted for using equity method (Note 6(18))	-	(152)	-	-	(380)	-	-	(532)	-	(532)		
Adjustments due to not participating in non-proportional investment	-	-	-	-	(160)	-	-	(160)	-	(160)		
Change in non - controlling interest	-	-	-	-	-	-	-	-	(3,569)	(3,569)		
Other comprehensive loss for the period (Note 6(20))	-	-	-	-	-	(38,731)	(19,583)	(58,314)	(4,826)	(63,140)		
Net income (loss) for the period	-	-	-	-	8,468	-	-	8,468	(1,081)	7,387		
Balance at September 30, 2016	\$ 163,370	\$ 299,847	\$ 80,668	\$ 21,212	\$ 170,175	\$ 15,801	\$ 20,889	\$ 740,360	\$ 105,783	\$ 846,143		

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

See review report of independent accountants dated November 11, 2016.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(EXPRESSED IN THOUSANDS OF DOLLARS)

(Unaudited)

	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	\$ 481,125	\$ 2,455,550	\$ 15,342
Adjustments to reconcile income before income tax to net cash provided by operating activities:			
Adjustments to reconcile profit (loss)			
Depreciation (including investment property) (Notes 6(9), 6(10) and 6(24))	2,722,851	2,525,402	86,826
Amortisation (including long-term prepaid rent amortisation) (Notes 6(11), 6(12) and 6(24))	64,323	52,337	2,051
Bad debts (Note 6(5))	155,105	115,578	4,946
Interest expense (Note 6(23))	275,869	218,618	8,797
Interest income (Note 6(21))	(69,822)	(69,679)	(2,226)
Share of profit of associates accounted for using the equity method	(344,732)	(315,945)	(10,993)
Loss on disposal of property, plant and equipment (Note 6(22))	15,407	36,241	491
Impairment loss on non-financial assets	2	-	-
Gain on disposal of investments (Note 6(22))	(689,445)	(1,322,871)	(21,985)
Changes in assets/liabilities relating to operating activities			
Net changes in operating assets			
Financial assets measured at fair value through profit or loss - current	-	79	-
Notes receivable	(15,144)	41,997	(483)
Accounts receivable	(660,769)	(6,084,255)	(21,070)
Accounts receivable from related parties	(351,531)	78,729	(11,210)
Other receivables	35,967	172,709	1,147
Other receivables from related parties	134,618	42,605	4,293
Inventories	1,580,244	(6,505,443)	50,390
Prepayments	158,297	(1,155,746)	5,048
Other current assets	(177,480)	(190,268)	(5,659)
Other non-current assets	(46,477)	(16,409)	(1,482)
Net changes in liabilities relating to operating activities			
Notes payable	(2,649)	42,405	(84)
Accounts payable	(1,323,825)	9,139,255	(42,214)
Accounts payables to related parties	(144,286)	240,389	(4,601)
Other payables	(524,917)	968,381	(16,738)
Other current liabilities	197,655	111,553	6,303
Other non-current liabilities	153,050	263,789	4,880
Cash generated from operations	1,623,436	845,001	51,769
Interest received	69,822	69,679	2,226
Dividends received	229,492	216,667	7,318
Interest paid	(280,810)	(228,242)	(8,954)
Income tax paid	(458,706)	(974,488)	(14,627)
Net cash provided by (used in) operating activities	<u>1,183,234</u>	<u>(71,383)</u>	<u>37,732</u>

(Continued)

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(EXPRESSED IN THOUSANDS OF DOLLARS)

(Unaudited)

	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments in debt instrument without active market (Note 6(4))	(\$ 9,097)	\$ -	(\$ 290)
Acquisition of financial assets carried at cost (Note 6(3))	(311)	(65,737)	(10)
Proceeds from disposal of available - for - sale financial assets	726,617	1,567,310	23,170
Proceeds from acquisition of long - term equity investment - non - subsidiaries (Note 6(8))	(227,524)	(900,000)	(7,255)
Proceeds from disposal of subsidiary company	-	1,970	-
Acquisitions of property, plant and equipment (Note 6(29))	(3,011,415)	(3,928,391)	(96,027)
Proceeds from disposal of property, plant and equipment	205,259	146,368	6,545
Acquisitions of intangible assets (Note 6(11))	(54,029)	(52,120)	(1,723)
Proceeds from disposal of intangible assets (Note 6(11))	237	113	8
(Increase) decrease in prepayments for business facilities	758,087	(844,924)	24,174
Net cash used in investing activities	<u>(1,612,176)</u>	<u>(4,075,411)</u>	<u>(51,408)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short - term borrowings	1,746,314	2,123,396	55,686
Increase in long-term borrowings	-	1,637,724	-
Repayment of long - term borrowings	(94,404)	(45,077)	(3,010)
Cash dividends paid	(1,024,654)	(1,024,654)	(32,674)
Net cash provided by financing activities	<u>627,256</u>	<u>2,691,389</u>	<u>20,002</u>
Effect of change in exchange rates	(265,347)	435,799	(8,464)
Net decrease in cash and cash equivalents	(67,033)	(1,019,606)	(2,138)
Cash and cash equivalents, beginning of period (Note 6(1))	<u>7,314,136</u>	<u>7,435,487</u>	<u>233,231</u>
Cash and cash equivalents, end of period (Note 6(1))	<u>\$ 7,247,103</u>	<u>\$ 6,415,881</u>	<u>\$ 231,093</u>

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

See review report of independent accountants dated November 11, 2016.

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

(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 and has begun operations on July 31, 1986. The Company and its subsidiaries (collectively referred herein as the “Group”) are engaged 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 reported to the Board of Directors on November 11, 2016.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2017:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, ‘Regulatory deferral accounts’	January 1, 2016

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
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
Improvements to IFRSs 2012-2014	January 1, 2016

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. Amendments to IAS 36, 'Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment. When a material impairment loss has been recognized or reversed for an individual asset, including goodwill, or a CGU, it is required to disclose the recoverable amount of the asset or CGU. If the recoverable amount is fair value less costs of disposal, it is required to disclose the level of the fair value hierarchy, the valuation techniques(s) used and key assumptions.

B. Amendments to IAS 27, 'Equity method in separate financial statements'

The amendment allows entities to account for investments in subsidiaries, joint ventures and associates in their separate financial statements either:

- (a) at cost; or
- (b) in accordance with IFRS 9; or
- (c) using the equity method as described in IAS 28.

C. IFRIC 21, 'Levies'

This interpretation addresses the accounting for a liability to pay a levy (excluding income taxes) recognized in accordance with IAS 37, 'Provisions'. An entity recognized the liability when the obligating event occurs. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy that will arise from operating in the future. The interpretation also requires that an obligation to pay a levy triggered by a minimum threshold is recognized when the threshold is reached.

D. Annual improvements to IFRSs 2010-2012 cycle

(a) IFRS 13, 'Fair value measurement'

When issuing IFRS 13 'fair value measurement', the IASB removed the guidance that an entity could measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting, when the effect of not discounting is immaterial. The amendment clarifies the deletion was made by IASB noting that paragraph 8 of IAS 8 already permits entities not to apply accounting policies set out in accordance with IFRSs when the effect of applying them is immaterial. The IASB did not intend to change the aforementioned measurement requirements, thus, entities can still apply above standard.

(b) IAS 24, 'Related party disclosures'

The standard is amended to include, as a related party, an entity (or any member of a group of which it is a part) that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

E. Annual improvements to IFRSs 2012-2014 cycle

(a) IFRS 7, 'Financial instruments: Disclosures'

The amendment provides additional guidance to determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and thus the disclosure requirement of transferred financial assets applies. And this amendment also clarifies that disclosure of offsetting is not required for all interim periods.

(b) IAS 19, 'Employee benefits'

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds or not is based on corporate bonds in that currency, and not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

(c) IAS 34, 'Interim financial reporting'

The amendment clarifies what is meant by the reference in the standard to "information disclosed elsewhere in the interim financial report". The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

(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 IFRS as endorsed by the FSC effective from 2017 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
Applying IFRS 9 'Financial instruments' with IFRS 4 'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealized losses (amendments to IAS 12)	January 1, 2017

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

A. IFRS 9, 'Financial instruments'

- (a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.
- (b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

B. Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'

The amendments resolve a current inconsistency between IFRS 10 and IAS 28. The gain or loss resulting from a transaction that involves sales or contribution of assets between an investor and its associates or joint ventures is recognised either in full or partially depending on the nature of the assets sold or contributed:

- (a) If sales or contributions of assets that constitute a 'business', the full gain or loss is recognised;
- (b) If sales or contributions of assets that do not constitute a 'business', the partial gain or loss is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

C. IFRS 15, 'Revenue from contracts with customers'

IFRS 15, 'Revenue from contracts with customers' replaces IAS 11, 'Construction Contracts', IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

D. Amendments to IFRS 15, 'Clarifications to Revenue from Contracts with Customers'

The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

E. IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

F. Amendments to IAS 12, ‘Recognition of deferred tax assets for unrealised losses’

These amendments clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, and they clarify several of the general principles underlying the accounting for deferred tax assets. The amendments clarify that a deductible temporary difference exists whenever an asset is measured at fair value and that fair value is below the asset’s tax base. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, it considers a deductible temporary difference in combination with all of its other deductible temporary differences unless there are tax law restrictions, and the tax deduction resulting from temporary differences is excluded from estimated future taxable profits. The amendments are effective from January 1, 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the compliance statement, basis of preparation, basis of consolidation and additional descriptions that are set out below, the rest of the principal accounting policies applied in the preparation of these consolidated financial statements are the same as those disclosed in Note 4 to the consolidated financial statements as of and for the year ended December 31, 2015. The policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the FSC.
- B. The consolidated financial statements as of and for the nine months ended September 30, 2016 should be read together with the consolidated financial statements as of and for the year ended December 31, 2015.

(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 less 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:

Basis for preparation of these consolidated financial statements is the same as that for the preparation of the consolidated financial statements as of and for the year ended December 31, 2015.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main activity	% of shares held			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
The Company	CU International Ltd. (CU)	Manufacture of electronic telecommunication components and reinvestment business	100	100	100	Note 7
The Company	Culink International Ltd. (CULINK)	Reinvestment business	100	100	100	
The Company	Foxlink International Investment Ltd. (FII)	General investments holding	100	100	100	Note 7
The Company	Fu Uei International Investment Ltd. (FUII)	General investments holding	100	100	100	Note 7
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	

Investor	Subsidiary	Main activity	% of shares held			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
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.	Electroplating processing services	100	100	100	
CU	Fu Gang Electronics (Dong Guan) Ltd. (FGEDG)	Manufacture of electronic telecommunication components	100	100	100	Note 7
CU	New Star Industries Ltd. (NEW STAR)	Reinvestment business	100	100	100	
CU	Fu Gang Electronics (Kun Shan) Ltd. (FGEKS)	Manufacture of electronic telecommunication components	100	100	100	Note 7
CU	Dong Guan Fu Shi Chang Co., Ltd. (FSC)	Manufacture of electronic telecommunication components	100	100	100	
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	81.69	81.69	81.69	Note 4, Note 7
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)	Reinvestment business	100	100	100	
CU	Solteras Limited	General investments holding	100	100	100	

Investor	Subsidiary	Main activity	% of shares held			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
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	
CU	Fugang Electric (MAANSHAN) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
CU	Kunshan Fugang Investment Co., Ltd	General investments holding	100	100	100	
NEW STAR	Fu Gang Electronics (Tian Jin) Ltd. (FGETJ)	Manufacture of electronic telecommunication components	100	100	100	
NEW STAR	Foxlink Electronics(Tian Jin) Ltd.	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	49.93	46.93	46.93	
CULINK	Pacific Wealth Limited (PACIFIC WEALTH)	Holding company and reinvestment business	100	100	100	

Investor	Subsidiary	Main activity	% of shares held			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
PACIFIC WEALTH	Foxlink International Inc. (FOXLINK)	Sales agent	100	100	100	Note 7
Kunshan Fugang Investment Co., Ltd.	Dong Guan Fu Qiang Electronics Ltd. (DGFQ)	Manufacture of electronic telecommunication components	18.31	18.31	18.31	Note 4, Note 7
Kunshan Fugang Investment Co., Ltd.	Fuqiang Electric (MAANSHAN) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	Note 2
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	
FII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	50.03	50.03	50.03	
FII	Power Quotient International Co., Ltd. (PQI)	Manufacture of electronic telecommunication components	9.22	9.22	9.22	Note 5, Note 7
FII	Shin ke International Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	Note 2
WCT	Value Success Limited (VALUE SUCCESS)	Holding company and reinvestment business	100	100	100	
VALUE SUCCESS	Capital Guardian Limited (CAPITAL)	Holding company and reinvestment business	100	100	100	
CAPITAL	World Circuit Technology (Hong Kong) Limited (WCTHK)	Holding company and reinvestment business	100	100	100	
WCTHK	Shang Hai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	53.07	53.07	53.07	

Investor	Subsidiary	Main activity	% of shares held			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
Darts	Benefit Right Ltd. (BENEFIT)	Reinvestment business	100	100	100	
BENEFIT	Power Channel Limited (POWER)	Reinvestment business	64.25	64.25	64.25	
FUTURE VICTORY	Darts Technologies (Shang Hai) Co., Ltd. (DTSH)	Development communication equipment	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 A)	Manufacture of electronic telecommunication components	51	51	51	Note 7
FUII	Va Product Inc.	Manufacture of electronic telecommunication components	75.63	75.63	75.63	
FUII	Proconn Technology Co., Ltd. (PROCONN)	Manufacture of electronic telecommunication components	1.3	1.3	1.3	
FUII	Zhi De Investment Co., Ltd. (Zhi De Investment)	General investments holding	100	100	100	Note 7
FUII	Shinfox Corporation Ltd. (Shinfox)	Mechanical installation and piping engineering	57.17	57.17	57.17	
Zhi De Investment	Power Quotient International Co., Ltd. (PQI)	Manufacture of electronic telecommunication components	33.34	33.34	33.34	Note 5, Note 7
Shinfox	World Wide Famous Corp.	Energy service management	100	100	100	
Shinfox	Foxwell Energy Corporation Ltd.	Energy service management	100	100	100	
Shinfox	Shinfox Energy International Inc. (SHINFOX ENERGY)	Energy service management	40	40	40	Note 6

Investor	Subsidiary	Main activity	% of shares held			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
Shinfox	Kinmen Gas Co., Ltd.	Energy service management	100	100	100	
WORLD WIDE	Kunshan Xing Wei Installation Engineering Co., Ltd.	Mechanical installation and piping engineering	100	100	100	
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	
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.	Sale of electronic telecommunication components	100	100	100	
Studio A Inc.	Studio A Inc. (Hong Kong)(Studio A Hong Kong)	Sale of electronic telecommunication components	51	51	51	Note 7
Studio A Inc.	Ashop Co., Ltd. (ASHOP)	Sale of electronic telecommunication components	58	51	51	
Studio A Inc.	Jing Jing Technology Co., Ltd. (Jing Jing)	Sale of electronic telecommunication components	100	100	100	
Studio A Inc. (Hong Kong)	Studio A Macau Limited	Sale of electronic telecommunication components	100	100	100	
FGEKS	Kunshan Fugang Electronics Trading Co., Ltd.	Sale of electronic telecommunication components	51	51	51	

Investor	Subsidiary	Main activity	% of shares held			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
Kunshan Fugang Electronics Trading Co., Ltd.	Shanghai Fugang Electric Trading Co., Ltd.	Sale of electronic telecommunication components	100	100	100	
Kunshan Fugang Electronics Trading Co., Ltd.	Kunshan Fu Shi Yu Trading Co., Ltd.	Sale of electronic telecommunication components	100	100	100	
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	100	100	
PQI	Syscom Development Co., Ltd. (SYSCOM)	Specialized investments holding	100	100	100	
PQI	Apix Limited (APIX)	Specialized investments holding	100	100	100	Note 7
PQI	PQI Mobility Inc. (PQI MOBILITY)	Specialized investments holding	100	100	100	
PQI	Power Quotient International Co., Ltd.	Sale of medical instruments	100	100	100	
SYSCOM	Power Quotient International (SHANGHAI) Co., Ltd. (PQI SHANGHAI)	Sale of electronic telecommunication components	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 3, Note 7
APIX Limited	Perennial Ace Limited	Specialized investments holding	100	100	100	
SINOCITY INDUSTRIES LTD.	Sinocity Co., Ltd.	Sale of 3C products	100	100	100	Note 3, Note 7
PERENNIAL	Apix Limited (APOX)	Sale of 3C products	24.50	24.50	24.50	Note 7

Investor	Subsidiary	Main activity	% of shares held			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
PQI SUZHOU	Kunshan Oderea Trading Co., Ltd.(Kunshan Oderea)	Sale of 3C products	100	-	-	Note 1

Note 1: Investment or incorporation began in 2016.

Note 2: Investment or incorporation began in 2015.

Note 3: 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 of September 30. 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 4: CU has participated in Dong Guan Fu Qiang Electronics Ltd.'s capital increase on February 27, 2015 and March 3, 2015 and held 81.69% shares in Dong Guan Fu Qiang Electronics Ltd. CU along with Kunshan Fugang Investment Management Co., Ltd. hold 100% of shares in Dong Guan Fu Qiang Electronics Ltd.

Note 5: The Group holds 42.56% of shares in Power Quotient International Co., Ltd., however, the Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over Power Quotient International Co., Ltd.

Note 6: The Group holds 40% of shares in SHINFOX ENERGY, however, the Group has obtained more than half of the seats on the Board of Directors, so the Group is substantively determined as having control over SHINFOX ENERGY.

Note 7: For the nine months ended September 30, 2016 and 2015, except for financial statements of CU, FII, FUII, Zhi De Investment, Studio A, Studio A (Hong Kong), FGEDG, FGEKS, DGFQ and FOXLINK which were reviewed by independent accountants, and PQI, APIX and Sinocity Industries Ltd. which were reviewed by other independent accountants, the financial statements of other subsidiaries were not reviewed because they did not meet the definition of significant subsidiaries.

C. Subsidiaries not included in the consolidated financial statements:

Investor	Subsidiary	Main activity	% of shares held			Description
			September 30, 2016	December 31, 2015	September 30, 2015	
Foxlink International Investment Ltd. (FII)	World Circuit Technology Co., Ltd. (WCT)	Manufacture of electronic telecommunication components and electronic machinery equipment	75	75	75	Note 1
Studio A Inc. (Studio A)	Tayih Digital Technology Co., Ltd. (TAYIH)	Manufacture of electronic telecommunication components	60	60	60	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 September 30. 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 of December 31 to conform with the balance sheet date of the Group.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

As of September 30, 2016, December 31, 2015 and September 30, 2015, the non-controlling interest amounted to \$3,317,366, \$3,614,507 and \$3,709,807, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest			
		September 30, 2016		December 31, 2015	
		Amount	Ownership (%)	Amount	Ownership (%)
PQI	Taiwan	\$ 2,648,775	57.44	\$ 2,831,805	57.44

Name of subsidiary	Principal place of business	Non-controlling interest	
		September 30, 2015	
		Amount	Ownership (%)
PQI	Taiwan	\$ 2,849,999	57.44

Summarized financial information of the subsidiaries:

Balance sheets

	PQI			
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016
	New Taiwan Dollars		US Dollars	
Current assets	\$ 2,170,042	\$ 2,285,459	\$ 2,344,640	\$ 69,198
Non-current assets	4,023,513	4,188,856	4,173,131	128,301
Current liabilities	(1,200,503)	(1,022,511)	(1,016,832)	(38,281)
Non-current liabilities	(381,983)	(520,428)	(539,423)	(12,181)
Total net assets	\$ 4,611,069	\$ 4,931,376	\$ 4,961,516	\$ 147,037

Statements of comprehensive income

	PQI	
	Three months ended September 30,	
	2016	2015
Revenue	\$ 798,575	\$ 1,328,699
(Loss) profit before income tax	(3,754)	39,189
Income tax expense (benefit)	(163)	5,285
(Loss) profit for the period from continuing operations	(3,591)	33,904
Profit from non-controlling interest	-	-
(Loss) profit for the period	(3,591)	33,904
Other comprehensive (loss) income (net of tax)	(131,282)	265,745
Total comprehensive (loss) income for the period	(\$ 134,873)	\$ 299,649
Comprehensive income attributable to non-controlling interest	\$ -	\$ -

	PQI	
	Nine months ended September 30,	
	2016	2015
Revenue	\$ 2,750,460	\$ 6,601,035
(Loss) profit before income tax	(6,344)	196,930
Income tax expense (benefit)	(5,083)	53,835
Profit for the period from continuing operations	(1,261)	143,095
Profit from non-controlling interest	-	-
Profit for the period	(1,261)	143,095
Other comprehensive (loss) income (net of tax)	(222,670)	156,449
Total comprehensive (loss) income for the period	(\$ 223,931)	\$ 299,544
Comprehensive income attributable to non-controlling interest	\$ -	\$ -

Statements of cash flows

	PQI	
	Nine months ended September 30,	
	2016	2015
Net cash used in operating activities	(\$ 71,341)	(\$ 288,044)
Net cash (used in) provided by investing activities	39,326	(9,498)
Net cash provided by financing activities	37,673	19,341
Effect of exchange rates on cash and cash equivalents	(29,103)	27,552
Decrease in cash and cash equivalents	(23,445)	(250,649)
Cash and cash equivalents, beginning of period	832,110	1,240,316
Cash and cash equivalents, end of period	\$ 808,665	\$ 989,667

(4) Investments in debt instrument without active market

A. Investments in debt instrument without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

- (a) Not designated on initial recognition as at fair value through profit or loss;
- (b) Not designated on initial recognition as available-for-sale;
- (c) Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

B. On a regular way purchase or sale basis, investments in debt instrument without active market are recognised and derecognised using trade date accounting.

C. Investments in debt instrument without active market are initially recognised at fair value on the trade date plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Amortisation of a premium or a discount on such assets is recognised in profit or loss.

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:

Critical accounting estimates and assumptions

A. 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(11) for the information of goodwill impairment.

B. 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.

C. Impairment assessment of tangible assets

The Group assesses impairment based on its subjective judgement and determines the separate cash flows of a specific group of assets, useful lives of assets and the future possible income and expenses arising from the assets depending on how assets are utilised and industrial characteristics. Any changes of economic circumstances or estimates due to the change of Group strategy might cause material impairment on assets in the future.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>September 30, 2016</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>	
Cash on hand and revolving funds	\$ 44,383	\$ 18,196	\$ 69,323	\$ 1,415
Checking accounts and demand deposits	5,222,017	5,208,062	3,806,477	166,518
Cash equivalents				
Time deposits	2,224,807	2,259,860	2,862,834	70,944
Short-term notes and bills	<u>129,577</u>	<u>34,972</u>	<u>-</u>	<u>4,132</u>
	7,620,784	7,521,090	6,738,634	243,010
Less: Shown as "other current assets"- restricted assets	<u>(373,681)</u>	<u>(206,954)</u>	<u>(322,753)</u>	<u>(11,916)</u>
Total	<u>\$ 7,247,103</u>	<u>\$ 7,314,136</u>	<u>\$ 6,415,881</u>	<u>\$ 231,094</u>

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.

B. Details of the Group's cash and cash equivalents pledged to others as collateral are provided in Note 8.

(2) Available-for-sale financial assets

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>September 30, 2016</u>
<u>Items</u>	<u>New Taiwan Dollars</u>		<u>US Dollars</u>	
Non-current items				
Listed stocks	\$ 75,101	\$ 126,082	\$ 129,292	\$ 2,395
Valuation adjustment of available -for - sale financial assets	<u>948,742</u>	<u>1,796,223</u>	<u>1,716,654</u>	<u>30,253</u>
Total	<u>\$ 1,023,843</u>	<u>\$ 1,922,305</u>	<u>\$ 1,845,946</u>	<u>\$ 32,648</u>

A. The Group recognised \$72,513, (\$273,717), (\$754,900) and (\$115,825) in other comprehensive income for fair value change and reclassified (\$11,719), \$0, \$689,445 and \$1,322,356 from equity to profit or loss for the three months and nine months ended September 30, 2016 and 2015, respectively.

B. As of September 30 2016, December 31, 2015 and September 30, 2015, no available-for-sale financial assets were pledged to others.

(3) Financial assets measured at cost

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>September 30, 2016</u>
<u>Items</u>	<u>New Taiwan Dollars</u>		<u>US Dollars</u>	
Current item				
Conversion options	<u>\$ 311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10</u>
Non-current item				
Non-publicly traded company	<u>\$ 664,751</u>	<u>\$ 670,846</u>	<u>\$ 600,363</u>	<u>\$ 21,197</u>

A. Based on the Group's intention, its investment in stocks and conversion options embedded in convertible corporate bonds should be classified as 'available-for-sale financial assets' and financial assets at fair value through profit and loss'. However, as the above company stocks and conversion options 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 and conversion options cannot be measured reliably. The Group classified those stocks and conversion options as "financial assets measured at cost".

B. As of September 30, 2016, December 31, 2015 and September 30, 2015, no financial assets measured at cost held by the Group were pledged to others.

(4) Investments in debt instrument without active market

Items	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>September 30, 2016</u>
	New Taiwan Dollars			US Dollars
Current item				
Corporate bonds	<u>\$ 9,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290</u>

A. On April 9, 2016, the Group invested in the convertible corporate bonds issued by foreign unlisted companies. The bonds are with a total issuance amount of US\$1,750 thousand dollars and a coupon rate of 6% and will mature on October 30, 2016. The interest is payable at maturity. The bonds can be converted to corresponding common stocks based on the agreement if the investee companies reach an agreement before the maturity. The amount of the host debt contract was recognised as investments in debt instrument without active market and the amount of conversion options of convertible bonds was recognised as financial assets measured at cost. Details are provided in Note 6(3)

B. As of September 30, 2016, no investments in debt instrument without active markets held by the Group were pledged to others.

(5) Accounts receivable

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>September 30, 2016</u>
	New Taiwan Dollars			US Dollars
Accounts receivable	\$ 17,811,337	\$ 17,150,568	\$ 22,037,494	\$ 567,964
Less: allowance for sales returns and discounts	(61,075)	(30,483)	(64,858)	(1,948)
Less: allowance for bad debts	<u>(362,417)</u>	<u>(237,904)</u>	<u>(223,257)</u>	<u>(11,557)</u>
	<u>\$ 17,387,845</u>	<u>\$ 16,882,181</u>	<u>\$ 21,749,379</u>	<u>\$ 554,459</u>

A. The quality information of accounts receivable 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. The Group has insured accounts receivable of certain customers and the Group will receive 80%~90% compensation if bad debts occur.

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>September 30, 2016</u>
	New Taiwan Dollars			US Dollars
Up to 30 days	\$ 371,168	\$ 2,067,644	\$ 1,740,525	\$ 11,836
31 to 120 days	<u>1,214,642</u>	<u>659,694</u>	<u>927,020</u>	<u>38,732</u>
	<u>\$ 1,585,810</u>	<u>\$ 2,727,338</u>	<u>\$ 2,667,545</u>	<u>\$ 50,568</u>

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 September 30, 2016, December 31, 2015 and September 30, 2015, the Group's accounts receivable that were impaired amounted to \$362,417, \$237,904 and \$223,257, respectively.

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

	<u>2016</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
January 1, 2016	\$ -	\$ 237,904	\$ 237,904
Provision for impairment	<u>60,618</u>	<u>63,895</u>	<u>124,513</u>
September 30, 2016	<u>\$ 60,618</u>	<u>\$ 301,799</u>	<u>\$ 362,417</u>

	<u>2015</u>		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
January 1, 2015	\$ -	\$ 127,986	\$ 127,986
Provision for impairment	<u>-</u>	<u>95,271</u>	<u>95,271</u>
September 30, 2015	<u>\$ -</u>	<u>\$ 223,257</u>	<u>\$ 223,257</u>

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

(6) Transfer of financial assets

A. The Group entered into a factoring agreement with Mega International Commercial Bank and HSBC Bank (Taiwan) Limited to sell its accounts receivable. Under the agreement, the Group is not required to bear uncollectible risk of the underlying accounts receivable, but is liable for the losses incurred on any business dispute. The Group issued a promissory note to the bank as a guarantee for not performing contracts due to any business dispute. These accounts receivable met the derecognition criteria for financial assets.

B. As of September 30, 2015, the outstanding accounts receivable sold were as follows (As of September 30, 2016 and December 31, 2015, there was no accounts receivable sold) :

September 30, 2015

Purchaser of accounts receivable	Accounts receivable transferred	Amount derecognised	Facilities	Amount	Interest rate of	Collaterals
				advanced	amount	
				advanced	advanced	
HSBC Bank (Taiwan) Limited	\$ 172,459 (USD5,247 thousand)	\$ 172,459 (USD5,247 thousand)	\$ 1,643,500 (USD50,000 thousand)	\$ 155,213 (USD4,722 thousand)	0.74%~0.93%	None

(7) Inventories

	September 30, 2016		
	Cost	Allowance for valuation loss	Book value
	New Taiwan Dollars		
Raw materials	\$ 3,718,278	(\$ 312,343)	\$ 3,405,935
Work in process	1,541,423	(34,716)	1,506,707
Finished goods (including merchandise)	5,785,076	(271,682)	5,513,394
Inventory in transit	3,062	-	3,062
	<u>\$ 11,047,839</u>	<u>(\$ 618,741)</u>	<u>\$ 10,429,098</u>
	September 30, 2016		
	Cost	Allowance for valuation loss	Book value
	US Dollars		
Raw materials	\$ 118,568	(\$ 9,960)	\$ 108,608
Work in process	49,153	(1,107)	48,046
Finished goods (including merchandise)	184,473	(8,663)	175,810
Inventory in transit	98	-	98
	<u>\$ 352,292</u>	<u>(\$ 19,730)</u>	<u>\$ 332,561</u>

December 31, 2015			
	Cost	Allowance for valuation loss	Book value
New Taiwan Dollars			
Raw materials	\$ 4,461,412	(\$ 227,100)	\$ 4,234,312
Work in process	341,041	(5,674)	335,367
Finished goods (including merchandise)	7,974,935	(612,214)	7,362,721
Inventory in transit	76,942	-	76,942
	<u>\$ 12,854,330</u>	<u>(\$ 844,988)</u>	<u>\$ 12,009,342</u>

September 30, 2015			
	Cost	Allowance for valuation loss	Book value
New Taiwan Dollars			
Raw materials	\$ 3,773,703	(\$ 219,211)	\$ 3,554,492
Work in process	3,003,830	(84,716)	2,919,114
Finished goods (including merchandise)	7,208,288	(305,259)	6,903,029
Inventory in transit	686,261	-	686,261
	<u>\$ 14,672,082</u>	<u>(\$ 609,186)</u>	<u>\$ 14,062,896</u>

The cost of inventories recognised as expense for the period:

Three months ended September 30,			
	2016	2015	2016
New Taiwan Dollars		US Dollars	
Cost of inventories sold	\$ 23,735,262	\$ 28,626,861	\$ 756,864
(Gain on reversal of) decline in market value	(35,734)	74,694	(1,139)
Others (revenue from sale of scraps)	(15,497)	(36,798)	(494)
	<u>\$ 23,684,031</u>	<u>\$ 28,664,757</u>	<u>\$ 755,231</u>

Nine months ended September 30,			
	2016	2015	2016
New Taiwan Dollars		US Dollars	
Cost of inventories sold	\$ 57,179,265	\$ 67,748,866	\$ 1,823,318
(Gain on reversal of) decline in market value	(226,247)	170,843	(7,215)
Others (revenue from sale of scraps)	(40,553)	(84,381)	(1,293)
	<u>\$ 56,912,465</u>	<u>\$ 67,835,328</u>	<u>\$ 1,814,811</u>

The portion of inventories that have been provided with allowance have been sold during the three months and nine months ended September 30, 2016. Therefore, the allowance for decline in market value was reversed.

(8) Investments accounted for under the equity method

Investee	September 30, 2016		Ownership percentage (%)
	New Taiwan Dollars	US Dollars	
	Central Motion Picture Corp.	\$ 1,755,327	
Glory Science Co., Ltd.	1,053,467	33,593	41.50%
Well Shin Technology Co., Ltd.	1,062,607	33,884	18.84%
Foxlink Image Technology Co., Ltd.	805,528	25,686	30.47%
Sharetronic Data Technology Co., Ltd.	362,050	11,545	38.85%
Castles Technology Co., Ltd.	264,265	8,427	22.32%
CMPC Cultural & Creative Co., Ltd.	144,809	4,618	42.86%
Microlink Communications Inc.	(24,320)	(776)	21.43%
Kleine Developments Ltd.	71,855	2,291	41.53%
	5,495,588	175,241	
Add :Credit balance of long - term equity investments reclassified to other non-current liabilities-others	24,320	776	
Total	\$ 5,519,908	\$ 176,017	

Investee	December 31, 2015		Ownership percentage (%)
	New Taiwan Dollars		
Central Motion Picture Corp.	\$ 1,749,203		13.60%
Glory Science Co., Ltd.	1,103,396		41.98%
Well Shin Technology Co., Ltd.	1,100,524		18.84%
Foxlink Image Technology Co., Ltd.	863,640		30.47%
Sharetronic Data Technology Co., Ltd.	359,632		42.00%
Castles Technology Co., Ltd.	216,854		22.41%
CMPC Cultural & Creative Co., Ltd.	144,417		42.86%
Microlink Communications Inc.	(25,312)		21.43%
Kleine Developments Ltd.	(162,874)		33.33%
	5,349,480		
Add : Credit balance of long - term equity investments reclassified to other non-current liabilities-others		188,186	
Total	\$ 5,537,666		

Investee	September 30, 2015	
	New Taiwan Dollars	Ownership percentage (%)
Central Motion Picture Corp.	\$ 897,452	13.60%
Glory Science Co., Ltd.	1,072,418	41.96%
Well Shin Technology Co., Ltd.	1,092,434	19.25%
Foxlink Image Technology Co., Ltd.	882,193	30.47%
Sharetronic Data Technology Co., Ltd.	349,068	42.00%
Castles Technology Co., Ltd.	223,218	22.34%
CMPC Cultural & Creative Co., Ltd.	142,365	42.86%
Microlink Communications Inc.	(25,647)	21.43%
Kleine Developments Ltd.	-	33.33%
	4,633,501	
Add :Credit balance of long-term equity investments reclassified to other non-current liabilities-others	25,647	
Total	<u>\$ 4,659,148</u>	

A. For the three months and nine months ended September 30, 2016 and 2015, except for Glory Science Co., Ltd., Well Shin Technology Co., Ltd. and Foxlink Image Technology 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 \$102,824, \$137,391, \$234,386 and \$256,768, respectively.

B. Associates

(a) The basic information of the associates that are material to the Group is summarized below:

Company name	Principal place of business	Shareholding ratio			Nature of relationship	Methods of measurement
		September 30, 2016	December 31, 2015	September 30, 2015		
Central Motion Picture Corp.	Taiwan	13.60%	13.60%	13.60%	Note 2	Equity method
Glory Science Co., Ltd.	Taiwan	41.50%	41.98%	41.96%	Hold more than 20% of voting rights	Equity method
Well Shin Technology Co., Ltd.	Taiwan	18.84%	18.84%	19.25%	Note 1	Equity method
Foxlink Image Technology Co., Ltd.	Taiwan	30.47%	30.47%	30.47%	Hold more than 20% of voting rights	Equity method

Note 1: The Group's decrease in the shareholding ratio is caused by employee stock options issued by Well Shin Technology Co., Ltd. The Group's significant influence on the associate is not affected.

Note 2: As the Group's management holds several seats in the Board of Directors of Central Motion Picture Corp., the Group is assessed to have significant influence.

(b) Summarized financial information of the associates that are material to the Group is as follows:

Balance sheet

	Central Motion Picture Corp.			
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016
	New Taiwan Dollars			US Dollars
Current assets	\$ 1,766,608	\$ 858,302	\$ 279,264	\$ 56,333
Non-current assets	15,288,033	15,294,330	8,725,250	487,501
Current liabilities	(2,948,256)	(2,071,664)	(1,515,304)	(94,013)
Non-current liabilities	(1,205,867)	(1,225,474)	(1,400,897)	(38,452)
Total net assets	<u>\$ 12,900,518</u>	<u>\$ 12,855,494</u>	<u>\$ 6,088,313</u>	<u>\$ 411,369</u>
Share in associate's net assets	\$ 1,755,327	\$ 1,749,203	\$ 828,868	\$ 55,973
Goodwill	-	-	68,584	-
Carrying amount of the associate	<u>\$ 1,755,327</u>	<u>\$ 1,749,203</u>	<u>\$ 897,452</u>	<u>\$ 55,973</u>
	Glory Science Co., Ltd			
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016
	New Taiwan Dollars			US Dollars
Current assets	\$ 1,875,599	\$ 1,669,425	\$ 1,686,070	\$ 59,809
Non-current assets	1,784,643	1,887,690	1,939,224	56,908
Current liabilities	(1,213,054)	(766,925)	(908,246)	(38,682)
Non-current liabilities	(132,393)	(382,528)	(382,387)	(4,222)
Total net assets	<u>\$ 2,314,795</u>	<u>\$ 2,407,662</u>	<u>\$ 2,334,661</u>	<u>\$ 73,814</u>
Share in associate's net assets	\$ 960,748	\$ 1,010,677	\$ 979,699	\$ 30,636
Goodwill	92,719	92,719	92,719	2,957
Carrying amount of the associate	<u>\$ 1,053,467</u>	<u>\$ 1,103,396</u>	<u>\$ 1,072,418</u>	<u>\$ 33,593</u>
	Well Shin Technology Co., Ltd.			
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016
	New Taiwan Dollars			US Dollars
Current assets	\$ 4,607,523	\$ 4,433,857	\$ 4,529,371	\$ 146,924
Non-current assets	2,598,602	2,777,695	2,634,301	82,864
Current liabilities	(1,439,368)	(1,262,161)	(1,381,853)	(45,898)
Non-current liabilities	(333,378)	(314,517)	(308,990)	(10,631)
Total net assets	<u>\$ 5,433,379</u>	<u>\$ 5,634,874</u>	<u>\$ 5,472,829</u>	<u>\$ 173,258</u>
Share in associate's net assets	\$ 1,026,018	\$ 1,063,935	\$ 1,055,845	\$ 32,717
Goodwill	36,589	36,589	36,589	1,167
Carrying amount of the associate	<u>\$ 1,062,607</u>	<u>\$ 1,100,524</u>	<u>\$ 1,092,434</u>	<u>\$ 33,884</u>

Foxlink Image Technology Co., Ltd.				
	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016
	New Taiwan Dollars			US Dollars
Current assets	\$ 2,874,020	\$ 3,220,968	\$ 3,002,821	\$ 91,646
Non-current assets	2,747,602	2,497,458	2,017,859	87,615
Current liabilities	(2,905,249)	(2,660,543)	(2,083,155)	(92,642)
Non-current liabilities	(72,715)	(223,507)	(42,259)	(2,319)
Total net assets	<u>\$ 2,643,658</u>	<u>\$ 2,834,376</u>	<u>\$ 2,895,266</u>	<u>\$ 84,300</u>
Share in associate's net assets	\$ 805,528	\$ 863,640	\$ 882,193	\$ 25,686
Goodwill	-	-	-	-
Carrying amount of the associate	<u>\$ 805,528</u>	<u>\$ 863,640</u>	<u>\$ 882,193</u>	<u>\$ 25,686</u>

Statement of comprehensive income

Central Motion Picture Corp.			
Three months ended September 30,			
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Revenue	\$ 140,694	\$ 142,898	\$ 4,486
Profit for the period from continuing operations	\$ 92,672	\$ 26,604	\$ 2,955
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	<u>\$ 92,672</u>	<u>\$ 26,604</u>	<u>\$ 2,955</u>
Dividends received from associates	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 287</u>

Central Motion Picture Corp.			
Nine months ended September 30,			
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Revenue	\$ 390,518	\$ 428,443	\$ 12,453
Profit for the period from continuing operations	\$ 111,767	\$ 70,028	\$ 3,564
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	<u>\$ 111,767</u>	<u>\$ 70,028</u>	<u>\$ 3,564</u>
Dividends received from associates	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 287</u>

Glory Science Co., Ltd.			
Three months ended September 30,			
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Revenue	\$ 489,567	\$ 674,107	\$ 15,611
Profit for the period from continuing operations	\$ 59,443	\$ 124,524	\$ 1,896
Other comprehensive (loss) income, net of tax	(29,573)	17,345	(943)
Total comprehensive income	<u>\$ 29,870</u>	<u>\$ 141,869</u>	<u>\$ 952</u>
Dividends received from associates	<u>\$ 79,882</u>	<u>\$ 39,941</u>	<u>\$ 2,547</u>

Glory Science Co., Ltd.			
Nine months ended September 30,			
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Revenue	\$ 1,390,035	\$ 1,375,441	\$ 44,325
Profit for the period from continuing operations	\$ 152,780	\$ 196,513	\$ 4,872
Other comprehensive (loss) income, net of tax	(66,071)	4,246	(2,107)
Total comprehensive income	\$ 86,709	\$ 200,759	\$ 2,764
Dividends received from associates	\$ 79,882	\$ 39,941	\$ 2,547

Well Shin Technology Co., Ltd.			
Three months ended September 30,			
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Revenue	\$ 1,292,574	\$ 1,574,483	\$ 41,217
Profit for the period from continuing operations	\$ 165,819	\$ 262,128	\$ 5,288
Other comprehensive (loss) income, net of tax	(94,181)	128,557	(3,003)
Total comprehensive income	\$ 71,638	\$ 390,685	\$ 2,284
Dividends received from associates	\$ 89,130	\$ 57,934	\$ 2,842

Well Shin Technology Co., Ltd.			
Nine months ended September 30,			
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Revenue	\$ 3,753,747	\$ 4,119,592	\$ 119,699
Profit for the period from continuing operations	\$ 484,406	\$ 567,254	\$ 15,447
Other comprehensive (loss) income, net of tax	(212,869)	59,840	(6,788)
Total comprehensive income	\$ 271,537	\$ 627,094	\$ 8,659
Dividends received from associates	\$ 89,130	\$ 57,934	\$ 2,842

Foxlink Image Technology Co., Ltd.			
Three months ended September 30,			
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Revenue	\$ 1,186,164	\$ 1,393,451	\$ 37,824
Profit for the period from continuing operations	\$ 154,104	\$ 110,703	\$ 4,914
Other comprehensive (loss) income, net of tax	(126,023)	30,767	(4,019)
Total comprehensive income	\$ 28,081	\$ 141,470	\$ 895
Dividends received from associates	\$ 51,480	\$ 102,960	\$ 1,642

Foxlink Image Technology Co., Ltd.			
Nine months ended September 30,			
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Revenue	\$ 3,699,759	\$ 4,003,447	\$ 117,977
Profit for the period from continuing operations	\$ 260,583	\$ 211,119	\$ 8,309
Other comprehensive (loss) income, net of tax	(273,777)	16,740	(8,730)
Total comprehensive (loss) income	\$ 13,194	\$ 227,859	\$ 421
Dividends received from associates	\$ 51,480	\$ 102,960	\$ 1,642

(c) The carrying amount of the Group's interests in all individually immaterial associates (Note) and the Group's share of the operating results are summarized below:

As of September 30, 2016, December 31, 2015 and September 30, 2015, the carrying amount of the Group's individually immaterial associates amounted to \$818,659, \$532,717 and \$689,004, respectively.

	Three months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Profit for the period from continuing operations	\$ 26,316	\$ 84,593	\$ 839
Total comprehensive income	\$ 26,316	\$ 84,593	\$ 839
	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Profit for the period from continuing operations	\$ 292,360	\$ 183,435	\$ 9,323
Total comprehensive income	\$ 292,360	\$ 183,435	\$ 9,323

Note: Sharetronic Data, Castles, CMPC Cultural & Creative, Microlink and Kleine.

(d) The fair value of the Group's material associates with quoted market prices is as follows:

	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016
	New Taiwan Dollars			US Dollars
Glory Science Co., Ltd.	\$ 2,144,821	\$ 2,368,490	\$ 1,917,159	\$ 68,394
Well Shin Technology Co., Ltd.	1,078,469	1,198,794	1,002,709	34,390
Foxlink Image Technology Co., Ltd.	767,052	857,142	777,348	24,460
	\$ 3,990,342	\$ 4,424,426	\$ 3,697,216	\$ 127,243

C. The Group has signed a stock purchase agreement with an individual on May 15, 2014 to purchase all the Company's shares in CMPC amounting to \$150,000 thousand. As of September 30, 2016, uncollected amount was \$147,000 thousand (shown as 'notes receivable'). The Group has assessed there is objective evidence of impairment as of December 31, 2014 and September 30, 2015 and accrued impairment loss of \$130,000 thousand and \$17,000 thousand, respectively.

D. On April 2, 2015, the Board of Directors of Foxlink International Investment Ltd. has resolved to participate in the cash capital increase of Central Motion Picture Corp. The investment was increased by \$900,000 thousand, and the shareholding ratio was 13.60%. Gain recognised in bargain purchase transaction for the acquisition of Central Motion Picture Corp. was \$852,006 thousand. Abovementioned amounts were assessed based on the report of appraisers.

E. On October 13, 2014, the Board of Directors of Foxlink Technology Limited has resolved to sell 25% of its share capital in Xie Xun Electronics (Ji An) Ltd. to Liantao Electronics Co., Ltd. for RMB\$149,722 thousand. The amount has been collected on October 30, 2015.

F. Sharetronic Precision Industry (Shen Zhen) Co., Ltd. is undergoing liquidation procedures starting from 2014. The Company expects to collect proceeds from liquidation of approximately RMB\$22,697 thousand when the liquidation is completed.

G. On December 28, 2015, the Board of Directors has resolved the liquidation of the investee company, KLEINE. The Company accrued additional loss amounting to \$170,136 within the scope of legal obligations.

(9) Property, plant and equipment

	Land	Buildings and structures	Machinery	Office equipment	Others	Construction-in- progress	Total
New Taiwan Dollars							
At January 1, 2016							
Cost	\$ 412,428	\$ 12,989,523	\$ 9,659,616	\$ 461,623	\$ 6,806,298	\$ 1,764,186	\$ 32,093,674
Accumulated depreciation and impairment	-	(2,210,947)	(4,375,535)	(281,626)	(3,131,587)	-	(9,999,695)
	<u>\$ 412,428</u>	<u>\$ 10,778,576</u>	<u>\$ 5,284,081</u>	<u>\$ 179,997</u>	<u>\$ 3,674,711</u>	<u>\$ 1,764,186</u>	<u>\$ 22,093,979</u>
Nine months ended September 30, 2016							
Opening net book amount	\$ 412,428	\$ 10,778,576	\$ 5,284,081	\$ 179,997	\$ 3,674,711	\$ 1,764,186	\$ 22,093,979
Additions	-	161,245	1,544,620	71,126	446,922	285,929	2,509,842
Disposals	-	(12,255)	(193,487)	(10,702)	(4,222)	-	(220,666)
Reclassifications	-	18,241	-	-	-	(13,385)	4,856
Depreciation charge	-	(234,505)	(1,635,499)	(62,441)	(772,707)	-	(2,705,152)
Impairment loss	-	-	-	(2)	-	-	(2)
Net exchange differences	-	(556,612)	(287,595)	(5,520)	(187,822)	(106,892)	(1,144,441)
Closing net book amount	<u>\$ 412,428</u>	<u>\$ 10,154,690</u>	<u>\$ 4,712,120</u>	<u>\$ 172,458</u>	<u>\$ 3,156,882</u>	<u>\$ 1,929,838</u>	<u>\$ 20,538,416</u>
	Land	Buildings	Machinery	Office equipment	Others	Construction-in- progress	Total
New Taiwan Dollars							
At September 30, 2016							
Cost	\$ 412,428	\$ 12,455,660	\$ 10,734,766	\$ 491,175	\$ 6,619,069	\$ 1,929,838	\$ 32,642,936
Accumulated depreciation and impairment	-	(2,300,970)	(6,022,646)	(318,717)	(3,462,187)	-	(12,104,520)
	<u>\$ 412,428</u>	<u>\$ 10,154,690</u>	<u>\$ 4,712,120</u>	<u>\$ 172,458</u>	<u>\$ 3,156,882</u>	<u>\$ 1,929,838</u>	<u>\$ 20,538,416</u>
US Dollars							
At September 30, 2016							
Cost	\$ 13,151	\$ 397,183	\$ 342,308	\$ 15,662	\$ 211,067	\$ 61,538	\$ 1,040,910
Accumulated depreciation and impairment	-	(73,373)	(192,049)	(10,163)	(110,401)	-	(385,986)
	<u>\$ 13,151</u>	<u>\$ 323,810</u>	<u>\$ 150,259</u>	<u>\$ 5,499</u>	<u>\$ 100,666</u>	<u>\$ 61,538</u>	<u>\$ 654,924</u>

	Land	Buildings and structures	Machinery	Office equipment	Others	Construction-in- progress	Total
New Taiwan Dollars							
At January 1, 2015							
Cost	\$ 412,428	\$ 13,171,400	\$ 8,396,676	\$ 413,408	\$ 6,473,755	\$ 731,576	\$ 29,599,243
Accumulated depreciation and impairment	-	(1,962,972)	(3,957,196)	(248,793)	(3,184,217)	-	(9,353,178)
	<u>\$ 412,428</u>	<u>\$ 11,208,428</u>	<u>\$ 4,439,480</u>	<u>\$ 164,615</u>	<u>\$ 3,289,538</u>	<u>\$ 731,576</u>	<u>\$ 20,246,065</u>
Nine months ended September 30, 2015							
Opening net book amount	\$ 412,428	\$ 11,208,428	\$ 4,439,480	\$ 164,615	\$ 3,289,538	\$ 731,576	\$ 20,246,065
Additions	-	613,456	2,215,042	101,275	819,029	460,369	4,209,171
Disposals	-	(2,721)	(96,240)	(2,175)	(81,473)	-	(182,609)
Reclassifications	-	(1,711)	-	-	-	-	(1,711)
Depreciation charge	-	(242,464)	(1,483,634)	(63,651)	(718,015)	-	(2,507,764)
Net exchange differences	-	203,697	80,331	3,694	35,489	12,068	335,279
Closing net book amount	<u>\$ 412,428</u>	<u>\$ 11,778,685</u>	<u>\$ 5,154,979</u>	<u>\$ 203,758</u>	<u>\$ 3,344,568</u>	<u>\$ 1,204,013</u>	<u>\$ 22,098,431</u>
	Land	Buildings	Machinery	Office equipment	Others	Construction-in- progress	Total
New Taiwan Dollars							
At September 30, 2015							
Cost	\$ 412,428	\$ 13,941,929	\$ 10,721,921	\$ 527,802	\$ 6,551,732	\$ 1,204,013	\$ 33,359,825
Accumulated depreciation and impairment	-	(2,163,244)	(5,566,942)	(324,044)	(3,207,164)	-	(11,261,394)
	<u>\$ 412,428</u>	<u>\$ 11,778,685</u>	<u>\$ 5,154,979</u>	<u>\$ 203,758</u>	<u>\$ 3,344,568</u>	<u>\$ 1,204,013</u>	<u>\$ 22,098,431</u>

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

(10) Investment property

	Land	Buildings and structures	Total
	New Taiwan Dollars		
At January 1, 2016			
Cost	\$ 65,923	\$ 560,702	\$ 626,625
Accumulated depreciation and impairment	<u>-</u>	<u>(328,920)</u>	<u>(328,920)</u>
	<u>\$ 65,923</u>	<u>\$ 231,782</u>	<u>\$ 297,705</u>
Nine months ended September 30, 2016			
Opening net book amount	\$ 65,923	\$ 231,782	\$ 297,705
Reclassifications	-	(4,856)	(4,856)
Depreciation charge	-	(17,699)	(17,699)
Net exchange differences	<u>-</u>	<u>(5,015)</u>	<u>(5,015)</u>
Closing net book amount	<u>\$ 65,923</u>	<u>\$ 204,212</u>	<u>\$ 270,135</u>
At September 30, 2016			
Cost	\$ 65,923	\$ 535,497	\$ 601,420
Accumulated depreciation and impairment	<u>-</u>	<u>(331,285)</u>	<u>(331,285)</u>
	<u>\$ 65,923</u>	<u>\$ 204,212</u>	<u>\$ 270,135</u>
US Dollars			
At September 30, 2016			
Cost	\$ 2,102	\$ 17,076	\$ 19,178
Accumulated depreciation and impairment	<u>-</u>	<u>(10,564)</u>	<u>(10,564)</u>
	<u>\$ 2,102</u>	<u>\$ 6,512</u>	<u>\$ 8,614</u>
	Land	Buildings and structures	Total
	New Taiwan Dollars		
At January 1, 2015			
Cost	\$ 65,923	\$ 522,759	\$ 588,682
Accumulated depreciation and impairment	<u>-</u>	<u>(273,623)</u>	<u>(273,623)</u>
	<u>\$ 65,923</u>	<u>\$ 249,136</u>	<u>\$ 315,059</u>
Nine months ended September 30, 2015			
Opening net book amount	\$ 65,923	\$ 249,136	\$ 315,059
Reclassifications	-	1,711	1,711
Depreciation charge	-	(17,638)	(17,638)
Net exchange differences	<u>-</u>	<u>4,758</u>	<u>4,758</u>
Closing net book amount	<u>\$ 65,923</u>	<u>\$ 237,967</u>	<u>\$ 303,890</u>
At September 30, 2015			
Cost	\$ 65,923	\$ 561,303	\$ 627,226
Accumulated depreciation and impairment	<u>-</u>	<u>(323,336)</u>	<u>(323,336)</u>
	<u>\$ 65,923</u>	<u>\$ 237,967</u>	<u>\$ 303,890</u>

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

	Three months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Rental income from the lease of the investment property	\$ <u>8,759</u>	\$ <u>8,920</u>	\$ <u>279</u>
Direct operating expenses arising from the investment property that generated rental income in the period	\$ <u>5,774</u>	\$ <u>5,885</u>	\$ <u>184</u>

	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Rental income from the lease of the investment property	\$ <u>26,722</u>	\$ <u>27,895</u>	\$ <u>852</u>
Direct operating expenses arising from the investment property that generated rental income in the period	\$ <u>17,699</u>	\$ <u>17,638</u>	\$ <u>564</u>

- 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 September 30, 2016, December 31, 2015 and September 30, 2015 was \$795,769, \$712,814 and \$725,487, respectively, which was evaluated based on the market prices of similar real estate in the areas nearby. Market prices on September 30, 2016 and 2015 did not change significantly.
- C. There was no impairment loss on investment property.
- D. The investment property was not pledged to others as collaterals.

(11) Intangible assets

	Trademark Rights	Goodwill	Others	Total
	New Taiwan Dollars			
At January 1, 2016				
Cost	\$ 54,270	\$ 2,698,516	\$ 159,959	\$ 2,912,745
Accumulated amortisation and impairment	-	-	(80,485)	(80,485)
	<u>\$ 54,270</u>	<u>\$ 2,698,516</u>	<u>\$ 79,474</u>	<u>\$ 2,832,260</u>
Nine months ended September 30, 2016				
Opening net book amount	\$ 54,270	\$ 2,698,516	\$ 79,474	\$ 2,832,260
Additions	-	-	54,029	54,029
Disposals	-	-	(237)	(237)
Amortisation charge	-	-	(45,432)	(45,432)
Reclassifications	-	(49,543)	-	(49,543)
Net exchange differences	(2,422)	(84,992)	(1,182)	(88,596)
Closing net book amount	<u>\$ 51,848</u>	<u>\$ 2,563,981</u>	<u>\$ 86,652</u>	<u>\$ 2,702,481</u>
At September 30, 2016				
Cost	\$ 51,848	\$ 2,563,981	\$ 191,004	\$ 2,806,833
Accumulated amortisation and impairment	-	-	(104,352)	(104,352)
	<u>\$ 51,848</u>	<u>\$ 2,563,981</u>	<u>\$ 86,652</u>	<u>\$ 2,702,481</u>
US Dollars				
At September 30, 2016				
Cost	\$ 1,653	\$ 81,760	\$ 6,091	\$ 89,504
Accumulated amortisation and impairment	-	-	(3,328)	(3,328)
	<u>\$ 1,653</u>	<u>\$ 81,760</u>	<u>\$ 2,763</u>	<u>\$ 86,176</u>
	Trademark Rights	Goodwill	Others	Total
	New Taiwan Dollars			
At January 1, 2015				
Cost	\$ 52,327	\$ 2,698,180	\$ 187,678	\$ 2,938,185
Accumulated amortization and impairment	-	-	(127,208)	(127,208)
	<u>\$ 52,327</u>	<u>\$ 2,698,180</u>	<u>\$ 60,470</u>	<u>\$ 2,810,977</u>
Nine months ended September 30, 2015				
Opening net book amount	\$ 52,327	\$ 2,698,180	\$ 60,470	\$ 2,810,977
Additions	-	-	52,120	52,120
Disposals	-	-	(113)	(113)
Amortisation charge	-	-	(37,087)	(37,087)
Reclassifications	-	-	-	-
Net exchange differences	2,017	82,418	452	84,887
Closing net book amount	<u>\$ 54,344</u>	<u>\$ 2,780,598</u>	<u>\$ 75,842</u>	<u>\$ 2,910,784</u>
At September 30, 2015				
Cost	\$ 54,344	\$ 2,780,598	\$ 187,631	\$ 3,022,573
Accumulated amortisation and impairment	-	-	(111,789)	(111,789)
	<u>\$ 54,344</u>	<u>\$ 2,780,598</u>	<u>\$ 75,842</u>	<u>\$ 2,910,784</u>

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

	September 30, 2016			December 31, 2015		
	Retail of computer, communication and consumer electronics	Memory module	Others	Retail of computer, communication and consumer electronics	Memory module	Others
	New Taiwan Dollars					
Taiwan	\$ -	\$ 419,858	\$ -	\$ -	\$ 419,858	\$ -
Hong Kong	2,132,515	-	-	2,217,507	-	-
All other segments	-	-	11,608	49,543	-	11,608
	<u>\$ 2,132,515</u>	<u>\$ 419,858</u>	<u>\$ 11,608</u>	<u>\$ 2,267,050</u>	<u>\$ 419,858</u>	<u>\$ 11,608</u>

	September 30, 2015			September 30, 2016		
	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		
Taiwan	\$ -	\$ 419,858	\$ -	\$ -	\$ 13,388	\$ -
Hong Kong	2,220,547	-	-	68,001	-	-
All other segments	128,585	-	11,608	-	-	370
	<u>\$ 2,349,132</u>	<u>\$ 419,858</u>	<u>\$ 11,608</u>	<u>\$ 68,001</u>	<u>\$ 13,388</u>	<u>\$ 370</u>

B. Goodwill and trademarks with indefinite useful life are allocated to Power Quotient International 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. The recoverable amount based on value-in-use calculation is greater than the carrying amount, thus, trademarks 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 nine months ended September 30, 2016 and 2015.

- C. The Group assesses recoverable amount based on value-in-use and 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. As Ashop Co., Ltd. continued to generate losses, the Group has accrued impairment loss of \$79,042 for the existing objective evidence of impairment on December 31, 2015.
- E. The intangible assets were not pledged to others as collaterals.

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

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>September 30, 2016</u>
		New Taiwan Dollars		US Dollars
Land use right	<u>\$ 979,374</u>	<u>\$ 1,083,312</u>	<u>\$ 855,967</u>	<u>\$ 31,230</u>

- A. On December 14, 2015, the Group signed a land use right contract amounting to \$267,272 with the People's Government of MaAnShan with a term of 50 years.
- B. Mainly consisting of land access right, the Group signed land access rights contracts for the use of land in Mainland China. All rentals had been paid on the contract date. The Group recognised rental expenses of \$6,082 and \$5,133 for the three months ended September 30, 2016 and 2015 and \$18,891 and \$15,250 for the nine months ended September 30, 2016 and 2015, respectively.

(13) Short-term borrowings

<u>Type of borrowings</u>	<u>September 30, 2016</u>		<u>Interest rate range</u>	<u>Collateral</u>
	<u>New Taiwan Dollars</u>	<u>US Dollars</u>		
Bank borrowings				
Credit borrowings	<u>\$ 12,884,267</u>	<u>\$ 410,850</u>	1%~5%	-
<u>Type of borrowings</u>	<u>December 31, 2015</u>		<u>Interest rate range</u>	<u>Collateral</u>
	<u>New Taiwan Dollars</u>			
Bank borrowings				
Credit borrowings	<u>\$ 11,137,953</u>		0.905%~6%	-
<u>Type of borrowings</u>	<u>September 30, 2015</u>		<u>Interest rate range</u>	<u>Collateral</u>
	<u>New Taiwan Dollars</u>			
Bank borrowings				
Credit borrowings	<u>\$ 12,390,175</u>		0.92%~6%	-

(14) Other payables

	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016
	New Taiwan Dollars			US Dollars
Payables on salary and bonus	\$ 1,415,874	\$ 1,618,540	\$ 1,970,328	\$ 45,149
Employees' bonus and supervisors' and directors' remuneration payable	80,548	155,741	132,752	2,568
Payables on equipment	1,311,085	1,812,658	1,408,428	41,808
Others	2,816,024	3,068,023	2,480,358	89,797
	<u>\$ 5,623,531</u>	<u>\$ 6,654,962</u>	<u>\$ 5,991,866</u>	<u>\$ 179,322</u>

(15) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	September 30, 2016	Unused credit line	September 30, 2016
				New Taiwan dollars		US dollars
Long-term loan borrowings						
Bank credit borrowing	The amount of NTD 573,828 thousand, is payable in installments starting from August 2013 to June 2020	1.48%~2.32%	\$ 385,000	\$ 573,828	\$ 12,277	\$ 18,298
Bank secured borrowings	The amount of NTD 58,367 thousand is payable in installments starting from July 2014 to July 2024.	1.85%~1.97%	80,000	58,367	2,551	1,861
Medium-term and long-term syndicated loans	The amount of NTD 6,600,000 thousand is payable in installments from March 2013 to March 2018. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.58%	1,400,000	6,600,000	44,643	210,459
Less: Current portion				7,232,195		230,618
				(198,082)		(6,316)
				<u>\$ 7,034,113</u>		<u>\$ 224,302</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	December 31, 2015
New Taiwan dollars				
Long-term loan borrowings				
Bank credit borrowing	The amount of NTD 614,409 thousand is payable in installments starting from January 2013 to June 2020.	1.7%~2.55%	\$ 325,000	\$ 614,409
Bank secured borrowings	The amount of NTD 112,190 thousand is payable in installments starting from July 2014 to July 2024.	1.97%~2.07%	80,000	112,190
Medium-term and long-term syndicated loans	The amount of NTD 6,600,000 thousand is payable in installments from March 2013 to March 2018. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.58%	1,400,000	<u>6,600,000</u>
				7,326,599
Less: Current portion				(<u>136,385</u>)
				<u>\$ 7,190,214</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	September 30, 2015
New Taiwan dollars				
Long-term borrowings				
Bank credit borrowing	The amount of NTD 655,490 thousand is payable in installments starting from January 2013 to June 2020.	1.75%~2.5%	\$ 325,000	\$ 655,490
Bank secured borrowings	The amount of NTD 88,831 thousand is payable in installments starting from July 2014 to July 2024.	2.1% ~2.8%	-	88,831
Medium-term and long-term syndicated loans	The amount of NTD 6,600,000 thousand is payable in installments from March 2013 to March 2018. The company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.60%~1.61%	1,400,000	<u>6,600,000</u>
				7,344,321
Less: Current portion				(<u>110,588</u>)
				<u>\$ 7,233,733</u>

A.

In September 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 and extended to 5 years in September 2015.
- 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 thousand 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 semi-annual consolidated and annual 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\$15,000,000,000
- 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.

(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 and its domestic subsidiaries 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. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company and its domestic subsidiaries will make contributions to cover the deficit by next March.
- b) The pension costs under the abovementioned defined contribution plan for the three months and nine months ended September 30, 2016 and 2015 were \$1,845, \$3,174, \$5,538 and \$9,442, respectively.
- c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2017 amounts to \$35,000.

- 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 and its domestic subsidiaries 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) The Company’s Mainland China subsidiaries and other foreign subsidiaries have a funded defined contribution plan. Monthly contributions are based on the employees’ monthly salaries (the contribution ratio for the nine months ended September 30, 2016 and 2015 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.
- c) The pension costs under the abovementioned defined contribution pension plan for the three months and nine months ended September 30, 2016 and 2015 were \$220,116, \$279,234, \$643,526 and \$682,741, respectively.

(17) Share capital

As of September 30, 2016, the Company’s authorized common stock was \$7,000,000 (including 50,000,000 shares reserved for the issuance of employees’ warrants), and the issued and outstanding shares were both 512,326,940 shares, with a par value of \$10 (in dollars) per share. The number of the Company’s ordinary shares outstanding at January 1 and September 30, 2016 was the same.

(18) 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 transactions	Difference between proceeds from disposal of subsidiary and book value	Changes in ownership interests in subsidiaries	Change in net equity of associates accounted for under the equity method	Total
At January 1, 2016	\$ 9,337,850	\$ 3,065	\$ 7,124	\$ 3,234	\$ 56,702	\$ 9,407,975
Adjustments due to not participating in the capital increase of investees proportionately	-	-	-	-	(4,776)	(4,776)
At September 30, 2016	<u>\$ 9,337,850</u>	<u>\$ 3,065</u>	<u>\$ 7,124</u>	<u>\$ 3,234</u>	<u>\$ 51,926</u>	<u>\$ 9,403,199</u>

	Share premium	Treasury share transactions	Difference between proceeds from disposal of subsidiary and book value	Changes in ownership interests in subsidiaries	Change in net equity of associates accounted for under the equity method	Total
At January 1, 2015	\$ 9,337,850	\$ 3,065	\$ 7,124	\$ 3,281	\$ 68,182	\$ 9,419,502
Adjustments due to not participating in the capital increase of investees proportionately	-	-	-	(244)	(1,657)	(1,901)
At September 30, 2015	<u>\$ 9,337,850</u>	<u>\$ 3,065</u>	<u>\$ 7,124</u>	<u>\$ 3,037</u>	<u>\$ 66,525</u>	<u>\$ 9,417,601</u>

(19) 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 three months' operating losses and then 10% of the remaining amount shall be set aside as legal reserve. The appropriation of remainder shall be proposed by the Board of Directors and be resolved by the shareholders.
- B. According to the Company's Articles of Incorporation, no more than 90% of the distributable retained earnings shall be distributed as stockholders' bonus and cash dividend distributed in any calendar year shall be at least 20% of the total distributable earnings in that year based on future capital expenditures budget and capital requirements.
- 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. The Company recognised dividends distributed to owners both amounting to \$1,024,654 for the nine months ended September 30, 2016 and 2015. Details of the appropriation of 2015's and 2014's net income which was resolved at the stockholders' meeting on June 8, 2016 and June 10, 2015 are as follows:

	Year ended December 31, 2015		Year ended December 31, 2014	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	\$ 165,003	\$ -	\$ 178,579	\$ -
Cash dividend	<u>1,024,654</u>	<u>2.0</u>	<u>1,024,654</u>	<u>2.0</u>
Total	<u>\$ 1,189,657</u>	<u>\$ 2.0</u>	<u>\$ 1,203,233</u>	<u>\$ 2.0</u>

- F. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(25).

(20) Other equity items

	Available-for-sale investments	Currency translation differences	Total
	At January 1, 2016	\$ 1,269,210	\$ 719,081
Valuation adjustment of available-for-sale investments	(614,113)	-	(614,113)
Currency translation differences:			
Group	-	(1,124,643)	(1,124,643)
Associates	-	(89,973)	(89,973)
At September 30, 2016 (New Taiwan dollars)	<u>\$ 655,097</u>	<u>\$ 495,535</u>	<u>\$ 159,562</u>
At September 30, 2016 (US Dollars)	<u>\$ 20,890</u>	<u>(\$ 15,801)</u>	<u>\$ 5,088</u>
	Available-for-sale investments	Currency translation differences	Total
At January 1, 2015	\$ 1,245,345	\$ 1,123,014	\$ 2,368,359
Valuation adjustment of available-for-sale investments	(100,498)	-	(100,498)
Currency translation differences:			
Group	-	235,847	235,847
Associates	-	16,996	16,996
At September 30, 2015 (New Taiwan dollars)	<u>\$ 1,144,847</u>	<u>\$ 1,375,857</u>	<u>\$ 2,520,704</u>

(21) Other income

	Three months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Rental revenue	\$ 8,759	\$ 8,920	\$ 279
Interest income	17,845	13,650	569
Management service income	1,500	1,896	48
Others	102,307	18,709	3,262
	<u>130,411</u>	<u>\$ 43,175</u>	<u>4,159</u>

	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Rental revenue	\$ 26,722	\$ 27,895	\$ 852
Interest income	69,822	69,679	2,226
Management service income	4,500	8,430	143
Others	154,188	130,398	4,917
	<u>\$ 255,232</u>	<u>\$ 236,402</u>	<u>\$ 8,139</u>

(22) Other gains and losses

	Three months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Net currency exchange gains (losses)	(\$ 183,475)	\$ 289,493	(\$ 5,851)
Loss on disposal of property, plant and equipment	(5,215)	(14,125)	(166)
Gain (loss) on disposal of investments	(11,719)	344	(374)
Others	(28,514)	50,778	(909)
	<u>(\$ 228,923)</u>	<u>\$ 326,490</u>	<u>(\$ 7,300)</u>

	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Net currency exchange gains	(\$ 40,819)	\$ 353,307	(\$ 1,302)
Loss on disposal of property, plant and equipment	(15,407)	(36,241)	(491)
Gain on disposal of investments	689,445	1,322,871	21,985
Others	(19,611)	5,626	(625)
	<u>\$ 613,608</u>	<u>\$ 1,645,563</u>	<u>\$ 19,567</u>

(23) Finance costs

	Three months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Interest expense:			
Bank borrowings	\$ 93,886	\$ 72,219	\$ 2,994

	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Interest expense:			
Bank borrowings	\$ 275,869	\$ 218,618	\$ 8,797

(24) Expenses by nature

	Three months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Employee benefit expense	\$ 3,994,255	\$ 5,015,638	\$ 127,368
Depreciation charges on property, plant and equipment and investment property	761,885	848,100	24,295
Amortisation charges on intangible assets	23,924	16,073	763
Transportation expenses	238,671	260,513	7,611
Advertising costs	92,005	36,850	2,934
Operating lease payments	256,721	328,553	8,186
Manufacture costs and operating expenses	\$ 5,367,461	\$ 6,505,727	\$ 171,156

	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Employee benefit expense	\$ 10,421,287	\$ 11,975,210	\$ 332,311
Depreciation charges on property, plant and equipment and investment property	2,722,851	2,525,402	86,826
Amortisation charges on intangible assets	64,323	52,337	2,051
Transportation expenses	577,118	659,828	18,403
Advertising costs	161,863	186,224	5,161
Operating lease payments	674,421	755,174	21,506
Manufacture costs and operating expenses	\$ 14,621,863	\$ 16,154,175	\$ 466,258

(25) Employee benefit expense

	Three months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Wages and salaries	\$ 3,575,492	\$ 4,462,345	\$ 114,014
Labour and health insurance fees	110,975	186,403	3,539
Pension costs	221,961	282,408	7,078
Other personnel expenses	85,827	84,482	2,737
	<u>\$ 3,994,255</u>	<u>\$ 5,015,638</u>	<u>\$ 127,368</u>

	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Wages and salaries	\$ 9,161,680	\$ 10,646,067	\$ 292,145
Labour and health insurance fees	377,664	416,613	12,043
Pension costs	649,064	692,183	20,697
Other personnel expenses	232,879	220,347	7,426
	<u>\$ 10,421,287</u>	<u>\$ 11,975,210</u>	<u>\$ 332,311</u>

A. According to the Articles of Incorporation of the Company, when distributing earnings, the Company shall distribute compensation to the employees and pay remuneration to the directors and supervisors that account for 6% and 3%, respectively, of the total distributed amount.

B. For the three months and nine months ended September 30, 2016 and 2015, employees' compensation (bonus) was accrued at \$13,564, \$73,400, \$20,487 and \$100,799, respectively; directors' and supervisors' remuneration was accrued at \$1,443, \$918, \$1,707 and \$1,260, respectively. The aforementioned amounts were recognised in salary expenses. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current year for the nine months ended September 30, 2016 and the proportion of employees' compensation and directors' and supervisors remuneration distributed in prior years as well as the percentage as prescribed by the Company's Articles of Incorporation.

Employees' compensation and directors' and supervisors' remuneration of 2015 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2015 financial statements.

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

(26) Income tax

A. Income tax expense

a) Components of income tax expense:

	<u>Three months ended September 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
Current tax:			
Tax payable incurred in current period	\$ 68,193	\$ 183,077	\$ 2,175
Tax on unappropriated surplus earnings	-	-	-
Adjustments in respect of prior years	<u>11,459</u>	<u>180</u>	<u>365</u>
Total current tax	<u>79,652</u>	<u>183,257</u>	<u>2,540</u>
Deferred tax:			
Origination and reversal of temporary differences	(<u>36,457</u>)	<u>88,868</u>	(<u>1,163</u>)
Income tax expense	<u>\$ 43,195</u>	<u>\$ 272,125</u>	<u>\$ 1,377</u>

	<u>Nine months ended September 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
Current tax:			
Tax payable incurred in current period	\$ 326,929	\$ 669,018	\$ 10,425
Tax on unappropriated surplus earnings	42,817	69,287	1,365
Adjustments in respect of prior years	(<u>38,960</u>)	<u>40,333</u>	(<u>1,242</u>)
Total current tax	<u>330,786</u>	<u>778,638</u>	<u>10,548</u>
Deferred tax:			
Origination and reversal of temporary differences	(<u>81,319</u>)	<u>130,919</u>	(<u>2,593</u>)
Income tax expense	<u>\$ 249,467</u>	<u>\$ 909,557</u>	<u>\$ 7,955</u>

b) The income tax relating to components of other comprehensive income is as follows:

	<u>Three months ended September 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
Currency translation differences	(\$ 128,684)	(\$ 201,378)	(\$ 4,103)
Fair value gains/losses on available-for-sale financial assets	<u>19,773</u>	<u>48,479</u>	<u>631</u>
	<u>(\$ 108,911)</u>	<u>(\$ 152,899)</u>	<u>(\$ 3,473)</u>

	<u>Nine months ended September 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
Currency translation differences	(\$ 248,777)	(\$ 156,289)	(\$ 7,933)
Fair value gains/losses on available-for-sale financial assets	(<u>191,351</u>)	<u>15,327</u>	(<u>6,102</u>)
	<u>(\$ 440,128)</u>	<u>(\$ 140,962)</u>	<u>(\$ 14,035)</u>

B. The latest 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:

	<u>Status of Assessment</u>
Dart, Studio A	Assessed and approved up to 2013
The Company, FUII, Zhi De Investment, PQI, Va Product Inc., FII, WCT, Shinfox, Du Precision, PROCONN, VT	Assessed and approved up to 2014

C. Unappropriated retained earnings:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>September 30, 2016</u>
	<u>New Taiwan Dollars</u>			<u>US Dollars</u>
Earnings generated in and before 1998	<u>\$ 5,336,697</u>	<u>\$ 6,277,731</u>	<u>\$ 6,049,093</u>	<u>\$ 170,175</u>

D. As of September 30, 2016, December 31, 2015 and September 30, 2015, the balance of the imputation tax credit account was \$850,031, \$837,305 and \$830,769, respectively. The creditable tax rate was 17.45% for the year ended December 31, 2014 and is estimated to be 15.05% for the year ended December 31, 2015.

(27) Earnings per share

Three months ended September 30, 2016					
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	
<u>Basic earnings per share</u>					
Profit attributable to ordinary shareholders of the parent					
\$ 231,005	\$ 7,366	512,327	\$ 0.45	\$ 0.01	
<u>Diluted earnings per share</u>					
Profit attributable to ordinary shareholders of the parent					
\$ 231,005	\$ 7,366	512,327			
Assumed conversion of all dilutive potential ordinary shares					
Employees' bonus					
-	-	347			
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares					
\$ 231,005	\$ 7,366	512,674	\$ 0.45	\$ 0.01	
Three months ended September 30, 2015					
Amount after tax		Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)		
New Taiwan Dollars					
<u>Basic earnings per share</u>					
Profit attributable to ordinary shareholders of the parent					
\$ 1,024,600		512,327	\$ 2.00		
<u>Diluted earnings per share</u>					
Profit attributable to ordinary shareholders of the parent					
\$ 1,024,600		512,327			
Assumed conversion of all dilutive potential ordinary shares					
Employees' bonus					
-		1,691			
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares					
\$ 1,024,600		514,018	\$ 1.99		

Nine months ended September 30, 2016

	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	
				Dollars	US Dollars
<u>Basic earnings per share</u>					
Profit attributable to ordinary shareholders of the parent	\$ 265,555	\$ 8,468	512,327	\$ 0.52	\$ 0.02
<u>Diluted earnings per share</u>					
Profit attributable to ordinary shareholders of the parent	\$ 265,555	\$ 8,468	512,327		
Assumed conversion of all dilutive potential ordinary shares					
Employees' bonus	-	-	525		
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 265,555	\$ 8,468	512,852	\$ 0.52	\$ 0.02

Nine months ended September 30, 2015

	Amount after tax		Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)	
	New Taiwan Dollars			New Taiwan Dollars	
				Dollars	US Dollars
<u>Basic earnings per share</u>					
Profit attributable to ordinary shareholders of the parent	\$ 1,399,990		512,327	\$ 2.73	
<u>Diluted earnings per share</u>					
Profit attributable to ordinary shareholders of the parent	\$ 1,399,990		512,327		
Assumed conversion of all dilutive potential ordinary shares					
Employees' bonus	-		2,322		
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 1,399,990		514,649	\$ 2.72	

(28) 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 \$250,697, \$328,553, \$656,220 and \$755,174 and contingent rents of \$6,024, \$6,445, \$18,201 and \$26,291 for these leases in profit or loss for the three months and nine months ended September 30, 2016 and 2015, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>	<u>September 30, 2015</u>	<u>September 30, 2016</u>
	<u>New Taiwan Dollars</u>			<u>US Dollars</u>
No later than one year	\$ 264,491	\$ 228,345	\$ 331,714	\$ 8,434
Later than one year but not later than five years	<u>162,295</u>	<u>258,733</u>	<u>263,947</u>	<u>5,175</u>
	<u>\$ 426,786</u>	<u>\$ 487,078</u>	<u>\$ 595,661</u>	<u>\$ 13,609</u>

(29) Supplemental cash flow information

Investment activities with partial cash payments:

	<u>Nine months ended September 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
Purchase of property, plant and equipment	\$ 2,509,842	\$ 4,209,171	\$ 80,033
Add: opening balance of payable on equipment	1,812,658	1,127,648	57,802
Less: ending balance of payable on equipment	(1,311,085)	(1,408,428)	(41,808)
Cash paid during the period	<u>\$ 3,011,415</u>	<u>\$ 3,928,391</u>	<u>\$ 96,027</u>

7. RELATED PARTY TRANSACTIONS

(1) Significant transactions and balances with related parties

A. Operating revenue

	<u>Three months ended September 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
Sales of goods:			
-Associates	<u>\$ 800,552</u>	<u>\$ 407,303</u>	<u>\$ 25,528</u>

	<u>Nine months ended September 30,</u>		
	<u>2016</u>	<u>2015</u>	<u>2016</u>
	<u>New Taiwan Dollars</u>		<u>US Dollars</u>
Sales of goods:			
-Associates	<u>\$ 1,871,878</u>	<u>\$ 976,992</u>	<u>\$ 59,690</u>

All the credit terms on sales to related parties were 120 to 180 days after monthly billings. The credit terms on sales to third parties were 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

	Three months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Purchases of goods:			
-Associates	\$ 408,690	\$ 619,831	\$ 13,032

	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Purchases of goods:			
-Associates	\$ 1,196,363	\$ 1,285,954	\$ 38,149

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

C. Receivables from related parties

	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016
	New Taiwan Dollars			US Dollars
Accounts receivable:				
Associates	\$ 1,127,302	\$ 775,771	\$ 609,007	\$ 35,947
Other receivables :				
-Associates				
Financing	\$ 523,914	\$ 582,243	\$ 598,540	\$ 16,706
Others	29,310	105,599	69,393	935
	\$ 553,224	\$ 687,842	\$ 667,933	\$ 17,641

D. Payables from related parties

	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016
	New Taiwan Dollars			US Dollars
Accounts payable:				
-Associates	\$ 501,931	\$ 646,217	\$ 646,808	\$ 16,005

E. Loans to related parties:

a) Receivables from related parties

	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016
	New Taiwan Dollars			US Dollars
Associates	\$ 523,914	\$ 582,243	\$ 598,540	\$ 16,706

b) Interest income

	Three months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Associates	\$ 7,832	\$ 8,370	\$ 250

	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Associates	\$ 21,558	\$ 24,285	\$ 687

The loans to associates are repayable according to the contract's repayment schedule and carry interest at both 6.5% per annum for the years 2016 and 2015.

(2) Key management compensation

	Three months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Salaries and other short-term employee benefits	\$ 17,592	\$ 25,126	\$ 561
Post-employment benefits	393	327	13
Total	\$ 17,985	\$ 25,453	\$ 574

	Nine months ended September 30,		
	2016	2015	2016
	New Taiwan Dollars		US Dollars
Salaries and other short-term employee benefits	\$ 42,371	\$ 53,561	\$ 1,351
Post-employment benefits	1,149	968	37
Total	\$ 43,520	\$ 54,529	\$ 1,388

8. PLEDGED ASSETS

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

Pledged assets	Book value			Pledged purpose
	September 30, 2016	December 31, 2015	September 30, 2015	
Restricted assets-current (Shown as other current assets)	\$ 373,681 (US\$ 11,916)	\$ 206,954 (US\$ 6,599)	\$ 322,753	Customs deposit, guarantee for L/C issued for purchases of materials and government grants
Other receivables	- (US\$ -)	- (US\$ -)	17,246	Sale of accounts receivable retention money
Refundable deposits (Shown as other non-current assets)	187,392 (US\$ 5,976)	205,141 (US\$ 6,541)	478,376	Customs deposit and plant deposit
Other assets-other (Shown as other non-current assets)	12,706 (US\$ 405)	16,310 (US\$ 520)	2,500	Litigation deposit and collaterals for long-term borrowings
	<u>\$ 573,779</u>	<u>\$ 428,405</u>	<u>\$ 820,875</u>	

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:

	September 30, 2016	December 31, 2015	September 30, 2015	September 30, 2016
	New Taiwan Dollars		US Dollars	
Property, plant and equipment	<u>\$ 738,526</u>	<u>\$ 1,174,779</u>	<u>\$ 1,638,615</u>	<u>\$ 23,550</u>

(2) On December 16, 2011, PQI was informed by its US 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 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 subsidiary of PQI has the credit right to the employee on this event. However, based on conservatism principle, the US 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 subsidiary of PQI filed a lawsuit against its client-Private Label Pc, Inc. (PLPC), seeking compensation. PLPC also filed a counterclaim against the Company, US

subsidiary and HK subsidiary of PQI, seeking compensation of US\$3,224 thousand. The US indirect subsidiary has reached an out-of-court settlement with certain defendants and collected compensation of US\$950 thousand and US\$400 thousand in March and September 2015, respectively. On October 7, 2015, PLPC withdrew the claim against the Hong Kong subsidiary. On July 25, 2016, PQI and PLPC reached a settlement in the abovementioned lawsuit. PQI was not required to pay the payments for settlement. The settlement amount was not required to be disclosed as both companies have signed the confidentiality agreement. Both parties have withdrawn complaint on August 12.

- (3) Ashop Co. Ltd. is considered a subsidiary of Studio A Inc.. Ashop Co., Ltd. consults and requests the Company to provide capital of US\$7,000 thousand at the maximum and guarantee for material purchases from Apple of US\$5,000 thousand at the maximum. As of September 30, 2016, Ashop Co., Ltd. has received the loan granted by the Company that amounted to US\$7,000 thousand. If there is any loss on the loan and the endorsement, Studio A Inc. has joint and several liability and the maximum amount of compensation is US\$12,000 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

For the further development of company business, the Board of directors of Power Quotient Technology (Suzhou) Co., Ltd. has resolved to establish Jiangsu Foxlink New Energy Technology Co., Ltd., the investment amount is RMB\$ 100,000 thousand.

12. OTHERS

(1) Capital 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 the Group's financial instruments not measured at fair value (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):

	September 30, 2016			
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
	New Taiwan Dollars		US Dollars	
Financial assets:				
Financial assets measured at cost	<u>\$ 665,062</u>	<u>\$ -</u>	<u>\$ 21,207</u>	<u>\$ -</u>
Financial liabilities:				
Long-term borrowings (including current portion)	<u>\$ 7,232,195</u>	<u>\$ 7,011,694</u>	<u>\$ 230,618</u>	<u>\$ 223,587</u>
	December 31, 2015		September 30, 2015	
	<u>Book value</u>	<u>Fair value</u>	<u>Book value</u>	<u>Fair value</u>
	New Taiwan Dollars		New Taiwan Dollars	
Financial assets:				
Financial assets measured at cost	<u>\$ 670,846</u>	<u>\$ -</u>	<u>\$ 600,363</u>	<u>\$ -</u>
Financial liabilities:				
Long-term borrowings (including current portion)	<u>\$ 7,326,599</u>	<u>\$ 6,998,565</u>	<u>\$ 7,344,321</u>	<u>\$ 7,008,477</u>

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.
- 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

- i. 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. However, the positions and collection and payment periods of assets and liabilities denominated in foreign currencies are approximately the same and the assets and liabilities have offsetting positions in market risks. 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.
- ii. 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:

	September 30, 2016		
	Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 494,560	31.36	\$ 15,509,400
RMB : NTD	5,134	4.69	24,095
HKD : NTD	9,461	4.04	38,202
JPY : NTD	364,219	0.31	113,236
USD : HKD	4,682	7.75	146,828
RMB : HKD	5,584	1.16	26,206
USD : RMB	31,387	6.64	984,296
<u>Non-monetary items</u>			
RMB : HKD	\$ 77,147	1.16	\$ 362,050
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 246,194	31.36	\$ 7,720,646
HKD : NTD	3,369	4.04	13,623
JPY : NTD	125,945	0.31	39,156
USD : HKD	28,707	7.75	900,252
RMB : HKD	37,558	1.16	176,260
USD : RMB	337,181	6.64	2,377,339

December 31, 2015

	Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 484,534	32.83	\$ 15,907,264
RMB : NTD	9,224	5.00	46,121
HKD : NTD	8,726	4.24	36,998
JPY : NTD	864,462	0.27	233,405
USD : HKD	10,171	7.75	333,914
RMB : HKD	6,453	1.18	32,265
USD : RMB	9,447	6.49	310,145
<u>Non-monetary items</u>			
RMB : HKD	\$ 63,544	1.18	\$ 317,722
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 416,062	32.83	\$ 13,659,328
HKD : NTD	7,149	4.24	30,313
JPY : NTD	662,718	0.27	178,934
USD : HKD	28,693	7.75	941,991
RMB : HKD	51,438	1.18	257,190
USD : RMB	60,303	6.49	1,979,747

September 30, 2015			
	Foreign currency		
	(in thousands)	Exchange rate	
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 560,491	32.87	\$ 18,423,347
RMB : NTD	10,957	5.18	56,763
HKD : NTD	10,671	4.24	45,244
JPY : NTD	624,221	0.27	168,540
USD : HKD	9,562	7.75	314,303
RMB : HKD	8,989	1.22	46,563
USD : RMB	30,706	6.36	1,009,306
<u>Non-monetary items</u>			
RMB : HKD	\$ 67,422	1.22	\$ 349,505
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 572,354	32.87	\$ 18,813,261
HKD : NTD	2,825	4.24	11,977
JPY : NTD	198,469	0.27	53,587
USD : HKD	27,119	7.75	891,402
RMB : HKD	52,088	1.22	269,816
USD : RMB	83,550	6.36	2,746,289

- iii. The total exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months and nine months ended September 30, 2016 and 2015 amounted to (\$183,475), \$289,493, (\$40,819) and \$353,307, respectively.
- iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Cheng Uei Precision Industry Co., Ltd.

Loans to others

Nine months ended September 30, 2016

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine months ended September 30, 2016	Balance at September 30, 2016	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)	Footnote
													Item	Value			
0	Cheng Uei Precision Industry Co., Ltd.	Fu Gang Electronics (Tian Jin) Ltd.	Other receivables-related parties	Yes	\$ 500,000	\$ -	\$ -	-	2	\$ -	Operations	\$ -	-	\$ -	\$ 4,643,536	\$ 9,287,071	
0	Cheng Uei Precision Industry Co., Ltd.	Suntain Co., Ltd. (Suntain)	"	"	100,000	-	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
0	Cheng Uei Precision Industry Co., Ltd.	Foxlink Electronics (Tian Jin) Ltd.	"	"	200,000	-	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
0	Cheng Uei Precision Industry Co., Ltd.	Kuenshan Fugang Electronics Trading Co., Ltd	"	"	50,850	-	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., LTD.	"	"	328,250	219,520	219,520	2	2	-	"	-	-	-	4,643,536	9,287,071	
0	Cheng Uei Precision Industry Co., Ltd.	Microlink Communications Inc.	"	"	85,000	-	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
0	Cheng Uei Precision Industry Co., Ltd.	Proconn Technology Co., Ltd.	"	"	87,884	-	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
1	CU INTERNATIONAL LTD.	Fu Gang Electronics (Kun Shan) Ltd.	"	"	100,000	-	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
1	CU INTERNATIONAL LTD.	Kuenshan Fushijing Electronics Co., Ltd.	"	"	200,000	-	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
2	Fu Gang Electronics (Kuen Shan) Ltd.	Kuenshan Fugang Electronics Trading Co., Ltd.	"	"	149,850	117,325	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
2	Fu Gang Electronics (Kuen Shan) Ltd.	Sharetronic Data Technology Co., LTD.	"	"	969,000	469,300	459,914	6.5	2	-	"	-	-	-	4,643,536	9,287,071	
2	Fu Gang Electronics (Kuen Shan) Ltd.	Fu Qiang(Yancheng) Co., Ltd.	"	"	50,850	46,930	37,544	-	2	-	"	-	-	-	4,643,536	9,287,071	
2	Fu Gang Electronics (Kuen Shan) Ltd.	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	"	"	12,204	11,263	11,263	-	2	-	"	-	-	-	4,643,536	9,287,071	
3	Proconn Technology Co., Ltd.	BYFORD INTERNATIONAL LTD.	"	"	56,412	53,221	53,221	-	2	-	"	-	-	-	4,643,536	9,287,071	

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine months ended September 30, 2016	Balance at September 30, 2016	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)	Footnote
													Item	Value			
3	Proconn Technology Co., Ltd.	MEDIA UNIVERSE INC.	Other receivables-related parties	Yes	\$ 274,557	\$ 259,029	\$ 259,029	-	2	\$ -	Operations	\$ -	-	-	\$ 4,643,536	\$ 9,287,071	
4	MEDIA UNIVERSE INC.	Proconn Technology (Suzhou) Co., Ltd	"	"	371,456	350,447	350,447	-	2	-	"	-	-	-	4,643,536	9,287,071	
5	Studio A Inc.	Jing Sheng Technology Co., Ltd	"	"	100,000	100,000	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
5	Studio A Inc.	Jing Jing Technology Co., Ltd. (Jing Jing)	"	"	100,000	100,000	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
5	Studio A Inc.	Studio A Inc. (Hong Kong)	"	"	300,000	300,000	-	1.5	2	-	"	-	-	-	4,643,536	9,287,071	
5	Studio A Inc.	ASHOP CO., LTD.	"	"	62,720	62,720	34,496	2	2	-	"	-	-	-	4,643,536	9,287,071	
6	World Circuit Technology Co., Ltd.	World Circuit Technology (Hong Kong) Limited	"	"	33,350	-	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
6	World Circuit Technology Co., Ltd.	Shanghai World Circuit Technology Co., Ltd. (SWCT)	"	"	150,000	-	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
6	World Circuit Technology Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	"	"	222,000	71,000	71,000	-	2	-	"	-	-	-	4,643,536	9,287,071	
6	World Circuit Technology Co., Ltd.	Proconn Technology Co., Ltd.	"	"	87,000	87,000	87,000	-	2	-	"	-	-	-	4,643,536	9,287,071	
6	World Circuit Technology Co., Ltd.	Microlink Communications Inc.	"	"	64,000	64,000	64,000	-	2	-	"	-	-	-	4,643,536	9,287,071	
7	BYFORD INTERNATIONAL LTD.	Proconn Technology (Shenzhen) Co., Ltd.	"	"	177,274	166,198	166,198	-	2	-	"	-	-	-	4,643,536	9,287,071	
8	Jing Jing Technology Co., Ltd.	Studio A Inc.	"	"	100,000	100,000	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
8	Jing Jing Technology Co., Ltd.	Jing Sheng Technology Co., Ltd.	"	"	100,000	100,000	50,000	-	2	-	"	-	-	-	4,643,536	9,287,071	
9	Foxlink Electronics (Tian Jin) Ltd.	Fu Gang Electronics (Kun Shan) Ltd.	"	"	254,250	234,650	234,650	-	2	-	"	-	-	-	4,643,536	9,287,071	
10	Neosonic Energy Technology (Tianjin) Ltd.	Fu Gang Electronics (Tian Jin) Ltd.	"	"	200,858	185,374	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
10	Neosonic Energy Technology (Tianjin) Ltd.	Dong Guan Fu Qiang Electronics Ltd.	"	"	200,858	185,374	185,374	-	2	-	"	-	-	-	4,643,536	9,287,071	
11	Kuenshan Fugang Electronics Trading Co., Ltd.	Kunshan Fu Shi Yu Trading Co., Ltd.	"	"	50,850	46,930	21,119	-	2	-	"	-	-	-	4,643,536	9,287,071	

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine months ended September 30, 2016	Balance at September 30, 2016	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)	Footnote
													Item	Value			
12	FOXWELL ENERGY CORPORATION LTD.	Shinfox Corporation Ltd.	Other receivables-related parties	Yes	\$ 45,000	\$ 45,000	\$ 37,000	-	2	\$ -	Operations	\$ -	-	-	\$ 4,643,536	\$ 9,287,071	
13	Fu Uei International Investment Ltd.	Shinfox Corporation Ltd.	"	"	25,000	25,000	25,000	2.89	2	-	"	-	-	-	4,643,536	9,287,071	
14	FOXLINK TECHNOLOGY	Cheng Uei Precision Industry Co., Ltd.	"	"	830,415	780,864	749,504	-	2	-	"	-	-	-	4,643,536	9,287,071	
15	Fu Gang Electronics (Tian Jin) Ltd.	Fu Gang Electronics (Kun Shan) Ltd.	"	"	1,252,500	1,407,900	1,210,794	3	2	-	"	-	-	-	4,643,536	9,287,071	
15	Fu Gong Electronics (Tian Jin) Ltd.	Dong Guan Fu Qiang Electronics Ltd.	"	"	457,650	422,370	375,440	-	2	-	"	-	-	-	4,643,536	9,287,071	
16	Studio A Inc. (Hong Kong)	Kunshan Fugang Electronics Trading Co., Ltd.	"	"	203,400	187,720	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
17	Shinfox Corporation Ltd.	Classio Living Co., Ltd.	Other receivables	No	40,000	-	-	-	2	-	"	-	-	-	4,643,536	9,287,071	
18	APIX LIMITED	SINOCITY INDUSTRIES LTD.	Other receivables-related parties	Yes	322,100	313,600	-	-	2	-	Capital planning	-	-	-	710,024	1,420,047	

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

- a) Business transaction is labelled as "1".
- b) Short-term financing is labelled as "2".

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

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

Cheng Uei Precision Industry Co., Ltd.
 Provision of endorsements and guarantees to others
 Nine months ended September 30, 2016

Table 2

Expressed in thousands of NTD
 (Except as otherwise indicated)

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2016	Outstanding endorsement/ guarantee amount at September 30, 2016	Actual amount 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	Footnote
		Company name	Relationship with the endorser/guarantor											
0	Cheng Uei Precision Industry Co., Ltd.	Jing Sheng Technology Co., Ltd.	An indirect wholly-owned subsidiary	\$ 9,287,071	\$ 333,500	\$ 313,600	\$ 43,766	\$ -	1.33	\$ 11,608,839	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., LTD.	"	9,287,071	166,750	156,800	156,800	-	0.66	11,608,839	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Inc.	"	9,287,071	1,150,575	1,081,920	337,977	-	4.59	11,608,839	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Inc. (Hong Kong)	"	9,287,071	2,067,700	1,944,320	479,808	-	8.24	11,608,839	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electronics Trading Co., Ltd.	"	9,287,071	166,750	156,800	-	-	0.66	11,608,839	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electronics Trading Co., Ltd.	"	9,287,071	1,283,975	1,207,360	517,126	-	5.12	11,608,839	Y	N	Y	
1	Power Quotient International Co., Ltd.	SINOCITY INDUSTRIES LTD.	"	2,305,535	334,500	313,600	313,600	-	6.80	2,305,535	Y	N	N	
2	Studio A Inc.	ASHOP CO., LTD.	"	9,287,071	400,200	376,320	376,320	-	1.59	11,608,839	Y	N	N	

Number	Endorser/ guarantor	Party being endorsed/guaranteed		Limit on endorsements/ guarantees provided for a single party (Note 1)	Maximum outstanding endorsement/ guarantee amount as of September 30, 2016	Outstanding endorsement/ guarantee amount at September 30, 2016	Actual amount 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	Footnote
		Company name	Relationship with the endorser/guarantor											
2	Studio A Inc.	Studio A Inc. (Hong Kong)	An indirect wholly-owned subsidiary	\$ 9,287,071	\$ 433,550	\$ 407,680	\$ -	\$ -	1.73	\$ 11,608,839	Y	N	N	
3	Fu Gang Electronics (Kun Shan) Ltd.	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	Affiliates	9,287,071	1,395,578	1,287,994	1,287,994	-	5.46	11,608,839	Y	N	Y	

Note 1: Calculation for limit on endorsements/guarantees provided for a single party is as follows:

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 and subsidiaries should not exceed 50% of PQI's net assets.