

CHENG UEI PRECISION INDUSTRY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
MARCH 31, 2017 AND 2016

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

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS
TRANSLATED FROM CHINESE-LANGUAGE

PWCR17000011

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

We have reviewed the accompanying consolidated balance sheets of Cheng Uei Precision Industry Co., Ltd. and its subsidiaries as of March 31 2017 and 2016, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three 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\$6,569,148 thousand and NT\$6,145,927 thousand, representing 10.88% and 8.96% of the consolidated total assets, and total net liabilities amounting to NT\$2,207,361 thousand and NT\$1,427,531 thousand, representing 6.42% and 3.58% of the consolidated total liabilities as of March 31 2017 and 2016, respectively, total operating revenue amounting to NT\$560,694 thousand and NT\$1,056,322 thousand, representing 3.09% and 5.75% of the consolidated total operating revenue for the three months ended March 31 2017 and 2016, respectively. 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(7), 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\$12,880,424 thousand and NT\$10,465,291 thousand, constituting 21.34% and 15.26% of the consolidated total assets, and total liabilities of NT\$3,623,424 thousand and NT\$2,943,698 thousand, constituting 10.53% and 7.39% of the consolidated total liabilities as of March 31, 2017 and 2016, respectively, and total comprehensive loss of NT(\$416,663) thousand and NT(\$246,828) thousand constituting 36.89% and 38.07% of the consolidated total comprehensive income for the three 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 March 31, 2017 and 2016.

Based on our reviews and the review reports of other independent accountants, except for the effects of any adjustments as might have been 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 three months ended March 31, 2017, expressed in United States (US) dollars are presented solely for the convenience of the readers and were translated from the financial statements expressed in New Taiwan dollars using the exchange rate of US\$1.00:NT\$30.33 at March 31, 2017. This basis of translation is not in accordance with generally accepted accounting principles in the Republic of China.

Lin, Se-Kai

Chou, Hsiao-Tzu

For and on behalf of PricewaterhouseCoopers, Taiwan

May 12, 2017

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

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(EXPRESSED IN THOUSANDS OF DOLLARS)

	March 31, 2017		December 31, 2016		March 31, 2016		March 31, 2017	
	Amount	%	Amount	%	Amount	%	Amount	%
	New Taiwan Dollars				US Dollars			
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents (Notes 6(1) and 8)	\$ 5,771,148	10	\$ 6,685,113	10	\$ 6,284,451	9	\$ 190,279	10
Financial assets carried at cost - current (Note 6(3))	442	-	470	-	-	-	15	-
Investments in debt instrument without active market - current (Note 6(4))	8,657	-	9,205	-	-	-	285	-
Notes receivable, net	50,247	-	65,653	-	24,977	-	1,657	-
Accounts receivable, net (Note 6(5))	10,820,380	18	15,260,936	22	12,622,916	19	356,755	18
Accounts receivable, net - related parties (Note 7)	840,583	1	1,122,300	2	962,664	2	27,715	1
Other receivables	156,536	-	293,347	-	258,771	-	5,161	-
Other receivables - related parties (Note 7)	293,046	1	320,192	-	690,325	1	9,662	1
Current income tax assets (Note 6(25))	10,643	-	5,266	-	21,092	-	351	-
Inventories, net (Note 6(6))	9,028,804	15	9,187,297	14	11,019,204	16	297,686	15
Prepayments	804,072	1	1,185,551	2	1,278,620	2	26,511	1
Other current assets (Note 8)	375,893	1	406,535	1	227,278	-	12,393	1
	<u>28,160,451</u>	<u>47</u>	<u>34,541,865</u>	<u>51</u>	<u>33,390,298</u>	<u>49</u>	<u>928,470</u>	<u>47</u>
NON-CURRENT ASSETS								
Available-for-sale financial assets - non-current (Notes 6(2) and 12(3))	886,326	2	1,042,965	2	1,244,356	2	29,223	2
Financial assets carried at cost-non-current (Note 6(3))	660,421	1	668,438	1	668,171	1	21,775	1
Investments accounted for using equity method (Note 6(7))	5,636,504	9	5,684,963	8	5,824,353	9	185,839	9
Property, plant and equipment, net (Note 6(8))	19,072,647	32	20,045,665	30	21,987,328	32	628,838	32
Investment property, net (Note 6(9))	262,491	-	274,147	-	286,802	-	8,655	-
Intangible assets, net (Note 6(10))	2,608,027	4	2,738,439	4	2,790,325	4	85,988	4
Deferred income tax assets (Note 6(25))	244,545	-	174,854	-	191,716	-	8,063	-
Prepayments for business facilities	461,220	1	612,988	1	855,812	1	15,207	1
Other non-current assets, others (Notes 6(11) and 8)	2,359,628	4	2,205,600	3	1,361,718	2	77,797	4
	<u>32,191,809</u>	<u>53</u>	<u>33,448,059</u>	<u>49</u>	<u>35,210,581</u>	<u>51</u>	<u>1,061,385</u>	<u>53</u>
TOTAL ASSETS	<u>\$ 60,352,260</u>	<u>100</u>	<u>\$ 67,989,924</u>	<u>100</u>	<u>\$ 68,600,879</u>	<u>100</u>	<u>\$ 1,989,855</u>	<u>100</u>
LIABILITIES AND EQUITY								
CURRENT LIABILITIES								
Short-term borrowings (Note 6(12))	\$ 8,455,459	14	\$ 8,738,009	13	\$ 12,679,797	18	\$ 278,782	14
Notes payable	2,161	-	4,493	-	864	-	71	-
Accounts payable	10,560,574	18	13,623,823	20	9,870,433	14	348,189	18
Accounts payable - related parties (Note 7)	292,317	1	354,842	1	686,634	1	9,638	1
Other payables (Note 6(13))	5,548,040	9	6,891,542	10	5,241,453	8	182,923	9
Current income tax liabilities (Note 6(25))	194,566	-	262,514	-	197,153	-	6,415	-
Other current liabilities (Note 6(14))	665,743	1	1,185,931	2	1,095,394	2	21,951	1
	<u>25,718,860</u>	<u>43</u>	<u>31,061,154</u>	<u>46</u>	<u>29,771,728</u>	<u>43</u>	<u>847,969</u>	<u>43</u>
NON-CURRENT LIABILITIES								
Long-term borrowings (Note 6(14))	5,977,924	10	6,988,969	10	7,132,953	10	197,096	10
Deferred income tax liabilities (Note 6(25))	721,257	1	806,500	1	1,207,281	2	23,780	1
Other non-current liabilities (Notes 6(7) and 6(15))	1,978,672	3	2,048,369	3	1,711,870	3	65,239	3
	<u>8,677,853</u>	<u>14</u>	<u>9,843,838</u>	<u>14</u>	<u>10,052,104</u>	<u>15</u>	<u>286,115</u>	<u>14</u>
TOTAL LIABILITIES	<u>34,396,713</u>	<u>57</u>	<u>40,904,992</u>	<u>60</u>	<u>39,823,832</u>	<u>58</u>	<u>1,134,084</u>	<u>57</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT								
Common stock (Note 6(16))	5,123,269	9	5,123,269	8	5,123,269	8	168,918	9
Capital reserve (Note 6(17))	9,434,481	16	9,434,481	13	9,406,386	14	311,061	16
Retained earnings							-	-
Legal reserve	2,529,745	4	2,529,745	4	2,364,742	3	83,407	4
Special reserve	665,206	1	665,206	1	665,206	1	21,932	1
Unappropriated earnings (Notes 6(18) and 6(25))	5,971,256	10	5,874,326	9	6,291,080	9	196,876	10
Other equity (Note 6(19))	(1,008,646)	(2)	9,689	-	1,372,216	2	(33,256)	(2)
Equity attributable to owners of the parent	<u>22,715,311</u>	<u>38</u>	<u>23,636,716</u>	<u>35</u>	<u>25,222,899</u>	<u>37</u>	<u>748,938</u>	<u>38</u>
Non-controlling interests	3,240,236	5	3,448,216	5	3,554,148	5	106,833	5
TOTAL EQUITY	<u>25,955,547</u>	<u>43</u>	<u>27,084,932</u>	<u>40</u>	<u>28,777,047</u>	<u>42</u>	<u>855,771</u>	<u>43</u>
Significant contingent liabilities and unrecognised contract commitments (Note 9)								
Significant events after the balance sheet date (Note 11)								
TOTAL LIABILITIES AND EQUITY	<u>\$ 60,352,260</u>	<u>100</u>	<u>\$ 67,989,924</u>	<u>100</u>	<u>\$ 68,600,879</u>	<u>100</u>	<u>\$ 1,989,855</u>	<u>\$ 100</u>

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(EXPRESSED IN THOUSANDS OF DOLLARS, EXCEPT FOR EARNINGS PER SHARE AMOUNT)

	Three months ended March 31,					
	2017		2016		2017	
	Amount	%	Amount	%	Amount	%
	New Taiwan Dollars				US Dollars	
Operating revenue (Note 7)	\$ 18,164,653	100	\$ 18,363,475	100	598,901	100
Operating costs (Notes 6(6), 6(23), 6(24) and 7)	(16,309,810)	(90)	(16,765,688)	(91)	(537,745)	(90)
Gross profit	<u>1,854,843</u>	<u>10</u>	<u>1,597,787</u>	<u>9</u>	<u>61,156</u>	<u>10</u>
Operating expenses (Notes 6(23), 6(24) and 6(27))						
Sales and marketing expenses	(489,552)	(3)	(642,646)	(3)	(16,141)	(3)
General and administrative expenses	(971,668)	(5)	(1,031,510)	(6)	(32,037)	(5)
Research and development expenses	(503,797)	(3)	(535,617)	(3)	(16,611)	(3)
Total operating expenses	<u>(1,965,017)</u>	<u>(11)</u>	<u>(2,209,773)</u>	<u>(12)</u>	<u>(64,789)</u>	<u>(11)</u>
Operating income	<u>(110,174)</u>	<u>(1)</u>	<u>(611,986)</u>	<u>(3)</u>	<u>(3,633)</u>	<u>(1)</u>
Non-operating income and expenses						
Other income (Notes 6(9), 6(20) and 7)	144,438	1	142,928	1	4,762	1
Other gains and losses (Note 6(21))	184,516	1	562,663	3	6,084	1
Finance costs (Note 6(22))	(79,529)	-	(90,019)	(1)	(2,622)	-
Share of profit of associates and joint ventures accounted for under equity method (Note 6(7))	<u>35,730</u>	<u>-</u>	<u>116,199</u>	<u>1</u>	<u>1,178</u>	<u>-</u>
Total non-operating income and expenses	<u>285,155</u>	<u>2</u>	<u>731,771</u>	<u>4</u>	<u>9,402</u>	<u>2</u>
Income before income tax	174,981	1	119,785	1	5,769	1
Income tax expense (Note 6(25))	<u>(113,609)</u>	<u>(1)</u>	<u>(96,316)</u>	<u>(1)</u>	<u>(3,746)</u>	<u>(1)</u>
Net income	<u>\$ 61,372</u>	<u>-</u>	<u>\$ 23,469</u>	<u>-</u>	<u>\$ 2,023</u>	<u>-</u>
Exchange differences arising on translation of foreign operations	(\$ 754,256)	(4)	(\$ 191,572)	(1)	(\$ 24,868)	(4)
Unrealised loss on valuation of available-for-sale financial assets (Note 6(2))	(531,523)	(3)	(627,064)	(4)	(17,525)	(3)
Share of other comprehensive loss of associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(45,076)	-	(38,456)	-	(1,486)	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (Note 6(25))	<u>140,098</u>	<u>1</u>	<u>185,311</u>	<u>1</u>	<u>4,619</u>	<u>1</u>
Total components of other comprehensive loss that will not be reclassified to profit or loss	<u>(1,190,757)</u>	<u>(6)</u>	<u>(671,781)</u>	<u>(4)</u>	<u>(39,260)</u>	<u>(6)</u>
Other comprehensive loss, net	(\$ 1,190,757)	(6)	(\$ 671,781)	(4)	(\$ 39,260)	(6)
Total comprehensive loss for the period	<u>(\$ 1,129,385)</u>	<u>(6)</u>	<u>(\$ 648,312)</u>	<u>(4)</u>	<u>(\$ 37,237)</u>	<u>(6)</u>
Net income attributable to:						
Shareholders of the parent	\$ 96,930	-	\$ 23,086	-	\$ 3,196	-
Non-controlling interests	(35,558)	-	383	-	(1,172)	-
Total	<u>\$ 61,372</u>	<u>-</u>	<u>\$ 23,469</u>	<u>-</u>	<u>\$ 2,024</u>	<u>-</u>
Total comprehensive loss attributable to:						
Shareholders of the parent	(\$ 921,405)	(5)	(\$ 592,989)	(4)	(\$ 30,379)	(5)
Non-controlling interests	(207,980)	(1)	(55,323)	-	(6,857)	(1)
Total	<u>(\$ 1,129,385)</u>	<u>(6)</u>	<u>(\$ 648,312)</u>	<u>(4)</u>	<u>(\$ 37,236)</u>	<u>(6)</u>
Basic earnings per share (in dollars) (Note 6(26))	<u>\$ 0.19</u>		<u>\$ 0.05</u>		<u>\$ 0.01</u>	
Diluted earnings per share (in dollars) (Note 6(26))	<u>\$ 0.19</u>		<u>\$ 0.04</u>		<u>\$ 0.01</u>	

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

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		Total equity attributable to shareholders of the parent	Non-controlling interests	Total 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			
<u>Three months ended March 31, 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
Adjustments to share of changes in equity of associates and joint ventures accounted for using equity method (Note 6(17))	-	(1,589)	-	-	(9,737)	-	-	(11,326)	-	(11,326)
Change in non-controlling interest	-	-	-	-	-	-	-	(5,036)	(5,036)	(5,036)
Other comprehensive loss for the period (Note 6(19))	-	-	-	-	-	(127,411)	(488,664)	(616,075)	(55,706)	(671,781)
Net income for the period	-	-	-	-	23,086	-	-	23,086	383	23,469
Balance at March 31,	<u>\$ 5,123,269</u>	<u>\$ 9,406,386</u>	<u>\$ 2,364,742</u>	<u>\$ 665,206</u>	<u>\$ 6,291,080</u>	<u>\$ 591,670</u>	<u>\$ 780,546</u>	<u>\$ 25,222,899</u>	<u>\$ 3,554,148</u>	<u>\$ 28,777,047</u>
<u>Three months ended March 31, 2017</u>										
Balance at January 1	\$ 5,123,269	\$ 9,434,481	\$ 2,529,745	\$ 665,206	\$ 5,874,326	(\$ 1,083,745)	\$ 1,093,434	\$ 23,636,716	\$ 3,448,216	\$ 27,084,932
Other comprehensive loss for the period (Note 6(19))	-	-	-	-	-	(539,116)	(479,219)	(1,018,335)	(172,422)	(1,190,757)
Net income (loss) for the period	-	-	-	-	96,930	-	-	96,930	(35,558)	61,372
Balance at March 31,	<u>\$ 5,123,269</u>	<u>\$ 9,434,481</u>	<u>\$ 2,529,745</u>	<u>\$ 665,206</u>	<u>\$ 5,971,256</u>	<u>(\$ 1,622,861)</u>	<u>\$ 614,215</u>	<u>\$ 22,715,311</u>	<u>\$ 3,240,236</u>	<u>\$ 25,955,547</u>

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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									
	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>Three months ended March 31, 2017</u>										
Balance at January 1	\$ 168,918	\$ 311,061	\$ 83,407	\$ 21,932	\$ 193,680	(\$ 35,732)	\$ 36,051	\$ 779,317	\$ 113,690	\$ 893,007
Other comprehensive loss for the period (Note 6(19))	-	-	-	-	-	(17,775)	(15,800)	(33,575)	(5,685)	(39,260)
Net income (loss) for the period	-	-	-	-	3,196	-	-	3,196	(1,172)	2,024
Balance at March 31,	<u>\$ 168,918</u>	<u>\$ 311,061</u>	<u>\$ 83,407</u>	<u>\$ 21,932</u>	<u>\$ 196,876</u>	<u>(\$ 53,507)</u>	<u>\$ 20,251</u>	<u>\$ 748,938</u>	<u>\$ 106,833</u>	<u>\$ 855,771</u>

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(EXPRESSED IN THOUSANDS OF DOLLARS)

(Unaudited)

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Income before income tax	\$ 174,981	\$ 119,785	\$ 5,769
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(8), 6(9) and 6(23))	810,844	1,005,084	26,734
Amortisation (including long-term prepaid rent amortisation) (Notes 6(10), 6(11) and 6(23))	23,752	18,704	783
Gains on bad debt recoveries (Note 6(5))	(32,813)	(101,339)	(1,082)
Interest expense (Note 6(22))	79,529	90,019	2,622
Interest income (Note 6(20))	(18,806)	(25,552)	(620)
Share of profit of associates accounted for using the equity method	(35,730)	(116,199)	(1,178)
Loss on disposal of property, plant and equipment (Note 6(21))	10,103	6,968	333
Gain on disposal of investments (Note 6(21))	(312,178)	(490,258)	(10,293)
Changes in assets/liabilities relating to operating activities			
Net changes in operating assets			
Notes receivable	15,406	1,186	508
Accounts receivable	4,473,369	4,360,604	147,490
Accounts receivable from related parties	281,717	(186,893)	9,288
Other receivables	136,811	96,053	4,511
Other receivables from related parties	27,146	(2,482)	895
Inventories	158,493	990,138	5,226
Prepayments	381,479	195,174	12,578
Other current assets	24,368	7,255	803
Other non-current assets	(154,028)	(33,021)	(5,078)
Net changes in liabilities relating to operating activities			-
Notes payable	(2,332)	(2,443)	(77)
Accounts payable	(3,063,249)	(6,861,285)	(100,997)
Accounts payables to related parties	(62,525)	40,417	(2,061)
Other payables	(1,285,974)	(1,084,292)	(42,399)
Other current liabilities	(523,294)	307,690	(17,253)
Other non-current liabilities	(68,965)	110,267	(2,274)
Cash generated from (used in) operations	1,038,104	(1,554,420)	34,228
Interest received	18,806	25,552	620
Interest paid	(82,467)	(91,407)	(2,719)
Income tax paid	(196,392)	(265,055)	(6,475)
Net cash provided by (used in) operating activities	778,051	(1,885,330)	25,654

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CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(EXPRESSED IN THOUSANDS OF DOLLARS)

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Proceeds from disposal of available - for - sale financial assets	\$ 321,134	\$ 530,339	\$ 10,588
Proceeds from acquisition of long - term investments - non subsidiaries (Note 6(8))	-	(233,378)	-
Proceeds from disposal of long - term investments	11,011	-	363
Acquisitions of property, plant and equipment (Note 6(28))	(726,770)	(1,331,613)	(23,962)
Proceeds from disposal of property, plant and equipment (Note 6(8))	35,559	17,588	1,172
Acquisitions of intangible assets (Note 6(10))	(21,037)	(14,661)	(694)
Decrease in prepayments for business facilities	151,768	415,894	5,004
Net cash used in investing activities	(228,335)	(615,831)	(7,529)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Decrease) increase in short-term borrowings	(282,550)	1,541,844	(9,316)
Increase in long-term borrowings	5,600,000	-	184,636
Repayment of long-term borrowings	(6,607,939)	(19,026)	(217,868)
Net cash (used in) provided by financing activities	(1,290,489)	1,522,818	(42,548)
Effect of change in exchange rates	(173,192)	(51,342)	(5,711)
Net decrease in cash and cash equivalents	(913,965)	(1,029,685)	(30,134)
Cash and cash equivalents, beginning of period (Note 6(1))	6,685,113	7,314,136	220,413
Cash and cash equivalents, end of period (Note 6(1))	\$ 5,771,148	\$ 6,284,451	\$ 190,279

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

CHENG UEI PRECISION INDUSTRY CO., LTD. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2017 AND 2016

(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 May 12, 2017.

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”)

New standards, interpretations and amendments 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>
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
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)	January 1, 2016

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
and IAS 41)	
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

The above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

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

None.

(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

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

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 or lifetime expected credit losses (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). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

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 IFRS 15 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, 2016. These 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 Financial Reporting Standards, International Accounting Standards 34, “Interim Financial Reporting”.
- B. The consolidated financial statements as of and for the three months ended March 31, 2017 should be read together with the consolidated financial statements as of and for the year ended December 31, 2016.

(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:

The basis applied in these consolidated financial statements is consistent with that applied in the consolidated financial statements for the year ended December 31, 2016.

B. Subsidiaries included in the consolidated financial statements:

Investor	Subsidiary	Main activity	Ownership (%)			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
The Company	CU International Ltd. (CU)	Manufacture of electronic telecommunication components and reinvestment business	100	100	100	Note 9, 10
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 9, 10
The Company	Fu Uei International Investment Ltd. (FUII)	General investments holding	100	100	100	Note 9, 10
The Company	Darts Technologies Corporation (Darts)	Manufacture of electronic telecommunication and wireless components	97	97	97	
The Company	Foxlink (Vietnam) Inc.	Manufacture of electronic telecommunication components	100	100	100	
The Company	Du Precision Industry Co., Ltd. (Du Precision)	Manufacture of electronic telecommunication components	100	100	100	
The Company	Foxlink Technology Ltd. (Foxlink Tech)	Holding company	100	100	100	
The Company	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	47.77	47.77	47.77	
The Company	Suntain Co., Ltd.	Electroplating processing services	100	100	100	
CU	Fugang Electronic (Dong Guan) Co., Ltd. (FGEDG)	Manufacture of electronic telecommunication components	100	100	100	Note 9, 10
CU	New Start Industries Ltd. (NEW START)	Reinvestment business	100	100	100	
CU	Fugang Electric (KunShan) Co., Ltd. (FGEKS)	Manufacture of electronic telecommunication components	100	100	100	Note 9, 10
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	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	25	25	25	
CU	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	88.44	81.69	81.69	Note 4, 9, 10

Investor	Subsidiary	Main activity	Ownership (%)			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
CU	Neosonic Energy Technology (Tianjin) Ltd. (NE)	Manufacture of electronic telecommunication components	100	100	100	
CU	Foxlink Automotive Technology (Kunshan) Co., Ltd. (KAFE)	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	
CU	Fu Shi Neng 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 Electronic (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	64.18	100	100	Note 8
CU	Kunshan Fugang Investment Co., Ltd	General investments holding	100	100	100	
NEW START	Foxlink TianJin Co., Ltd. (FTJ)	Manufacture of electronic telecommunication components	100	100	100	
NEW START	Culink (Tian Jin) Co., Ltd. (CTJ)	Manufacture of electronic telecommunication components	75	75	75	
NEW START	Solteras Inc. (SOLTERAS)	Manufacture of electronic telecommunication components	26.64	26.64	26.64	
FTJ	Shang Hai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	46.93	46.93	46.93	
CULINK	Pacific Wealth Limited (PACIFIC WEALTH)	Holding company and reinvestment business	100	100	100	
PACIFIC WEALTH	Foxlink International Inc. (FOXLINK)	Sales agent	100	100	100	Note 9, 10

Investor	Subsidiary	Main activity	Ownership (%)			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
Kunshan Fugang Investment Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd. (DGFQ)	Manufacture of electronic telecommunication components	11.56	18.31	18.31	Note 4, 9, 10
Kunshan Fugang Investment Co., Ltd.	Fuqiang Electric (MAANSHAN) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	Note 2
Kunshan Fugang Investment Co., Ltd.	Fuqiang Electric (MAANSHAN) Co., Ltd.	Manufacture of electronic telecommunication components	35.82	-	-	Note 8
FII	Link Media Co., Ltd. (LM)	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, 9, 10
FII	Shin Ke International Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	
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	Shanghai World Circuit Technology Co., Ltd. (SHWCT)	Manufacture of electronic telecommunication components	53.07	53.07	53.07	
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	

Investor	Subsidiary	Main activity	Ownership (%)			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
FUII	Studio A Inc. (Studio A)	Manufacture of electronic telecommunication components	51	51	51	Note 10
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 9, 10
FUII	Shinfox Co., 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, 9, 10
Shinfox	WORLDWIDE FAMOUS CORP.	Energy service management	-	100	100	Note 7
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
Shinfox	Kinmen Gas Co., Ltd.	Energy service management	100	100	100	
WORLDWIDE	Kunshan Xing Wei Installation Engineering Co., Ltd.	Mechanical installation and piping engineering	-	100	100	Note 7
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 Electron Technology (Shenzhen) Co., Ltd.	Manufacture of electronic telecommunication components	100	100	100	

Investor	Subsidiary	Main activity	Ownership (%)			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
SMART	SUZHOU YUHANG ELECTONICS TECH. CO., LTD.	Manufacture of electronic telecommunication components	100	100	100	
Studio A	Jing Sheng Technology Co., Ltd.	Sale of electronic telecommunication components	100	100	100	
Studio A	Studio A Technology Limited (Studio A Hong Kong)	Sale of electronic telecommunication components	51	51	51	Note 10
Studio A	Ashop Co., Ltd. (ASHOP)	Sale of electronic telecommunication components	58	58	51	
Studio A	Jing Jing Technology Co., Ltd. (Jing Jing)	Sale of electronic telecommunication components	100	100	100	
Studio A Hong Kong	Studio A Macau Limited	Sale of electronic telecommunication components	100	100	100	
FGEKS	Kunshan Fugang Electric Trading Co., Ltd.	Sale of electronic telecommunication components	51	51	51	
Kunshan Fugang Electric Trading Co., Ltd.	Shanghai Fugang Electric Trading Co., Ltd.	Sale of electronic telecommunication components	100	100	100	
Kunshan Fugang Electric 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 9, 10
PQI	PQI Mobility Inc. (PQI MOBILITY)	Specialized investments holding	100	100	100	
PQI	Power Sufficient 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	

Investor	Subsidiary	Main activity	Ownership (%)			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
PQI MOBILITY	Power Quotient Technology (YANCHENG) Co., Ltd. (PQI YANCHENG)	Manufacture of electronic telecommunication components	100	100	100	
APIX Limited	Sinocity Industries Limited	Sale of electronic telecommunication components	100	100	100	Note 3, 9, 10
APIX Limited	Perennial Ace Limited	Specialized investments holding	100	100	100	
SINOCITY INDUSTRIES Limited	DG LIFESTYLE STORE LIMITED	Sale of 3C products	100	100	100	Note 3
PERENNIAL	Studio A Technology Limited (Studio A Hong Kong)	Sale of 3C products	24.50	24.50	24.50	Note 10
PQI YANCHENG	Kunshan Oderea Trading Co., Ltd.(Kunshan Oderea)	Sale of 3C products	100	100	-	Note 2
PQI YANCHENG	Jiangsu Foxlink New Energy Technology Co.,Ltd.(Jiangsu Foxlink)	Manufacture of electronic telecommunication components	100	100	-	Note 2
JIANGSU FOXLINK	Donghai County Cheng Uei Travel Industry Co., Ltd	Manufacture of electronic telecommunication components	100	-	-	Note 1

Note 1: Investment or incorporation began in 2017.

Note 2: Investment or incorporation began in 2016.

Note 3: Sinocity Industries Limited and DG LIFESTYLE STORE LIMITED are subsidiaries of Power Quotient International Co., Ltd. in Hong Kong and Macau, respectively, with balance sheet date of September 30. For the preparation of consolidated financial statements, Power Quotient International Co., Ltd. had required Sinocity Industries Limited and DG LIFESTYLE STORE LIMITED 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 Dongguan Fuqiang Electronics Co., Ltd.'s capital increase on January 4, 2017 and held 88.44% shares in Dongguan Fuqiang Electronics Co., Ltd. CU along with Kunshan Fugang Investment Co., Ltd. hold 100% of shares in Dongguan Fuqiang Electronics Co., 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: On February 22, 2017, Shinfox sold WORLDWIDE and its investee Kunshan Xing Wei. Shinfox thus recognised \$1,375 and \$278 of profit, respectively.

Note 8: On March 17, 2017, CU and Kunshan Fugang Investment Co., Ltd. increased investment in Fugang Maanshan and held 64.18% and 35.82% shares, respectively. Both held 100% shares in total.

Note 9: For the three months ended March 31, 2017, except for financial statements of CU, FII, FUII, Zhi De Investment, Fu Gang Electronics (Dong Guan) Ltd., Fu Gang Electronics (Kun Shan) Ltd., Dong Guan Fu Qiang Electronics Ltd. 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.

Note 10: For the three months ended March 31, 2016, except for financial statements of CU, FII, FUII, Zhi De Investment, Studio A Inc., Studio A Hong Kong, Fu Gang Electronics (Dong Guan) Ltd., Fu Gang Electronics (Kun Shan) Ltd., Dong Guan Fu Qiang Electronics Ltd. 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	Ownership (%)			Description
			March 31, 2017	December 31, 2016	March 31, 2016	
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 Limited and DG LIFESTYLE STORE LIMITED are subsidiaries of Power Quotient International Co., Ltd. in Hong Kong and Macau, respectively, with balance sheet date on September 30. For the preparation of consolidated financial statements, Power Quotient International Co., Ltd. had required Sinocity Industries Limited and DG LIFESTYLE STORE LIMITED 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 March 31, 2017, December 31, 2016 and March 31, 2016, the non-controlling interest amounted to \$3,240,236, \$3,448,216 and \$3,554,148, respectively. The information of non-controlling interest and respective subsidiaries is as follows:

Name of subsidiary	Principal place of business	Non-controlling interest					
		March 31, 2017		December 31, 2016		March 31, 2016	
		Amount	Ownership (%)	Amount	Ownership (%)	Amount	Ownership (%)
PQI	Taiwan	\$ 2,559,649	57.44	\$ 2,721,741	57.44	\$ 2,796,565	57.44

Summarized financial information of the subsidiaries:

Balance sheets

	March 31, 2017		December 31, 2016		March 31, 2016		March 31, 2017	
	New Taiwan Dollars				US Dollars			
Current assets	\$	1,547,127	\$	2,025,468	\$	2,209,357	\$	51,010
Non-current assets		5,177,716		5,136,380		4,155,237		170,713
Current liabilities	(1,463,490)	(1,591,977)	(1,015,820)	(48,252)
Non-current liabilities	(805,479)	(831,781)	(480,428)	(26,557)
Total net assets	\$	<u>4,455,874</u>	\$	<u>4,738,090</u>	\$	<u>4,868,346</u>	\$	<u>146,914</u>

Statements of comprehensive income

	PQI	
	Three months ended March 31,	
	2017	2016
Revenue	\$ 565,142	\$ 1,061,740
(Loss) profit before income tax	(34,496)	12,520
Income tax benefit	(4,818)	(4,720)
(Loss) profit for the period from continuing operations	(29,678)	17,240
Profit from non-controlling interest	-	-
(Loss) profit for the period	(29,678)	17,240
Other comprehensive loss (net of tax)	(252,538)	(80,270)
Total comprehensive loss for the period	(\$ 282,216)	(\$ 63,030)
Comprehensive income attributable to non-controlling interest	\$ -	\$ -

Statements of cash flows

	PQI	
	Three months ended March 31,	
	2017	2016
Net cash used in operating activities	(\$ 168,412)	(\$ 110,577)
Net cash used in investing activities	(282,938)	(5,927)
Net cash (used in) provided by financing activities	(45,790)	40,000
Effect of exchange rates on cash and cash equivalents	(32,771)	(9,865)
Decrease in cash and cash equivalents	(529,911)	(86,369)
Cash and cash equivalents, beginning of period	1,064,871	832,110
Cash and cash equivalents, end of period	\$ 534,960	\$ 745,741

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

No significant changes during the period, please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2016.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>	<u>March 31, 2017</u>
	<u>New Taiwan Dollars</u>			<u>US Dollars</u>
Cash on hand and revolving funds	\$ 18,453	\$ 23,168	\$ 37,096	\$ 608
Checking accounts and demand deposits	4,197,116	4,984,605	3,867,154	138,382
Cash equivalents				-
Time deposits	1,844,254	1,993,540	2,563,994	60,806
Short-term notes and bills	<u>69,861</u>	<u>74,930</u>	<u>29,968</u>	<u>2,303</u>
	6,129,684	7,076,243	6,498,212	202,099
Less: Shown as "other current assets"				
- restricted assets	<u>(358,536)</u>	<u>(391,130)</u>	<u>(213,761)</u>	<u>(11,820)</u>
Total	<u>\$ 5,771,148</u>	<u>\$ 6,685,113</u>	<u>\$ 6,284,451</u>	<u>\$ 190,279</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>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>	<u>March 31, 2017</u>
<u>Items</u>	<u>New Taiwan Dollars</u>			<u>US Dollars</u>
Non-current items				
Listed stocks	\$ 69,020	\$ 74,492	\$ 86,214	\$ 2,276
Valuation adjustment of available-for-sale financial assets	<u>817,306</u>	<u>968,473</u>	<u>1,158,142</u>	<u>26,947</u>
Total	<u>\$ 886,326</u>	<u>\$ 1,042,965</u>	<u>\$ 1,244,356</u>	<u>\$ 29,223</u>

A. The Group recognised (\$531,523) and (\$627,064) in other comprehensive income for fair value change and reclassified \$307,441 and \$490,258 from equity to profit or loss for the three months ended March 31, 2017 and 2016, respectively.

B. As of March 31, 2017, December 31, 2016 and March 31, 2017, no available-for-sale financial assets were pledged to others.

(3) Financial assets measured at cost

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>	<u>March 31, 2017</u>
<u>Items</u>	<u>New Taiwan Dollars</u>			<u>US Dollars</u>
Current item				
Conversion options	<u>\$ 442</u>	<u>\$ 470</u>	<u>\$ -</u>	<u>\$ 15</u>
Non-current item				
Non-publicly traded company	<u>\$ 660,421</u>	<u>\$ 668,438</u>	<u>\$ 668,171</u>	<u>\$ 21,775</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 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. Thus, the Group classified those stocks and conversion options as "financial assets measured at cost".

B. As of March 31, 2017, December 31, 2016 and March 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

(4) Investments in debt instrument without active market

Items	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
Current item				
Corporate bonds	\$ 8,657	\$ 9,205	\$ -	\$ 285

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 mature on October 30, 2016. The Group and the unlisted company extended the duration for one year on October, 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 March 31, 2017 and December 31, 2016, no investments in debt instrument without active markets held by the Group were pledged to others.

(5) Accounts receivable

	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
Accounts receivable	\$ 11,117,581	\$ 15,606,875	\$ 12,789,964	\$ 366,554
Less: allowance for sales returns and discounts	(39,097)	(55,022)	(36,702)	(1,289)
Less: allowance for bad debts	(258,104)	(290,917)	(130,346)	(8,510)
	<u>\$ 10,820,380</u>	<u>\$ 15,260,936</u>	<u>\$ 12,622,916</u>	<u>\$ 356,755</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 periodically 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>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>	<u>March 31, 2017</u>
	New Taiwan Dollars		US Dollars	
Up to 30 days	\$ 324,560	\$ 675,402	\$ 1,263,692	\$ 10,701
31 to 120 days	<u>344,966</u>	<u>202,535</u>	<u>1,159,299</u>	<u>11,374</u>
	<u>\$ 669,526</u>	<u>\$ 877,937</u>	<u>\$ 2,422,991</u>	<u>\$ 22,075</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 March 31, 2017, December 31, 2016 and March 31, 2017, the Group's accounts receivable that were impaired amounted to \$258,104, \$290,917 and \$130,346, respectively.

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

	2017		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
January 1, 2017	\$ -	\$ 290,917	\$ 290,917
Reversal for impairment	-	(32,813)	(32,813)
March 31, 2017	<u>\$ -</u>	<u>\$ 258,104</u>	<u>\$ 258,104</u>
	2016		
	<u>Individual provision</u>	<u>Group provision</u>	<u>Total</u>
January 1, 2016	\$ -	\$ 237,904	\$ 237,904
Reversal for impairment	-	(107,558)	(107,558)
March 31, 2016	<u>\$ -</u>	<u>\$ 130,346</u>	<u>\$ 130,346</u>

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

(6) Inventories

March 31, 2017			
	Cost	Allowance for valuation loss	Book value
New Taiwan Dollars			
Raw materials	\$ 2,748,678	(\$ 234,202)	\$ 2,514,476
Work in process	1,168,059	(19,332)	1,148,727
Finished goods (including merchandise)	5,665,475	(302,866)	5,362,609
Inventory in transit	2,992	-	2,992
	<u>\$ 9,585,204</u>	<u>(\$ 556,400)</u>	<u>\$ 9,028,804</u>
March 31, 2017			
	Cost	Allowance for valuation loss	Book value
US Dollars			
Raw materials	\$ 90,626	(\$ 7,722)	\$ 82,904
Work in process	38,512	(637)	37,875
Finished goods (including merchandise)	186,794	(9,986)	176,808
Inventory in transit	99	-	99
	<u>\$ 316,031</u>	<u>(\$ 18,345)</u>	<u>\$ 297,686</u>
December 31, 2016			
	Cost	Allowance for valuation loss	Book value
New Taiwan Dollars			
Raw materials	\$ 3,406,836	(\$ 264,905)	\$ 3,141,931
Work in process	600,785	(11,202)	589,583
Finished goods (including merchandise)	5,641,699	(187,656)	5,454,043
Inventory in transit	1,740	-	1,740
	<u>\$ 9,651,060</u>	<u>(\$ 463,763)</u>	<u>\$ 9,187,297</u>
March 31, 2016			
	Cost	Allowance for valuation loss	Book value
New Taiwan Dollars			
Raw materials	\$ 3,108,219	(\$ 282,857)	\$ 2,825,362
Work in process	1,605,484	(48,497)	1,556,987
Finished goods (including merchandise)	7,009,796	(457,049)	6,552,747
Inventory in transit	84,108	-	84,108
	<u>\$ 11,807,607</u>	<u>(\$ 788,403)</u>	<u>\$ 11,019,204</u>

The cost of inventories recognised as expense for the period:

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Cost of inventories sold	\$ 16,250,236	\$ 16,833,417	\$ 535,781
(Gain on reversal of) decline in market value	92,637	(56,585)	3,054
Others (revenue from sale of scraps)	(33,063)	(11,144)	(1,090)
	<u>\$ 16,309,810</u>	<u>\$ 16,765,688</u>	<u>\$ 537,745</u>

The portion of inventories that have been provided with allowance have been sold during the three months ended March 31, 2016. Therefore, the allowance for decline in market value was reversed.

(7) Investments accounted for under the equity method

Investee	New Taiwan Dollars	US Dollars	Ownership percentage (%)
Central Motion Picture Corporation	\$ 1,726,698	\$ 56,930	13.60%
Glory Science Co., Ltd.	1,065,779	35,139	41.50%
Well Shin Technology Co., Ltd.	1,083,565	35,726	18.84%
Foxlink Image Technology Co., Ltd.	828,074	27,302	30.47%
Sharetronic Data Technology Co., Ltd.	434,074	14,312	32.65%
Castles Technology Co., Ltd.	306,015	10,090	19.51%
CMPC Cultural & Creative Co., Ltd.	122,931	4,053	42.86%
Microlink Communications Inc.	(24,070)	(794)	21.43%
Kleine Developments Ltd.	69,368	2,287	41.53%
	5,612,434	185,045	
Add : Credit balance of long - term equity investments reclassified to other non-current liabilities-others	24,070	794	
Total	\$ 5,636,504	\$ 185,839	

Investee	December 31, 2016	
	New Taiwan Dollars	Ownership percentage (%)
Central Motion Picture Corporation	\$ 1,723,039	13.60%
Glory Science Co., Ltd.	1,090,168	41.50%
Well Shin Technology Co., Ltd.	1,098,230	18.84%
Foxlink Image Technology Co., Ltd.	816,902	30.47%
Sharetronic Data Technology Co., Ltd.	446,598	32.65%
Castles Technology Co., Ltd.	310,640	19.84%
CMPC Cultural & Creative Co., Ltd.	125,506	42.86%
Microlink Communications Inc.	(24,802)	21.43%
Kleine Developments Ltd.	73,880	41.53%
	5,660,161	
Add : Credit balance of long - term equity investments reclassified to other non-current liabilities-others	24,802	
Total	\$ 5,684,963	

Investee	March 31, 2016	
	New Taiwan Dollars	Ownership percentage (%)
Central Motion Picture Corp.	\$ 1,748,747	13.60%
Glory Science Co., Ltd.	1,125,200	41.95%
Well Shin Technology Co., Ltd.	1,124,400	18.84%
Foxlink Image Technology Co., Ltd.	848,798	30.47%
Sharetronic Data Technology Co., Ltd.	356,552	38.85%
Castles Technology Co., Ltd.	242,715	22.41%
CMPC Cultural & Creative Co., Ltd.	144,563	42.86%
Microlink Communications Inc.	(24,836)	21.43%
Kleine Developments Ltd.	(159,605)	33.33%
	5,406,534	
Add : Prepayment for investment-Kleine	233,378	
Credit balance of long-term equity investments reclassified to other non-current liabilities-others'	184,441	
Total	<u>\$ 5,824,353</u>	

A. For the three months ended March 31, 2017 and 2016, 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 \$24,328 and \$75,914, 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
		March 31, 2017	December 31, 2016	March 31, 2016		
Central Motion Picture Corporation	Taiwan	13.60%	13.60%	13.60%	Note	Equity method
Glory Science Co., Ltd.	Taiwan	41.50%	41.50%	41.95%	Hold more than 20% of voting rights	Equity method
Well Shin Technology Co., Ltd.	Taiwan	18.84%	18.84%	18.84%	Note	Equity method
Foxlink Image Technology Co., Ltd.	Taiwan	30.47%	30.47%	30.47%	Hold more than 20% of voting rights	Equity method

Note: As the Group's management holds several seats in the Board of Directors of Central Motion Picture Corporation and Well Shin Technology Co., Ltd. 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.				
	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
Current assets	\$ 2,986,186	\$ 3,151,522	\$ 805,713	\$ 98,457
Non-current assets	15,202,059	15,225,379	15,329,411	501,222
Current liabilities	(291,690)	(507,893)	(2,074,464)	(9,617)
Non-current liabilities	(5,206,550)	(5,205,903)	(1,208,524)	(171,663)
Total net assets	<u>\$ 12,690,005</u>	<u>\$ 12,663,105</u>	<u>\$ 12,852,136</u>	<u>\$ 418,399</u>
Share in associate's net assets	\$ 1,726,698	\$ 1,723,039	\$ 1,748,747	\$ 56,930
Goodwill	-	-	-	-
Carrying amount of the associate	<u>\$ 1,726,698</u>	<u>\$ 1,723,039</u>	<u>\$ 1,748,747</u>	<u>\$ 56,930</u>
Glory Science Co., Ltd.				
	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
Current assets	\$ 1,714,233	\$ 1,788,751	\$ 1,753,288	\$ 56,519
Non-current assets	1,660,519	1,735,994	1,806,223	54,748
Current liabilities	(922,012)	(997,945)	(737,249)	(30,399)
Non-current liabilities	(108,282)	(123,578)	(361,108)	(3,570)
Total net assets	<u>\$ 2,344,458</u>	<u>\$ 2,403,222</u>	<u>\$ 2,461,154</u>	<u>\$ 77,298</u>
Share in associate's net assets	\$ 973,060	\$ 997,449	\$ 1,032,481	\$ 32,082
Goodwill	92,719	92,719	92,719	3,057
Carrying amount of the associate	<u>\$ 1,065,779</u>	<u>\$ 1,090,168</u>	<u>\$ 1,125,200</u>	<u>\$ 35,139</u>
Well Shin Technology Co., Ltd.				
	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
Current assets	\$ 4,531,770	\$ 4,545,223	\$ 4,341,317	\$ 149,415
Non-current assets	2,551,039	2,650,757	2,741,638	84,109
Current liabilities	(1,211,243)	(1,232,846)	(1,000,147)	(39,935)
Non-current liabilities	(326,770)	(340,567)	(323,060)	(10,774)
Total net assets	<u>\$ 5,544,796</u>	<u>\$ 5,622,567</u>	<u>\$ 5,759,748</u>	<u>\$ 182,815</u>
Share in associate's net assets	\$ 1,046,976	\$ 1,061,641	\$ 1,087,811	\$ 34,519
Goodwill	36,589	36,589	36,589	1,207
Carrying amount of the associate	<u>\$ 1,083,565</u>	<u>\$ 1,098,230</u>	<u>\$ 1,124,400</u>	<u>\$ 35,726</u>
Well Shin Technology Co., Ltd.				
	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
Current assets	\$ 2,659,909	\$ 2,746,569	\$ 2,790,316	\$ 87,699
Non-current assets	2,757,029	2,683,729	3,036,093	90,901
Current liabilities	(2,329,541)	(2,370,523)	(2,812,938)	(76,806)
Non-current liabilities	(369,743)	(378,786)	(227,805)	(12,191)
Total net assets	<u>\$ 2,717,654</u>	<u>\$ 2,680,989</u>	<u>\$ 2,785,666</u>	<u>\$ 89,603</u>
Share in associate's net assets	\$ 828,074	\$ 816,902	\$ 848,798	\$ 27,302
Goodwill	-	-	-	-
Carrying amount of the associate	<u>\$ 828,074</u>	<u>\$ 816,902</u>	<u>\$ 848,798</u>	<u>\$ 27,302</u>

Statement of comprehensive income

Central Motion Picture Corporation			
Three months ended March 31,			
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Revenue	\$ 145,804	\$ 106,221	\$ 4,807
Profit (loss) for the period from continuing operations	\$ 28,620	(\$ 3,359)	\$ 944
Other comprehensive income, net of tax	-	-	-
Total comprehensive income (loss)	\$ 28,620	(\$ 3,359)	\$ 944
Dividends received from associates	-	-	-

Glory Science Co., Ltd.			
Three months ended March 31,			
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Revenue	\$ 345,871	\$ 354,438	\$ 11,404
(Loss) profit for the period from continuing operations	(\$ 15,089)	\$ 63,761	(\$ 497)
Other comprehensive loss, net of tax	(43,675)	(10,869)	(1,440)
Total comprehensive (loss) income	(\$ 58,764)	\$ 52,892	(\$ 1,937)
Dividends received from associates	-	-	-

Well Shin Technology Co., Ltd.			
Three months ended March 31,			
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Revenue	\$ 1,109,828	\$ 1,238,687	\$ 36,592
Profit for the period from continuing operations	\$ 103,002	\$ 178,476	\$ 3,396
Other comprehensive loss, net of tax	(180,773)	(53,602)	(5,960)
Total comprehensive (loss) income	(\$ 77,771)	\$ 124,874	(\$ 2,564)
Dividends received from associates	-	-	-

Foxlink Image Technology Co., Ltd.			
Three months ended March 31,			
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Revenue	\$ 1,024,014	\$ 1,284,049	\$ 33,762
Profit for the period from continuing operations	\$ 37,064	\$ 50,978	\$ 1,222
Other comprehensive loss, net of tax	(399)	(91,116)	(13)
Total comprehensive (loss) income	36,665	(\$ 40,138)	1,209
Dividends received from associates	-	-	-

(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 March 31, 2017, December 31, 2016 and March 31, 2016, the carrying amount of the Group's individually immaterial associates amounted to \$908,318, \$931,822 and \$559,389, respectively.

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Profit for the period from continuing operations	\$ 30,060	\$ 137,301	\$ 991
Total comprehensive income	\$ 30,060	\$ 137,301	\$ 991

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:

	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
Glory Science Co., Ltd.	\$ 2,120,857	\$ 2,052,957	\$ 2,252,661	\$ 69,926
Well Shin Technology Co., Ltd.	1,192,109	1,134,175	1,178,740	39,305
Foxlink Image Technology Co., Ltd.	1,037,322	839,124	890,604	34,201
	\$ 4,350,288	\$ 4,026,256	\$ 4,322,005	\$ 143,432

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 March 31, 2017, uncollected amount was \$144,000 thousand (shown as 'notes receivable') and accrued impairment loss was \$144,000 thousand.

D. Sharetronic Precision Industry (Shen Zhen) Co., Ltd. is undergoing liquidation procedures starting from 2014. The Company has received proceeds from the liquidation amounting to approximately RMB\$22,697 thousand in 2016.

E. 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. As of May 12, 2017, the liquidation process has not been completed.

(8) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Others</u>	<u>Construction-in- progress</u>	<u>Total</u>
New Taiwan Dollars							
At January 1, 2017							
Cost	\$ 412,428	\$ 12,336,290	\$ 7,998,038	\$ 396,124	\$ 6,269,324	\$ 2,105,071	\$ 29,517,275
Accumulated depreciation and impairment	-	(2,344,630)	(3,823,103)	(242,205)	(3,061,672)	-	(9,471,610)
	<u>\$ 412,428</u>	<u>\$ 9,991,660</u>	<u>\$ 4,174,935</u>	<u>\$ 153,919</u>	<u>\$ 3,207,652</u>	<u>\$ 2,105,071</u>	<u>\$ 20,045,665</u>
<u>2017</u>							
Opening net book amount	\$ 412,428	\$ 9,991,660	\$ 4,174,935	\$ 153,919	\$ 3,207,652	\$ 2,105,071	\$ 20,045,665
Additions	-	21,029	400,363	11,503	134,506	104,779	672,180
Disposals	-	(16,141)	(10,880)	(481)	(18,160)	-	(45,662)
Depreciation charge	-	(76,682)	(462,360)	(19,941)	(246,131)	-	(805,114)
Net exchange differences	-	(384,947)	(182,003)	(3,320)	(128,405)	(95,747)	(794,422)
Closing net book amount	<u>\$ 412,428</u>	<u>\$ 9,534,919</u>	<u>\$ 3,920,055</u>	<u>\$ 141,680</u>	<u>\$ 2,949,462</u>	<u>\$ 2,114,103</u>	<u>\$ 19,072,647</u>
New Taiwan Dollars							
At March 31, 2017							
Cost	\$ 412,428	\$ 11,864,891	\$ 9,721,218	\$ 426,283	\$ 6,265,646	\$ 2,114,103	\$ 30,804,569
Accumulated depreciation and impairment	-	(2,329,972)	(5,801,163)	(284,603)	(3,316,184)	-	(11,731,922)
	<u>\$ 412,428</u>	<u>\$ 9,534,919</u>	<u>\$ 3,920,055</u>	<u>\$ 141,680</u>	<u>\$ 2,949,462</u>	<u>\$ 2,114,103</u>	<u>\$ 19,072,647</u>
US Dollars							
At March 31, 2017							
Cost	\$ 13,598	\$ 391,193	\$ 320,515	\$ 14,055	\$ 206,582	\$ 69,703	\$ 1,015,646
Accumulated depreciation and impairment	-	(76,820)	(191,268)	(9,384)	(109,336)	-	(386,808)
	<u>\$ 13,598</u>	<u>\$ 314,373</u>	<u>\$ 129,247</u>	<u>\$ 4,671</u>	<u>\$ 97,246</u>	<u>\$ 69,703</u>	<u>\$ 628,838</u>

	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>
<u>2016</u>							
Opening net book amount	\$ 412,428	\$ 10,778,576	\$ 5,284,081	\$ 179,997	\$ 3,674,711	\$ 1,764,186	\$ 22,093,979
Additions	-	5,948	507,587	7,377	211,585	271,287	1,003,784
Disposals	-	(2,530)	(11,937)	(14)	(10,075)	-	(24,556)
Reclassifications	-	10,817	-	-	-	(8,247)	2,570
Depreciation charge	-	(82,833)	(613,137)	(20,422)	(282,672)	-	(999,064)
Net exchange differences	-	(44,442)	(20,942)	(413)	(14,268)	(9,320)	(89,385)
Closing net book amount	<u>\$ 412,428</u>	<u>\$ 10,665,536</u>	<u>\$ 5,145,652</u>	<u>\$ 166,525</u>	<u>\$ 3,579,281</u>	<u>\$ 2,017,906</u>	<u>\$ 21,987,328</u>
	Land	Buildings	Machinery	Office equipment	Others	Construction-in- progress	Total
New Taiwan Dollars							
At March 31, 2016							
Cost	\$ 412,428	\$ 12,916,296	\$ 11,060,016	\$ 424,513	\$ 7,001,131	\$ 2,017,906	\$ 33,832,290
Accumulated depreciation and impairment	-	(2,250,760)	(5,914,364)	(257,988)	(3,421,850)	-	(11,844,962)
	<u>\$ 412,428</u>	<u>\$ 10,665,536</u>	<u>\$ 5,145,652</u>	<u>\$ 166,525</u>	<u>\$ 3,579,281</u>	<u>\$ 2,017,906</u>	<u>\$ 21,987,328</u>

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

(9) Investment property

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
	<u>New Taiwan Dollars</u>		
At January 1, 2017			
Cost	\$ 65,923	\$ 552,918	\$ 618,841
Accumulated depreciation and impairment	<u>-</u>	<u>(344,694)</u>	<u>(344,694)</u>
	<u>\$ 65,923</u>	<u>\$ 208,224</u>	<u>\$ 274,147</u>
<u>2017</u>			
Opening net book amount	\$ 65,923	\$ 208,224	\$ 274,147
Reclassifications	-	-	-
Depreciation charge	-	(5,730)	(5,730)
Net exchange differences	<u>-</u>	<u>(5,926)</u>	<u>(5,926)</u>
Closing net book amount	<u>\$ 65,923</u>	<u>\$ 196,568</u>	<u>\$ 262,491</u>
At March 31, 2017			
Cost	\$ 65,923	\$ 530,450	\$ 596,373
Accumulated depreciation and impairment	<u>-</u>	<u>(333,882)</u>	<u>(333,882)</u>
	<u>\$ 65,923</u>	<u>\$ 196,568</u>	<u>\$ 262,491</u>
<u>US Dollars</u>			
At March 31, 2017			
Cost	\$ 2,174	\$ 17,489	\$ 19,663
Accumulated depreciation and impairment	<u>-</u>	<u>(11,008)</u>	<u>(11,008)</u>
	<u>\$ 2,174</u>	<u>\$ 6,481</u>	<u>\$ 8,655</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
	<u>New Taiwan Dollars</u>		
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>
<u>2016</u>			
Opening net book amount	\$ 65,923	\$ 231,782	\$ 297,705
Reclassifications	-	(2,570)	(2,570)
Depreciation charge	-	(6,020)	(6,020)
Net exchange differences	<u>-</u>	<u>(2,313)</u>	<u>(2,313)</u>
Closing net book amount	<u>\$ 65,923</u>	<u>\$ 220,879</u>	<u>\$ 286,802</u>
At March 31, 2016			
Cost	\$ 65,923	\$ 548,461	\$ 614,384
Accumulated depreciation and impairment	<u>-</u>	<u>(327,582)</u>	<u>(327,582)</u>
	<u>\$ 65,923</u>	<u>\$ 220,879</u>	<u>\$ 286,802</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 March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Rental income from the lease of the investment property	\$ 8,683	\$ 9,069	\$ 286
Direct operating expenses arising from the investment property that generated rental income in the period	\$ 5,730	\$ 6,020	\$ 189

B. Investment property is stated initially at its cost and is depreciated on a straight-line basis over its estimated useful life. The fair value of the investment property held by the Group as at March 31, 2017, December 31, 2016 and March 31, 2016 was \$740,402, \$768,423 and \$710,581, respectively, which was evaluated based on the market prices of similar real estate in the areas nearby. Market prices on March 31, 2017, December 31, 2016 and March 31, 2016 did not change significantly.

C. There was no impairment loss on investment property.

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

(10) Intangible assets

	Trademark Rights	Goodwill	Others	Total
	New Taiwan Dollars			
At January 1, 2017				
Cost	\$ 53,319	\$ 2,610,128	\$ 205,422	\$ 2,868,869
Accumulated amortisation and impairment	-	-	(130,430)	(130,430)
	<u>\$ 53,319</u>	<u>\$ 2,610,128</u>	<u>\$ 74,992</u>	<u>\$ 2,738,439</u>
Three months ended March 31, 2017				
Opening net book amount	\$ 53,319	\$ 2,610,128	\$ 74,992	\$ 2,738,439
Additions	-	-	21,037	21,037
Disposals	-	-	-	-
Amortisation charge	-	-	(17,972)	(17,972)
Net exchange differences	(3,174)	(129,707)	(596)	(133,477)
Closing net book amount	<u>\$ 50,145</u>	<u>\$ 2,480,421</u>	<u>\$ 77,461</u>	<u>\$ 2,608,027</u>
At March 31, 2017				
Cost	\$ 50,145	\$ 2,480,421	\$ 207,585	\$ 2,738,151
Accumulated amortisation and impairment	-	-	(130,124)	(130,124)
	<u>\$ 50,145</u>	<u>\$ 2,480,421</u>	<u>\$ 77,461</u>	<u>\$ 2,608,027</u>
US Dollars				
At March 31, 2017				
Cost	\$ 1,653	\$ 81,781	\$ 6,844	\$ 90,278
Accumulated amortisation and impairment	-	-	(4,290)	(4,290)
	<u>\$ 1,653</u>	<u>\$ 81,781</u>	<u>\$ 2,554</u>	<u>\$ 85,988</u>

	Trademark Rights	Goodwill	Others	Total
	New Taiwan Dollars			
At January 1, 2016				
Cost	\$ 54,270	\$ 2,698,516	\$ 159,959	\$ 2,912,745
Accumulated amortization and impairment	-	-	(80,485)	(80,485)
	<u>\$ 54,270</u>	<u>\$ 2,698,516</u>	<u>\$ 79,474</u>	<u>\$ 2,832,260</u>
Three months ended March 31, 2016				
Opening net book amount	\$ 54,270	\$ 2,698,516	\$ 79,474	\$ 2,832,260
Additions	-	-	14,661	14,661
Amortisation charge	-	-	(12,239)	(12,239)
Net exchange differences	(1,058)	(43,235)	(64)	(44,357)
Closing net book amount	<u>\$ 53,212</u>	<u>\$ 2,655,281</u>	<u>\$ 81,832</u>	<u>\$ 2,790,325</u>
At March 31, 2016				
Cost	\$ 53,212	\$ 2,655,281	\$ 170,131	\$ 2,878,624
Accumulated amortisation and impairment	-	-	(88,299)	(88,299)
	<u>\$ 53,212</u>	<u>\$ 2,655,281</u>	<u>\$ 81,832</u>	<u>\$ 2,790,325</u>

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

	March 31, 2017			March 31, 2017		
	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	\$ -	\$ -	\$ 13,843	\$ -
Hong Kong	2,048,956	-	-	67,555	-	-
All other segments	-	-	11,607	-	-	383
	<u>\$ 2,048,956</u>	<u>\$ 419,858</u>	<u>\$ 11,607</u>	<u>\$ 67,555</u>	<u>\$ 13,843</u>	<u>\$ 383</u>
	December 31, 2016			March 31, 2016		
	Retail of computer, communication and consumer electronics	Memory module	Others	Retail of computer, communication and consumer electronics	Memory module	Others
	New Taiwan Dollars			New Taiwan Dollars		
Taiwan	\$ -	\$ 419,858	\$ -	\$ -	\$ 419,858	\$ -
Hong Kong	2,178,663	-	-	2,174,272	-	-
All other segments	-	-	11,607	49,543	-	11,608
	<u>\$ 2,178,663</u>	<u>\$ 419,858</u>	<u>\$ 11,607</u>	<u>\$ 2,223,815</u>	<u>\$ 419,858</u>	<u>\$ 11,608</u>

B. The goodwill of computer, communication and consumer electronics product retails and trademarks with indefinite useful life were amortised to PQI's identified cash generating unit. The recoverable amount of all cash-generating units has been determined based on value-in-use 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 three months ended March 31, 2017 and 2016.

- C. The Group assesses recoverable amount based on net fair value for impairment assessment on recoverable amount of memory module. The fair value is assessed to be higher than the carrying amount, thus, goodwill is not impaired.
- D. The intangible assets were not pledged to others as collaterals.

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

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>	<u>March 31, 2017</u>
	New Taiwan Dollars			US Dollars
Land use right	<u>\$ 2,131,799</u>	<u>\$ 1,945,700</u>	<u>\$ 1,071,916</u>	<u>\$ 70,287</u>

- A. On November 9, 2016, the Board of Directors of PQI's subsidiary company resolved to participate in the bid of Ministry of Land and Resources of the People's Republic of China, and acquired the ownership of land for residential/commercial use and industrial use, on November 17, 2016, and the lease terms were 40 to 70 years and 50 years, respectively. The acquisition price of aforementioned land was RMB 265,170 thousand. In addition, PQI's subsidiary company received a grant from the government of Donghai County, Jiangsu amounting to RMB 100 million to build the plant, and recognised as long-term deferred revenue.
- 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 \$5,780 and \$6,465 for the three months ended March 31, 2017 and 2016, respectively.

(12) Short-term borrowings

Type of borrowings	March 31, 2017		Interest rate range	Collateral
	New Taiwan Dollars	US Dollars		
Bank borrowings				
Credit borrowings	<u>\$ 8,455,459</u>	<u>\$ 278,782</u>	0.82%~5%	-
Type of borrowings	December 31, 2016		Interest rate range	Collateral
	New Taiwan Dollars			
Bank borrowings				
Credit borrowings	<u>\$ 8,738,009</u>		0.90%~4.35%	-
Type of borrowings	March 31, 2016		Interest rate range	Collateral
	New Taiwan Dollars			
Bank borrowings				
Credit borrowings	<u>\$ 12,679,797</u>		1%~5%	-

(13) Other payables

	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
Payables on salary and bonus	\$ 1,205,752	\$ 1,715,846	\$ 1,169,139	\$ 39,754
Employees' compensation and remuneration for supervisors and directors	99,520	94,429	155,121	3,281
Payables on equipment	1,143,089	1,197,679	1,484,829	37,688
Others	<u>3,099,679</u>	<u>3,883,588</u>	<u>2,432,364</u>	<u>102,200</u>
	<u>\$ 5,548,040</u>	<u>\$ 6,891,542</u>	<u>\$ 5,241,453</u>	<u>\$ 182,923</u>

(14) Long-term borrowings

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line		Unused credit line	
			March 31, 2017	March 31, 2017	March 31, 2017	March 31, 2017
			New Taiwan dollars		US dollars	
Long-term loan borrowings						
Bank credit borrowing	The amount of NTD 534,224 thousand, is payable in installments starting from August 2013 to March 2022	1.48%~2.32%	\$ 52,152	\$ 534,224	\$ 1,719	\$ 17,614
Bank secured borrowings	The amount of NTD 29,496 thousand is payable in installments starting from July 2014 to July 2024.	1.85%~1.95%	-	29,496	-	972
Medium-term and long-term syndicated loans	The amount of NTD 5,600,000 thousand is payable in installments from March 2017 to March 2024. The Company may issue a drawing application before the maturity date of borrowing to directly repay the loan principal that was originally expired.	1.79%	2,400,000	<u>5,600,000</u>	79,130	<u>184,636</u>
Less: Current portion				6,163,720		203,222
				(<u>185,796</u>)		(<u>6,126</u>)
				<u>\$ 5,977,924</u>		<u>\$ 197,096</u>

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line		December 31, 2016	
			December 31, 2016	December 31, 2016	December 31, 2016	December 31, 2016
			New Taiwan dollars			
Long-term loan borrowings						
Bank credit borrowing	The amount of NTD 538,493 thousand, is payable in installments starting from August 2013 to June 2020	1.48%~2.32%	\$ 60,000	\$ 538,493		
Bank secured borrowings	The amount of NTD 33,166 thousand is payable in installments starting from July 2014 to July 2024.	1.85%~1.95%	80,000	33,166		
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>		
Less: Current portion					7,171,659	
					(<u>182,690</u>)	
					<u>\$ 6,988,969</u>	

Type of borrowings	Borrowing period and repayment term	Interest rate range	Unused credit line	March 31, 2016
			New Taiwan dollars	
Long-term loan borrowings				
Bank credit borrowing	The amount of NTD 634,948 thousand is payable in installments starting from January 2013 to June 2020.	1.66%~2.48%	\$ 325,000	\$ 634,984
Bank secured borrowings	The amount of NTD 72,588 thousand is payable in installments starting from July 2014 to July 2024.	1.91%~2.07%	80,000	72,588
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>
				7,307,572
Less: Current portion				(174,619)
				<u>\$ 7,132,953</u>

A. In March 2017, the Group signed a medium-term syndicated revolving NTD credit facility agreement with the Bank of Taiwan as the lead bank. The terms of agreement are summarized below:

- a) Duration of loan: The loan period of the agreement was 5 years from the agreement signing date.
- b) Credit line and draw-down: The credit line was \$8,000,000, which can be drawn down in installments of at least \$100,000 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.

B. In December 2016, the Board of Directors approved the proposal of syndicated loan for \$8,000,000. In March 2017, the Company entered into the agreement with Bank of Taiwan and other banks. The original syndicated loan amounting to \$8,000,000 organised by Mega International Commercial Bank was repaid beforehand.

(15) 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 cost under the abovementioned defined contribution plan for the three months ended March 31, 2017 and 2016 were \$1,469 and \$1,846, respectively.
- c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 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 have a funded defined contribution plan. Monthly contributions are based on the employees' monthly salaries (the contribution ratio for the three months ended March 31, 2017 and 2016 is between 10.2%~21%) 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 defined contribution pension plan for the three months ended March 31, 2017 and 2016 were \$175,244 and \$224,554, respectively.

(16) Share capital

As of March 31, 2017, 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 December 31, 2016 was the same.

(17) 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, 2017	\$ 9,337,850	\$ 3,065	\$ 7,124	\$ 3,234	\$ 83,208	\$ 9,434,481
Adjustments due to not participating in the capital increase of investees proportionately	-	-	-	-	-	-
At March 31, 2017	\$ 9,337,850	\$ 3,065	\$ 7,124	\$ 3,234	\$ 83,208	\$ 9,434,481

	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	-	-	-	-	(1,589)	(1,589)
At March 31, 2016	\$ 9,337,850	\$ 3,065	\$ 7,124	\$ 3,234	\$ 55,113	\$ 9,406,386

(18) 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. Details of the appropriation of 2016 net income which was proposed at the Board of Directors' meeting on March 31, 2017 and the appropriation of 2015 net income which was resolved at the stockholders' meeting on June 8, 2016 are as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Amount	Dividend per share (NTD)	Amount	Dividend per share (NTD)
Legal reserve	\$ 79,277	\$ -	\$ 165,003	\$ -
Cash dividend	768,490	1.5	1,024,654	2.0
Total	<u>\$ 847,767</u>	<u>\$ 2.0</u>	<u>\$ 1,189,657</u>	<u>\$ 2.0</u>

F. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(24).

(19) Other equity items

	Available-for-sale investments	Currency translation differences	Total
	At January 1, 2017	\$ 1,093,434	(\$ 1,083,745)
Valuation adjustment of available-for-sale investments	(479,219)	-	(479,219)
Currency translation differences:			
Group	-	(482,923)	(482,923)
Associates	-	(56,193)	(56,193)
At March 31, 2017 (New Taiwan dollars)	<u>\$ 614,215</u>	<u>(\$ 1,622,861)</u>	<u>(\$ 1,008,646)</u>
At March 31, 2017 (US Dollars)	<u>\$ 20,251</u>	<u>(\$ 53,507)</u>	<u>(\$ 33,256)</u>

	Available-for-sale investments	Currency translation differences	Total
	At January 1, 2016	\$ 1,269,210	\$ 719,081
Valuation adjustment of available-for-sale investments	(488,664)	-	(488,664)
Currency translation differences:			
Group	-	(112,769)	(112,769)
Associates	-	(14,642)	(14,642)
At March 31, 2016 (New Taiwan dollars)	<u>\$ 780,546</u>	<u>\$ 591,670</u>	<u>\$ 1,372,216</u>

(20) Other income

	Three months ended December 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Rental revenue	\$ 8,683	\$ 9,069	\$ 286
Interest income	18,806	25,552	620
Management service income	5,668	5,620	187
Others	111,281	102,687	3,669
	<u>\$ 144,438</u>	<u>\$ 142,928</u>	<u>\$ 4,762</u>

(21) Other gains and losses

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Net currency exchange (losses) gains	(\$ 93,232)	\$ 30,575	(\$ 3,074)
Loss on disposal of property, plant and equipment	(10,103)	(6,968)	(333)
Gain on disposal of investments	312,178	490,258	10,293
Others	(24,327)	48,798	(802)
	<u>\$ 184,516</u>	<u>\$ 562,663</u>	<u>\$ 6,084</u>

(22) Finance costs

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Interest expense:			
Bank borrowings	<u>\$ 79,529</u>	<u>\$ 90,019</u>	<u>\$ 2,622</u>

(23) Expenses by nature

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Employee benefit expense	\$ 3,030,676	\$ 3,223,327	\$ 99,923
Depreciation charges on property, plant and equipment and investment property	810,844	1,005,084	26,734
Amortisation charges on intangible assets	23,752	18,704	783
Transportation expenses	151,336	165,450	4,990
Advertising costs	33,218	44,113	1,095
Operating lease payments	161,586	225,817	5,328
Manufacture costs and operating expenses	<u>\$ 4,211,412</u>	<u>\$ 4,682,495</u>	<u>\$ 138,853</u>

(24) Employee benefit expense

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Wages and salaries	\$ 2,519,815	\$ 2,577,443	\$ 83,080
Labour and health insurance fees	268,309	348,359	8,846
Pension costs	176,713	226,400	5,826
Other personnel expenses	65,839	71,125	2,171
	<u>\$ 3,030,676</u>	<u>\$ 3,223,327</u>	<u>\$ 99,923</u>

A. According to the Articles of Incorporation of the Company, a ratio of distributable profit of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 6% for employees' compensation and shall not be higher than 3% for directors' and supervisors' remuneration.

- B. For the three months ended March 31, 2017 and 2016, employees' compensation (bonus) was accrued at \$4,828 and \$2,768 respectively; directors' and supervisors' remuneration was accrued at \$402 and \$0, respectively. The aforementioned amounts were recognised in salary expenses.
- C. The employee' compensation and directors' and supervisors' remuneration were estimated and accrued based on the distributable profit of current year for the three months ended March 31, 2017 and percentage as prescribed by the Company's Articles of Incorporation. The difference between the amounts resolved by Board of Directors and the amounts recognised in the 2016 financial statements had been adjusted in the profit or loss of 2017. 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.

(25) Income tax

A. Income tax expense

a) Components of income tax expense:

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Current tax:			
Tax payable incurred in current period	\$ 128,362	\$ 125,603	\$ 4,232
Prior year income tax underestimation (overestimation)	83	(17,101)	3
Total current tax	<u>128,445</u>	<u>108,502</u>	<u>4,235</u>
Deferred tax:			
Origination and reversal of temporary differences	(14,836)	(12,186)	(489)
Income tax expense	<u>\$ 113,609</u>	<u>\$ 96,316</u>	<u>\$ 3,746</u>

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

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Currency translation differences	(\$ 110,421)	(\$ 26,096)	(\$ 3,641)
Fair value gains/losses on available-for-sale financial assets	(29,677)	(159,215)	(978)
	<u>(\$ 140,098)</u>	<u>(\$ 185,311)</u>	<u>(\$ 4,619)</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	Assessed and approved up to 2013
The Company	Assessed and approved up to 2014
The Company, FUII, Zhi De Investment, PQI, Va Product Inc., FII, WCT, Shinfox, Du Precision, PROCONN, LM, Studio A, Suntain,	Assessed and approved up to 2015

C. Unappropriated retained earnings:

	<u>March 31, 2017</u>	<u>December 31, 2016</u>	<u>March 31, 2016</u>	<u>March 31, 2017</u>
	New Taiwan Dollars			US Dollars
Earnings generated in and before 1998	<u>\$ 5,971,256</u>	<u>\$ 5,874,326</u>	<u>\$ 6,291,080</u>	<u>\$ 196,876</u>

D. As of March 31, 2017, December 31, 2016 and March 31, 2016, the balance of the imputation tax credit account was \$861,211, \$861,211 and \$837,305, respectively. The creditable tax rate is estimated to be 14.66% for the year ended December 31, 2016 and was 15.05% for the year ended December 31, 2015.

(26) Earnings per share

	Three months ended March 31, 2017				
	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	\$ 96,930	\$ 3,196	512,327	\$ 0.19	\$ 0.01
<u>Diluted earnings per share</u>					
Profit attributable to ordinary shareholders of the parent	\$ 96,930	\$ 3,196	512,327		
Assumed conversion of all dilutive potential ordinary shares					
Employees' bonus	-	-	138		
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	<u>\$ 96,930</u>	<u>\$ 3,196</u>	<u>512,465</u>	<u>\$ 0.19</u>	<u>\$ 0.01</u>

Three months ended March 31, 2016			
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
	New Taiwan Dollars		Dollars
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 23,086	512,327	\$ 0.05
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 23,086	512,327	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	2,794	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 23,086	515,121	\$ 0.04

(27) 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 \$155,769 and \$218,844 and contingent rents of \$5,817 and \$6,973 for these leases in profit or loss for the three months ended March 31, 2017 and 2016, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
No later than one year	\$ 318,191	\$ 334,289	\$ 336,821	\$ 10,491
Later than one year but not later than five years	195,510	242,383	323,700	6,446
	<u>\$ 513,701</u>	<u>\$ 576,672</u>	<u>\$ 660,521</u>	<u>\$ 16,937</u>

(28) Supplemental cash flow information

Investment activities with partial cash payments:

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Purchase of property, plant and equipment	\$ 672,180	\$ 1,003,784	\$ 22,162
Add: opening balance of payable on equipment	1,197,679	1,812,658	39,488
Less: ending balance of payable on equipment	(1,143,089)	(1,484,829)	(37,688)
Cash paid during the period	<u>\$ 726,770</u>	<u>\$ 1,331,613</u>	<u>\$ 23,962</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Group</u>
Well Shin Technology Co., Ltd. (Well Shin)	Associates
Glory Science Co., Ltd. (Glory)	Associates
Glorytex (Yancheng) Co., Ltd. (Glorytex)	Associates
Yancheng Yaowei Technology Co., Ltd. (Yancheng Yaowei)	Associates
Foxlink Image Technology Co., Ltd. (Foxlink Image)	Associates
Sharetronic Data Technology Co., Ltd. (Sharetronic)	Associates
Microlink Communications Inc. (Microlink)	Associates
Hon Hai Precision Industry Co., Ltd. (Hon Hai)	Other related parties

(2) Significant transactions and balances with related parties

A. Operating revenue

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Sales of goods:			
-Associates	\$ 19,534	\$ 317,645	\$ 644
-Other related parties	481,782	315,847	15,885
	<u>\$ 501,316</u>	<u>\$ 633,492</u>	<u>\$ 16,529</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 March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Purchases of goods:			
-Associates	\$ 160,003	\$ 478,164	\$ 5,275
-Other related parties	68,483	169,157	2,258
	<u>\$ 228,486</u>	<u>\$ 647,321</u>	<u>\$ 7,533</u>

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

C. Non-operating income-Other Income

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Other income			
-Associates	\$ 5,602	\$ 5,620	\$ 185

The Group charged technical service compensation and management service fees from related parties, and collected the net balance after offsetting with payables to related parties and considering the financial situation.

D. Receivables from related parties

	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
Accounts receivable:				
-Associates	\$ 46,373	\$ 126,649	\$ 576,141	\$ 1,529
-Other related parties	794,210	995,651	386,523	26,186
	<u>\$ 840,583</u>	<u>\$ 1,122,300</u>	<u>\$ 962,664</u>	<u>\$ 27,715</u>
Other receivables (Financing) :				
-Associates				
Sharetronic	\$ 220,350	\$ 230,850	\$ 497,200	\$ 7,265
Microlink	64,000	64,000	83,185	2,110
	<u>\$ 284,350</u>	<u>\$ 294,850</u>	<u>\$ 580,385</u>	<u>\$ 9,375</u>
Other receivables (Others) :				
-Associates				
Microlink	\$ -	\$ -	\$ 100,310	\$ -
Others	8,696	25,342	9,630	287
	<u>8,696</u>	<u>25,342</u>	<u>109,940</u>	<u>287</u>
	<u>\$ 293,046</u>	<u>\$ 320,192</u>	<u>\$ 690,325</u>	<u>\$ 9,662</u>

E. Payables from related parties

	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
Accounts payable:				
-Associates	\$ 266,714	\$ 325,810	\$ 617,224	\$ 8,794
-Other related parties	25,603	29,032	69,410	844
	<u>\$ 292,317</u>	<u>\$ 354,842</u>	<u>\$ 686,634</u>	<u>\$ 9,638</u>

F. Loans to related parties:

a) Receivables from related parties

	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
-Associates				
Sharetronic	\$ 220,350	\$ 230,850	\$ 497,200	\$ 7,265
Microlink	64,000	64,000	83,185	2,110
	<u>\$ 284,350</u>	<u>\$ 294,850</u>	<u>\$ 580,385</u>	<u>\$ 9,375</u>

b) Interest income

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
-Associates			
Sharetronic	\$ 3,488	\$ 8,169	\$ 115

The loans to associates are repayable according to the contract's repayment schedule and carry interest at both 6.5% per annum for the three months ended March 31, 2017 and 2016.

(3) Key management compensation

	Three months ended March 31,		
	2017	2016	2017
	New Taiwan Dollars		US Dollars
Salaries and other short-term employee benefits	\$ 11,639	\$ 12,044	\$ 384
Post-employment benefits	337	409	11
Total	\$ 11,976	\$ 12,453	\$ 395

8. PLEDGED ASSETS

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

Pledged assets	Book value			Pledged purpose
	March 31, 2017	December 31, 2016	March 31, 2016	
Restricted assets-current (Shown as other current assets)	\$ 358,536 (US\$ 11,820)	\$ 391,130	\$ 213,761	Customs deposit, guarantee for L/C issued for purchases of materials and government grants and coupon trust
Refundable deposits (Shown as other non-current assets)	180,017 (US\$ 5,935)	192,757	203,262	Customs deposit and plant deposit
Other assets-other (Shown as other non-current assets)	9,368 (US\$ 309)	6,015	15,515	Litigation deposit and collaterals for long-term borrowings
	<u>\$ 547,921</u>	<u>\$ 589,902</u>	<u>\$ 432,538</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:

	March 31, 2017	December 31, 2016	March 31, 2016	March 31, 2017
	New Taiwan Dollars			US Dollars
Property, plant and equipment	\$ 331,641	\$ 486,275	\$ 566,945	\$ 10,934

(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 make payments for the settlement. The settlement amount was not required to be disclosed as both companies have signed a confidentiality agreement. Both parties have withdrawn the complaint on August 12, 2016. On November 30, 2016, the U.S. subsidiary won the civil lawsuit over two defendants with ex parte proceedings and settled the civil dispute with other parties. On March 22, 2017, one defendant in this case was affirmed not indictable under the criminal procedure in Taiwan.

(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 December 31, 2016, Ashop Co., Ltd. has received the loan granted by the Company that amounted to US\$7,000 thousand and the guarantee for material purchases of US\$5,000 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

- (1) On March 30, 2017, the Board of Directors of PQI resolved to participate in the capital increase of Foxwell Energy Corporation Ltd. at the amount of \$600,000 thousand and therefore acquired 89.29% shares. The registration of share transfer is still in progress.
- (2) On May 12, 2017, the Board of Directors of PQI resolved to establish a new company in India, PQI India Private Limited, through increasing cash investment in the subsidiaries, Syscom Development., Ltd. and PQI Mobility Inc. The investment is expected to total to US\$1,809,199 to acquire 100% shares.

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):

	March 31, 2017			
	<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>\$ 660,863</u>	<u>\$ -</u>	<u>\$ 21,790</u>	<u>\$ -</u>
Financial liabilities:				
Long-term borrowings (including current portion)	<u>\$ 6,163,720</u>	<u>\$ 5,766,825</u>	<u>\$ 203,222</u>	<u>\$ 190,136</u>

	December 31, 2016		March 31, 2016	
	Book value	Fair value	Book value	Fair value
	New Taiwan Dollars		New Taiwan Dollars	
Financial assets:				
Financial assets measured at cost	\$ 668,908	\$ -	\$ 668,171	\$ -
Financial liabilities:				
Long-term borrowings (including current portion)	\$ 7,171,659	\$ 6,953,945	\$ 7,307,572	\$ 7,082,143

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, and 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:

				March 31, 2017			
				Foreign currency		Exchange rate	Book value (NTD)
				(in thousands)			
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : NTD	\$	326,785		30.33	\$	9,911,389	
RMB : NTD		600		4.41		2,646	
HKD : NTD		11,182		3.90		43,610	
JPY : NTD		406,855		0.27		109,851	
USD : HKD		359		7.77		10,888	
RMB : HKD		14,653		1.13		64,620	
USD : RMB		148,207		6.89		4,495,118	
<u>Non-monetary items</u>							
RMB : HKD	\$	98,429		1.13	\$	434,074	
USD : HKD		2,287		7.77		69,368	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : NTD	\$	298,281		30.33	\$	9,046,863	
HKD : NTD		3,386		3.90		13,205	
JPY : NTD		21,658		0.27		5,848	
USD : HKD		27,115		7.77		822,398	
RMB : HKD		504,852		1.13		2,226,397	
USD : RMB		36,495		6.89		1,106,893	
				December 31, 2016			
				Foreign currency		Exchange rate	Book value (NTD)
				(in thousands)			
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : NTD	\$	452,786		32.25	\$	14,602,344	
RMB : NTD		859		4.62		3,964	
HKD : NTD		7,204		4.16		29,954	
JPY : NTD		373,704		0.28		102,993	
USD : HKD		1,818		7.76		58,631	
RMB : HKD		5,947		1.11		27,457	
USD : RMB		200,542		6.95		6,467,480	
<u>Non-monetary items</u>							
RMB : HKD	\$	107,407		1.11	\$	495,897	
USD : HKD		2,291		7.76		73,880	
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : NTD	\$	361,655		32.25	\$	11,663,388	
HKD : NTD		3,849		4.16		16,005	
JPY : NTD		20,238		0.28		5,578	
USD : HKD		165,938		7.76		5,351,501	
RMB : HKD		353,221		1.11		1,630,821	
USD : RMB		39,924		6.95		1,287,549	

March 31, 2016			
	Foreign currency (in thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	\$ 316,288	32.19	\$ 10,179,736
RMB : NTD	68,640	4.97	341,278
HKD : NTD	9,816	4.15	40,734
JPY : NTD	361,006	0.29	103,356
USD : HKD	5,007	7.76	161,142
RMB : HKD	5,641	1.20	28,047
USD : RMB	24,942	6.47	802,758
<u>Non-monetary items</u>			
RMB : HKD	\$ 70,880	1.20	\$ 352,414
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	\$ 319,721	32.19	\$ 10,290,220
HKD : NTD	4,058	4.15	16,839
JPY : NTD	68,971	0.29	19,746
USD : HKD	28,601	7.76	920,523
RMB : HKD	51,149	1.20	254,313
USD : RMB	62,712	6.47	2,018,386

- iii. The total exchange gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three months ended March 31, 2017 and 2016 amounted to (\$93,232) and \$30,575, respectively.
- iv. Analysis of foreign currency market risk arising from significant foreign exchange variation:

Three months ended March 31, 2017

Sensitivity Analysis

	Extent of variation		Effect on profit or loss before income tax		Effect on other comprehensive income
(Foreign currency: functional currency)					
<u>Financial assets</u>					
<u>Monetary items</u>					
USD : NTD	1%	\$	99,114	\$	-
RMB : NTD	1%		26		-
HKD : NTD	1%		436		-
JPY : NTD	1%		1,099		-
USD : HKD	1%		109		-
RMB : HKD	1%		646		-
USD : RMB	1%		44,951		-
<u>Financial liabilities</u>					
<u>Monetary items</u>					
USD : NTD	1%	\$	90,469	\$	-
HKD : NTD	1%		132		-
JPY : NTD	1%		58		-
USD : HKD	1%		8,224		-
RMB : HKD	1%		22,264		-
USD : RMB	1%		11,069		-

Three months ended March 31, 2016

Sensitivity Analysis			
Extent of variation		Effect on profit or loss before income tax	Effect on other comprehensive income
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 101,797	\$ -
RMB : NTD	1%	3,413	-
HKD : NTD	1%	407	-
JPY : NTD	1%	1,034	-
USD : HKD	1%	1,611	-
RMB : HKD	1%	280	-
USD : RMB	1%	8,028	-
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD : NTD	1%	\$ 102,902	\$ -
HKD : NTD	1%	168	-
JPY : NTD	1%	197	-
USD : HKD	1%	9,205	-
RMB : HKD	1%	2,543	-
USD : RMB	1%	20,184	-

Price risk

- i. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss or measured at cost. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group has set stop-loss amounts. No significant market risk is expected.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the three months ended March 31, 2017 and 2016; other components of equity would have increased/decreased by \$6,647 and \$9,333, respectively, as a result of gains/losses on equity securities classified as available-for-sale.

Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During the three months ended March 31, 2017 and 2016, the Group's borrowings at variable rate were denominated in the NTD.
 - ii. As of March 31, 2017 and 2016, if interest rates on borrowings at that date had been 1% lower/higher with all other variables held constant, post-tax profit for the three months ended March 31, 2017 and 2016 would have been \$51,159 and \$60,653 lower/higher, respectively, mainly as a result of higher interest expense on floating rate borrowings.
- b) Credit risk
- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only financial institutions with high credit quality are accepted as counterparties of trade.
 - ii. Loan guarantees provided by the Company are in compliance with the Company's "Procedures for Provision of Endorsements and Guarantees" and are only provided to subsidiaries of which the Company owns directly more than 50% ownership or affiliates of which the Company owns directly or indirectly more than 50% ownership and on which the Company has a significant influence. As the Company is fully aware of the credit conditions of these related parties, it has not asked for collateral for the loan guarantees provided. In the event that these related parties fail to comply with loan agreements with banks, the maximum loss to the Company is the total amount of loan guarantees.
 - iii. For three months ended March 31, 2017 and 2016, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

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

c) Liquidity risk

- i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs.
- ii. The equity instruments are traded in active markets and accordingly, are expected to be readily sold at approximately its fair value. Therefore, the Group expects no significant liquidity risk.
- iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

March 31, 2017	<u>Non-derivative financial liabilities:</u>				
	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
	New Taiwan Dollars				
Short-term borrowings	\$ 8,455,459	\$ -	\$ -	\$ -	\$ -
Notes payable	2,161	-	-	-	-
Accounts payable	10,852,891	-	-	-	-
Other payables	5,548,040	-	-	-	-
Long-term borrowings (including current portion)	185,796	342,238	20,570	5,604,989	10,127

Non-derivative financial liabilities:

December 31, 2016	<u>Non-derivative financial liabilities:</u>				
	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 3 years</u>	<u>Between 3 and 5 years</u>	<u>Over 5 years</u>
	New Taiwan Dollars				
Short-term borrowings	\$ 8,738,009	\$ -	\$ -	\$ -	\$ -
Notes payable	4,493	-	-	-	-
Accounts payable	13,978,665	-	-	-	-
Other payables	6,891,542	-	-	-	-
Long-term borrowings (including current portion)	182,690	7,049,967	23,367	8,455	11,385

Non-derivative financial liabilities:

March 31, 2016	New Taiwan Dollars				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	\$ 12,679,797	\$ -	\$ -	\$ -	\$ -
Notes payable	864	-	-	-	-
Accounts payable	10,557,067	-	-	-	-
Other payables	5,241,453	-	-	-	-
Long-term borrowings (including current portion)	174,619	7,153,026	48,783	20,537	14,812

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

(3) Fair value information

A. Details of the fair value of the Group's financial assets and financial liabilities not measured at fair value are provided in Note 12(2)A. Details of the fair value of the Group's investment property measured at cost are provided in Note 6(9).

B. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in non-hedging derivatives is included in Level 2.

Level 3: Unobservable inputs for the asset or liability.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at March 31, 2017 and 2016 is as follows:

March 31, 2017	Level 1	Level 2	Level 3	Total
Assets :				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets	\$ <u>886,326</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>886,326</u>

December 31, 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets :				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets	<u>\$ 1,042,965</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,042,965</u>
March 31, 2016	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Available-for-sale financial assets	<u>\$ 1,244,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,244,356</u>

D. The methods and assumptions the Group used to measure fair value are as follows:

(a)The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	<u>Listed shares</u>
Market quoted price	Closing price

(b)Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes.

(c)When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d)The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(e)The Group takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Group's credit quality.

E. For the three months ended March 31, 2017 and 2016, there was no transfer between Level 1 and Level 2.

13. SUPPLEMENTARY DISCLOSURES

1) Significant transactions information

For the investees' information, 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. The disclosure information listed below is for reference.

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

2) Segment information

The financial information of reportable segments provided to Chief Operating Decision-Maker is as follows:

Three months ended March 31 2017

Unit : NTD thousands dollars

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	\$ 8,800,684	\$ 6,766,485	\$ 2,498,164	\$ 99,320	\$ -	\$ 18,164,653
Revenue from Internal Customers	744,558	25,364	-	246	(770,168)	-
Segment Revenue	\$ 9,545,242	\$ 6,791,849	\$ 2,498,164	\$ 99,566	(\$ 770,168)	\$ 18,164,653
Segment (Loss) profit	132,794	(\$ 213,979)	(\$ 23,662)	(\$ 5,327)	\$ -	(\$ 110,174)

Unit : USD thousands dollars

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	\$ 290,164	\$ 223,096	\$ 82,366	\$ 3,275	\$ -	\$ 598,901
Revenue from Internal Customers	24,549	836	-	8	(25,393)	-
Segment Revenue	\$ 314,713	\$ 223,932	\$ 82,366	\$ 3,283	(\$ 25,393)	\$ 598,901
Segment (Loss) profit	4,378	(\$ 7,055)	(\$ 780)	(\$ 176)	\$ -	(\$ 3,633)

Three months ended March 31, 2016

Unit : NTD thousands dollars

	3C component department	Systems and peripheral products department	3C product retail department	Other Operations	Adjustments	Total
External Revenue	\$ 8,268,049	\$ 6,681,220	\$ 3,369,239	\$ 44,967	\$ -	\$ 18,363,475
Revenue from Internal Customers	<u>1,491,841</u>	<u>2,072</u>	<u>-</u>	<u>8,118</u>	<u>(1,502,031)</u>	<u>-</u>
Segment Revenue	<u>\$ 9,759,890</u>	<u>\$ 6,683,292</u>	<u>\$ 3,369,239</u>	<u>\$ 53,085</u>	<u>(\$ 1,502,031)</u>	<u>\$ 18,363,475</u>
Segment (Loss) Profit	<u>(\$ 286,407)</u>	<u>-\$ 336,445</u>	<u>\$ 30,064</u>	<u>(\$ 19,198)</u>	<u>\$ -</u>	<u>(\$ 611,986)</u>

Cheng Uei Precision Industry Co., Ltd.

Loans to others

Three months ended March 31, 2017

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 three months ended March 31, 2017	Balance at March 31, 2017	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.	ASHOP CO., LTD.	Other receivables-related parties	Yes	\$ 225,750	\$ 212,310	\$ 212,310	2.00	2	\$ -	Operations	\$ -	-	-	\$ 4,543,062	\$ 9,086,124	
1	Fugang Electric (Kunshan) Co., Ltd.	Kunshan Fugang Electric Trading Co., Ltd	"	"	115,425	110,175	44,070	-	2	-	"	-	-	-	4,543,062	9,086,124	
1	Fugang Electric (Kunshan) Co., Ltd.	Sharetronic Data Technology Co., LTD.	"	"	461,700	440,700	220,350	6.5	2	-	"	-	-	-	4,543,062	9,086,124	
1	Fugang Electric (Kunshan) Co., Ltd.	Fuqiang Electric (Yancheng) Co., Ltd.	"	"	46,170	44,070	35,256	-	2	-	"	-	-	-	4,543,062	9,086,124	
1	Fugang Electric (Kunshan) Co., Ltd.	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	"	"	56,013	55,088	55,088	-	2	-	"	-	-	-	4,543,062	9,086,124	
2	Proconn Technology Co., Ltd.	BYFORD INTERNATIONAL LTD.	"	"	54,732	51,473	51,473	-	2	-	"	-	-	-	4,543,062	9,086,124	
2	Proconn Technology Co., Ltd.	MEDIA UNIVERSE INC.	"	"	266,380	250,521	250,521	-	2	-	"	-	-	-	4,543,062	9,086,124	
3	MEDIA UNIVERSE INC.	Proconn Technology (Suzhou) Co., Ltd	"	"	360,393	338,937	338,937	-	2	-	"	-	-	-	4,543,062	9,086,124	
4	Studio A Inc.	Jing Sheng Technology Co., Ltd.	"	"	100,000	100,000	-	-	2	-	"	-	-	-	4,543,062	9,086,124	
4	Studio A Inc.	Studio A Technology Limited	"	"	300,000	-	-	1.5	2	-	"	-	-	-	4,543,062	9,086,124	
4	Studio A Inc.	ASHOP CO., LTD.	"	"	90,990	90,990	47,012	2	2	-	"	-	-	-	4,543,062	9,086,124	
5	World Circuit Technology Co., Ltd.	Cheng Uei Precision Industry Co., Ltd.	"	"	71,000	71,000	71,000	-	2	-	"	-	-	-	4,543,062	9,086,124	
5	World Circuit Technology Co., Ltd.	Proconn Technology Co., Ltd.	"	"	87,000	87,000	87,000	-	2	-	"	-	-	-	4,543,062	9,086,124	
5	World Circuit Technology Co., Ltd.	Microlink Communications Inc.	"	"	64,000	64,000	64,000	-	2	-	"	-	-	-	4,543,062	9,086,124	
6	BYFORD INTERNATIONAL LTD.	Proconn Technology (Shenzhen) Co., Ltd.	"	"	170,915	160,739	160,739	-	2	-	"	-	-	-	4,543,062	9,086,124	

Number	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the three months ended March 31, 2017	Balance at March 31, 2017	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			
7	Jing Jing Technology Co., Ltd.	Jing Sheng Technology Co., Ltd.	Other receivables-related parties	Yes	\$ 100,000	\$ 20,000	\$ 15,000	-	2	\$ -	Operations	\$ -	-	-	\$ 4,543,062	\$ 9,086,124	
8	Culink (Tian Jin) Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	"	"	230,850	220,350	220,350	-	2	-	"	-	-	-	4,543,062	9,086,124	
9	Neosonic Energy Technology (Tianjin) Ltd.	Foxlink TianJin Co., Ltd.	"	"	4,617	4,407	-	-	2	-	"	-	-	-	4,543,062	9,086,124	
9	Neosonic Energy Technology (Tianjin) Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	"	"	182,372	174,077	174,077	-	2	-	"	-	-	-	4,543,062	9,086,124	
10	Kuenshan Fugang Electronics Trading Co., Ltd.	Kunshan Fu Shi Yu Trading Co., Ltd.	"	"	89,620	88,140	55,088	-	2	-	"	-	-	-	4,543,062	9,086,124	
11	FOXWELL ENERGY CORPORATION LTD.	Shinfox Co., Ltd.	"	"	45,000	45,000	37,000	-	2	-	"	-	-	-	4,543,062	9,086,124	
12	Fu Uei International Investment Ltd.	Shinfox Co., Ltd.	"	"	25,000	25,000	20,000	2.62	2	-	"	-	-	-	4,543,062	9,086,124	
13	FOXLINK TECHNOLOGY	Cheng Uei Precision Industry Co., Ltd.	"	"	803,025	755,217	724,887	-	2	-	"	-	-	-	4,543,062	9,086,124	
14	Foxlink TianJin Co., Ltd.	Fugang Electric (Kunshan) Co., Ltd.	"	"	1,385,100	1,322,100	1,137,006	-	2	-	"	-	-	-	4,543,062	9,086,124	
14	Foxlink TianJin Co., Ltd.	Dongguan Fuqiang Electronics Co., Ltd.	"	"	415,530	396,630	352,560	-	2	-	"	-	-	-	4,543,062	9,086,124	
15	Studio A Technology Limited	Kunshan Fugang Electric Trading Co., Ltd.	"	"	184,680	-	-	-	2	-	"	-	-	-	4,543,062	9,086,124	
16	APIX LIMITED	SINOCITY INDUSTRIES LTD.	"	"	313,450	303,300	-	-	2	-	Capital planning	-	-	-	891,175	1,782,350	
17	Power Quotient Technology (YANCHENG) Co., Ltd.	Jiangsu Foxlink New Energy Technology Co., Ltd.	"	"	461,800	440,700	440,700	-	2	-	"	-	-	-	891,175	1,782,350	
18	Jiangsu Foxlink New Energy Technology Co., Ltd.	Donghai County Cheng Uei Travel Industry Co., Ltd.	"	"	67,885	66,913	66,913	-	2	-	"	-	-	-	891,175	1,782,350	

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
Three months ended March 31, 2017

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 March 31, 2017	Outstanding endorsement/ guarantee amount at March 31, 2017	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	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.	Dongguan Fuqiang Electronics Co., Ltd.	An indirect wholly-owned subsidiary	\$ 11,357,656	\$ 1,374,900	\$ 1,322,100	\$ 1,322,100	\$ -	5.82	\$ 11,357,656	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	Jing Sheng Technology Co., Ltd.	"	9,086,124	322,500	303,300	32,924	-	1.34	11,357,656	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	ASHOP CO., LTD.	"	9,086,124	161,250	151,650	151,650	-	0.67	11,357,656	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Inc.	"	9,086,124	1,112,625	1,046,385	142,326	-	4.61	11,357,656	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Studio A Technology Limited	"	9,086,124	1,999,500	1,880,460	91,597	-	8.28	11,357,656	Y	N	N	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electric Trading Co., Ltd.	"	9,086,124	161,250	151,650	-	-	0.67	11,357,656	Y	N	Y	
0	Cheng Uei Precision Industry Co., Ltd.	Kunshan Fugang Electric Trading Co., Ltd.	"	9,086,124	1,241,625	1,167,705	101,302	-	5.14	11,357,656	Y	N	Y	
1	Power Quotient International Co., Ltd.	SINOCITY INDUSTRIES LIMITED	"	2,227,937	313,450	303,300	303,300	-	6.81	2,227,937	Y	N	N	
2	Studio A Inc.	ASHOP CO., LTD.	"	9,086,124	387,000	363,960	363,960	-	1.60	11,357,656	Y	N	N	
2	Studio A Inc.	Studio A Technology Limited	"	9,086,124	258,000	242,640	-	-	1.07	11,357,656	Y	N	N	
3	Fugang Electric (Kunshan) Co., Ltd.	FUGANG ELECTRIC (MAANSHAN) CO., LTD.	Affiliates	9,086,124	1,267,136	1,209,501	1,209,501	-	5.32	11,357,656	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.