LANNER ELECTRONICS INC.
AND SUBSIDIARIES

Interim Consolidated Financial Statements

March 31, 2016 and 2015
(With Independent Auditors' Review Repoet Thereon)

Address: 7rd Floor, No. 173, Sec. 2, Datong Rd., Xizhi Dist.,
New Taipei City, Taiwan, R.O.C.
Tel: (02)8692-6060

安侯建業聯合會計師事務所
KPMG
台北市11049信義路5段7號68樓(台北101大樓)
68F, TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei, 11049, Taiwan, R.O.C.
Telephone 電話 + 886 (2) 8101 6666
Fax 傳真 + 886 (2) 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Review Report

The Board of Directors
LANNER ELECTRONICS INC.:

We have reviewed the accompanying consolidated balance sheets of LANNER ELECTRONICS INC. (the "Company") and its subsidiaries (the Group) as of March 31, 2016 and 2015, the related consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the three-month periods ended March 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our review. We did not review the financial statements of LANNER ELECTRONICS USA INC. with the total assets of $495,896 thousand and $467,685 thousand, constituting 11.61% and 12.79% of the related consolidated total assets, respectively; and the income amounting to $302,298 thousand and $257,342 thousand, constituting 21.79% and 21.87% of the related consolidated total comprehensive income for the three-month periods ended March 31, 2016 and 2015, respectively.

Except as described in the third paragraph, we conducted our review in accordance with Statement of Auditing Standards No. 36 "Review of Financial Statements". A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

We were unable to obtain the reviewed financial statements of certain subsidiaries of the Group in the first paragraphs, which represent the total assets amounting to $208,735 thousand and $88,535 thousand, constituting 4.89% and 2.42%, respectively, of the related consolidated total assets; the total liabilities amounting to $70,462 thousand and $7,530 thousand, constituting 3.79% and 0.48% of the related total liabilities as of March 31, 2016 and 2015, respectively; the total comprehensive income amounting to $168 thousand, and $(86) thousand, constituting 0.26% and (0.16)% of the related consolidated total comprehensive income for the three-month periods ended March 31, 2016 and 2015, respectively.

Based on our review and the reports of the other auditors, except for those mentioned in the third paragraphs, if the financial statements of certain subsidiaries of the Group had been reviewed by an auditor, which may have resulted in adjustments to the financial statements, we are not aware of any material modification that should be made to the consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission.

KPMG

KPMG

May 5, 2016

Note to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and consolidated cash flows in accordance with the Regulations Governing the Preparation of Financial Report by Securities Issuers and IAS 34 Interim Financial Reporting as endorsed by the Financial Supervisory Commission in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to review such financial statements are those generally accepted and applied in the Republic of China.

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

Reviewed only as of March 31, 2016 and 2015, not audited in accordance with generally accepted auditing standards

LANNER ELECTRONICS INC. AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2016, December 31 and March 31, 2015

(Expressed in thousands of New Taiwan dollars)

Assets	March 31, 2016 Amount	%	December 31, 2015 Amount	%	March 31, 2015 Amount	%
Current assets:						
Cash and cash equivalents (note 6(a))	$ 582,407	14	412,427	10	458,693	13
Notes receivable, net (note 6(b))	10,628	-	12,506	-	7,598	-
Accounts receivable, net (note 6(b))	894,280	21	1,061,641	25	753,201	20
Accounts receivable due from related parties, net (notes 6(b) and 7)	-	-	-	-	224	-
Other receivables (note 6(b))	1,656	-	646	-	2,183	-
Inventories (note 6(c))	1,433,595	34	1,415,992	33	1,130,313	31
Other financial assets—current (note 8)	2,355	-	37,139	1	52,568	1
Prepayments	81,059	2	68,155	2	69,098	2
Other current assets	28,352	1	39,699	1	28,962	1
Total current assets	3,034,332	72	3,048,205	72	2,502,840	68
Non-current assets:						
Financial assets carried at cost—non-current (note 6(d))	1,000	-	1,000	-	1,000	-
Property, plant and equipment (notes 6(f) and 8)	1,145,718	27	1,157,649	27	1,091,351	30
Prepayments for equipment	16,656	-	18,343	-	21,209	1
Intangible assets (note 6(g))	9,974	-	-	-	-	-
Deferred income tax assets	54,137	1	54,708	1	34,538	1
Other non-current assets (note 7)	7,665	-	7,674	-	4,887	-
Total non-current assets	1,235,150	28	1,239,374	28	1,152,985	32
Total assets	$ 4,269,482	100	4,287,579	100	3,655,825	100

Liabilities and Stockholders' Equity	March 31, 2016 Amount	%	December 31, 2015 Amount	%	March 31, 2015 Amount	%
Current liabilities:						
Short-term debts (notes 6(h) and 8)	$ 131,829	3	42,604	1	50,685	1
Long-term debts, current portion (notes 6(h) and 8)	1,930	-	1,966	-	1,876	-
Notes payable	2,094	-	-	-	-	-
Accounts payable	659,423	16	829,130	19	606,719	17
Accounts payable due to related parties (note 7)	-	-	6,480	-	385	-
Current tax liabilities	53,496	1	51,221	1	31,032	1
Other payables (notes 6(m) and (q))	439,588	10	496,313	12	343,222	9
Provisions—current (notes 6(j) and 9)	38,897	1	32,630	1	21,452	1
Bonds payable, current portion (note 6(i))	224,755	5	223,505	5	251,458	7
Other current liabilities (note 6(p))	134,852	3	126,926	3	101,062	3
Total current liabilities	1,686,864	39	1,810,775	42	1,407,891	39
Non-current liabilities:						
Financial liabilities at fair value through profit or loss—non-current (note 6(i))	23	-	23	-	156	-
Long-term debts (notes 6(h) and 8)	41,185	1	42,440	1	41,887	1
Long-term deferred revenue (note 6(p))	31,823	1	32,881	1	28,122	1
Deferred income tax liabilities	68,237	2	68,241	1	50,246	1
Accrued pension liabilities	29,168	1	29,168	1	27,549	1
Other non-current liabilities	523	-	552	-	555	-
Total non-current liabilities	170,959	5	173,305	4	148,515	4
Total liabilities	1,857,823	44	1,984,080	46	1,556,406	43
Equity attributable to shareholders of the parent (notes 6(i), 6(l) and 6(m)):						
stock:						
Common stock	975,008	23	975,008	23	908,114	25
Advance receipts for share capital	-	-	-	-	1,241	-
	975,008	23	975,008	23	909,355	25
Capital surplus	475,273	11	462,135	11	388,793	11
Retained earnings:						
Legal reserve	163,059	4	163,059	4	132,687	3
Special reserve	2,225	-	2,225	-	2,225	-
Unappropriated retained earnings	691,812	16	628,724	15	599,703	16
	857,096	20	794,008	19	734,615	19
Other equity:						
Financial statements translation differences for foreign operations	16,744	-	19,995	-	20,900	1
Total stockholders' equity	2,324,121	54	2,251,146	53	2,053,663	56
Non-controlling interests	87,538	2	52,353	1	45,756	1
Total equity	2,411,659	56	2,303,499	54	2,099,419	57
Total liabilities and stockholders' equity	$ 4,269,482	100	4,287,579	100	3,655,825	100

See accompanying notes to the consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

LANNER ELECTRONICS INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three-month period ended March 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars)

	For the three-month period ended March 31			
	2016 Amount	%	2015 Amount	%
Operating revenue (notes 6(p) and 7)	1,387,070	100	1,176,820	100
Operating cost (notes 6(c), 6(k), 6(m), 6(q) and 7)	984,174	71	822,360	70
Gross profit, net	402,896	29	354,460	30
Operating expenses (notes 6(b), 6(i), 6(m), 6(q) and 7):				
Selling expenses	124,379	9	85,337	7
Administrative expenses	84,550	6	85,736	7
Research and development expenses	93,813	7	96,067	8
Total operating expenses	302,742	22	267,140	22
Operating profit	100,154	7	87,320	8
Non-operating income and expenses (notes 6(i), 6(r) and 7):				
Other income	11,893	1	15,784	1
Other gains and losses	(23,736)	(2)	(13,872)	(1)
Financial costs	(2,040)	-	(2,069)	-
Total non-operating income and expenses	(13,883)	(1)	(157)	-
Net income before tax	86,271	6	87,163	8
Less: income tax expenses (note 6(l))	19,139	1	23,284	2
Net income	67,132	5	63,879	6
Other comprehensive income (loss):				
Items that may be reclassified subsequently to profit or loss:				
Financial statements translation differences for foreign operations	(3,524)	-	(10,739)	(1)
Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-
Total Items that may be reclassified subsequently to profit or loss	(3,524)	-	(10,739)	(1)
Other comprehensive income (loss), net of tax	(3,524)	-	(10,739)	(1)
Total comprehensive income	$ 63,608	5	53,140	5
Net income attributable to:				
Shareholders of the parent	$ 63,088	5	60,472	6
Non-controlling interests	4,044	-	3,407	-
	$ 67,132	5	63,879	6
Total comprehensive income attributable to:				
Shareholders of the parent	$ 59,837	5	50,166	5
Non-controlling interests	3,771	-	2,974	-
	$ 63,608	5	53,140	5
Basic earnings per share (in New Taiwan dollars) (note 6(o))	$	0.65		0.67
Diluted earnings per share (in New Taiwan dollars) (note 6(o))	$	0.61		0.62

See accompanying notes to the consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

LANNER ELECTRONICS INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three-month period ended March 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent											
	Common stock				Retained earnings							
	Common stock	Advance receipts for share capital	Total	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Financial statements translation differences for foreign operations	Total equity attributable to shareholders of the parent	Non-controlling interests	Total Equity
Balance on January 1, 2015	$ 908,114	-	908,114	384,347	132,687	2,225	539,231	674,143	31,206	1,997,810	42,782	2,040,592
Net income	-	-	-	-	-	-	60,472	60,472	-	60,472	3,407	63,879
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(10,306)	(10,306)	(433)	(10,739)
Total comprehensive income (loss)	-	-	-	-	-	-	60,472	60,472	(10,306)	50,166	2,974	53,140
Conversion of convertible bonds	-	1,241	1,241	3,971	-	-	-	-	-	5,212	-	5,212
Stock options exercised by employees	-	-	-	475	-	-	-	-	-	475	-	475
Balance on March 31, 2015	$ 908,114	1,241	909,355	388,793	132,687	2,225	599,703	734,615	20,900	2,053,663	45,756	2,099,419
Balance on January 1, 2016	$ 975,008	-	975,008	462,135	163,059	2,225	628,724	794,008	19,995	2,251,146	52,353	2,303,499
Net income	-	-	-	-	-	-	63,088	63,088	-	63,088	4,044	67,132
Other comprehensive income (loss)	-	-	-	-	-	-	-	-	(3,251)	(3,251)	(273)	(3,524)
Total comprehensive income (loss)	-	-	-	-	-	-	63,088	63,088	(3,251)	59,837	3,771	63,608
Stock options exercised by employees	-	-	-	2,323	-	-	-	-	-	2,323	-	2,323
Changes in non-controlling interests from acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	30,333	30,333
Due to donated assets received	-	-	-	10,815	-	-	-	-	-	10,815	1,081	11,896
Balance on March 31, 2016	$ 975,008	-	975,008	475,273	163,059	2,225	691,812	857,096	16,744	2,324,121	87,538	2,411,659

See accompanying notes to the consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

LANNER ELECTRONICS INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three-month period ended March 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars)

		Three-month period ended March 31	
		2016	2015
Cash flows from operating activities:			
Consolidated net income before tax	$	86,271	87,163
Adjustments:			
Adjustments to reconcile profit and loss			
Depreciation		23,056	17,851
Bad debt provision		3,111	407
Net loss on financial assets and liabilities at fair value through profit or loss		-	156
Interest expenses		2,040	2,069
Interest income		(1,862)	(444)
Remuneration cost of employee stock options		2,323	475
Loss (gain) on disposal of property, plant and equipment, net		121	(69)
Total adjustments to reconcile profit and loss		28,789	20,445
Changes in assets / liabilities relating to operating activities:			
Net changes in operating assets:			
Notes receivable		1,878	11,442
Accounts receivable (including related parties)		272,436	197,660
Other receivables		269	262
Inventories		254,023	(101,575)
Prepayments		(1,974)	3,198
Other current assets		11,347	1,607
Other finanacial assets		69,473	(28)
Total changes in operating assets, net		607,452	112,566
Net changes in operating liabilities:			
Notes payable		2,094	-
Accounts payable (including related parties)		(539,504)	(16,691)
Other payables		(62,255)	(92,770)
Provisions		6,267	3,612
Other current liabilities		7,859	(4,110)
Accrued pension liabilities		-	(22)
deferred revenue		(991)	1,373
Total changes in operating liabilities, net		(586,530)	(108,608)
Total changes in operating assets / liabilities, net		20,922	3,958
Total adjustments		49,711	24,403
Cash provided by operating activities		135,982	111,566
Interest income received		1,869	451
Interest paid		(777)	(642)
Income tax paid		(16,864)	(8,555)
Net cash provided by operating activities		120,210	102,820
Cash flows from investing activities:			
Acquisition of subsidiaries (after deduction of cash obtained)		8,780	-
Acquisition of property, plant and equipment		(12,113)	(10,276)
Proceeds from disposal of property, plant and equipment		145	1,190
Decrease in refundable deposits		9	547
Increase in other financial assets		(34,696)	(50,241)
Increase in prepayments for equipment		1,687	(7,769)
Net cash provided by (used in) investing activities		(36,188)	(66,549)
Cash flows from financing activities:			
Increase (decrease) in short-term debts		90,000	(50,567)
Repayment of long-term debts		(500)	(473)
Decrease in other non-current liabilities		(29)	(213)
Net cash provided by (used in) financing activities		89,471	(51,253)
Effects of changes in exchange rates		(3,513)	(8,045)
Increase (decrease) in cash and cash equivalents		169,980	(23,027)
Cash and cash equivalents at beginning of period		412,427	481,720
Cash and cash equivalents at end of period	$	582,407	458,693

See accompanying notes to the consolidated financial statements.

LANNER ELECTRONICS INC. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

March 31, 2016 and 2015

(Expressed in thousands of New Taiwan dollars unless otherwise stated)

(1) Organization and Business Scope

LANNER ELECTRONICS INC. (the Company) was incorporated on October 30, 1986, under the laws of the Republic of China (ROC). The Company and its subsidiaries (the Group) are mainly engaged in the manufacturing and trading of computer peripheral equipment, computer software design and development services, and related information processing trade business.

(2) Financial Statements Authorization Date and Authorization Process

These consolidated financial statements were reported to the Board of Directors and issued on May 5, 2016.

(3) New Standards and Interpretations Not Yet Adopted

Standards or interpretations issued, revised or amended, which were recognized by the International Accounting Standards Boards ("IASB") and have been effective since the end of the reporting period (collectively, reporting period), but not yet endorsed by the Financial Supervisory Commission ("FSC"), at the date of issuance of the Company's financial statements are listed below:

New standards and amendments and interpretations	Effective date per IASB
Amendments to IFRS 15 "Explain of IFRS 15"	January 1, 2018

The Group is currently evaluating the impact from the above-mentioned standards and amendments on its financial position and operating results. Any related impact will be disclosed when the evaluation is completed.

In addition to the above-mentioned, Group's assessments on the new standards and amendments which have not yet been adopted are consistent with note (3)(b) in the consolidated financial statements ended year 2015.

(Continued)

(4) Significant Accounting Policies

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

Except for the following, the significant accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015. For related information, please referred to note 4 of the consolidated financial statement for the year ended December 31, 2015.

(a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" ("Regulations") and IAS 34 Interim Financial Reporting endorsed by the FSC, but do not present all the disclosures required for a complete set of annual consolidated financial statements prepared in accordance with the International Financial Reporting Standards, International Accounting Statements, IFRIC Interpretations, or SIC Interpretations endorsed by the FSC.

(b) Basis of consolidation

Name of investor	Name of subsidiary	Scope of business	Percentage of ownership March 31, 2016	December 31, 2015	March 31, 2015	Note
The Company	LANNER ELECTRONICS USA, INC. (LANNER (USA))	Trading of computer peripheral products	100.00 %	100.00 %	100.00 %	
The Company	LANNER ELECTRONICS (MAURITIUS) INC. (LANNER (MAURITIUS))	Investing	100.00 %	100.00 %	100.00 %	
The Company	LEI TECHNOLOGY CANADA INC. (LEI)	Trading of computer peripheral products	100.00 %	100.00 %	100.00 %	
LANNER (MAURITIUS)	LANCOM HOLDING CO., LTD. (LANCOM)	Investing	100.00 %	100.00 %	100.00 %	
LANCOM	Beijing L&S Lancom Platform Technology Co., Ltd. (L&S)	Trading of computer peripheral products	90.91 %	90.91 %	90.91 %	
L&S	Beijing LSZC Investment Co., Ltd. (LSZC)	Investing	100.00 %	- %	- %	Note 1
Beijing LSZC Investment Co., Ltd.	Dongguan Lihua Haiwell Tech. Co., Ltd. (Haiwell)	Manufacture and sale of PC equipment	100.00 %	- %	- %	Note 2
Beijing LSZC Investment Co., Ltd.	Beijing HDZX Technology Co., Ltd. (HDZX)	Manufacture of PC equipment	42.99 %	- %	- %	Note 3 and 4

Note 1: In January 2016, the Board of Directors decided to establish Beijing LSZC Investment Co., Ltd.; and the registration process had already been were completed. The amount of investment was CNY10,000 thousand (TWD49,566 thousand).

(Continued)

Note 2: In February 2016, the Board of Directors passed a resolution to acquire 100% ownership of Dongguan Lihua Haiwell Tech. Co., Ltd. The process was completed in March 2016 with the acquisition price of CNY3,700 thousand (TWD18,339 thousand). In addition, the Group increased its investment of CNY3,080 thousand (TWD15,266 thousand) in March 2016.

Note 3: In February 2016, the Board of Directors passed a resolution to acquire 42.99% ownership of Beijing HDZX Technology Co., Ltd. The process had been completed in March 2016, with the acquisition price of CNY3,137 thousand (TWD15,550 thousand).

Note 4: Lanner holds less than 50% of the ownership of Beijing LSZC Investment Co., Ltd. However, considering the proportion of the remaining shares held by the management of the Group, the Group still holds control over Beijing LSZC Investment Co., Ltd. and its operation. As such, Beijing HDZX Technology Co., Ltd. is considered to be a subsidiary of the Group.

(c) Business combination

The Group uses the acquisition method for its business combination. Goodwill is measured as an aggregation of the consideration transferred (which generally is measured at fair value at the acquisition date) and the amount of any non-controlling interest in the acquiree, including non-controlling interests that belong to the acquiree, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. If the residual balance is negative, the Group shall re-assess whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain on the bargain purchase thereafter.

All the transaction costs incurred for the business combination are recognized immediately as the Group's expenses when incurred, except for the issuance of debt or equity instruments.

If the initial accounting for a business combination is incomplete by the end of the reporting period (referred to as reporting date) in which the combination occurs, the Group shall report in its financial statements the provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group shall retrospectively adjust the provisional amounts recognized at the acquisition date, or recognize the additional assets or liabilities to reflect the new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period shall not exceed one year from the acquisition date.

Non-controlling interests that are present ownership interests which entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured by the Group using either the fair value on acquisition date or the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement is based on every transaction. Other types of non-controlling interests are measured (1)at fair value on the acquisition date or (2)by using other basis in accordance with the IFRSs endorsed by FSC.

(d) Intangible assets

i) Goodwill

Goodwill arises from business combinations in which the acquisition method is adopted, and is recorded at cost, less, accumulated impairment losses.

ii) Customer relations

The customer relations due from acquisition is assessed to amortize using a direct method of 3-year basis. The face value of the customer relations is measured by deducting the accumulated amortization or impairment from the cost.

(Continued)

(e) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year plus any adjustments for significant post-market fluctuations, curtailments, settlements, or other one-time events.

(f) Income tax

Income tax expense for the period is best estimated by multiplying pretax income of the reporting period by the effective annual tax rate which was forecasted by the management. The outcome is then fully recognized as current tax expense.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(5) Significant Accounting Judgments and Sources of Estimation and Uncertainty

The preparation of the interim consolidated financial statements is in conformity with IAS 34 "Interim financial reporting" endorsed by FSC. The standard requires management to make judgments, estimations and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

During the preparation of the interim consolidated financial statements, except for additional information, the management adopts similar method used in accounting policy judgements and assumptions which are in conformity with note 5 of the consolidated financial statement for the year ended December 31, 2015.

(6) Description of Significant Accounts

Except as explained in the following paragraphs, there are no significant differences in description of significant accounts from financial statements as of December 31, 2015. For the related information, please refer to note 6 of the consolidated financial statements for the year ended December 31, 2015.

(a) Cash and cash equivalents

		March 31, 2016	December 31, 2015	March 31, 2015
Cash	$	1,186	1,780	1,024
Working capital		80	80	80
Demand deposits		266,810	141,828	187,712
Checking deposits		1,383	2,192	2,312
Time deposits		8,044	8,193	7,815
Foreign currency deposits		304,904	258,354	259,750
Cash and cash equivalents per consolidated statements of cash flow	$	582,407	412,427	458,693

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

(Continued)

(b) Notes and accounts receivable (including related parties) and other receivables

		March 31, 2016	December 31, 2015	March 31, 2015
Notes receivable	$	10,628	12,506	7,598
Accounts receivable, net		902,918	1,067,195	758,586
Accounts receivable—related parties		-	-	224
Other receivables		1,656	646	2,183
Less: allowance for impairment		8,638	5,554	5,385
	$	906,564	1,074,793	763,206

The Group has not provided any notes receivable, accounts receivable (including related parties) or other receivables as collateral or factoring for cash.

The aging of the Group's past due but not impaired receivable were as follows:

		March 31, 2016	December 31, 2015	March 31, 2015
Past due 1~30 days	$	99,826	75,355	104,999
Past due 31~90 days		48,960	38,288	78,839
Past more than 91 days		13,539	13,353	1,188
	$	162,325	126,996	185,026

The movement in the allowance for impairment with respect to notes and accounts receivable and other receivables were as follows:

		Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2016	$	5,554	-	5,554
Impairment loss recognized		3,111	-	3,111
Effect of changes in exchange rates		(27)	-	(27)
Balance on March 31, 2016	$	8,638	-	8,638

		Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2015	$	4,998	-	4,998
Impairment loss recognized		407	-	407
Effect of changes in exchange rates		(20)	-	(20)
Balance on March 31, 2015	$	5,385	-	5,385

(Continued)

(c) Inventories

The components of the Group's inventories were as follows:

		March 31, 2016	December 31, 2015	March 31, 2015
Merchandise	$	2,444	3,139	3,359
Finished goods		678,817	695,068	481,440
Work in process		242,745	270,031	190,968
Raw material		509,589	447,754	454,546
Total	$	1,433,595	1,415,992	1,130,313

Inventories are measured at the lower of cost and net realizable value. Hence, the Group makes judgment and estimates which shortens the life cycles of electronic products, the net realizable value of inventory for financial statement. Due to the rapid technology change, which shortens the life cycles of electronic products, the Group assessed the financial statement decrease to net realizable value of inventory at cost which is caused by normal wear and tear, obsolescence or no market value of the amount and cost of inventory write-downs to net realizable value. Valuation of the inventory is based according to the estimated future demand for its products. Hence, there is a possiblity for the valuation to have a significant fluctuation.

As of March 31, 2016, December 31 and March 31, 2015, the Group's inventories are not pledged as collateral.

Aside from charging operating costs through the ordinary sale of inventories, other gains and losses directly recorded under operating costs for the three-month periods ended March 31, 2016 and 2015 were as follows:

		Three-month periods ended March 31	
		2016	2015
Loss on market value of inventory	$	5,486	5,165

(d) Financial assets carried at cost—noncurrent

	Ownership %		Investment cost	Amount
March 31, 2016				
Alliance III venture Capital Corp.	1.00	$	1,000	1,000

	Ownership %		Investment cost	Amount
December 31, 2015				
Alliance III venture Capital Corp.	1.00	$	1,000	1,000

(Continued)

	Ownership %	Investment cost	Amount
March 31, 2015			
Alliance III venture Capital Corp	1.00	$ 1,000	1,000
Beijing HDZX Techology Co., Ltd.	19.84	12,148	-
Total		$ 13,148	1,000

The Group has assessed the recoverable amount of the investment on Hua Dian (Beijing) Technology Ltd. is less than the book value. Therefore, the Group has recognized the entire investment as impairment loss. Further, the Group disposed the entire investment in August 2015.

(e) Business combination

In February 2016, the Board of Directors has decided to obtained 100% shares of Dongguan Lihua Haiwell Technology Co., Ltd. and 42.99% shares of Beijing HDZX Technology Co., Ltd. for $18,339 thousand (CNY3,700 thousand) and $15,550 thousand (CNY3,137 thousand), respectively.

i) Lihua Haiwell Technology Co., Ltd.

The Group has obtained control over Dongguan Lihua Haiwell Technology Co., Ltd. on March 1, 2016 (acquisition date) and the payment for the acquisition has been made.

The acquisition of Dongguan Lihua Haiwell Technology Co., Ltd. allows the Group to expand its product capacity in China to meet future demands.

For the period from the acquisition date to March 31, 2016, the net income after tax attributed to the Group amounted to $7,933 thousand. If the acquisition occured on January 1, 2016, the management estimates that the net income after tax for the period from January 1, 2016 to March 31, 2016 will increase to $65,744 thousand. The aforementioned amounts were based on the management's assumptions that the acquisition took place on January 1, 2016 and that the adjustments of the temporarily determined fair value on the acquisition date remain unchanged.

The major categories and fair values of acquired assets and liabilities are as follows:

i. The transfer consideration of $18,339 thousand was paid in cash.

ii. Identifiable assets and liabilities obtained

The fair values of identifiable assets acquired and liabilities assumed on the date of acquisition are as follows:

Property, plant and equipment	$	135
Inventories		232,108
Accounts receivable		54,582
Cash and cash equivalent		10,538
Other current and non-current assets		11,028
Accounts payable		(287,932)
Other current liabilities		(2,120)
	$	18,339

The gross contractual amounts of accounts receivable totaled $54,582 thousand. The amount is expected to be collectible on the acquisition date.

If there is any information indicating that facts and circumstances exist on the acquisition date which leads to an adjustment to the above provisional amounts, or any additional provisions as of the acquisition date, within one year from the acquisition date, then the acquisition accounting will be revised.

ii) Beijing HDZX Technology Co., Ltd. (HDZX)

The Group has obtained the control over HDZX on March 1, 2016 (acquisition date) and the payment for the acquisition had already been made.

The acquisition of HDZX allows the Group to increase its product types, which is mainly power-saving products.

For the period from the acquisition date to March 31, 2016, the operating revenue and net income after tax attributed to the Group amounted to $19,086 thousand and $623 thousand, respectively. If the acquisition occured on January 1, 2016, the management estimates that the operating revenue and net income after tax for the period from January 1, 2016 to March 31, 2016 will increase to $1,403,425 thousand and $65,964 thousand, respectively. The aforementioned amounts were based on the management's assumptions that the acquisition took place on January 1, 2016 and that the adjustments of the temporarily determined fair value on the acquisition date remain unchanged.

(Continued)

The major categories and fair values of acquired assets and liabilities are as follows:

i. The transfer consideration of $15,550 thousand transferred was paid in cash.

ii. Identifiable assets and liabilities obtained

The fair values of identifiable assets acquired and liabilities assumed on the date of acquisition are as follows:

Property, plant and equipment	$	180
Identifiable intangible assets—customer relations		5,017
Inventories		39,518
Accounts receivable		53,577
Cash and cash equivalent		32,129
Other current and non-current assets		1,183
Accounts payable		(75,385)
Other current liabilities		(3,397)
	$	**52,822**

The following fair values of the assets and liabilities have been determined on a temporary basis:

The fair value of the identifiable intangible asset acquired was temporarily determined to be $5,017 thousand. The valuation of the said intangible asset has not yet been completed. Customer relations were mainly from HDZX's market share. Synergy is expected to arise from the business combination of the Company and the Group.

The gross contractual amounts of accounts receivable totaled $53,577 thousand. The amount is expected to be collectible on the acquisition date.

If there is any information indicating facts and circumstances exist on the acquisition date which leads to an adjustment to the above provisional amounts, or any additional provisions as of the acquisition date, within one year from the acquisition date, then the acquisition accounting will be revised.

iii. Goodwill

Goodwill arising from the acquisition is as follows:

Consideration transfer	$	15,550
Plus: Fair value of acquiree's original interests		11,896
Plus: Non-controlling interests		30,333
Less: Fair value of identifiable net assets acquired		52,822
Goodwill arising on acquisition	$	**4,957**

The recognition of goodwill do not expect to have any impact on tax.

iv. Non-controlling interest

Fair value of the non-controlling interest of HDZX amounted to $30,333 thousand. The fair value is determined based on a market approach and an income approach. The measurement of fair value was estimated using unobservable parameters, indicating that the measurement belongs to the third hierarchy of the fair value. The key model inputs used for determining the fair value are as follows:

1) An assumed discount rate of 21% to 25%;

2) Final values are based on 2.5% to 4% long-term growth rate;

3) Assumed that financial multiplier of a company is similar to that of Beijing HDZX Technology Co., Ltd.; and

4) Market participants take into consideration the controlling power and liquility of HDZX when measuring the fair value of its non-controlling interest.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery	Other equipment	Construction in progress	Total
Carrying value:						
January 1, 2016	$ 501,490	396,190	44,160	213,768	2,041	1,157,649
March 31, 2016	$ 500,937	393,368	42,695	208,718	-	1,145,718
March 31, 2015	$ 500,086	403,408	53,057	134,800	-	1,091,351

For the three-month periods ended March 31, 2016 and 2015, the Group did not have any significant purchase, disposal, impairment or reversal on fixed assets. For depreciation expense of the current period, please refers to note 12(a). For other relative information, please refers to note 6(e) of the annual consolidated financial statements.

Please refer to note 8 for the information of the pledged property, plant and equipment, as of March 31, 2016, December 31 and March 31, 2015.

(g) Intangible assets

	Goodwill	Customer relation	Total
Carrying value:			
March 31, 2016	$ 4,957	5,017	9,974

Goodwill and customer relations were obtained by acquiring subsidiaries in March 2015.

(h) Short-term and long-term borrowings

The details, terms and clauses of the Group's short-term and long-term borrowings were as follows:

i) Short-term borrowings

	March 31, 2016			
	Currency	Interest rate	Maturity year	Amount
Secured loans	TWD	1.1000	2016	$ 90,000
Unsecured loans	USD	2.5762	2016	41,829
Total				$ 131,829

	December 31, 2015			
	Currency	Interest rate	Maturity year	Amount
Unsecured loans	USD	2.5762	2016	$ 42,604

	March 31, 2015			
	Currency	Interest rate	Maturity year	Amount
Unsecured loans	RMB	5.56	2015	$ 10,048
Unsecured loans	USD	2.5477	2015	40,637
Total				$ 50,685

As of March 31, 2016, December 31 and March 31, 2015, the unused credit facilities of the Group's short-term borrowings amounted to $780,000, $870,000 and $870,000 thousand respectively.

ii) Long-term borrowings

	March 31, 2016			
	Currency	Interest rate	Maturity year	Amount
Secured loans	USD	2.4490	2020	$ 43,115
Current				$ 1,930
Non-current				41,185
Total				$ 43,115

	December 31, 2015			
	Currency	Interest rate	Maturity year	Amount
Secured loans	USD	2.4490	2020	$ 44,406
Current				$ 1,966
Non-current				42,440
Total				$ 44,406

	March 31, 2015			
	Currency	Interest rate	Maturity year	Amount
Secured loans	USD	2.3806	2020	$ 43,763
Current				$ 1,876
Non-current				41,887
Total				$ 43,763

iii) Collateral of loans

The Group has applied for mortgage loan by providing its assets as collateral. For relative information, please refer to note 8.

(i) Bonds payable

The Company issued unsecured convertible bonds as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Total amount of convertible Bonds	$ 400,000	400,000	400,000
Discount on bonds payable unamortized balance	(2,945)	(4,195)	(9,042)
Accumulated converted balance	(172,300)	(172,300)	(139,500)
Bonds payable of ending balance	$ 224,755	223,505	251,458
Embedded Derivatives—put option and call option (financial liability at fair value through profit or loss—non-current)	$ (23)	(23)	(156)
Equity component—conversion options (Capital surpluses— Share options)	$ 11,483	11,483	13,137

	Three-month periods ended March 31	
	2016	2015
Embedded Derivatives－put option and call option measured at fair value through profit or loss (reported in other gains and losses)	$ -	(156)
Interest expenses (financial costs)	1,250	1,428

The Group did not have any significant change on the information and regulation of the convertible bonds. For relative information, please refers to note 6(g) of year-ended 2015 of the consolidated financial statements for further information.

(j) Provisions

	March 31, 2016	December 31, 2015	March 31, 2015
Warranty	$ 32,527	26,260	15,082
Legal	6,370	6,370	6,370
Total	$ 38,897	32,630	21,452

For for the three-month periods ended March 31, 2016 and 2015, the Group did not have any significant change on the provisions. Please refer to note 6(h) of the year-ended 2015 of the consolidated financial statements for relative information.

(k) Employee benefits

i) Defined benefit plans

In the prior fiscal year, there was no material volatility of the market, material reimbursement and settlement or other material one-time events. As a result, pension cost in the condensed consolidated interim financial statements was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate as of December 31, 2015 and 2014.

The Group's expenses recognized in profit or loss were as follows:

	Three-month periods ended March 31	
	2016	2015
Operating costs	$ 122	102
Selling expenses	42	30
Administrative expenses	76	66
Research and development expenses	66	54
Total	$ 306	252

ii) Defined contribution plans

The Group's expenses (under pension plan cost) to the Bureau of Labour Insurance and the local government were as follows:

		Three-month periods ended March 31	
		2016	**2015**
Operating costs	$	1,866	1,919
Selling expenses		1,180	1,103
Administrative expenses		1,175	1,050
Research and development expenses		2,680	2,410
Total	$	6,901	6,482

(l) Income tax

Income tax expense was best estimated by multiplying pretax income for the interim reporting period by the effective tax rate which was forecasted by the management.

The Group's income tax expense are as follows:

		Three-month periods ended March 31	
		2016	**2015**
Current tax expenses			
Current period	$	19,139	23,284
Income tax on continuing operations	$	19,139	23,284

The tax authorities have assessed the Company's income tax return for 2013. However, as the tax authorities ruled that extra taxes of $14,747 thousand be paid, the company is intended to appeal to the court for re-assessment.

As of March 31, 2016, the Group does not have significant changes on the amount of loss carry-forward and expiration dates on its subsidinary. Please refer to note 6(j) of year-ended 2015 consolidated financial statements for further information.

Information related to the unappropriated earnings and tax deduction ratio is summarized as below:

		March 31, 2016	December 31, 2015	March 31, 2015
Unappropriated earnings of 1997 and before	$	-	-	-
Unappropriated earnings of 1998 and after		691,812	628,724	599,703
	$	691,812	628,724	599,703

(Continued)

		March 31, 2016	December 31, 2015	March 31, 2015
Balance of imputation credit account	$	64,802	64,802	69,950

After the Group's income tax returns were examined and assessed by the tax authorities, the imputation tax credit ratio of earnings to be distributed in 2016 was estimated at 15.83%. The actual imputation tax credit ratio of earnings distributed in 2015 was 14.26%.

(m) Capital and other equity

With 100,000 thousand shares and each share amounting to $10, the total value of the nominal ordinary shares both amounted to $1,000,000 as of March 31, 2016, December 31 and March 31, 2015. 97,501, 97,501 and 90,935 thousand shares of common stocks were issued, respectively. All issued shares were paid up upon issuance.

A reconciliation of the Company's outstanding shares of three-month periods in 2016 and 2015 is as follows:

Unit: thousands shares

	Three-month periods ended March 31	
	2016	2015
Balance at January 1	97,501	90,811
Capitalization of employee bonus	-	124
Balance at March 31	97,501	90,935

i) Issuance of common stock

The Company's issuance of common stocks in 2015 was due to the capitalization of employee and stockholder bonus, conversion on puttable convertible bonds, and exercise of employee stock options. For details, please refer to note 6(k) to the consolidated financial statement for the year ended December 31, 2015.

ii) Capital surplus

The composition of the Company's capital surplus are as follows:

		March 31, 2016	December 31, 2015	March 31, 2015
Share premium from issuance	$	430,911	430,911	357,402
Changes in equity of associates and joint ventures accounted for using equity method		16,694	5,879	5,581
Employee share options		8,982	6,659	5,470
Share options		11,483	11,483	13,137
Employee share options expired		7,203	7,203	7,203
	$	475,273	462,135	388,793

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

iii) Retained earnings

According to the revision of the Company's bylaw on June 15, 2011, the Company's net earnings from the current year shall be used to offset prior years' deficits, pay income tax, provide 10% as legal reserve, provide or reverse a special reserve in accordance with Section 41 of the Securities and, Exchange Act, pay 10% to 20% as employee bonuses and compensate 2% as directors' and supervisors' remuneration. After the abovementioned appropriations, the distribution of the remaining earnings, if any, should be proposed by the board of directors and is subject to the stockholders' approval.

In accordance with the revised ROC Company Act, the supervisor's emoluments and employee bonuses are not appropriated from distributable earnings. The Company will revise the Company's articles of incorporation before the official due date. Please refer to note 6(q).

The Company estimated the employee bonuses of $10,218 thousand and the director's and supervisors' emlouments of $1,089 thousand for the three-month period ended March 31, 2015. The above mentioned is not accordance with the revised ROC Company Act. These amounts are calculated based on the Company's net profit for the period by using the earnings allocation method as stated under the Company's articles of association. These bonuses are expensed under operating expenses or operating costs. The differences between the estimated amounts and those recognized in the financial statements approved by the shareholders' meeting and published to the public, if any, shall be accounted for as a change in accounting estimate and recognized in profit or loss in the next year. If the shareholders resolved to pay the employee compensation by stock dividends the number of shares of share dividend is based on the closing price of the Company's common shares, taking into consideration of any ex-dividend and ex-rights effects.

The appropriations of 2015 and 2014 earnings as dividends to stockholders that were the board of directors on March 23, 2016, and is subject to the Company's shareholders approval on June 18, 2015. The relevant dividend distributions to shareholders were as follows:

	2015		2014	
	Amount per share (NT dollars)	**Total Amount**	**Amount per share (NT dollars)**	**Total Amount**
Dividends distributed to common stockholders:				
Cash	$ 2.00	195,010	1.47	136,218
Stock	-	-	0.49	45,406
Total		$ 195,010		181,624

(Continued)

iv) Treasury stock

There was no purchasing of treasury stock between January 1 and March 31, 2016. Please refer to note 6(k) of the consolidated financial statement for the year ended December 31, 2015 for the purchasing and retiring of treasury stock in 2015.

v) Other equities (net of tax)

	Foreign exchange differences arising from foreign operation	Non-controlling interests	Total
Balance at January 1, 2016	$ 19,995	5,031	25,026
Foreign exchange differences arising from net assets of foreign operation	(3,251)	(273)	(3,524)
Balance at March 31, 2016	$ 16,744	4,758	21,502
Balance at January 1, 2015	$ 31,206	6,172	37,378
Foreign exchange differences arising from net assets of foreign operation	(10,306)	(433)	(10,739)
Balance at March 31, 2015	$ 20,900	5,739	26,639

(n) Share-based payment

There were no significant changes in the share-based payment from January 1 to March 31, 2016; for details, please refer to note 6(l) of the consolidated financial statement for the year ended 2015.

(o) Earnings per share

The calculations of the Group's basic earnings per share and diluted earnings per share are as follows:

i) Basic earnings per share

	Three-month periods ended March 31	
	2016	2015
Net income attributable to ordinary shareholders of the Company	$ 63,088	60,472
Weighted-average number of ordinary shares	97,501	90,853
Basic earnings per share (in NT dollars)	$ 0.65	0.67

(Continued)

ii) Diluted earnings per share

		Three-month periods ended March 31	
		2016	2015
Net income of the company	$	63,088	60,472
Effect of after tax interest expense of conversion bonds		1,037	1,185
Net income attributable to ordinary shareholders of the Company	$	64,125	61,657
Weighted-average number of ordinary shares (basic)		97,501	90,853
Impact of potential common shares			
Effect of employee stock bonus		1,263	1,409
Effect of employee stock option		1,399	1,470
Effect of conversion bonds		5,721	5,987
Weighted-average number of ordinary shares (diluted)		105,884	99,719
Diluted earnings per share (in NT dollars)	$	0.61	0.62

For calculation of the dilutive effect of the stock option, the average market value is assessed based on the quoted market price where the Company's option is outstanding.

(p) Revenue

The details of the Group's revenue for the three-month periods ended March 31, 2016 and 2015 were as follows:

		Three-month periods ended March 31	
		2016	2015
Sale of goods	$	1,387,070	1,176,820

Unearned revenue for consolidated company amounted to $991 and $1,373 for the three-month periods ended March 31, 2016 and 2015, respectively. As of March 31, 2016, December 31 and March 31, 2015, accumulated unearned revenue amounted to $52,622, $54,138 and $46,166, respectively. Unearned revenue was booked due to identifiable services to be rendered.

(q) Employees' bonuses and directors' emoluments

In accordance with the Company's article, which is not yet approved from the shareholder's meeting, the Company should contribute 10% to 20% of its profit as employee compensation, and no greater than 2% as directors' and supervisors' remuneration, when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit. The amounts of remuneration to each director and supervisor, as well as the bonuses to employees, are subject for approval during the board of directors' meeting.

(Continued)

The Company estimated its employee compensation and directors' remuneration amounting to $10,811 thousand and $1,108 thousand for the three-month period ended March 31, 2016, respectively. The estimated amounts mentioned above are based on the net profit before tax, excluding employee compensation and directors' remuneration, of each respective ending period, multiplied by the percentage of the employee compensation, and the directors' remuneration, as specified in the Company's article. The estimations are recorded under operating expenses and cost. The differences between the estimated amounts in financial statements and actual amounts approved by the Board of Directors, if any, shall be accounted for as changes in accounting estimates and recognized in 2016.

The Company estimated its employee compensation and directors' remuneration amounting to $54,193 thousand and $5,558 thousand for the year 2015, respectively. The information mentioned above can be searched on Market Observation Post System. The differences between the estimated amounts and those recognized in financial statements approved by the Board of Directors and published to the public, if any, shall be accounted for as a change in accounting estimates and recognized in 2016.

(r) Non-operating income and expenses

i) Other income

The details of the Group's other income were as follows:

	Three-month periods ended March 31 2016	2015
Rent income	$ 206	254
Interest income	1,862	444
Others	9,825	15,086
	$ 11,893	15,784

ii) Other gains and losses

The details of the Group's other gains and losses were as follows:

	Three-month periods ended March 31 2016	2015
Loss on foreign exchange	$ (19,047)	(11,405)
Valuation loss on financial assets	-	(156)
Gains (loss) on disposal of property, plant and equipment	(121)	69
Others	(4,568)	(2,380)
	$ (23,736)	(13,872)

iii) Finance costs

The details of the Group's finance costs are as follows:

	Three-month periods ended March 31	
	2016	2015
Interest expenses—convertible bonds	$ 1,250	1,428
Interest expenses—short-term loans	790	641
	$ 2,040	2,069

(s) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Group's financial instruments and in the degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to Note 6(q) of the consolidated financial statements for the year ended December 31, 2015.

i) Credit risk

As of March 31, 2016, December 31 and March 31, 2015, the major client contributed approximately 26%, 30% and 32% of total receivables, respectively. The other four clients contributed no more than 15%, 22% and 13% of total receivables, respectively.

ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	Within a year	1-2 years	3-5 years	Over 5 years
March 31, 2016						
Non-derivative financial liabilities						
Short-term debts	$ 131,829	132,220	132,220	-	-	-
Bonds payable	224,755	224,755	224,755	-	-	-
Notes payable	2,094	2,094	2,094	-	-	-
Accounts payable (including related parties)	659,423	659,423	659,423	-	-	-
Other payables	244,259	244,259	244,259	-	-	-
Long-term debts (including current portion)	43,115	47,609	2,132	2,132	6,396	36,949
	$ 1,305,475	1,310,360	1,264,883	2,132	6,396	36,949
December 31, 2015						
Non-derivative financial liabilities						
Non-current financial liabilities at fair value through profit or loss	$ 23	23	23	-	-	-
Short-term debts	42,604	43,154	43,154	-	-	-
Bonds payable	223,505	223,505	223,505	-	-	-
Accounts payable	835,610	835,610	835,610	-	-	-
Other payables	220,382	220,382	220,382	-	-	-
Long-term debts (including current portion)	44,406	49,304	2,183	2,183	6,549	38,389
	$ 1,366,530	1,371,978	1,324,857	2,183	6,549	38,389

(Continued)

	Carrying amount	Contractual cash flows	Within a year	1-2 years	3-5 years	Over 5 years
March 31, 2015						
Non-derivative financial liabilities						
Short-term debts	$ 50,685	51,439	51,439	-	-	-
Bonds payable	251,458	251,458	251,458	-	-	-
Accounts payable (including related parties)	607,104	607,104	607,104	-	-	-
Other payables	343,222	343,222	343,222	-	-	-
Long-term debts (including current portion)	43,763	49,240	2,110	2,110	6,331	38,689
	$ 1,296,232	1,302,463	1,255,333	2,110	6,331	38,689

The Group does not expect the payment matured in advance significantly or differ from original value.

iii) Currency risk

i. Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

		Foreign currency	Exchange rate	NTD
March 31, 2016				
Financial assets:				
Monetary items:				
USD (note)	$	38,862	32.1760	1,250,430
Financial liabilities:				
Monetary items:				
USD (note)	$	16,038	32.1760	516,034
December 31, 2015				
Financial assets:				
Monetary items:				
USD (note)	$	40,113	32.7720	1,314,589
Financial liabilities:				
Monetary items:				
USD (note)	$	20,539	32.7720	673,109
March 31, 2015				
Financial assets:				
Monetary items:				
USD (note)	$	35,479	31.2590	1,109,031
Financial liabilities:				
Monetary items:				
USD (note)	$	15,413	31.2590	481,809

Note: Amounts are designated before consolidation.

(Continued)

The Group's exposure to foreign currency risk arises from the translation of foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables and trade payables that are denominated in foreign currency. A weakening (strengthening) 1% of appreciation (depreciation) of the TWD against the USD as of March 31, 2016 and 2015 would have increased or decreased the net profit by $18,944 and $16,655 thousand, respectively. The analysis is performed on the same basis for both periods. Since the Group has a variety of functional currencies, gain or loss due from foreign currency exchanges is presented in aggregation.

For for the three-month periods ended March 31, 2016 and 2015, gain resulted from foreign currecncy exchange (including realized and unrealized) amounted to $(19,047) and $(11,405) thousand, respectively.

ii. Interest rate analysis

Please refer to the note for liquidity risk management and the Group's interest rate exposure to its financial liabilities.

The following sensitivity analysis is based on the risk exposure of the interest rate on derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is on the basis of the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year.

If the interest rate increases or decreases by 1% and all other variables remain constant, the Group's net incomes for for the three-month periods ended March 31, 2016 and 2015 will decrease or increase by $1,452 and $784 thousand, respectively. This resulted mainly from the Group's borrowings in floating interest rates.

iv) Information of fair value

i. Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valuated approximately to their fair value. No additional disclosure is required in accordance with the Regulations.

	March 31, 2016				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	$ 23	-	23	-	23

(Continued)

	December 31, 2015				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	$ 23	-	23	-	23

	March 31, 2015				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	$ 156	-	156	-	156

ii. Valuation techniques and assumptions used in fair value determination

The financial instruments of the Group are evaluated by using the publicly-adopted valuation models. Forward contracts are referred to the evaluation outcomes from financial institutions. Convertible bonds are measured by using the binary tree valuation model with consideration of the parameters of stock shares fluctuations and risk-free interests.

(t) Financial risk management

The objective and policies of the consolidated company are identical to those disclosed in Note 6(r) of the consolidated financial statement for the year ended 2015.

(u) Capital management

The disclosure of objectives, policies and procedures of the Group's capital management are the same as those specified in the consolidated financial statements for the year ended December 31, 2015; and there were no significant changes in the Group's collective quantitative information from those disclosed in the consolidated financial statements for the year ended December 31, 2015. For related information, please refer to note(s) of the consolidated financial statements for the year ended December 31, 2015.

(7) Related-party Transactions

(a) Significant related party transactions

i) Operating revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	Three-month periods ended March 31 2016	Three-month periods ended March 31 2015
Other related parties	$ 17,694	192

There are no significant differences between the selling prices and the collection terms with the other related parties and those with general clients. No collaterals were pledged for the receivables from related parties, and no bad debt expenses should be booked after assessment.

ii) Receivables from related parties

The receivables due from related parties were as follows:

Accounts	Type of related parties	March 31, 2016	December 31, 2015	March 31, 2015
Accounts receivable	Other related parties	$ -	-	224

iii) Purchases

The amounts of purchase transactions between the Group and related parties were as follows:

	Three-month periods ended March 31 2016	Three-month periods ended March 31 2015
Other related parties	$ 498	179

There were no significant differences in purchase prices and payment terms between related parties and non-related suppliers.

iv) Payables to related parties

The payables due to related parties were as follows:

Accounts	Type of related parties	March 31, 2016	December 31, 2015	March 31, 2015
Accounts receivable	Other related parties	$ -	6,480	385

v) Purchase of other assets

In March 2015, the Group paid $18,339 thousand (CNY3,700 thousand) to acquire 100% shares of Lihua Haiwell Co. from the key management.

vi) Leases

A lease contract with the period from June 2015 to May 2020 was signed with other related party on April 25, 2015. In accordance with the contract, the group provided $175 as deposit and booked the same amount under non-current asset. Rent for the three-month periods ended March 31, 2016 and 2015 amounted to $330 thousand and $300 thousand, respectively. There were no outstanding balance as of March 31, 2016, December 31 and March 31, 2015.

(b) Key management personnel compensations

Key management personnel compensation comprised:

		Three-month periods ended March 31	
		2016	**2015**
Short-term employee benefits	$	18,259	13,954
Post-employment benefits		185	169
	$	18,444	14,123

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object		March 31, 2016	December 31, 2015	March 31, 2015
Certificate of deposits (recorded under other financial assets－current)	Guarantee for customs	$	2,302	2,275	2,275
Land	Guarantee for long and short-term debts		415,846	416,399	414,996
Building and structures	Guarantee for long and short-term debts		274,787	277,615	282,402
		$	692,935	696,289	699,673

(9) Significant Commitments and Contingencies

The Group's former employee has sued the Group for joint and several liabilities of $10,963. In April 2012, Taiwan Supreme Court has ruled that the Company should pay the compensation of $5,290 plus, a 5% annual interest rate starting from October 14, 2007. The Group and another accused both appealed to the Supreme Court concerning the aforementioned matter. The Supreme Court handed the case back over to the High Court for re-assessment. The High Court then overruled the lawsuit against the plaintiff in November 2014. However, since the plaintiffs disagreed with the verdict, they filed another appeal to the Supreme Court, and the case is still in progress. As of March 31, 2016, December 31 and March 31, 2015, the Group estimated the debt provision to be $6,370 due to the aforementioned lawsuit.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Others

(a) The following is a summary statement of employee benefits, depreciation and amortization expensed by function:

By function	Three-month period ended March 31, 2016			Three-month period ended March 31, 2015		
By item	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	45,810	159,583	205,393	44,830	147,939	192,769
Labor and health insurance	4,029	11,103	15,132	4,008	10,421	14,429
Pension	1,988	5,219	7,207	2,021	4,713	6,734
Others	2,699	6,439	9,138	2,403	5,560	7,963
Depreciation	10,261	12,795	23,056	8,380	9,471	17,851
Amortization	-	-	-	-	-	-

(b) Operating and seasonality

The Group's operations were not affected by seasonal and cyclical factors.

(13) Other Disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the three-month period ended March 31, 2016:

i) Loans extended to other parties: None.

ii) Guarantees and endorsements for other parties: None.

iii) Information regarding securities held on balance sheet date (Investment in subsidiaries, associates and joint ventures were excluded):

Unit: thousand dollars/thousand shares

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	March 31, 2016				Remarks
				Number of shares	Book value	Holding percentage	Market value	
The Company	Stock: Alliance III Venture Capital Corp.	—	Financial assets carried at cost—non current	100	1,000	1.00 %	1,000	-

Note: Completely booked as impairment loss.

iv) Accumulated holding amount of a single security in excess of $300 million or 20% of the paid-in capital: None.

v) Acquisition of real estate in excess of $300 million or 20% of the paid-in capital: None.

vi) Disposal of real estate in excess of $300 million or 20% of the paid-in capital: None.

vii) Sales to and purchases from related parties in excess of $100 million or 20% of the paid-in capital:

Unit: thousand dollars

Name of Company	Counter-party	Relationship	Transaction details				The status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
The Company	LANNER ELECTRONICS USA, INC.	Subsidiary	Sales	(212,759)	(20) %	90 days	-	-	311,676	35 %	(Note 1)
The Company	Lihua Haiwell Technology Co., Ltd.	Subsidiary of subsidiary	Sales	(114,599)	(11) %	60 days	-		109,664	12 %	(Note 1)

Note 1: The transactions within the Group were eliminated in the consolidated financial statements.

viii) Receivables from related parties in excess of $100 million or 20% of the paid-in capital:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
The Company	LANNER ELECTRONICS USA, INC.	Subsidiary	311,676 (Note)	2.50	-		96,125 (Until May 5, 2016)	-
The Company	Lihua Haiwell Technology Co., Ltd.	Subsidiary of subsidiary	109,664 (Note)	2.09	-		54,410 (Until May 5, 2016)	-

Note: The transactions within the Group were eliminated in the consolidated financial statements.

ix) Financial derivative instruments transactions: None.

x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	LANNER ELECTRONICS USA, INC.	1	Sales	212,759	No significant differences	20.92%
0	The Company	Beijing L & S Lancom Platform of Technology CO., Ltd.	1	Sales	51,795	No significant differences	7.88 %
0	The Company	LEI Technology Canada Ltd.	1	Sales	56,067	180 days	4.04 %

(Continued)

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	The Company	Lihua Haiwell Technology Co., Ltd.	1	Sales	114,599	No significant differences	8.26 %
0	The Company	LANNER ELECTRONICS USA, INC.	1	Accounts receivable	311,676	No significant differences	7.30 %
0	The Company	LEI Technology Canada Ltd.	1	Accounts receivable	91,471	180 days	2.14 %
0	The Company	Lihua Haiwell Technology Co., Ltd.	1	Accounts receivable	109,664	No significant differences	2.57 %
1	Lihua Haiwell Technology Co., Ltd.	Beijing L & S Lancom Platform of Technology CO., Ltd.	2	Sales	159,080	No significant differences	11.47%
1	Lihua Haiwell Technology Co., Ltd.	Beijing L & S Lancom Platform of Technology CO., Ltd.	2	Accounts receivable	102,808	No significant differences	2.41 %

Note 1: Company numbering is as follows:
(1) Parent company is 0.
(2) Subsidiary starts from 1.

Note 2: The number of the relationship with the transaction counterparty represents the following:
(1) "1" represents downstream transactions.
(2) "2" represents upstream transactions.
(3) "3" represents sidestream transactions.

(b) Information on investees:

The following is the information on investees for for the three-month period ended March 31, 2016:

Unit: thousand dollars/thousand shares

Name of investor	Investor investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				March 31, 2016	December 31, 2015	Shares	Ratio of shares	Book value			
The Company	LANNER (USA)	USA	Trading of computer peripheral equipment	80,633	80,633	2,350	100 %	46,724	345	345	(Note 1)
The Company	LANNER (MAURITIUS)	Mauritius	Investing	84,990	84,990	2,653	100 %	510,455	29,272	29,272	(Note 1)
The Company	LEI	Canada	Trading of computer peripheral equipment	56,936	56,936	2,000	100 %	11,103	(1,281)	(1,281)	(Note 1)
LANNER (MAURITIUS)	LANCOM	Samoa	Investing	78,251	78,251	2,623	100 %	573,317	32,204	32,204	(Note 1)

Note 1: Aforementioned amounts have been eliminated upon consolidation.

(c) Information on investment in Mainland China:

i) Information on investment in Mainland China:

Unit: thousand dollars

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2016	Investment flow during current period		Cumulative investment (amount) from Taiwan as of March 31, 2016	Net income on investee	Direct / indirect investment holding percentage	Investment income (loss) (Note 2)	Book value (Note 2)	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Beijing L & S Lancom Platform of Technology CO., Ltd.	Trading of computer peripheral equipment	105,283	(3)	75,982	-	-	75,982	35,406	90.91 %	32,187 (2)	564,084	-
Beijing LSZC Investment Co., Ltd.	Investing	49,566	(4)a.	-	-	-	-	(7,325)	90.91 %	(7,325) (2)	54,342	-
Lihua Haiwell Technology Co., Ltd.	Trading of computer peripheral equipment	33,606	(4)b.	-	-	-	-	(7,933)	90.91 %	(7,933) (2)	25,894	-
Beijing HDZX Technology Co., Ltd.	Trading of computer peripheral equipment	63,841	(4)b.	-	-	-	-	1,449	39.08 %	623 (1)	28,053	-

Note 1: The method of investment is divided into the following four categories:
(1) Remittance from third-region companies to invest in Mainland China.
(2) Through the establishment of third-region companies then investing in Mainland China.
(3) Through transferring the investment to third-region existing companies then investing in Mainland China.
(4) Other methods.
a. Investing in Mainland China through Beijing L & S Lancom Platform of Technology CO., Ltd.
b. Investing in Mainland China through Beijing LSZC Investment Co., Ltd.

Note 2: Amounts of investment income (loss) was recognized base on:
(1) The gain (loss) of the investee were not reviewed and were recognized as investment income (loss) under the equity method.
(2) The financial statements of the investee are reviewed by the auditors of the parent company.

Note 3: Aforementioned amounts have been eliminated upon consolidation.

(Continued)

ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount remitted from Taiwan to Mainland China at the end of the period	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
The Company	75,982	161,928	- (Note 1)

Note 1: The Company was certified as an operations center by the Industrial Development Bureau, Ministry of Economic Affairs, in approval letter No. 10420418550, and the certification is valid from 2015 to 2018. The Company has no limitation on investment in Mainland China during the abovementioned period.

iii) Significant transactions with investees in Mainland China:

Please refer to note 13(a)x) for details.

(14) Segment information

The Group is mainly engaged in the manufacturing and selling of internet and communication equipments. Management reviews the Company's overall performance regularly to evaluate the performance of each segment and allocate its resources accordingly. As the production procedure is highly similar, the Group is identified as a sole operating segment.