

**WEIKENG INDUSTRIAL CO., LTD.
AND SUBSIDIARIES**

Consolidated Financial Statements

June 30, 2016 and 2015

(With Independent Auditors' Review Thereon)

Independent Auditors' Review Report

The Board of Directors
Weikeng Industrial Co., Ltd.:

We have reviewed the accompanying consolidated balance sheets of Weikeng Industrial Co., Ltd. and subsidiaries as of June 30, 2016 and 2015, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2016 and 2015, and changes in stockholders' equity and cash flows for the six months ended June 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our review.

We conducted our review in accordance with the guidelines of ROC Statement on Auditing Standards No. 36 "Engagements to Review Financial Statements". Those guidelines require that we plan and perform the review, consisting 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, with the objective of expressing an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements described 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 Standards No. 34, "Interim Financial Reporting" which are endorsed by the Financial Supervisory Commission.

August 12, 2016

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 Commissions in the Republic of China and not those of any other jurisdictions. The standards, procedures, and practices to review such consolidated financial statements are those generally accepted and applied in the Republic of China.

The 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 versions of the auditors' report and consolidated financial statements, the Chinese version shall prevail.

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets (the amounts as of June 30, 2016 and 2015 were unaudited)

June 30, 2016, and December 31 and June 30, 2015
(expressed in thousands of New Taiwan dollars)

Assets	June 30, 2016		December 31, 2015		June 30, 2015		Liabilities and equity	June 30, 2016		December 31, 2015		June 30, 2015	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
Current assets:							Current liabilities:						
Cash and cash equivalents(note6(a))	\$ 2,224,438	13	2,403,776	15	2,689,585	18	Short-term borrowings(note6(f))	\$ 7,680,090	46	7,075,740	44	5,766,843	38
Financial assets measured at fair value through profit or loss-current (note6(b))	36,693	-	36,785	-	51,931	-	Notes and accounts payable	3,225,751	19	3,356,702	21	3,440,375	23
Notes and accounts receivable, net(note6(c)and7)	5,989,336	36	6,320,091	39	5,237,888	35	Other payables (note 7)	424,724	3	526,563	3	462,012	3
Other receivables(note6(c))	269,564	2	306,541	2	244,563	1	Dividends payable	423,390	2	-	-	540,514	4
Inventories, net(note6(d))	7,501,683	45	6,328,706	39	6,154,085	41	Current tax liabilities	50,179	-	53,018	-	88,750	1
Prepaid expenses and other current assets	339,877	2	412,946	3	316,640	2	Other current liabilities	89,041	1	68,000	1	60,909	-
	<u>16,361,591</u>	<u>98</u>	<u>15,808,845</u>	<u>98</u>	<u>14,694,692</u>	<u>97</u>	Convertible bonds payable, current portion (note 6(g))	-	-	-	-	95,857	1
								<u>11,893,175</u>	<u>71</u>	<u>11,080,023</u>	<u>69</u>	<u>10,455,260</u>	<u>70</u>
Non-current assets:							Non-current liabilities:						
Available-for-sale financial assets –non-current(note6(b))	2,143	-	1,914	-	2,441	-	Deferred tax liabilities	198,220	1	198,247	1	168,980	1
Financial assets carried at cost – non-current(note6(b))	68,156	-	71,053	-	77,088	1	Non-current net defined benefit liabilities	146,727	1	147,548	1	144,936	1
Property, plant and equipment(note6(e))	162,729	1	162,607	1	164,833	1	Other non-current liability	251	-	1,224	-	1,223	-
Intangible assets	10,126	-	11,319	-	16,566	-		<u>345,198</u>	<u>2</u>	<u>347,019</u>	<u>2</u>	<u>315,139</u>	<u>2</u>
Deferred tax assets	67,805	-	58,514	-	57,190	-	Total liabilities	<u>12,238,373</u>	<u>73</u>	<u>11,427,042</u>	<u>71</u>	<u>10,770,399</u>	<u>72</u>
Other non-current assets (note 8)	72,303	1	74,574	1	73,974	1							
	<u>383,262</u>	<u>2</u>	<u>379,981</u>	<u>2</u>	<u>392,092</u>	<u>3</u>	Equity attributable to owners of parent(note6(k)):						
							Common stock	2,830,094	18	2,830,094	17	2,779,991	18
							Capital surplus	703,993	4	703,993	4	666,711	4
							Legal reserve	701,035	4	653,991	4	653,991	4
							Unappropriated retained earnings	212,866	1	470,434	3	228,626	2
							Other equity interest:						
							Exchange differences on translation of foreign financial statements	63,211	-	108,220	1	(8,204)	-
							Unrealized gains (losses) on available-for-sale financial assets	(4,719)	-	(4,948)	-	(4,730)	-
								<u>58,492</u>	<u>-</u>	<u>103,272</u>	<u>1</u>	<u>(12,934)</u>	<u>-</u>
							Total equity	<u>4,506,480</u>	<u>27</u>	<u>4,761,784</u>	<u>29</u>	<u>4,316,385</u>	<u>28</u>
Total assets	\$ <u>16,744,853</u>	<u>100</u>	<u>16,188,826</u>	<u>100</u>	<u>15,086,784</u>	<u>100</u>	Total liabilities and equity	\$ <u>16,744,853</u>	<u>100</u>	<u>16,188,826</u>	<u>100</u>	<u>15,086,784</u>	<u>100</u>

See accompanying notes to financial statements.

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated statements of comprehensive income (Unaudited)

For the three months and six months ended June 30, 2016 and 2015
(expressed in thousands of New Taiwan dollars, except net income per share amounts)

	Three months ended June 30, 2016		Three months ended June 30, 2015		Six months ended June 30, 2016		Six months ended June 30, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Net sales revenue (note 7)	\$ 10,139,787	100	9,105,758	100	19,577,187	100	18,094,394	100
Cost of sales (note 6(d) and note 7)	<u>9,544,891</u>	<u>94</u>	<u>8,547,665</u>	<u>94</u>	<u>18,405,132</u>	<u>94</u>	<u>16,947,792</u>	<u>94</u>
Gross profit	<u>594,896</u>	<u>6</u>	<u>558,093</u>	<u>6</u>	<u>1,172,055</u>	<u>6</u>	<u>1,146,602</u>	<u>6</u>
Operating expenses (note 6(m) and note 7, 12):								
Selling expenses	327,963	3	306,385	3	638,491	3	608,118	3
Administrative expenses	<u>104,208</u>	<u>1</u>	<u>104,534</u>	<u>1</u>	<u>210,114</u>	<u>1</u>	<u>206,415</u>	<u>1</u>
	<u>432,171</u>	<u>4</u>	<u>410,919</u>	<u>4</u>	<u>848,605</u>	<u>4</u>	<u>814,533</u>	<u>4</u>
Net operating income	<u>162,725</u>	<u>2</u>	<u>147,174</u>	<u>2</u>	<u>323,450</u>	<u>2</u>	<u>332,069</u>	<u>2</u>
Non-operating income and expenses:								
Other income	2,599	-	2,946	-	5,263	-	5,579	-
Foreign currency exchange gain (losses), net (note 6(n))	<u>(11,331)</u>	<u>-</u>	<u>19,130</u>	<u>-</u>	<u>9,506</u>	<u>-</u>	<u>25,218</u>	<u>-</u>
Gain (losses) on financial assets (liabilities) measured at fair value through profit or loss	(81)	-	2,244	-	(178)	-	(458)	-
Financial cost	<u>(38,783)</u>	<u>(1)</u>	<u>(26,608)</u>	<u>-</u>	<u>(79,171)</u>	<u>(1)</u>	<u>(58,377)</u>	<u>-</u>
Miscellaneous disbursements	<u>(290)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(292)</u>	<u>-</u>	<u>(6)</u>	<u>-</u>
	<u>(47,886)</u>	<u>(1)</u>	<u>(2,291)</u>	<u>-</u>	<u>(64,872)</u>	<u>(1)</u>	<u>(28,044)</u>	<u>-</u>
Profit before tax	114,839	1	144,883	2	258,578	1	304,025	2
Tax expense (note 6(j))	<u>19,826</u>	<u>-</u>	<u>35,480</u>	<u>1</u>	<u>45,712</u>	<u>-</u>	<u>75,399</u>	<u>1</u>
Profit	<u>95,013</u>	<u>1</u>	<u>109,403</u>	<u>1</u>	<u>212,866</u>	<u>1</u>	<u>228,626</u>	<u>1</u>
Other comprehensive income:								
Items that maybe reclassified subsequently to profit and loss								
Exchange differences on translation of foreign financial statements	4,520	-	(24,825)	-	(54,228)	-	(59,396)	-
Unrealized gain (losses) on available-for-sale financial assets	<u>(151)</u>	<u>-</u>	<u>(14)</u>	<u>-</u>	<u>229</u>	<u>-</u>	<u>212</u>	<u>-</u>
Income tax relating to items that may be reclassified (note 6(j))	<u>(769)</u>	<u>-</u>	<u>4,219</u>	<u>-</u>	<u>9,219</u>	<u>-</u>	<u>10,097</u>	<u>-</u>
	<u>3,600</u>	<u>-</u>	<u>(20,620)</u>	<u>-</u>	<u>(44,780)</u>	<u>-</u>	<u>(49,087)</u>	<u>-</u>
Other comprehensive income, net of tax	<u>3,600</u>	<u>-</u>	<u>(20,620)</u>	<u>-</u>	<u>(44,780)</u>	<u>-</u>	<u>(49,087)</u>	<u>-</u>
Comprehensive income	<u>\$ 98,613</u>	<u>1</u>	<u>88,783</u>	<u>1</u>	<u>168,086</u>	<u>1</u>	<u>179,539</u>	<u>1</u>
Earnings per share (note 6(l))								
Basic net income per share	<u>\$ 0.34</u>		<u>0.40</u>		<u>0.75</u>		<u>0.84</u>	
Diluted net income per share	<u>\$ 0.33</u>		<u>0.38</u>		<u>0.75</u>		<u>0.80</u>	

See accompanying notes to financial statements.

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Consolidated statements of changes in equity (Unaudited)
For the six months ended June 30, 2016 and 2015
(expressed in thousands of New Taiwan dollars)

	Retained earnings					Other equity interest		Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	
Balance as of January 1, 2015	\$ 2,689,006	585,159	603,528	86,345	504,632	41,095	(4,942)	4,504,823
Appropriation:								
Legal reserve	-	-	50,463	-	(50,463)	-	-	-
Reversal of special reserve	-	-	-	(86,345)	86,345	-	-	-
Cash dividends	-	-	-	-	(540,514)	-	-	(540,514)
Convertible bonds payable converted into commons stock	90,985	81,552	-	-	-	-	-	172,537
Net income for the six months period ended June 30, 2015	-	-	-	-	228,626	-	-	228,626
Other comprehensive income	-	-	-	-	-	(49,299)	212	(49,087)
Comprehensive income	-	-	-	-	228,626	(49,299)	212	179,539
Balance as of June 30, 2015	\$ <u>2,779,991</u>	<u>666,711</u>	<u>653,991</u>	<u>-</u>	<u>228,626</u>	<u>(8,204)</u>	<u>(4,730)</u>	<u>4,316,385</u>
Balance as of January 1, 2016	\$ 2,830,094	703,993	653,991	-	470,434	108,220	(4,948)	4,761,784
Appropriation:								
Legal reserve	-	-	47,044	-	(47,044)	-	-	-
Cash dividends	-	-	-	-	(423,390)	-	-	(423,390)
Net income for the six months period ended June 30, 2016	-	-	-	-	212,866	-	-	212,866
Other comprehensive income	-	-	-	-	-	(45,009)	229	(44,780)
Comprehensive income	-	-	-	-	212,866	(45,009)	229	168,086
Balance as of June 30, 2016	\$ <u>2,830,094</u>	<u>703,993</u>	<u>701,035</u>	<u>-</u>	<u>212,866</u>	<u>63,211</u>	<u>(4,719)</u>	<u>4,506,480</u>

See accompanying notes to financial statements.

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated statements of cash flows (Unaudited)

For the six months ended June 30, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	2016	2015
Cash flows from (used in) operating activities:		
Profit before tax	\$ <u>258,578</u>	<u>304,025</u>
Adjustments:		
Depreciation expense	9,632	8,780
Amortization expense	3,287	4,210
Net loss on financial assets (liabilities) measured at fair value through profit or loss	178	458
Interest expense	79,171	58,377
Interest income	<u>(2,340)</u>	<u>(2,272)</u>
	<u>89,928</u>	<u>69,553</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Changes in financial assets measured at fair value through profit or loss	-	(5,000)
Decrease in notes and accounts receivable	330,755	1,258,079
Decrease (increase) in inventories, net	(1,172,977)	172,396
Decrease (increase) in prepaid expenses and other current assets	73,069	(8,597)
Decrease in other receivables	<u>36,981</u>	<u>51,804</u>
	<u>(732,172)</u>	<u>1,468,682</u>
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	(130,951)	21,179
Decrease in other payables	(103,090)	(106,207)
Increase (decrease) in other current liabilities	21,041	(15,142)
Others	<u>(530)</u>	<u>(552)</u>
	<u>(213,530)</u>	<u>(100,722)</u>
Total changes in operating assets and liabilities	<u>(945,702)</u>	<u>1,367,960</u>
Total adjustments	<u>(855,774)</u>	<u>1,437,513</u>
Cash flows from (used in) operations	(597,196)	1,741,538
Interest received	2,336	2,273
Interest paid	(78,006)	(58,258)
Income taxes paid	<u>(48,450)</u>	<u>(47,572)</u>
Net cash flows from (used in) operating activities	<u>(721,316)</u>	<u>1,637,981</u>
Cash flows used in investing activities:		
Acquisition of financial assets carried at cost	-	(20,000)
Additions to property, plant and equipment	(11,525)	(8,609)
Decrease (increase) in refundable deposits	(694)	5,422
Additions to intangible assets	(2,410)	(2,305)
Decrease (increase) in restricted assets	2,962	(1,287)
Others	<u>3,072</u>	<u>-</u>
Net cash flows used in investing activities	<u>(8,595)</u>	<u>(26,779)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	604,350	(976,020)
Increase (decrease) in refundable deposits	<u>(973)</u>	<u>-</u>
Net cash flows from (used in) financing activities	<u>603,377</u>	<u>(976,020)</u>
Foreign currency translation adjustments	<u>(52,804)</u>	<u>(58,911)</u>
Net increase in cash and cash equivalents	(179,338)	576,271
Cash and cash equivalents at beginning of period	<u>2,403,776</u>	<u>2,113,314</u>
Cash and cash equivalents at end of period	\$ <u><u>2,224,438</u></u>	<u><u>2,689,585</u></u>

See accompanying notes to financial statements.

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

June 30, 2016 and 2015

(expressed in thousands of New Taiwan dollars unless otherwise specified)

(1) Company history

Weikeng Industrial Co., Ltd. (the Company) was incorporated in Taiwan as a company limited by shares in January 1977 and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 11F, No.308 Sec. 1, Neihu Rd., Neihu Dist., Taipei City. The major activities of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") are the purchase and sale of electronic components and computer peripherals, technical service, and the import-export trade business. Please refer to note 4(b) for related information. The Company's common shares were listed on the Taiwan Stock Exchange (TSE).

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

These consolidated financial statements were authorized for issuance by the board of directors on August 12, 2016.

(3) Application of new standards and interpretations

- (a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016 by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 (excluding IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers", and others which have yet to be approved by the FSC in order for them to take effect) in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any significant impact on its consolidated financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC as of the end of reporting date is as follows:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	<p>The new Standard provides a single model for determining whether an entity recognizes revenue in accordance with the method, timing and amount by applying the five-step model. IFRS 15 replaces IAS 11 "Construction Contracts", IAS 18 "Revenue", and the relevant interpretations.</p> <p>Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.</p>
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	<p>The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:</p> <ul style="list-style-type: none"> • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

The Group is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Significant Accounting Policies

(a) Statement of compliance

These consolidated interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and the guidelines of IAS 34 Interim Financial Reporting which are endorsed by the FSC. These consolidated interim financial statements do not include all of the information required by the Regulations and by the International Financial Reporting Standards, the International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRS endorsed by the FSC) for the annual financial statements.

The significant accounting policies used in the interim financial statement are consistent with the consolidated financial statement for the year ended December 31, 2015. For related information, please refer to note 4 of the consolidated financial statement for the year ended December 31, 2015.

(b) Basis of consolidation

Principle of preparation of the consolidated financial statements is consistent with the consolidated financial statement for the year ended December 31, 2015. For related information, please refer to note 4(c) of the consolidated financial statement for the year ended December 31, 2015.

List of subsidiaries in the consolidated financial statements.

Investor	Name of Subsidiary	Nature of operation	Shareholding		
			June 30, 2016	December 31, 2015	June 30, 2015
The Company	Weikeng International Co., Ltd. (WKI)	Electronic components ,computer peripherals products distribution and technical support	100%	100%	100%
The Company	Weikeng Technology Co., Ltd. (WTC)	Electronic components and technical support	100%	100%	100%
The Company	Weikeng Technology Pte. Ltd. (WTP)	//	100%	100%	100%

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

Investor	Name of Subsidiary	Nature of operation	Shareholding		
			June 30, 2016	December 31, 2015	June 30, 2015
WKI	Weikeng International (Shanghai) Co., Ltd. (WKS)	Electronic components ,computer peripherals products distribution and technical support	100%	100%	100%
WKI	Weitech International Co., Ltd. (Weitech)	Import and export trade of electronic components	100%	100%	100%
WKS	Weikeng Electronic Technology (Shanghai) Co., Ltd. (WKE)	Electronic technology development and technical advisory	100%	100%	100%

(c) Income Taxes

Tax expense in the interim financial statements is measured and disclosed according to paragraph B12 of IAS 34 “Interim Financial Reporting”.

Income tax expense for the year is best estimated by multiplying the pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

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 effective tax rate at the time of realization or liquidation and recognized directly in equity or other comprehensive income as tax expense.

(d) 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 financial year adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

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

The preparation of the consolidated financial statements in conformity with IFRSs (in accordance with IAS 34 endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

There are no critical judgment in applying accounting policies that have significant effect on amounts recognized in the consolidated financial statements.

There are no assumptions and uncertainty estimations that have significant risk of resulting in a material adjustments within the next six months.

(6) Explanation of significant accounts

Except for described below, there were no significant differences between these consolidated interim financial statements and the annual consolidated financial statements for the year ended December 31, 2015. Please refer to note 6 of the consolidated financial statements for the ended December 31, 2015 for related information.

(a) Cash and cash equivalents

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	\$ 654	672	802
Checking accounts and demand deposits	2,208,784	2,388,104	2,638,116
Time deposits	<u>15,000</u>	<u>15,000</u>	<u>50,667</u>
	<u>\$ 2,224,438</u>	<u>2,403,776</u>	<u>2,689,585</u>

(b) Financial instruments

1. Details are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets measured at fair value through profit or loss:			
Financial assets held-for-trading:			
Derivative instruments not used for hedging	\$ 21	-	-
Non-derivative financial instruments	<u>36,672</u>	<u>36,785</u>	<u>51,931</u>
	36,693	36,785	51,931
Available-for-sale financial assets	2,143	1,914	2,441
Financial assets carried at cost	<u>68,156</u>	<u>71,053</u>	<u>77,088</u>
Total	<u>106,992</u>	<u>109,752</u>	<u>131,460</u>
Current	36,693	36,785	51,931
Non-current	<u>70,299</u>	<u>72,967</u>	<u>79,529</u>
	<u>\$ 106,992</u>	<u>109,752</u>	<u>131,460</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

	June 30, 2016	December 31, 2015	June 30, 2015
Financial liabilities measured at fair value through profit or loss:			
Non-derivative financial instruments (recorded in other payables)	\$ <u>86</u>	<u>-</u>	<u>329</u>
Current	\$ <u>86</u>	<u>-</u>	<u>329</u>

2. Derivative instruments not used for hedging

The Group uses derivative instruments to hedge certain currency and interest risk the Group is exposed to arising from its operating, financing and investing activities. The Group held the following derivative instruments presented as held-for-trading financial assets and financial liabilities on June 30, 2016, December 31 and June 30, 2015:

	June 30, 2016			December 31, 2015			June 30, 2015		
	Amount	Currency	Maturity date	Amount	Currency	Maturity date	Amount	Currency	Maturity date
Financial assets									
Forward foreign currency exchange contracts bought	USD2,000	USD/ TWD	2016.9	-	-	-	-	-	-
Financial liabilities									
Forward foreign currency exchange contracts bought	USD2,000	USD/ TWD	2016.11	-	-	-	USD1,000	USD/ TWD	2015.7

3. Financial assets carried at cost investments held by the Group are measured at amortized cost at year-end given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group management had determined that the fair value cannot be measured reliably.
4. The significant foreign currency equity investment risk on the reporting date was as follows:

	June 30, 2016			December 31, 2015			June 30, 2015		
	Foreign Currency	Exchange Rate	TWD	Foreign Currency	Exchange Rate	TWD	Foreign Currency	Exchange Rate	TWD
USD	\$775	32.335	25,060	864	32.86	28,391	950	30.97	29,422

5. As of June 30, 2016, June 30 and December 31, 2015, the Group did not hold any collateral for its financial asset.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(c) Notes, accounts and other receivable, net

	June 30, 2016	December 31, 2015	June 30, 2015
Notes receivable	\$ 407,365	354,609	343,991
Accounts receivable	5,836,117	6,193,185	5,121,059
Other receivables	<u>320,848</u>	<u>355,120</u>	<u>294,469</u>
	6,564,330	6,902,914	5,759,519
Less: allowance for uncollectible accounts	(134,741)	(117,288)	(121,703)
allowance for doubtful debt	<u>(170,689)</u>	<u>(158,994)</u>	<u>(155,365)</u>
	<u>\$ 6,258,900</u>	<u>6,626,632</u>	<u>5,482,451</u>
Notes receivable and accounts receivable	<u>\$ 5,989,336</u>	<u>6,320,091</u>	<u>5,237,888</u>
Other receivables-current	<u>\$ 269,564</u>	<u>306,541</u>	<u>244,563</u>

The ageing analysis of notes and accounts receivable and other receivables which were past due but not impaired was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Overdue period less than 90 days	\$ 591,411	736,077	470,149
Overdue period in 90 to 180 days	30,010	11,778	73,270
Overdue period more than 180 days	<u>-</u>	<u>-</u>	<u>11,695</u>
	<u>\$ 621,421</u>	<u>747,855</u>	<u>555,114</u>

The movement in the allowance for impairment with respect to notes and accounts receivable and other receivables in the six months ended June 30, 2016 and 2015 were as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2016	\$ 48,579	110,415	158,994
Impairment loss recognized	-	16,807	16,807
Amounts written off	-	(3,389)	(3,389)
Reclassification	2,705	(2,705)	-
Foreign exchange gains (loss)	<u>-</u>	<u>(1,723)</u>	<u>(1,723)</u>
Balance on June 30, 2016	<u>\$ 51,284</u>	<u>119,405</u>	<u>170,689</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

	Individually assessed impairment	Collectively assessed impairment	Total
Balance on January 1, 2015	\$ 39,383	97,336	136,719
Impairment loss recognized	-	20,067	20,067
Amounts written off	-	(23)	(23)
Reclassification	10,523	(10,523)	-
Foreign exchange gains (loss)	-	(1,398)	(1,398)
Balance on June 30, 2015	<u>\$ 49,906</u>	<u>105,459</u>	<u>155,365</u>

As of June 30, 2016, June 30 and December 31, 2015, the Group does not hold any collateral for the collectible amounts.

The Group has entered into accounts receivable factoring agreements with banks. According to the factoring agreement, the Group does not bear the loss if the accounts receivable does not have the ability to make payments upon the transfer of the accounts receivable factoring. The Group has not provided other guarantee except for the promissory notes which has the same amount with that of that the factoring used as the guarantee for the sales return and discount. The Group received the proceeds from the discounted accounts receivable on the selling date. Interest is calculated and paid based on the duration and interest rate of the agreement, and the remaining amounts are received when the accounts receivable are paid by the customers. In addition, the Group has to pay a service charge based on a certain rate. As of June 30, 2016 and December 31 and June 30, 2015, the unreceived balances of discounted accounts receivable were \$263,985, \$282,882, and \$241,817, respectively, and were recognized as other receivables.

As of June 30, 2016, and December 31, June 30, 2015, the summary of the factored of accounts receivable were as follows (expressed in thousands of US dollars):

Accounts receivable factored (gross)	Factoring amount	June 30, 2016		Deducted amount
		Cash received	Significant term in transferring of accounts receivable	
\$ <u>2,853,756</u>	<u>7,222,472</u>	<u>2,589,771</u>	Non-recourse factoring	<u>2,853,756</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

		December 31, 2015		
Accounts receivable factored (gross)	Factoring amount	Cash received	Significant term in transferring of accounts receivable	Deducted amount
\$ <u>3,063,966</u>	<u>7,566,221</u>	<u>2,781,084</u>	Non-recourse factoring	<u>3,063,966</u>
		June 30, 2015		
Accounts receivable factored (gross)	Factoring amount	Cash received	Significant term in transferring of accounts receivable	Deducted amount
\$ <u>2,634,331</u>	<u>7,009,225</u>	<u>2,392,514</u>	Non-recourse factoring	<u>2,634,331</u>

(d) Inventories

	June 30, 2016	December 31, 2015	June 30, 2015
Merchandise inventories	\$ 6,568,761	5,452,795	5,665,193
Goods in transit	<u>932,922</u>	<u>875,911</u>	<u>488,892</u>
	<u>\$ 7,501,683</u>	<u>6,328,706</u>	<u>6,154,085</u>

The details of inventory-related losses and expenses in the six months and three months ended June 30, 2016 and 2015 were as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Inventory valuation loss and obsolescence (Reversal)	\$ (1,049)	86	(1,478)	632
Loss on scrapping of inventory	<u>(4)</u>	<u>84</u>	<u>6,598</u>	<u>160</u>
	<u>(1,053)</u>	<u>170</u>	<u>5,120</u>	<u>792</u>

As of June 30, 2016, and December 31 and June 30, 2015, the inventory of the Group has not been pledged as collateral or restricted in any way.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(e) Property, plant and equipment

	Land	Buildings and construction	Transportation equipment	Machinery and equipment	Office and other equipment	Total
Carrying amounts:						
Balance on June 30, 2016	\$ <u>77,377</u>	<u>33,949</u>	<u>8,861</u>	<u>1,152</u>	<u>41,390</u>	<u>162,729</u>
Balance on December 31, 2015	\$ <u>77,377</u>	<u>34,379</u>	<u>6,372</u>	<u>1,409</u>	<u>43,070</u>	<u>162,607</u>
Balance on June 30, 2015	\$ <u>77,377</u>	<u>34,811</u>	<u>6,991</u>	<u>1,720</u>	<u>43,934</u>	<u>164,833</u>

The Group's property, plant and equipment have no significant additions, disposals, impairments or reversals during from January 1 to June 30, 2016 and 2015, and the depreciation amount is on the note 12(a). Please refer to note 6(e) of consolidated financial statements December 31, 2015.

(f) Short-term borrowings

	June 30, 2016	December 31, 2015	June 30, 2015
Unsecured loans	\$ 7,210,999	6,606,575	5,407,101
Commercial paper, net	<u>469,091</u>	<u>469,165</u>	<u>359,742</u>
	<u>\$ 7,680,090</u>	<u>7,075,740</u>	<u>5,766,843</u>
Unused short-term credit lines	<u>\$ 5,716,515</u>	<u>5,929,366</u>	<u>5,910,785</u>
Annual interest rates	<u>1.02%~4.37%</u>	<u>0.95%~4.40%</u>	<u>0.95%~2.10%</u>

1. Issuance and repayment of borrowings

The Group's additional amounts from January 1 to June 30, 2016 and 2015 were \$13,381,865 and \$12,150,458 and the maturities were between July to December 2016 and between July to December 2015, respectively. The repayments were \$12,777,515 and \$13,126,478, respectively.

2. For information on the Group's currency risk was disclosed in note 6(n).

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(g) Convertible bonds payable

1. Non-guaranteed convertible bonds were as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Aggregate principal amount	\$ -	800,000	800,000
Bond discount	-	-	(1,443)
Cumulative converted amount	-	(773,700)	(684,900)
Cumulative redeemed amount	<u>-</u>	<u>(26,300)</u>	<u>(17,800)</u>
	-	-	95,857
Less: Convertible bonds payable – could be repaid within one year	<u>-</u>	<u>-</u>	<u>95,857</u>
	<u>\$ -</u>	<u>-</u>	<u>-</u>
Equity component – conversion options, included in paid-in capital – stock options	<u>\$ -</u>	<u>-</u>	<u>4,486</u>

The effective interest rate of the third domestic unsecured convertible bonds was 1.55%. The annual interest expenses on convertible bonds payable from January 1 to June 30, 2015 were \$1,565.

2. The Group issued the redeemable domestic unsecured bonds with a face value of \$800,000 on June 20, 2011. In accordance with SFAS No. 36, the Company separated the equity and debt components as follows:

	The third domestic unsecured convertible bonds
The compound interest present value of the convertible bonds' face value at issuance	\$ 740,800
The embedded derivative debt at issuance – put option	22,320
The equity components at issuance	<u>36,880</u>
The total amount of the convertible bonds at issuance	<u>\$ 800,000</u>

The equity components were accounted for as paid-in capital – redemption rights. At year-end, the Group revaluated the embedded derivative debt to its fair value and accounted it as financial liabilities measured at fair value through profit or loss – non – current. The gain resulting from changes in fair value of the embedded derivative liabilities were \$135 for the six months ended June 30, 2015.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Unaudited)**

3. The significant terms of the domestic unsecured convertible bonds were as follows:
- (i) Duration: five years (June 20, 2011 to June 20, 2016)
 - (ii) Interest rate: 0%
 - (iii) Redemption at the option of the Company: The Company may redeem the bonds under the following circumstances:
 - 1) Within the period between one month after the issuance date and 40 days before the last convertible date, the Company may redeem the bonds at their principal amount if the closing price of the Company's common stock on the Taiwan Stock Exchange for a period of 30 consecutive trading days has been 30% more than the conversion price in effect on each such trading day.
 - 2) If at least 90% of the principal amount of the bonds has been converted, redeemed, or purchased and cancelled, the Company may redeem the bonds at their principal amount Within the period between one month after the issuance date and 40 days before the last convertible date.
 - (iv) Redemption at the option of bondholders:

The bondholders have the right to request the Company to repurchase the bonds at a price equal to the face value, plus, an accrued premium three years and four years after the issuance date. The annual interest rate for the redemption three years and four years after the issuance date is 1.50%.
 - (v) Terms of conversion:
 - 1) Bondholders may opt to have the bonds converted into the common stock of the Company from July 21, 2011 to June 10, 2016.
 - 2) Conversion price: After the adjustment for distributions of retained earnings on August 4, 2015, the conversion price of common stock was NT\$17.7 (dollars) per share.
4. To be conservative, the Company classified the third convertible bonds and the related financial liabilities as an item under current liabilities beginning from June 20, 2013 because the bondholders could opt to request the Company to redeem the convertible bonds three years and four years after the issuance date. However, it does not mean that the Company will redeem all convertible bonds within one year.
5. For the six months ended June 30, 2015, domestic unsecured convertible bonds with a face value of \$175,600 were converted into 9,098 thousand shares of the Company's common stock, and the related reducing paid-in capital was \$8,095.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(h) Operating lease

There were no significant leases contracts for the period from January 1 to June 30, 2016 and 2015. Please refer to note 6(i) of consolidated financial statements December 31, 2015.

(i) Employee benefits

1. Defined benefit plans

Given there was no significant volatility of the market or any significant reimbursement, settlement or other one-time event in the prior fiscal year, the Group's pension cost in the 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 Company make defined benefit plan contributions to the pension fund account at Bank of Taiwan that provides pensions for employees upon retirement. The plans entitle a retired employee to receive an annual payment based on years of service and average salary for the six months prior to retirement.

Details of pension costs under defined benefit plans were as follows:

	Three months ended June 30,2016	Three months ended June 30,2015	Six months ended June 30,2016	Six months ended June 30,2015
Operating expense	\$ <u>1,251</u>	<u>1,326</u>	<u>2,502</u>	<u>2,652</u>

2. Defined contribution plans

The Company and WTC allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group allocates a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company and WTC recognized the pension costs under the defined contribution method amounting to \$4,611, \$4,306, \$9,009 and \$8,631 for the three months ended June 30, 2016 and 2015 and six months ended June 30, 2016 and 2015, respectively.

The subsidiaries included in the consolidated financial statements recognized a pension expense and an employee welfare expense amounting to \$11,558, \$10,925, \$23,390 and \$21,667 for the three months ended June 30, 2016 and 2015 and six months ended June 30, 2016 and 2015, respectively.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(j) Income taxes

1. Income tax expenses

- (i) The amount of income tax for the three months ended June 30, 2016 and 2015 and six months ended June 30, 2016 and 2015, respectively.

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Current tax expense	\$ <u>19,826</u>	<u>35,480</u>	<u>45,712</u>	<u>75,399</u>

- (ii) The amount of income tax recognized in other comprehensive income for the three months ended June 30, 2016 and 2015 and six months ended June 30, 2016 and 2015, respectively.

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Exchange differences on translation of foreign financial statements	\$ <u>(769)</u>	<u>4,219</u>	<u>9,219</u>	<u>10,097</u>

2. Except for the year 2013, the tax authorities have examined the income tax returns of the Company through 2014; while WTC's income tax returns have been examined by the said authorities through 2014, included those of 2013.
3. Information related to the unappropriated retained earnings and tax deduction ratio is summarized below:

	June 30, 2016	December 31, 2015	June 30, 2015
Unappropriated retained earnings for 1998 and thereafter	\$ <u>212,866</u>	<u>470,434</u>	\$ <u>228,626</u>
Imputation credit account balance	\$ <u>93,553</u>	<u>46,305</u>	\$ <u>104,593</u>

Unappropriated retained earnings shown in the table above, which include the comparable information for each period, are prepared in accordance with the local regulations and IFRSs endorsed by the FSC.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

	2016	2015
Creditable ratio for earnings distribution to residents shareholders	<u>19.69</u> (actual)	<u>17.50%</u> (actual)

The above stated information was prepared in accordance with the information letter No.10204562810 announced by the Ministry of Finance of R.O.C. on October 17, 2013.

(k) Capital and other equities

As of June 30, 2016, and December 31 and June 30, 2015, the total value of nominal ordinary shares amounted to \$3,500,000; face value of each share is \$10, which means in total there were 350,000 thousand ordinary shares, of which 283,009, 283,009 and 277,999 thousand shares, respectively, were issued. All issued shares were paid up upon issuance.

The Company resolved the issuance of common stock for cash of 40,000 thousand ordinary shares, with \$10 dollars par value per share, which had been approved in the Board of Directors' meeting held on June 27, 2016, expecting a total issuance of \$600,000. The record date of preceding application was on July 25, 2016. The related registration process had yet to be completed.

In addition the Company issued 2,000 shares of domestic unsecured corporate bond, which were approved at the Board of Directors meeting on June 27, 2016. The 3-year zero-coupon convertible bonds, with a total value of \$200,000, at \$100 par value per share, have yet to be issued.

A portion of the convertible bonds were converted into \$90,985 of common stock, and the capital surplus – redemption rights amounted to \$89,647 for the six months ended June 30, 2015.

1. Capital surplus

Balance on additional paid-in capitals of the Group was as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Additional paid in capital	\$ 665,664	665,664	623,896
Treasury share transactions	37,617	37,617	37,617
Donation from shareholders	712	712	712
Convertible bonds– redemption rights	-	-	4,486
	<u>\$ 703,993</u>	<u>703,993</u>	<u>666,711</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

In accordance with the Company Act, realized capital reserves can only be reclassified as share capital or distributed as cash dividends after offsetting losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital reserves to be reclassified under share capital shall not exceed 10 percent of the actual share capital amount. Capital increase by transferring paid-in capital in excess of par value can only commence in the following year.

2. Retained earnings

According to the Company's articles, 10% of annual net income (including the appropriation of employees, directors and supervisors remuneration) shall set aside payment of corporate income tax and offsetting the prior years' deficits, if any, shall be appropriated as legal reserves, and then special reserves are set aside or reversed in accordance with the relevant regulations or as required by the government. The remainder and the accumulated unappropriated earnings of prior years are distributable as dividends to stockholders. The distribution rate is based on the proposal of the Company's board of directors and should be approved in the stockholders' meeting. The board of directors should consider company's profitability, future capital expenditure business expansion, cash flow requirements, and legal requirements in deciding a dividend proposal, which is then approved by stockholders' meeting. The distribution of dividend should be greater than 50% of the year's distributable earning, while cash dividend should be greater than 20% of total stockholders' dividend.

3. Earnings distribution

Earnings distribution for 2015 and 2014 were approved by the shareholders during their annual meeting held on June 17, 2016 and June 17, 2015, respectively. The relevant information was as follows:

	2015		2014	
	Amount per share	Total amount	Amount per share	Total amount
Cash dividends distributed to common shareholders	\$ 1.5	<u>423,390</u>	1.95	<u>540,514</u>
Employee bonuses – cash			\$	64,862
Directors' and supervisors' remuneration				<u>16,215</u>
			\$	<u>81,077</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(1) Earnings per share

The basic earnings per share and diluted earnings per share are calculated as follows:

1. Basic earnings per share

(i) Profit attributable to ordinary shareholders of the Company

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Profit attributable to ordinary shareholders of the Company	\$ <u>95,013</u>	<u>109,403</u>	<u>212,866</u>	<u>228,626</u>

(ii) Weighted-average number of ordinary shares (thousands)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Issued ordinary shares on January 1	283,009	269,920	283,009	268,901
Convertible Bonds payable convert into common stock	<u>-</u>	<u>7,696</u>	<u>-</u>	<u>4,867</u>
Weighted-average number of ordinary share on June 30	<u>283,009</u>	<u>277,616</u>	<u>283,009</u>	<u>273,768</u>

2. Diluted earnings per share

(i) Profit attributable to ordinary shareholders of the Company (diluted)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Profit attributable shareholders of the Company (basic)	\$ 95,013	109,403	212,866	228,626
Convertible bonds payable	<u>-</u>	<u>554</u>	<u>-</u>	<u>1,430</u>
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>95,013</u>	<u>109,957</u>	<u>212,866</u>	<u>230,056</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(ii) Weighted-average number of ordinary shares (diluted / thousands)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Weighted-average number of ordinary shares (basic)	283,009	277,616	283,009	273,768
Effect of conversion of convertible notes	-	5,616	-	9,369
Effect of employee stock bonuses	-	3,183	-	3,709
Effect of employee stock remuneration	<u>997</u>	<u>-</u>	<u>2,262</u>	<u>-</u>
Weighted-average number of ordinary shares (diluted) on June 30	<u>284,006</u>	<u>286,415</u>	<u>285,271</u>	<u>286,846</u>

(m) Remuneration to employees, directors and supervisors

According to the Company's articles, if there is annual pre-tax income (pre-tax income before deducting employees, directors' and supervisors' remuneration), the Company should appropriate 6%~10% as employee remuneration distributed as stock or cash, with at least 67% (two-third) of board of directors attendance in the board meeting and 50% of those directors' approval before reporting to stockholders' meeting and distributing to qualified employees. Supervisor and board of directors' remuneration should be less than 2.5% of pre-tax income, but shall first be offset against any deficit.

The Company estimated and recognized its employee remuneration of \$10,216, \$11,824, \$22,840 and \$24,696 and directors' and supervisors' remuneration of \$2,554, \$2,956, \$5,710 and \$6,174 for the three and the six months ended June 30, 2016 and 2015, respectively, as operation expenses. The employees, directors' and supervisors' remuneration were estimated based on a percentage of income before tax for the period ended after deducting employees, directors' and supervisors' remuneration. Differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in the distribution years.

The Company, as actually distributed, recognized employee remuneration, and directors' and supervisors' remuneration of \$51,096 and \$12,774, respectively. There were no difference between the related information and the 2015 consolidated financial statement, and the related information can be accessed from the Market Observation Post System.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(n) Financial instruments

Except as described below, there were no significant changes in the Group's fair value of financial instruments exposed to credit risk. Please refer to the information of the consolidated financial statements December 31, 2015.

1. Liquidity risk

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

	Carrying Amount	Contractual cash flows	Within a year	1 ~ 2 years	2 ~ 5 years	Over 5 years
June 30, 2016						
Non-derivative financial liabilities						
Unsecured loans	\$ 7,210,999	(7,210,999)	(7,210,999)	-	-	-
Commercial paper, net	469,091	(470,000)	(470,000)	-	-	-
Notes and accounts payable	3,225,751	(3,225,751)	(3,225,751)	-	-	-
Other payables and dividends payable	590,447	(590,447)	(590,447)	-	-	-
Derivative financial liabilities						
Financial liabilities measured at fair value through profit or loss:						
Forward exchange contracts	86	-	-	-	-	-
Outflow	-	(64,480)	-	-	-	-
Inflow	-	64,394	-	-	-	-
	<u>\$ 11,496,374</u>	<u>(11,497,283)</u>	<u>(11,497,197)</u>	<u>-</u>	<u>-</u>	<u>-</u>
December 31, 2015						
Non-derivative financial liabilities						
Unsecured loans	\$ 6,606,575	(6,606,575)	(6,606,575)	-	-	-
Short-term notes and bills payable, net	469,165	(470,000)	(470,000)	-	-	-
Accounts payable	3,356,702	(3,356,702)	(3,356,702)	-	-	-
Other payables	203,746	(203,746)	(203,746)	-	-	-
	<u>\$ 10,636,188</u>	<u>(10,637,023)</u>	<u>(10,637,023)</u>	<u>-</u>	<u>-</u>	<u>-</u>
June 30, 2015						
Non-derivative financial liabilities						
Unsecured loans	\$ 5,407,101	(5,407,101)	(5,407,101)	-	-	-
Commercial paper, net	359,742	(360,000)	(360,000)	-	-	-
Notes and accounts payable	3,440,375	(3,440,375)	(3,440,375)	-	-	-
Other payables and dividends payable	745,293	(745,293)	(745,293)	-	-	-
Convertible bonds payable	95,857	(97,300)	(97,300)	-	-	-
Derivative financial liabilities						
Financial liabilities measured at fair value through profit or loss:						
Forward exchange contracts:	329	-	-	-	-	-
Outflow	-	(31,242)	-	-	-	-
Inflow	-	30,913	-	-	-	-
	<u>\$ 10,048,697</u>	<u>(10,050,398)</u>	<u>(10,050,069)</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

The Group is not expecting that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

2. Currency risk

(i) Exposure to currency risk

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

	June 30, 2016			December 31, 2015			June 30, 2015		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets-									
Monetary items									
USD	\$ 128,442	USD/NTD 32.335	4,153,163	140,864	USD/NTD 32.86	4,628,789	128,364	USD/NTD 30.97	3,975,429
USD	3,471	USD/CNY 6.5216	112,235	1,513	USD/CNY 6.3796	49,719	304	USD/CNY 6.1125	9,406
Financial liabilities-									
Monetary items									
USD	128,733	US\$/NTD 32.335	4,162,573	110,834	US\$/NTD 32.86	3,642,006	88,034	US\$/NTD 30.97	2,726,402
USD	24,811	USD/CNY 6.5216	802,269	17,257	USD/CNY 6.3796	567,065	43,509	USD/CNY 6.1125	1,347,475

(ii) Currency risk sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and account receivables, other receivables, loans and borrowings, notes and accounts payables and other payables that are denominated in foreign currency. A change of 5% in the exchange rate of NTD or CNY against USD as of June 30, 2016 and 2015 would have increased (decreased) the net profit before tax as follows. The analysis is performed on the same basis for both periods.

	Six months ended June 30, 2016	Six months ended June 30, 2015
USD (against the TWD)		
Strengthening 5%	\$ (471)	62,451
Weakening 5%	471	(62,451)
USD (against the CNY)		
Strengthening 5%	(34,502)	(66,903)
Weakening 5%	34,502	66,903

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(iii) Exchange gains and losses of monetary items

As the Group deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the six months ended June 30 2016 and 2015, the foreign exchange gain or loss, including both realized and unrealized, amounted to \$9,506 and \$25,218, respectively.

(iv) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

	Carrying amount	
	June 30, 2016	June 30, 2015
Variable rate instruments:		
Financial assets	\$ 1,786,566	2,169,826
Financial liabilities	(7,210,099)	(5,407,101)

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

If the interest rate had increased or decreased by 0.25%, the net profit before tax would have decreased or increased by \$6,779 and \$4,047 for the six months ended June 30, 2016 and 2015, respectively, which would be mainly resulting from demand deposits, and bank borrowings with variable interest rates.

3. Fair value

(i) The kinds of financial instruments and fair value

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

	Carrying amount	June 30, 2016			Total
		Level 1	Fair value Level 2	Level 3	
Financial assets measured at fair value through profit or loss:					
Open-end mutual funds	\$ 35,776	35,776	-	-	35,776
Public offering shares	896	896	-	-	896
Forward exchange contracts	21	-	21	-	21
Financial assets available for sale – non – current	2,143	2,143	-	-	2,143
Financial assets carried at cost – non – current	68,156	-	-	-	-
Loans and receivables:					
Cash and cash equivalents	\$ 2,224,438	-	-	-	-
Notes and accounts receivables	5,989,336	-	-	-	-
Other receivables	269,564	-	-	-	-
Refundable deposits	<u>71,787</u>	-	-	-	-
	\$ <u>8,662,117</u>				
Financial liabilities measured at fair value through profit or loss:					
Forward exchange contracts	\$ (86)	-	(86)	-	(86)
Amortized financial liabilities at cost:					
Short-term loans	(7,680,090)	-	-	-	-
Notes and accounts payable	(3,225,751)	-	-	-	-
Other payables and dividends payable	<u>(590,447)</u>	-	-	-	-
	\$ <u>(11,496,374)</u>				
	Carrying amount	December 31, 2015			Total
		Level 1	Fair value Level 2	Level 3	
Financial assets measured at fair value through profit or loss:					
Open-end mutual funds	\$ 35,717	35,717	-	-	35,717
Public offering shares	1,068	1,068	-	-	1,068
Financial assets available for sale – non – current	1,914	1,914	-	-	1,914
Financial assets carried at cost – non – current	71,053	-	-	-	-
Loans and receivables:					
Cash and cash equivalents	2,403,776	-	-	-	-
Notes and accounts receivables	6,320,091	-	-	-	-
Other receivables	292,167	-	-	-	-
Refundable deposits	<u>71,093</u>	-	-	-	-
	\$ <u>9,196,879</u>				
Amortized financial liabilities at cost:					
Short-term loans	\$ (7,075,740)	-	-	-	-
Notes and accounts payable	(3,356,702)	-	-	-	-
Other payables	<u>(203,746)</u>	-	-	-	-
	\$ <u>(10,636,188)</u>				

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

	Carrying amount	Level 1	June 30, 2015		Total
			Fair value	Level 3	
			Level 2		
Financial assets measured at fair value through profit or loss:					
Open-end mutual funds	\$ 51,084	51,084	-	-	51,084
Public offering shares	847	847	-	-	847
Financial assets available for sale – non – current	2,441	2,441	-	-	2,441
Financial assets carried at cost – non – current	77,088	-	-	-	-
Loans and receivables:					
Cash and cash equivalents	2,689,585	-	-	-	-
Notes and accounts receivables	5,237,888	-	-	-	-
Other receivables	244,563	-	-	-	-
Refundable deposits	70,349	-	-	-	-
	<u>\$ 8,373,845</u>				
Financial liabilities measured at fair value through profit or loss:					
Forward exchange agreement	\$ (329)	-	(329)	-	(329)
Amortized financial liabilities at cost:					
Short-term loans	(5,766,843)	-	-	-	-
Notes and accounts payable	(3,440,375)	-	-	-	-
Other payables and dividends payable	(745,293)	-	-	-	-
Convertible bonds payable-could be repaid within a year	(95,857)	-	(96,337)	-	(96,337)
	<u>\$ (10,048,697)</u>				

There were no transfers from level 2 to level 1 in the six months ended June 30, 2016 and 2015.

(ii) Fair value valuation technique of financial instruments measured at fair value

A. Non-derivative financial instruments

If the financial instrument has a public quoted price in an active market, the public quoted price will be determined as the fair value. The measurements on fair value of the financial instruments without an active market are determined using the valuation technique or the quoted market price of its competitors. Fair value measured using the valuation technique can be extrapolated from similar financial instruments, discounted cash flow method, or other valuation techniques which include the model used in calculating the observable market data at the consolidated balance sheet date.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

B. Derivative financial instruments

Measurement of fair value of derivative instruments is based on the valuation techniques that are generally accepted by the market participants. For instance, discount method or option pricing models. Fair value of forward currency exchange is usually determined by using the forward currency rate.

(o) Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the note 6(p) of consolidated financial statements December 31, 2015.

(p) Capital management

The Group's objectives, policies and procedures of capital management are consistent with those disclosed in the consolidated financial statements as of and December 31, 2015. In addition, there were no significant differences between the summary quantitative data of the items of capital management in the consolidated financial statements and those disclosed in the consolidated financial statements as of and December 31, 2015. Please refer to note 6(q) of the consolidated financial statements December 31, 2015 for related information.

(7) Related-party transactions

(a) Other related party transactions

1. Sale of goods to related parties

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

	Three months ended		Six months ended	
	June 30,2016	June 30,2015	June 30,2016	June 30,2015
Other related-parties	\$ <u>4</u>	<u>4,619</u>	<u>12</u>	<u>9,671</u>

There were no significant differences in terms of collection and pricing on sales to related parties and other customers. The collection period was approximately 30 days after the sales date.

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

2. Purchase of goods from related parties

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

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Other related-parties	\$ <u> -</u>	<u> -</u>	<u> -</u>	<u> 923</u>

There were no significant differences in purchase prices for related parties and other suppliers. The payment period was approximately 30 days after the date of purchase.

3. Processing fee and consultancy fees from Related Parties

Other related parties was commissioned to provide processing services and consulting services for the Group. The amounts of transactions between the Group and related parties were as follows:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Other related-parties	\$ <u> 1,956</u>	<u> 4,714</u>	<u> 3,897</u>	<u> 7,914</u>

4. Leased

The Group leased assets to related parties comprised was as follows:

	Rental income			
	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Other related- parties	\$ <u> 298</u>	<u> 1,458</u>	<u> 596</u>	<u> 2,321</u>

The Group leased a portion of its building to its related parties for office use purposes. The rental is collected monthly.

5. Receivable due from relate parties

Account	Related party categories	June 30, 2016	December 31, 2015	June 30, 2015
Notes and accounts receivable	Other related parties	\$ <u> -</u>	<u> 5,335</u>	<u> 3,620</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

6. Payable to related parties

Account	Related party categories	June 30, 2016	December 31, 2015	June 30, 2015
Other payable	Other related parties	\$ <u>576</u>	<u>631</u>	<u>1,539</u>

(b) Transactions with key management personnel

Key management personnel compensation comprised as below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Short-term employee benefits	\$ 31,200	31,752	64,101	64,949
Post-employment benefits	<u>231</u>	<u>232</u>	<u>463</u>	<u>464</u>
	\$ <u>31,431</u>	<u>31,984</u>	<u>64,564</u>	<u>65,413</u>

(8) Pledged assets

The carrying values of pledged assets were as follows:

Pledged assets	Pledged to secure	June 30, 2016	December 31, 2015	June 30, 2016
Other non-current assets	Guarantee for court	\$ <u>-</u>	<u>2,962</u>	<u>3,106</u>

(9) Significant commitments and contingencies

As of June 30, 2016, and December 31 and June 30, 2015, the balance of L/Cs for customs and the purchase of merchandise amounted to \$426,188, \$482,040 and \$487,550, respectively.

(10) Losses due to major disasters: None

(11) Significant subsequent events: None

(12) Other

(a) The followings are the summary statement of current period employee benefits, depreciation and amortization expenses by function:

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WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

By function By item	Three months ended June 30, 2016	Three months ended June 30, 2015
	Classified as Operating expenses	Classified as Operating expenses
Employee benefits		
Salary	220,935	209,783
Labor and health insurance	18,824	17,717
Pension	17,419	16,557
Others	11,349	10,227
Depreciation	4,834	4,395
Amortization	1,616	2,096

By function By item	Six months ended June 30, 2016	Six months ended June 30, 2015
	Classified as Operating expenses	Classified as Operating expenses
Employee benefits		
Salary	444,145	421,850
Labor and health insurance	37,134	36,161
Pension	34,901	32,950
Others	18,809	17,715
Depreciation	9,632	8,780
Amortization	3,287	4,210

(b) Seasonality of interim operations:

The operation of the Group is not subject to seasonal fluctuations.

(13) Operating segments information

The Group's operating segment information and reconciliation were as follows:

	Three months ended June 30, 2016			Total
	Electronic components segment	Peripheral equipment segment	Adjustment & elimination	
Revenue				
Revenue from external customers	\$ 9,715,947	423,840	-	10,139,787
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 9,715,947</u>	<u>423,840</u>	<u>-</u>	<u>10,139,787</u>
Reportable segment profit	<u>\$ 263,801</u>	<u>11,152</u>	<u>-</u>	274,953
Generally administrative expense				(112,228)
Operating income				<u>\$ 162,725</u>
Reportable segment assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

WEIKENG INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

	Three months ended June 30, 2015			
	Electronic components segment	Peripheral equipment segment	Adjustment & elimination	Total
Revenue				
Revenue from external customers	\$ 8,342,939	762,819	-	9,105,758
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 8,342,939</u>	<u>762,819</u>	<u>-</u>	<u>9,105,758</u>
Reportable segment profit	<u>\$ 228,106</u>	<u>18,825</u>	<u>-</u>	246,931
Generally administrative expense				(99,757)
Operating income				<u>\$ 147,174</u>
Reportable segment assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Six months ended June 30, 2016			
	Electronic components segment	Peripheral equipment segment	Adjustment & elimination	Total
Revenue				
Revenue from external customers	\$ 18,637,034	940,153	-	19,577,187
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 18,637,034</u>	<u>940,153</u>	<u>-</u>	<u>19,577,187</u>
Reportable segment profit	<u>\$ 509,148</u>	<u>24,416</u>	<u>-</u>	533,564
Generally administrative expense				(210,114)
Operating income				<u>\$ 323,450</u>
Reportable segment assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Six months ended June 30, 2015			
	Electronic components segment	Peripheral equipment segment	Adjustment & elimination	Total
Revenue				
Revenue from external customers	\$ 16,578,518	1,515,876	-	18,094,394
Intersegment revenues	-	-	-	-
Total revenue	<u>\$ 16,578,518</u>	<u>1,515,876</u>	<u>-</u>	<u>18,094,394</u>
Reportable segment profit	<u>\$ 488,924</u>	<u>40,380</u>	<u>-</u>	529,304
Generally administrative expense				(197,235)
Operating income				<u>\$ 332,069</u>
Reportable segment assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>